

# EIR

Executive Intelligence Review

January 31, 2003 Vol. 30 No. 4 [www.larouhepub.com](http://www.larouhepub.com) \$10.00

LaRouche Youth Tackle States' Financial Crisis  
Is Africa's AIDS Crisis Just the Beginning?  
Bankrupt, IMF Blinked in Showdown with Argentina

**Showdown Over Principle:  
War Is Not Inevitable**





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

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0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

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

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prohibited. Periodicals postage paid at Washington D.C.,  
and at an additional mailing offices.  
Domestic subscriptions: 3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10

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

## From the Associate Editor

‘So what’s wrong with free trade and deregulation?’ many people ask *EIR*. “It makes the products I want to buy cheaper. I can get a shirt at KMart, made in Guatemala, for \$10, which would cost me \$40 if it were made in the United States. Isn’t that good for the economy?”

One small problem: Your local KMart just closed down. The people who worked there are unemployed, no longer able to pay taxes (same for the seamstress in Guatemala). Your state legislature is cutting its budget, your local hospital closes, and the schools go on a four-day week.

Almost every article in this week’s issue documents what’s wrong with free trade, and why the current system must be replaced. In every single case, you can see how Lyndon LaRouche intervened—years ago—to say what would happen if we continued on the road to deregulation; LaRouche was ignored (or worse); and now, what he forecast has occurred.

Our *History* feature presents a conceptual overview of the fight between the British free-trade system (cheap labor, slavery), and the American protectionist system (which holds the quality and productivity of labor to be the source of social wealth).

In *Argentina*, the free-trade policy has resulted in the bankruptcy of the nation. In *California*, the Public Utilities Commission voted to reverse the disastrous nine-year “experiment” with electricity deregulation. The *AIDS crisis*, as LaRouche forecast in 1985, has reached global pandemic proportions, as a direct result of governments’ failure to act in a dirigist manner. In *Southeast Asia*, nations are reaching the conclusion that the IMF way is the way to disaster. In *Poland* and *Georgia*, where people are still clinging to free-trade doctrines, the economic collapse of the past decade is breathtaking. And the *U.S. healthcare system*, one of the best in the world, is breaking up.

Will the insane drive to war against Iraq be held up long enough, for the economic crisis to force it off the agenda? Our cover package documents the growing determination of the opponents of war, especially in Europe. Next week, we’ll have major strategic developments to report, with respect to two State of the Union speeches, and a two-week visit to India by Lyndon and Helga LaRouche.



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*French President Jacques Chirac (left) and German Chancellor Gerhard Schröder on Jan. 23. They marked the 40th anniversary of their nations' alliance after World War II, by firmly opposing an Iraq war. The plaque behind them shows President Charles de Gaulle and Chancellor Konrad Adenauer, who signed the Elysée Treaty in 1963.*



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## IMF Blinks in Argentina Showdown, All Eyes on Brazil

by Cynthia R. Rush

After almost a year of negotiations with Argentina, the International Monetary Fund announced on Jan. 16 that it had decided to grant a “transitional” agreement to that government—not to include any fresh funds, but to simply roll over the \$6.6 billion it has coming due through August of this year (plus another \$5 billion already paid in 2002). Acrimonious talks between the two teams of negotiators had gone down to the wire. The government of Eduardo Duhalde had a \$1 billion payment to the Fund due on Jan. 17, and threatened to default on it, just as it had defaulted on earlier payments to the World Bank and the Inter-American Development Bank (IADB) in November and December.

Finance Minister Roberto Lavagna had warned that Argentina wouldn’t touch any of its \$10 billion in reserves to pay multilateral lenders, unless the Fund publicly announced that an agreement had been reached to let Argentina “repay” the IMF and others with money it would immediately be “lent” by the same creditors. Hardly a model of the leader Argentina needs in this crisis, President Eduardo Duhalde nonetheless stuck to his guns, taking advantage of the fact that the IMF’s credit rating—and its very existence—might have been jeopardized had his country defaulted. He insisted that taking the reserves would place it in an untenable situation, depriving it of funds for more pressing needs.

Why did the IMF blink? Its farcical attempt to maintain the fiction that Argentina’s \$220 billion in non-performing foreign obligations is really performing—i.e., a creditors’ asset—is related entirely to the bankrupt status of the world monetary system, and most immediately, to neighboring Brazil’s gigantic, and highly unstable, \$500 billion debt bubble. The fear was that an Argentine default to the IMF, and subsequent damage to the financially precarious World Bank and IADB, would have set off an uncontrollable chain reaction

that could have brought down the whole system.

Had the decision been up to IMF Managing Director Horst Köhler, there would have been no announcement. Together with Deputy Managing Director Anne Krueger and Western Hemisphere Division Chief Anoop Singh, Köhler had ruthlessly badgered Argentina for a year, demanding a “sustainable economic program,” a “political consensus” for deeper austerity measures, greater “fiscal responsibility” from provincial governments, and a host of other policies impossible to impose. Their demands coincided with the horrific news of children dying of starvation—because of IMF policies already implemented—in one of the world’s premier agricultural producers; a tragedy which continues to occur. As late as Jan. 13, when the Argentines were expecting an announcement at any moment, Krueger—“Iron Lady” to the Argentines—delayed it, demanding “review” of monetary provisions which Lavagna said had already been resolved.

### Higher Stakes

But ultimately, the decision didn’t rest with Köhler, Krueger, or the IMF’s top managers, but with the governments of the Group of Seven industrialized nations, whose leaders decided that the implications of a showdown were too risky. Ibero-America is wracked by ever-expanding political and financial volatility. Venezuela’s “left-right” political turbulence threatens to spread to other countries, Bolivia most immediately. The Mexican, Venezuelan, and Chilean currencies are plummeting vis à vis the dollar, which is itself plunging on international markets. Uruguay and Paraguay face probable debt defaults. There is already talk that Mexico will soon be “another Argentina.” So, a tight-lipped Horst Köhler issued his Jan. 16 statement recommending approval of the transitional program for Argentina, while warning that the



President Eduardo Duhalde (third from right) meets with leaders of the CGT, the Argentine trade union federation. Neither he nor the next President can impose more austerity on the desperate country, as the IMF demanded for a year. The battle now shifts to Brazil.

program “involves exceptional risks to the Fund,” whose implications “for Argentina, the region, and for the Fund itself,” should be weighed “carefully.”

Immediately, Argentina paid the \$1 billion to the Fund—a day before the deadline—and has since paid another \$1.5 billion to the World Bank and IADB together. The payments have all come out of its reserves, with the expectation they will be reimbursed when the IMF Board approves the program within a few days.

The announcement was greeted with howls of rage from various corners of Wall Street and London, as creditors, speculators, and other financial sharks screamed “blackmail.” How could the IMF make such an agreement, without obtaining a commitment to impose a “serious economic reform plan?” cried the *Washington Post* in its Jan. 20 editorial. Crédit Suisse-First Boston executive Lacey Gallagher complained that Argentina hadn’t offered a “sustainable program. . . . I don’t think it helps the Fund or Argentina, to get a program without a clear purpose other than to roll over the Fund’s own credits.” The *Wall Street Journal*’s Mary Anastasia O’Grady, foaming at the mouth as is her style, called her Jan. 17 article “After This Week, Why Would Anyone Trust Argentina?” The Duhalde government has “cheated” the system, broken “the rule of law,” and “jerked around” the IMF. Until it follows the “rules,” she raved, Argentina “is doomed to underdeveloped-country mediocrity.”

A few analysts came closer to admitting that the real worry was the future of the global financial system. London’s *Financial Times* noted on Jan. 23 that some of the G-7 countries had backed the Argentina deal “out of fear for the health of the international financial institutions, and the knock-on

effects on other borrowers if Argentina defaulted.” The military-linked Stratfor news agency reported that both the IMF and Argentina were spared “the specter of another default. . . . That’s a point not lost on the IMF. It’s one thing for private investors to have to write down their assets; quite another when the world’s banker of last resort is forced to do so.”

But none dared agree with Democratic Presidential pre-candidate Lyndon LaRouche, that this global financial meltdown is so advanced that the IMF loses either way. If it succeeds in imposing its austerity policies on Argentina and Brazil, LaRouche has noted, those nations will collapse and bring down the IMF with them. But if Argentina and Brazil repudiate IMF policies, that will also bring down the IMF, and that is the simple reality.

### **There Is No ‘Stability’**

Meanwhile, the deal that the G-7 rammed through for Argentina may be much more “transitional” than anyone thought. The IMF’s expressed hope is that the program will get the country through April’s scheduled Presidential elections and the installation of a new President on May 25. Then, a different kind of agreement will supposedly be possible with a more “stable” Argentina, in which the austerity dictates that the Duhalde government can’t impose today can be rammed through.

But Argentina’s economy may not make it to April or May. There is nothing in the IMF deal that addresses the destruction of its physical economy or the desperate poverty of its population; nor is there any basis for the “recovery” the government is stupidly predicting.

As for Brazil, its “stability” is equally fictional. New President Luiz Inácio Lula da Silva is attempting to do the impossible, by simultaneously maintaining IMF austerity policies—to keep his promise of paying the foreign debt on time—and vowing to address his country’s vast social needs, which means repudiating IMF policy. The pressures from both sides are building very rapidly, and will come to a head in April and May of this year, when Brazil must make enormous debt payments, and Lula must produce positive results for the large majority of Brazilians who voted for him.

The insanity of this policy course is seen in the ridiculous spectacle of Lula traveling to Davos, Switzerland to speak at the annual meeting of the world’s top financial oligarchs, the World Economic Forum, right after speaking at the meeting of the World Social Forum in Pôrto Alegre, Brazil, the Jacobin “anti-globalization” movement run by the same Davos oligarchy. He will quickly discover that he can’t have one foot in each camp and also survive as President of Brazil.

# LaRouche Youth Are Changing the Rules As State Capitals Face Economic Crisis

by Paul Gallagher

The 50-year record budget catastrophes and cuts ravaging every American state's budget and economy, are now "major media news" during the Winter legislative sessions of 2003. The states' combined budget deficits for the current year are now acknowledged to be in the \$90-100 billion range, a meltdown of a speed and scope never imagined before on this level, where budgets "must be balanced, by law."

However, *EIR* began reporting that story when major media could not conceive of it, in March 2001—two years ago—after Presidential pre-candidate Lyndon LaRouche told a meeting of state legislators to expect "a 30% decline in your tax revenues over the coming period." Now that LaRouche's forecast is confirmed, the important story is—again—not the "big news story." It is not the dreary Depression debates of shell-shocked governors and legislators over vital programs to axe, and new taxes to impose; but the invasion of state capitals by larger and larger delegations of the LaRouche Youth Movement, demanding the state officials act with LaRouche on the whole crisis, "FDR-style," and solve it.

The surprise Jan. 18 decision by California's government to end electricity deregulation (see accompanying article),

and the call for FDR-modelled recovery measures by that state's Treasurer (*EIR*, Jan. 24) come after a two-year mass-organizing and lobbying mobilization by the growing West Coast LaRouche Youth Movement, repeatedly invading Sacramento and Washington's capital, Olympia. The movement has also hit the Pennsylvania, Virginia, Michigan, New Jersey, and Maryland capitals during their sessions in January, and more students and other youth are being recruited to the mobilization with each passing week. Congress will again be their target after President Bush's, and LaRouche's, State of the Union broadcasts on Jan. 28.

Theirs is no ordinary "lobbying." They meet *en masse* with state officials or staffs, in halls, offices, or capital plazas, insisting that the legislators stop passing murderous cuts and take responsibility for the *national* economic depression, getting the President and Congress to move on a "Super TVA" to create credit, infrastructure, jobs, and revenue for the states—as proposed by candidate LaRouche in November 2002. They blanket the state capitals with leaflets and programmatic pamphlets as they go—and they will not take, "We're only doing this until a recovery comes," for an answer.

At all public hearings attended by the youth, a Grim Reaper figure somehow appears and reappears, reminding all who see him that they are doing his work, when they slash hospital funds, Medicare and indigent health insurance, lay off state employees, curtail school weeks and school lunches, etc. Their sessions with buttonholed legislators or even governors are brief and polemical; they are not seeking "agreement," but to change the officials' axioms—from denying the depth of the crisis even as it shakes them like rag dolls, to taking action to confront it. Their measures are LaRouche's: bankruptcy reorganization and protection; suspension of all "deregulation" laws; bankruptcy reorganization; "Super TVA" credits for infrastructure renewal, employment, and revenue.

## Mobilization Began in California

In California, the youth mobilization began two years ago, with a late January 2001 speech by candidate LaRouche to the early recruits to his youth movement, in a meeting at the Salton Sea, in



*LaRouche youth movement campaign activists gathered for an intervention into the New Jersey legislative session in Trenton. State officials, facing the worst crisis in memory, are being shaken out of their "pragmatic" discussions of cuts and taxes.*

which he told them they would have to save the state—and the nation—from Enron and the energy deregulation catastrophe. The speech became a mass campaign pamphlet by early February, then a second *Defend the General Welfare* pamphlet. Both were massively distributed while the youth and leading LaRouche representatives began to hit Sacramento, amid power blackouts and incredible electricity price spikes. LaRouche made his famous “put the toothpaste back in the tube” speech on re-regulation in late February (see below); the youth movement accelerated its mobilization West Coast-wide.

By late April, LaRouche West Coast leaders had lengthy meetings with California government advisers, and on May 1, a large campaign-sponsored Los Angeles town meeting broke testimony from an electrical workers’ union leader on deliberate withholding of available power by the energy pirate companies.

Between May 3 and mid-May, actions were taken by the California governor’s office, the legislature, and the state Attorney General’s office against Enron, Reliant, et al., including testimony from the Governor’s representative in Washington, D.C. which charted the energy company’s criminal frauds and “gaming of the market.” The first actions by state and even Federal regulators followed. By the end of May, there was a dramatic and sudden drop in the wholesale price of energy in California, by an order of magnitude almost overnight. Simultaneously began the plunge of Enron Co. stock from \$60-80 a share, down to zero in November, and the bankruptcy of the company which LaRouche had called for in January.

## Let LaRouche Speak

The lesson learned that truth, courage, and ideas can move governmental power for the general good in a crisis, spurred 18 months more of recruitment and aggressive mobilization by the youth movement, which spread nationally.

Characteristically, lawmakers and aides try to bring discussions of the financial and economic crisis down to the level of the “practical.” But when the young organizers insist on the principle of the general welfare—one group told a Pennsylvania legislator, “We’re starting with the Preamble to the Constitution! People died in the American Revolution to get the general welfare principle”—the message often gets through. Amid the panic characterizing the emergency budget sessions, most legislators are impressed by the new reality: “LaRouche has a real *youth* movement—that’s good!” as one Virginia delegate put it, and extended a “two-minute” meeting into a much longer one. Just the young LaRouche activists’ boldness and command of the situation can result—as in Michigan on Jan. 14—in meetings with the Governor, Lieutenant Governor, several leading members of the House and Senate, and Black Caucus leaders. A major objective, is invitations to the Presidential candidate himself to address state legislative sessions on the crisis.

# California Reverses Electric Deregulation!

by Marsha Freeman

California’s Public Utilities Commission (PUC) voted 5-0 on Jan. 16 to close the book on the state’s disastrous “experiment” of deregulating its electric utility industry, which began in April 1994. Nine years ago, the Commission, then including none of its current members, promulgated an order that consumers should have a “choice” of electricity suppliers, supposedly to lower prices through competition. The “re-regulation” vote is an economic paradigm-shift with national importance and impact.

The California legislature, suckered by promises from Enron that electric rates in California would fall by as much as 50% under “competition,” had voted unanimously in 1996 to end the nearly century-old regulatory compact between privately-owned utility companies and the citizens of the state, which had been implemented by the state Railroad Commission in 1912. Reliable, regulated energy had enabled California to attain one of the highest economic growth rates in the nation. Instead, the lifeblood of its economy was handed over to the “magic of the marketplace.”

The results are known worldwide. Citizens and businesses suffered through 38 days of blackouts and service interruptions in 2000 and 2001. Prices skyrocketed, driving the largest utility in the state, Pacific Gas & Electric, into bankruptcy. A study released on Jan. 15 by the Public Policy Institute of California estimates that the energy crisis cost the state as much as *\$45 billion* in higher electricity costs, lost business, and slower economic growth. The state’s utilities were downgraded to “junk” rating by Wall Street credit agencies and are unable to raise capital to build new capacity. And the state budget is in the hole for nearly \$10 billion, simply stolen by “new economy” magicians who made California’s energy supply nearly disappear.

While the crisis unfolded in Winter 2000-01, Lyndon LaRouche’s campaign mobilized nationwide around his call for the total re-regulation of California’s utility industry and the bankrupting of Enron and the other “energy pirates.” Pushed by that mobilization, Gov. Gray Davis (D), the legislature, and the Commission began in May 2001 to take steps to reverse deregulation: shutting down the speculation-based state spot market; entering into long-term, fixed-price contracts with suppliers; and reasserting the responsibility of the state to protect the welfare of the population. As to re-regulation, LaRouche’s representatives were told, “You can’t put

the toothpaste back in the tube.”

That is now being done, in California, and in other states.

### **‘An Expensive Public Policy Mistake’**

At the Jan. 16 PUC meeting, Commissioner Carl Wood described California’s experience with electricity deregulation as “a disaster for ratepayers, utilities, and their employees.” It is appropriate for the Commission to close its proceedings on deregulation, Wood stated, because “no amount of tinkering with market design can fix the problem. It is inherent in any market system for electric generation.”

This “most expensive public policy mistake in the history of California,” he stated, was the result of the earlier Commission’s “almost religious belief in market forces, rather than regulation.” The experiment cost Californians \$20 billion more for power in each of 2000 and 2001, above the cost of 1999, he reported.

Commissioner Wood also scolded policymakers, saying that what happened “was not only predictable, it was predicted.” Between 1994, when the first deregulation steps were taken, and 1999, when he was appointed to the PUC, Carl Wood was the Secretary of the Coalition of California Utility Employees (CUE), which had been formed to try to protect utility workers from the coming onslaught of deregulation.

As the unions had expected, Wood said at the meeting, “deregulation stripped the utilities and their customers of a valuable asset—thousands of the most experienced employees.” Workforce levels were reduced by an average of 35%, he reported, as utilities were forced to sell their generating capacity to out-of-state power conglomerates, interested only in making money, not in the integrity of the electricity grid system. Overall, the “blind faith in the market caused a previously unheard of degradation in reliability,” Wood stated. This was due, in part, to the dramatic reduction in maintenance staff, which increased plant outages. It was also the result of the merchant generators making decisions to run the plants only when they could get the best price for the power, regardless of when the power was needed.

### **‘Fundamental Problem Is the Market Itself’**

A study released in September 2002 by the PUC documented in exacting, hour-by-hour and plant-by-plant detail, that the state’s five largest independent generators—Duke, Mirant, Dynegy, Reliant, and AES-Williams—held back electricity to create an artificial shortage and higher prices, causing 38 blackouts and service interruptions, between November 2000 and May 2001. The PUC report outlines California’s new steps to monitor power plant outages, and to penalize companies that do not produce electricity when needed, in order to ensure reliability. It also lists the enforcement steps that must be taken by the Federal Energy Regulatory Commission (FERC) in Washington; FERC has usurped regulatory power of the states by executive *fiat*, through “rule-making.”

After the California Public Utilities Commission promulgated its first deregulation rules on April 20, 1994, Carl Wood’s Coalition of California Utility Employees (CUE) submitted comments to the Commission that June 8. Commissioner Wood, at the Jan. 16, 2003 Commission meeting, summarized CUE’s opposition to deregulation back then. Even without anticipating the super-manipulation of the market by schemes like “Death Star” exposed in Enron’s collapse, CUE warned that the Commission’s deregulation order “does not consider other, universally accepted, features of competitive markets.” One of those is the “disequilibrium” caused by relying on “supply and demand,” in an industry where meeting demand requires up to a decade of lead time to put new capacity on line.

“Although poorly designed market rules or the exercise of market power may have exacerbated the impacts of a tight supply,” Wood stated at the meeting, “the fundamental problem is inherent in the market itself. If subject to only market forces, electric generation will exhibit boom and bust cycles.”

If demand outstripped supply, the only way new capacity would be built would be if prices rose, as an incentive for the “market.” Reliability would suffer until the “disequilibrium” were corrected. Such catch-up could take years. If there were to be an “oversupply,” the idling of plants and layoff of workers would jeopardize the future of the grid system. Wood stated that not only the union coalition, but other economists, had predicted what California has experienced over the last three years, but the Commission “blindly ignored” such warnings, “in favor of a naive and simplistic belief in ‘competition.’ ”

The 1920s history of the electric utility industry proved that the “market” would simply be a vehicle for the large-scale speculation and looting of the financial and physical infrastructure of the industry without regulation; it had been eliminated with the reforms of the 1930s, under President Franklin Roosevelt.

California is still waging a fight to recoup the nearly \$9 billion looted from its citizens by the energy conglomerates; to renegotiate the long-term contracts that are set at considerably higher prices than the going rate for electricity; to jail those responsible for the crisis; and to force Federal regulators to re-regulate, as they themselves are. And California is not alone in this paradigm-shift. Numerous states have put deregulation on hold, and others have decided not to even give it a try. Now, some states are talking about a roll-back from deregulation: “putting the toothpaste back in the tube.”

### **An Anti-Deregulation Bandwagon**

Learning from the California debacle, Arkansas, New Mexico, Oklahoma, and West Virginia, which had passed deregulation laws, have delayed implementing them. Eighteen states have dropped consideration of such legislation, and eight are still studying the issue.

On Jan. 12, the *Orlando Sentinel* carried a headline, “Flor-

ida Deregulation Up in Smoke, Power Companies Move On.” Writer Christopher Boyd reported that regardless of how hard Gov. Jeb Bush pushed, “a year after the movement to reshape Florida’s electricity market collapsed,” those who “want to trade kilowatts like pork bellies concede it won’t happen any-time soon.” Boyd quotes Florida Power & Light spokesman Bill Swank: “We have rates that are below the national average, and reserve margins of electricity, which is the result of the Florida regulatory climate.”

Other states, that have already started down the slippery slope, are considering how they can turn back. At the end of 2002, the Virginia State Corporation Commission (SCC) released a 32-page report on electric competition, noting that going ahead with the next stages of deregulation means turning over what regulatory authority remains, to the Federal authorities at FERC—which sat through 2001 doing nothing while California went bankrupt. The SCC states that “retail competition is not successful in most areas of the nation.” In California, it resulted in “severely damaging the economy. . . . Ultimately, California abandoned its retail choice and has moved back toward more traditional regulation.”

The SCC is concerned about FERC’s current drive to conglomerate utility transmission systems and wholesale power markets into Regional Transmission Organizations (RTOs), which FERC would “regulate.” The SCC warns that “investigations centered upon the California and Midwest crises and the collapse of Enron have revealed abuses, improper trading, and misleading reporting practices of a number of energy companies.” The Commission recommends that Virginia’s utilities stay out of the RTOs.

In Ohio, the Consumer Counsel, in his annual report on the state’s electric market, warned on Jan. 9 that residents could face “volatile electric rates” next year, when power is fully deregulated. After a three-year transition, the utilities can start charging “market prices” for power, beginning on Jan. 1, 2004. Dayton Power and Light Company is trying to have the regulatory commission scrap the current plan, and extend the current rate freeze for another two years, to keep rates down and preserve the financial health of the industry through reasonable, guaranteed rates-of-return.

On Jan. 19, the *Connecticut Post* reported that “Connecticut’s new competitive energy market is a mess.” Consumers will be thrown into the “free market” in less than a year, but residential suppliers are “all but non-existent.” There is fear that “residential electric bills will skyrocket once the state fully converts to a deregulated market.”

But not everyone has yet learned to take the re-regulation advice of Lyndon LaRouche. Connecticut State Rep. Terry Baker (D-Stamford) said that the state had invested millions of dollars in deregulation. “You can’t turn a pickle back into a cucumber,” was Baker’s new saw. LaRouche has proved you *can* put the toothpaste back in the tube, and deregulation into the trash can.

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## LaRouche in 2001

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# Put the Toothpaste Back in the Tube!

*In two webcast speeches on Feb. 18 and 19, 2001, Presidential pre-candidate Lyndon LaRouche addressed the mobilization he had started the previous month with a mass campaign pamphlet demanding re-regulation in the California electricity crisis. When many young LaRouche organizers put pressure on California legislators, the officials all began parroting the same “talking point” they had been given to resist the pressure of the truth. “You can’t put the toothpaste back in the tube” (i.e., reverse deregulation), they told the LaRouche forces. LaRouche responded, and his campaign escalated. By May, changes in California and Washington were sealing Enron’s fate.*

Let’s take the case about this California problem. Our organizers went out in California, organizing in the state capital and other areas, and they ran into a prepared talking-points argument, “You can’t put the toothpaste back in the tube.”

Well, you see, the answer is the obvious answer. Well, people who are not stupid can do that. How do you put the toothpaste back in the tube?

Very simply, you take the tube. Get yourself some toothpaste. Get the relevant tube. Now, it’s probably a used tube, so what you have to do, is you take the bottom end of the thing, where it’s crimped; you cut through the crimp. Now, you use a careful tool to open the rear end of the thing up. Now, before you put anything inside it—this is very important, they tell you, you can’t put the toothpaste back in the tube; you have to show them how stupid they are!

Now, before you put the toothpaste in, you’ve got to think. This may be a great challenge for some of you guys. You have to say, well, there’s a lot of gunk inside that thing, isn’t there? So, what’s the sense of putting the toothpaste in the tube, if when I’ve got in there, and I try to get it out for my toothbrush, I can’t get it out, because it’s plugged. So the first thing you do is, you clean out the interior of this thing, including the apertures through which the toothpaste comes. Once you’ve

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*The weapons of the national campaign which brought down Enron and other energy pirate companies, and forced the beginning of the shift to "put the toothpaste back in the tube" [re-regulate], were these mass pamphlets of the LaRouche in 2004 Presidential campaign. The California crisis pamphlet went out in February, 2001; the follow-up three months later.*

cleaned it out thoroughly, now you fill up the tube with the paste. Then you crimp and close the end, the way the manufacturer did. Now you've got toothpaste back in the tube—you're in business!

### 'Is This Disaster Preventable?'

But, in this process, we have a new President, who comes into a world which is desperate. He comes in, with a machine behind him, which, in its philosophy, its composition, and its habits, dreams of a world which will never be: They dream of a world, in which the Bush crowd—Enron and similar agencies—loot everything! The carpetbaggers of the South are looting the world as a whole. These are Enron. . . .

You have a buildup in the United States, over the period of the past 35 years, since the budget change in the United States in the year 1966-67. The first collapse of the aerospace industry, at that time, in which areas, which had been concentrations of high-tech for the space program, were cut back, in very significant quantities.

And we've been going downhill ever since.

1966 was also the time that Richard Nixon, then a candidate for nomination as the Republican President, went and met with the Ku Klux Klan, in places like Meredith, Mississippi. And also met with people like Trent Lott, the present Republican leader of the Senate, who practically was a Klan member, or should have been. (Maybe he couldn't wash his sheets regularly, at that time. Couldn't make it.)

But, at that time, you had a shift in the country. The areas of the United States, which used to produce most of its wealth—the family farms of 200 acres or 400 acres; the ranches of 1,000 or 2,000 acres; the industries of the urban

centers, the steel industries, the machine-tool shops: These industries *have been turned into a rust belt*. And the people living in these areas have been suffering a disaster. . . .

For 35 years, the United States has been destroyed. For 35 years, the economy of much of the world has been destroyed. This can't go on forever: We've now reached what I shall indicate to you today, is the end-game. And, the end-game is George Bush and his administration, an administration which has no future, which is on a short fuse to destruction—self-destruction. But it has a large explosive charge, and when it blows up—which will be soon—anything standing near it, in most parts of the world, can be severely injured.

And the question before us, therefore, is what can we do, to prevent this disaster? Is this disaster inevitable? Is it in the cards? Is it irreversible?

Can we "put the toothpaste back in the tube"? I say, we can! As a matter of fact, if you knew anything about production, you'd know how to do that! People who can't put the toothpaste back in the tube, are not employable in skilled jobs in industry!

So, we're going to put the toothpaste back in the tube. That's essentially our program.

Why are we going to put the toothpaste back in the tube? Because, in a crisis, when you must suddenly mobilize a people, into a great adventure, which frightens them, you can not come up with something which seems to them, harebrained ideas. In a longer process, you can make great revolutions, for the future. But, in the short-term time of emergency, when people are terrified, when action must be rather immediate, *you must rely upon the examples from the past, and return to those things that did work, before the disaster struck, and, put*

them back into operation, as Franklin Roosevelt tried to do, with some degree of success, between 1933, when he was inaugurated—even before he was inaugurated—until the time he died, in 1945.

In times of crisis, you must look at history. You must look backwards, to find the good times, when problems and crises of the type you face today, occurred then. And, you look to a time, when somebody came up with solutions, that worked—that worked as well as those things we did between 1933 and 1945, in getting out of the Depression, and getting through the war. The things that were done between the United States and Western Europe between 1945 and 1965, to rebuild prosperous economies, which generally benefitted all of the people in them (at least in those parts of the world), during that period. Incomes increased, the standard of living improved, employment increased, and so forth and so on. Life expectancy increased. Conditions of life improved.

So, we will have to go back, to things that we did, to the kinds of policies that worked in the past, especially between 1933 and 1965: those morals. Because, we can show the people that *these things worked*. Whereas the things that have been done, increasingly, since 1965, have not worked, have brought us to a disaster.

Therefore, put that toothpaste back in the tube! It can be done, and it must be done. And, in the meantime, we can go on to some of the great things, that we can do beyond that.

## AIDS Plague Won't Reach Peak for 40 More Years

by Colin Lowry

The AIDS epidemic is still increasing worldwide, and in Africa it threatens to literally wipe out entire nations. In December 2002, UNAIDS released their epidemic update, which estimates, that globally there are now 42 million people infected with human immunodeficiency virus (HIV). At least 5 million people became infected last year, and 3.1 million were killed by AIDS. The vast majority of cases, about 30 million people, live in Africa. Previous forecasts by experts that the epidemic had reached a “natural limit” have been proven false, as four countries in southern Africa now have HIV prevalence rates higher than 30% of their populations.

The Presidents of Botswana and Malawi have declared that their nations may become extinct, unless drastic interventions to halt the spread of the disease are made. The U.S. National Intelligence Council has projected that one-quarter of the population of the nine countries of southern Africa will die from AIDS in the next decade. The death toll, already at 24 million, will continue to rise as the impact of AIDS rolls virtually unchecked across Africa.

Could this devastation by AIDS in Africa be only the beginning? The National Intelligence Council (NIC) report of October 2002 predicted that the epidemic will move east, striking India, Russia, China, and Southeast Asia, and that if current trends continue, 70 million more will worldwide die from AIDS over the next 20 years. Even so, once HIV is set loose in Asia, home to the majority of the world's population, it may not peak for 40 years, killing hundreds of millions.

### Impact on Africa

In six countries of southern Africa, HIV prevalence is at 20% or higher. The hardest hit are Botswana, with an astounding 40%, and Zimbabwe with 34%. However, prevalence rates do not show the real story of the epidemic. The damage being done by HIV is worse than could be accomplished by conventional warfare. The biggest casualties are the women of child-bearing age (see **Figure 1**), and the youth. Life expectancy has plunged to only 38 years in Botswana. Half the pregnant women in Botswana are infected with HIV.

Child mortality has skyrocketed in every southern African nation. In South Africa, 5.6% of children between the ages of 2 and 14 are HIV infected. South Africa estimates that it will lose 12% of its workforce to AIDS by 2005. Schoolteachers

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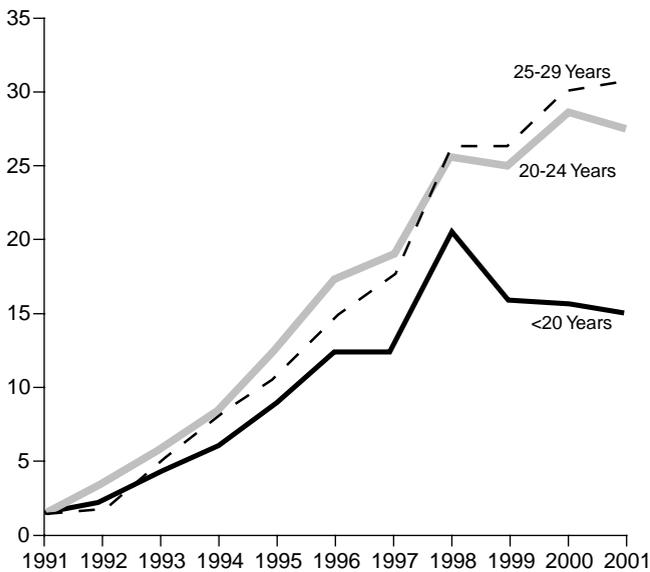
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FIGURE 1

## HIV Prevalence by Age, South African Pregnant Women, 1991-2001

(Percent)



Source: South Africa Department of Health, 2002.

are dying twice as fast as new ones can be trained to replace them.

As many as 7 million farm workers in Sub-Saharan Africa have died from AIDS, leaving agricultural output at dangerously low levels in many countries. It is not surprising that the countries currently suffering severe famine have already been heavily hit by the epidemic. There are 14.4 million people at risk of starvation in Malawi, Lesotho, Mozambique, Swaziland, Zambia and Zimbabwe.

In Malawi, HIV prevalence is 15% and climbing. As many as 470,000 children under age 15 have been orphaned by the death of their parents from AIDS. The epidemic is fueling the starvation that threatens 3 million people, as farm workers are lost, and farm families struggle to earn cash elsewhere to cover basic expenses. Surveys in central Malawi have found that 70% of households suffered family labor losses due to HIV—many farms are being run by children and their grandparents, with losses of up to 50% of their crop yield.

There are now at least 10 million children in Africa who have become orphans due to AIDS. A study by Natal University in South Africa released in January warns that between 15% and 25% of children in 12 African countries could become “AIDS orphans” by the end of this decade.

This pattern is being repeated across Africa, as the NIC report estimates that AIDS is spreading rapidly in Nigeria and Ethiopia, reaching 10% prevalence. Nor are these countries

alone in rapid increases, as Cameroon, Ivory Coast and Central African Republic are all at approximately the same 10% HIV prevalence rate. This can be compared historically to the situation in South Africa in 1994-95. There, once the 10% threshold was crossed, the epidemic increased its spread by 30-50% in the next five years.

Overall, the number of HIV-infected people in Africa is projected by the NIC to double, to 60 million by 2007. That would approach 10% of the entire African continent’s population, and show how wrong was the idea, only two or three years ago, that the African pandemic was exhausting itself and peaking.

### The Epidemic Moves Eastward

As horrible as the picture of the epidemic is in Africa, the spread of HIV into Asia has the potential to create human destruction on an even more massive scale. Dr. Peter Piot, Director of UNAIDS, has said that India may surpass South Africa in total number of cases in the next few years. The U.S. NIC estimates that India and China may surpass all of Africa in total HIV infections by 2020.

In the case of India, there is a political aspect to the various figures about AIDS, that reflects the pressure from the International Monetary Fund (IMF) and related financial institutions. It has been suggested to the Indians that if they cannot control HIV, their health expenditures would increase, and they would be unable to meet their debt payments. Several non-governmental organizations (NGOs) have made their own estimates of the HIV epidemic in India, and their figures are much higher than those of the Indian government; they are also higher than UNAIDS’ official estimate of 4 million HIV cases.

Now, very detailed studies published by the U.S. Census Bureau show the previous, officially accepted figures to be fraudulently low.

The Census Bureau released its report in July 2002, and while it does not make an estimate for all of India, the data from their surveillance sites indicates that the extent of HIV in the country of 1 billion people is much more serious than the official 0.4-0.7% HIV prevalence would claim. The Census Bureau studies found that in four very large Indian states, 2% of pregnant women tested positive for HIV at antenatal clinics. In the states of Tamil Nadu and Maharashtra, 10% of women treated at clinics for sexually transmitted diseases, were HIV-infected. Also, in these states, the rural areas have higher HIV prevalence than in the urban areas, which does not fit the classic models of HIV spread.

In the four states with 2% prevalence among pregnant women, if one projects that onto the population of about 210 million, there are 4.2 million cases of AIDS in those four states already. But that may still be low, because there are many hot spots of high HIV incidence rates in India. For example, in the state of Manipur, HIV prevalence in intravenous drug users grew from a few percent in 1997, to 80% in

## 'Mass Murder By Complacency'

Discussing the Group of Seven countries' response to the AIDS pandemic, UNAIDS envoy to Africa Stephen Lewis insisted that "those who watch the pandemic unfold with a kind of pathological equanimity must be held to account. There may yet come a day when we have peacetime tribunals to deal with this particular version of crimes against humanity."

Speaking to a press briefing at UN headquarters on Jan. 8, Lewis reported that at every stop of his four-country visit in December to Lesotho, Zimbabwe, Malawi, and Zambia, he had been struck by the determination with which the African people and their governments were prepared to do battle against the plague. "I am weary to the point of exasperated impatience, at the endless expressions of doubt about Africa's resolve and Africa's intentions and Africa's capacities. Africans are engaged in endless numbers of initiatives and projects and programs and models which, if taken to scale, if generalized throughout the continent, would halt the pandemic."

He cited, in particular, Zimbabwe—which, "whatever the level of political turbulence, has created a sturdy municipal infrastructure for the purpose of dealing with

AIDS." In Malawi, the government is going to treat free of charge, and deliver anti-retroviral medication through the public health sector to 50,000 people.

Explaining that hunger and AIDS "have come together in a Hecate's brew of horror," Lewis spoke about a visit to the pediatric ward of the University Teaching Hospital in Lusaka, Zambia. "The infants were clustered, stick-thin, three and four to a bed, most so weakened by hunger and ravaged by AIDS that they really had no chance. We were there for 45 minutes; every 15 minutes, another child died, awkwardly covered with a sheet, then removed by a nurse, while the ward was filled with the anguishing weeping of the mothers. A scene from Hell." About the AIDS orphans, he noted that this is a new phenomenon for which the world has no evident solution. "Public health has confronted terrible contagions of communicable disease at other moments in human history. One day the same will be true for AIDS. But we've never before confronted the selective destruction of parents that leaves such a mass of orphans behind." Lewis noted that there is no way to deal with this. "They wander the streets as orphan gangs, bewildered, lonely, disenfranchised from all reality."

Lewis forecast the UN Global Fund for AIDS, launched by Secretary General Kofi Annan in mid-2001, will be in financial crisis after January 2003. And, "If there is a war in Iraq come February, then the war will eclipse every other international human priority, HIV/AIDS included."

2001. Sex workers in Bombay have HIV infection rates of 50%. Studies of migrant workers have found that infection rates for HIV are about 10%.

Taking these factors into account, a realistic estimate of HIV cases in India would range from 11-19 million.

### **Estimate 5% of Russians by 2005**

Russia is experiencing the fastest growing epidemic of HIV in the world. The number of HIV infections has doubled each year since 1997. Conservative estimates put the number of people infected at over 1 million at the end of 2001. The epidemic is ravaging a population whose health has already been weakened by lack of medical care, malnutrition, and the resurgence of multi-drug resistant tuberculosis. The major target of the epidemic so far has been the youth, as 80% of the cases since 1998 have occurred in people under age 29. Large increases in intravenous drug use among the youth, and in the military, have fueled the spread of HIV. In St. Petersburg, there are 17,000 registered cases of HIV infection, but the real number is likely to be closer to 100,000 in this city of 5 million. The number of registered cases increased fourfold between 2000 and 2001. In St. Petersburg, it is esti-

ated that 60-80% of new HIV infections are caused by intravenous drug use and needle sharing.

However, the epidemic is spreading quickly to the general population, and at St. Petersburg's Botkin Hospital, the number of HIV-infected mothers has tripled in the last nine months of 2002, compared to the previous year. The hospital is in such short supply of medications, that patients are instructed to purchase some of their medicines at private pharmacies and bring them to the hospital. Only about 6% of patients infected with HIV can afford adequate treatment, and only about 1% actually get treatment with the latest anti-retroviral drugs. The Russian government spent only \$5 million on national AIDS programs last year.

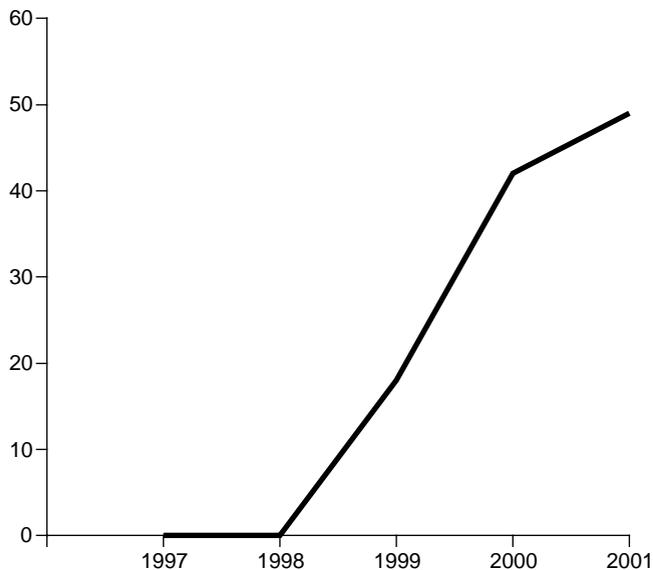
The situation in Moscow is similar, but there, 15% of sex workers are HIV-infected, and the ratio of infection in men and women is about 2-1. In Leningrad, HIV infection in intravenous drug users has increased tenfold in the past year. The worst is yet to come, as tuberculosis and HIV combine to produce an deadlier dual epidemic. A study by researchers at Imperial College in London predicts that within five years, 5% of the population of Russia will be infected with HIV.

Ukraine has the highest HIV prevalence rate in Europe,

FIGURE 2

## HIV Prevalence Among Injecting Drug Users at Center in Jakarta, 1997-2001

(Percent)



Source: UNAIDS 2002.

at 1% of the population, officially. The epidemic there is also shifting into the general population, as the number of persons infected through intravenous drug use is dropping, while increasing numbers of pregnant women are becoming infected. The Baltic states are experiencing sharp rises in the number of new cases, and other former Soviet states such as Kazakhstan and Belarus have rapidly increasing epidemics, though fortunately the total numbers of cases are only in the thousands so far.

### Huge Threat in East Asia

The next epicenter of the AIDS epidemic will be Asia, and HIV infections have increased by 10% in Southeast Asia over the past two years. Cambodia, Thailand, and Myanmar have the highest infection rates, at about 3-4% prevalence. Thailand has been battling the epidemic for longer than most other Asian nations, and while there have been some successes in holding HIV in check, AIDS is still on the rise. HIV infection rates in sex workers range from 15-40% in the country. The rates among intravenous drug users are up to 50%, and among pregnant women, to 2-4%. Cambodia is in worse shape, as HIV prevalence in pregnant women is 3%, and in sex workers 30%, with a resulting large number of infections in the military.

HIV was basically unknown in Indonesia before 1997, but since 1998, an alarming increase in infections in intravenous

drug users has resulted in about 50,000 HIV cases. The rate of increase has been steep, going from zero to a nearly 50% infection rate in this group from 1998 to 2001. Now, it is estimated that the number of infections will double by the end of 2003, with a significant number of sexual transmissions of the virus spreading into women. This may be the beginning of a serious epidemic in the world's fourth most populous nation.

China's HIV epidemic is at an early stage, but it has shown no signs of slowing down. This is the epidemic that could create devastation on a scale larger than that seen in Africa, if it is not stopped in time. UNAIDS predicts that China will have 10 million AIDS cases by the end of the decade. China currently has about 1 million HIV-infected people, and reported HIV infections increased by 67% in the first half of 2001. There are localized epidemics among intravenous drug users in nine provinces, including Beijing municipality. The newest outbreaks in this population group in Hunan and Guizhou provinces has shown HIV prevalence rates of 8-14%.

Sexual transmission is on the rise as well, as in Guangxi, where HIV prevalence among sex workers increased from 1% in 1996 to 11% in 2000. A similar pattern of spread was also seen in Yunnan and Guangdong. In rural areas, such as Henan, unsafe blood donation procedures have caused large numbers of HIV infections, with one study finding that 12.5% of people who were paid for blood donations were infected with HIV. It is estimated that 150,000 people in rural areas have become infected with HIV from unsafe blood donations. If current trends continue, UNAIDS projects that China will have 20 million AIDS cases by 2020.

### Stop AIDS, Stop the IMF

There has been an outcry recently from many officials around the world that the response to the AIDS epidemic has been inadequate, and has failed to halt the spread of the disease in the developing sector nations. In fact, Richard Feachem, the director of the Global Fund To Fight AIDS, Tuberculosis, and Malaria, stated in a *Washington Post* op-ed on Jan. 17 that the current effort has done almost nothing to stop AIDS. HIV has swept through Africa as if there were no health-care and education programs to stop it.

Feachem's admission, at this late date, is true. The current approaches have failed, but they have failed because the larger political question was never addressed. No effort to build the required health-care and related infrastructure to lower infection rates and treat AIDS in the developing sector nations can work, under the crushing debt and conditionalities put in place by the IMF global financial system.

If anyone is serious about stopping the AIDS epidemic, the first step is to declare a debt moratorium for all the affected Third World nations; and to eliminate the IMF in favor of the New Bretton Woods proposal of Lyndon LaRouche. Anything short of this, means that the pandemic will keep on marching from continent to continent, and no one will be immune from its impact.

# Botswana Case: AIDS Can Wipe Out Nations

by Dr. Debra Hanania-Freeman

When statesman and economist Lyndon LaRouche, then seeking the Democratic Party Presidential nomination, first warned in 1985 that unless the U.S. government and the international health establishment acted swiftly, the AIDS epidemic carried the potential to threaten the human species' existence, almost no one agreed.

In the United States at that time, the highest concentration of the virus was found among urban homosexual men. Because the U.S. government had waged an aggressive disinformation campaign as to the nature of the virus and the manner in which it was spread, most Americans believed that they could never be infected. But even then, it was a fact generally known to all governments, that apart from the special group of homosexuals, the spread of the deadly virus was mainly concentrated in poverty-stricken areas of Africa and Ibero-America, and in the black and Hispanic ghettos of the United States.

Indeed, this led some investigators to question whether the virus had a natural origin, or if, in fact, it had been created as an ideal solution to what some in the Western establishment considered the "overabundance" of darker-skinned peoples. While the final verdict as to the origin of this species-threatening virus has yet to be delivered, there is little doubt that criminal negligence in the handling of the AIDS epidemic has led to the unnecessary death of millions, and the impending death of yet millions more. And there is now no question, that the failure to stop this deadly virus—because the cost of doing so would divert financial resources from such exigencies as debt service—has the potential to make entire nations extinct. Perhaps the most dramatic example of this awful truth is the Sub-Saharan nation of Botswana.

## Growth and Life Cut in Half

Botswana is a small country of 1.7 million people, which achieved its independence 36 years ago. Largely as a result of its rich deposits of gold and diamonds, the nation, until a short time ago, represented a rare success story on the continent of Africa. Between 1970 and 1990, Botswana was the fastest growing economy in the world, with its 13% growth rate surpassing even China. The nation had the highest credit rating in Africa and was considered a haven of stability. Botswana scored very high in the UN's Human Development Index, and its high per-capita expenditure on health care contributed to a life expectancy of well over 70 years in the early

1990s. In an extremely rare occurrence, in the middle 1990s Botswana graduated from Least Developed Country (LDC) status, becoming a middle-income nation by United Nations classification.

Today, all that has changed; Botswana is threatened with physical extinction.

The first case of HIV/AIDS in Botswana was diagnosed in 1985. Today, 40% of the nation's 1.7 million people are infected. The prevalence rate among adults between the ages of 15 and 49 is about 37%. The highest median infection rate is among pregnant women between 15 and 49—a terrifying 45%. In an astonishingly brief period of time, the life expectancy in Botswana has dropped from over 70 years to 38 years.

A closer look paints an even more devastating picture of the effects of the pandemic. The mortality rate has grown exponentially. The number of orphaned children has reached about 65,000. The expectation is that within 15 years, that number will increase to 240,000. Government expenditures for food, clothing, and shelter have declined precipitously under the staggering costs of caring for HIV/AIDS patients, which continue to increase. Similarly, as individual earnings are diverted toward health care, the nation is experiencing an across-the-board decline in individual income, savings, and investment. Botswana has also had to bear the cost of a dramatic increase in training and employing immigrants to replace local people who have been incapacitated by HIV/AIDS.

Since the disease has hit men and women of working age hardest, Botswana's food security is immediately threatened by plummeting agricultural output, and loss of human capital across all sectors of the workforce has forced down overall productivity. The once-impressive rate of economic growth has already declined by over 33%.

## Making Food Shortages Worse

In his State of the Union address on Oct. 28, 2002, Botswana's President Festus Mogae noted that, "Virtually every one of us has been deprived of a close friend or relative, a workmate, a schoolmate, or an acquaintance due to HIV/AIDS." Although Mogae tried to reassure Botswana's citizens, that his administration is devoted to reversing this unfathomable calamity, the simple fact is that international assistance has been paltry. The bulk of support has been provided by private sources, principally the Bill and Melinda Gates Foundation and the Merck (Pharmaceutical) Company Foundation. This is all the more ironic, since it is widely believed that the raging epidemic was sparked in Botswana as a result of mass vaccinations with a serum, produced by Merck, that was contaminated with the human immunodeficiency virus (HIV).

The clearest indication that the epidemic is being left unhindered: To date, only 3,000 of the 330,000 infected people are being treated with anti-retroviral drugs. These drugs not

only prolong life; the experience of their widespread distribution in Brazil has also proved that they reduce the rate of new HIV infection.

Without a large-scale international effort aimed at reversing this drama, there is little question that the nation of Botswana, deprived of the simple capability to reproduce its population, will cease to exist. And although Botswana represents the most dramatic example, it is not the only African nation threatened with extinction.

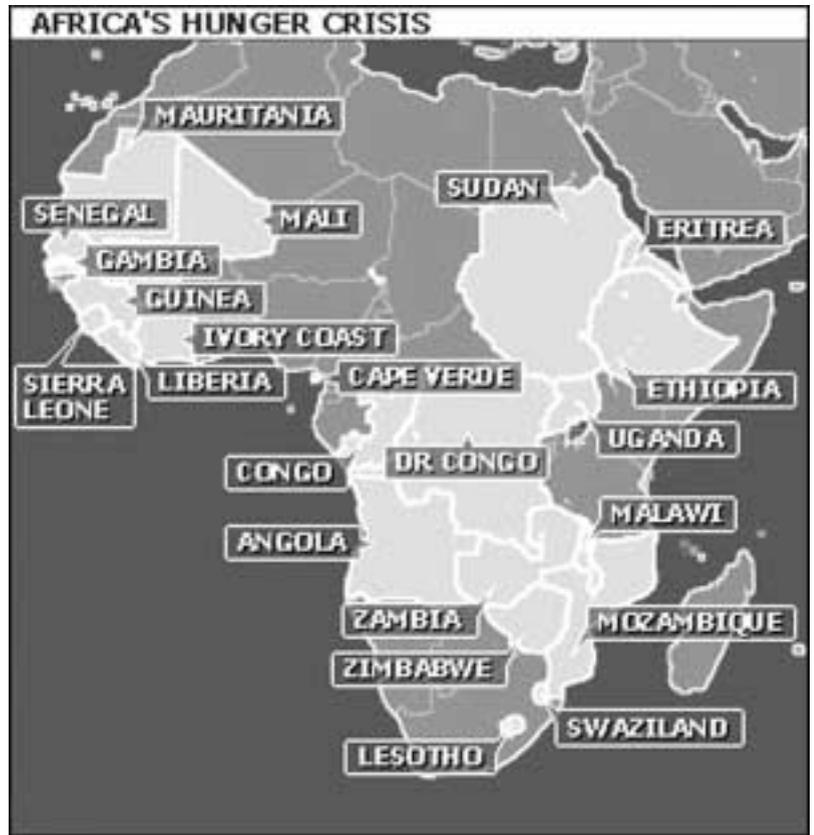
In a recent study, Alex de Waal, director of Justice Africa and an adviser to the United Nations Commission for Africa and UNICEF, made the point that as a result of HIV, the worst-hit African countries have undergone a social breakdown that has now reached a new level. De Waal asserts that African societies' capacity to resist famine is fast eroding as a result of the pandemic, and that hunger and the disease have begun to reinforce each other. He argues that either a global effort be undertaken to fight hunger and disease together, or we will succeed against neither.

According to the De Waal study, 29 million Africans are infected with HIV. Almost all of them, he says, have contracted the disease through heterosexual transmission. Only 30,000 of these people—one-tenth of 1%—are receiving anti-retroviral treatment.

He argues that up to now, traditional agrarian societies in Africa were well adapted to threats like drought and famine. He characterizes food shortages as a "familiar virus"—unpleasant and extremely painful, but one to which most Africans had resistance. He points out that the victims of famine were almost exclusively young children and the elderly. Young adults rarely died, and women survived better than men. As a result, he says, although nations suffered terribly, the core of African society was preserved, and recovery was possible.

But, he contends, this is changing. In societies hurt by AIDS, famine is more deadly and less susceptible to existing treatments, because AIDS attacks and destroys exactly those capacities that enable people to resist famine. In Africa, AIDS kills young adults, especially women—the people whose labor is most needed and most critical to society's ability to reproduce itself.

De Waal says that when the drought-relieving rains do come, manpower must be mobilized, working 16 hours a day planting and weeding crops. If that critical timeframe is missed, then the family, and indeed the extended family, will go hungry. Meeting that deadline is threatened, to the extent that the available workforce of young adults has become greatly at risk. De Waal points out that, up to now, relief



*Africa's worst hunger crisis in decades—just under 40 million people in 21 countries face famine danger, as shown in this UN World Food Programme map—is being made much worse by AIDS, which is mowing down adults in rural areas, leaving the elderly and orphans to farm.*

programs have largely ignored adults' nutritional needs and focussed on children. But adult hunger can no longer be overlooked, because a person with HIV needs better nutrition—more calories and especially more protein—to stay healthy. Malnutrition of any kind accelerates the progression to full-blown AIDS.

In short, de Waal concluded that we have reached the point where HIV is imperiling the ability of African societies to reproduce themselves. And he insists that anything short of a large-scale international response will be inadequate.

De Waal is quite right. But, he fails to acknowledge that under current conditions, the total collapse of the international financial system makes such a response virtually impossible. Lyndon LaRouche was right in 1985 when he identified both the cause and the cure for the HIV catastrophe. Even then, LaRouche insisted that only a new, more just global financial system would allow such an approach. Today, we have a small window of opportunity in which to effect the equivalent of bankruptcy reorganization of the system that has brought nations like Botswana to the edge of extinction. Only if we do that, under LaRouche's leadership, does the possibility of saving Botswana and other suffering nations exist.

# Debt, Deflation, And Depression

by John Hoefle

For years, many in the Establishment, and their poodles in the press, insisted, in response to the warnings of Lyndon LaRouche, that “it can’t happen here.” Their head-in-the-sand mindset echoed the wishful thinking of Yale economics professor Irving Fisher, who just days before the 1929 stock-market crash, claimed that “stock prices have reached what looks like a permanently high plateau.”

Reality has a way of dealing with such axiomatic blindness, and the august Professor Fisher has become the punch line to a not-so-funny joke, in a harbinger of the future reputation of Federal Reserve chairman and chief bubble builder, Sir Alan Greenspan. Such fools are useful to the oligarchy before people catch on, but not after.

As we head into the third year of plunging down the backside of the stock-market bubble, with its visible evaporation of trillions of dollars of financial assets, it has become increasingly clear to the more erudite observers that the game is over, and that the aftermath will be bloody. The talk of returning to the prosperity of the past is increasingly giving way to expressions of fear about a future dominated by debt, deflation, and depression.

## Derivatives a ‘Threat’

In contrast to the blathering of Lord “Greenspan” about the wonderful benefits of the derivatives markets—so beneficial, he insists, that the public is expected to bail them out (if they were so useful, would a bailout be necessary?)—the German central bank, the Bundesbank, has issued a report citing the dangers derivatives pose to the stability of the financial system.

The Bundesbank commentary, published in its January monthly report, cites the enormous risks of the over-the-counter (OTC) derivatives market, which is dominated by a handful of giant financial institutions such as J.P. Morgan Chase, whose gambling in the interest-rate and foreign-exchange markets dwarfs their business in loans and other traditional banking activities.

“In particular, the OTC derivatives trading” is posing a “possible risk for the stability of the financial system,” the Bundesbank states. “By far, the biggest part of OTC derivatives trading takes place between international banks and other financial institutions. More than half of all OTC transactions are being traded between 60 institutions, out of which

seven are German. In several segments, there are just a handful of actors which account for the majority of the total turnover.”

LaRouche has long warned about the dangers inherent in such a concentration of gambling bets, and the Bundesbank is clearly worried, too, citing the “possible consequences of the sudden collapse of an important marker of the stability of the financial system.”

There are “indications,” the report states, that the financial system might have enough liquidity to survive the “sudden dissolution” of the derivatives bets of a single large institution, but it is not clear what would happen were “several institutions” to go under at once. “Experience from September and October 1998 shows that under such circumstances, markets could soon reach the limits of their resistance capacity.”

## ‘Depression Looms’

Another serious warning was issued in the Danish daily *Politiken* on Jan. 18, under the headline “Depression Looms,” in which Copenhagen University economics professor Jakob B. Madsen warns that the global economy is in imminent danger of entering a real depression, with mass unemployment in the United States, Europe, and Japan. Madsen cites the similarities of the present period with 1929.

“I am very pessimistic,” Madsen stated. “There are very large imbalances in the global economy.” Citing in particular the large U.S. current-account deficit, he said that people could soon lose confidence in the U.S. economy, at which point “uncontrollable fluctuations could hit global stock and currency markets.” That, in turn, could trigger more mass unemployment worldwide, he said.

Madsen noted that the discrepancy between stock prices and corporate earnings had never been greater than they were in 2000, when the stock markets began their crash, and that just because they have been going down for three years, it doesn’t mean they can’t fall much farther. If so, he concludes, the stock-market crash could be the harbinger of depression, just as it was in 1929.

The specter of depression was also raised in the Jan. 20 issue of *Barron’s*, the weekly sister of the *Wall Street Journal*. In an article entitled “The Debt Bomb,” author Jonathan R. Laing cites “what may be the biggest bubble of them all—the huge ballooning of total debt in the U.S.,” noting that some observers “fear that this debt surge could be edging the U.S. economy toward the abyss of a bust—and then into depression.”

Citing the growing level of defaults and delinquencies, *Barron’s* notes that the debt is becoming an even greater burden as financial market asset-valuations deflate, and concludes that the only thing standing between the nation and “a detonation of the debt bomb,” is the sky-high residential home market. If the housing bubble blows, the whole thing goes.

# Southeast Asia Leaving IMF Restraints

by Michael Billington

Over the past weeks, several prominent Southeast Asian economists, business leaders, and government officials have expressed to *EIR* a new sense of optimism throughout the region. The Philippines, facing a severe social and economic crisis, is an exception. But even Indonesia—a country devastated by the 1997-98 speculative assault known as the “Asian crisis,” and wracked by separatist movements and nascent terrorist movements energized by economic crisis—even this troubled nation is beginning to show a new hope and much feistier international relations. One major cause for this is the impact of the emergence of China as an economic engine for the region, with massive domestic infrastructure projects transforming the internal map and social structure, while Chinese engineers are increasingly engaging in development projects across Southeast Asia.

There is some denial amongst these Southeast Asian leaders of the scope of the ongoing collapse of dollar-based financial structures. But at the center of their new orientation is the recognition that if Southeast Asia is to recover, and defend against more attacks on its currencies, it must wean itself both from dependence on the declining U.S. import markets, and the “conditionalities” of the International Monetary Fund (IMF).

## Thailand To ‘Escape IMF Framework’

This new paradigm is increasingly making the IMF *persona non grata* in the region. Nowhere is this more apparent than in Thailand, where the government of Prime Minister Thaksin Shinawatra has decided to pay off the remaining debt owed to the IMF from the 1998 bailout package—18 months earlier than scheduled—and to revise the 11 “slavery laws” implemented as conditionalities in exchange for IMF loans in 1997-98. It has become clear in Thailand, as elsewhere, that Malaysian Prime Minister Dr. Mahathir bin Mohamad was absolutely right in 1998, not only in condemning the speculative looting by the hedge funds of George Soros and others, but also in rejecting the IMF medicine as worse than the disease.

Thaksin announced on his last weekly radio show of the year, on Dec. 31, 2002, that Thailand would pay off the remaining \$4.8 billion in IMF debt using funds from the nation’s \$38 billion reserve. He told the nation that the payoff was a “symbolic liberation” from the IMF, which would “raise the dignity of Thailand and the Thai people in the international

community.” A week later, a commission set up by the Prime Minister last year to examine the IMF-dictated laws, announced: “We all agreed that all 11 economic laws should be revised in order to escape from the IMF framework.” Prof. Kitti Limsakul, a member of the commission, said that the laws restricting bankruptcy protection, and liberalizing the foreign takeover of Thai industries and banks, were the most urgently in need of revision.

Weng Tochirakarn, the chairman of Thailand’s Democratic Movement Group, said in his capacity as a member of the commission: “At the time, the Thai government had to comply with the IMF’s requirements. . . . We propose the revision of the so-called ‘slavery laws’ because we want to regain the country’s economic sovereignty, the Thai people’s human rights, and fair business operations.”

Thailand is now looking to great infrastructure projects, similar in character (if not in scale) with the Chinese projects. These include: major oil and gas development in the Gulf of Thailand, in partnership with Malaysia; the multi-faceted Greater Mekong Subregion (GMS) projects; road and rail projects aimed at linking all the nations of South and Southeast Asia through Thailand; and making the long-stalled Kra Canal, linking the Andaman Sea and the Gulf of Thailand, finally a reality. On Jan. 21, Deputy Prime Minister Chavalit Yongchaiyudh, the leading sponsor of the Kra Canal, signed a contract with a Hongkong based company to conduct a full feasibility study for the project: construction of the main canal across the Kra Isthmus, eastern and western harbors, a mono-rail, an east-west highway, an oil refinery, water supply and management, and electricity systems.

## Asian Bonds

The economies of Southeast Asia have never fully recovered from the devastating speculative assault of 1997-98. The problem confronting them today, in planning for “Chinese-style” development projects (once known in the region as “American-style” development projects!), is where to obtain the capital investments. While they are open to foreign investments, both government and private, they are no longer willing to accept the conditionalities and breach of sovereignty demanded by the international financial institutions. They know that Western private capital, in the current global crisis, is interested only in short-term gains, not in long-term, large-scale investments in infrastructure.

Efforts to create an “Asian Monetary Fund” after the 1997-98 crisis—credit independent of the Western-dominated international financial institutions—were crushed under U.S. opposition. But there is now a move afoot to create an Asian Bond market, first proposed by Prime Minister Thaksin, and aimed at pooling the reserves of the region for defense against new speculative attacks, and more importantly, to finance regional infrastructure development projects.

In early January, bilateral meetings between Dr. Mahathir

and Japanese Finance Minister Masajuro Shiokawa, and between Thaksin and Singapore's Prime Minister Goh Chok Tong, concluded with agreements that formal discussions for the launching of the Asian Bond program will begin in June at the meeting of the Asia Cooperation Dialogue. Initial plans are for 1% of the reserves of the participants—hopefully all 13 of the Association of Southeast Asian Nations, plus Japan, China, and South Korea, known as ASEAN+3—to be turned into bonds for these purposes, providing an initial investment of \$7-8 billion. Such a program, even if it leads to a broader Asian Monetary Fund, will not be able to counter the full impact of the dollar collapse now threatening the world economy. But it could be a crucial building block for the new global system required to replace the bankrupt IMF order—the New Bretton Woods proposed by *EIR*'s Founding Editor Lyndon LaRouche.

Indonesia, too, is expressing the new optimism. It was by far the nation most devastated by the 1997-98 financial tsunami, as it watched its currency, the rupiah, collapse by three-quarters. One result: Every dollar of foreign debt required nearly four times more domestic currency to repay than before the collapse. Despite huge debt payments since 1998—in sum, far more in 1996 rupiahs than the total debt owed at that time—indebtedness is still rising, with payments accounted at only one-fourth their former real value.

This hits industries such as the power sector in a similar manner. To appear “profitable” to foreign investors, the national power company would have to increase the price charged to Indonesians fourfold, to keep up with “world market prices.” This has led several former governments, and now the current one of President Megawati Sukarnoputri, to attempt to reduce national price subsidies for fuel and electricity, under intense pressure from the IMF. Similar IMF-demanded measures by former President Suharto led to mass riots, and subsequently his downfall. Thus, when demonstrations against President Megawati's price hikes swept the country in January, the government chose to step back, reducing the price increases to a fraction of that demanded by the IMF, and offering discounts on electricity to business. This retreat from IMF orthodoxy came on the same day the nation's leading donors—including the IMF, the World Bank, and the Asian Development Bank—were gathering in Bali to determine their loan package for 2003.

Even more surprising, given its subservience to international creditors since the 1997-98 crisis, is that Indonesia, like Thailand, has declared its intention to pull out from IMF tutelage. During 2002, a few outspoken economists—including State Minister for National Development Planning Kwik Kian Gie—and a few political leaders, including Speaker of the Parliament Amien Rais, called for leaving the IMF, saying its policies were keeping the country in a poverty and subservience. The government, however, while not always fully implementing IMF demands, has insisted on continuing its program. But on Jan. 14, the Coordinating Ministry for Eco-

nomics Affairs announced that the nation was preparing an “exit strategy from the IMF” for the end of 2003.

And yet the donor institutions meeting in Bali appear willing to sustain the lending requested by Indonesia. This should be no surprise, when considered in the light of Argentina's recent refusal to pay debts due to the IMF and World Bank, without an agreement to refinance all outstanding debts—and the IMF's capitulation, effectively demonstrating that *it* is the actual bankrupt. Last year, Indonesia used a similar kind of “debt weapon,” simply telling the donors that it could pay neither principle nor interest; it was effectively granted a debt moratorium for the past year.

The Coordinating Ministry explained why Indonesia was planning to leave the IMF, while emphasizing new investment in “vital infrastructure”: “These priorities are based on the understanding that despite macroeconomic improvements and monetary stability in 2001 and 2002, the real sector has not realized a tangible benefit as of yet.” Indonesia's Ambassador to the United States, Soemadi D.M. Brotodiningrat, addressed the USINDO Society in Washington on Jan. 16, in what was appreciatively described by a former U.S. diplomat as a “most undiplomatic” speech. In their precarious economic position, Indonesian officials have generally spoken cautiously about the United States and the IMF in public. But besides stating directly that any U.S. unilateral action against Iraq would be taken extremely negatively by Indonesia, and warning against the hostile attitude expressed in U.S. visa restrictions and travel advisories against Indonesia and Indonesians, the Ambassador challenged American and IMF economic policies.

President George Bush's offer of bilateral “Free Trade Agreements” with ASEAN nations was worth consideration, he said, but the United States would first have to lift its non-tariff barriers, on shrimp, tuna and steel in particular. Repeated demands for privatization of Indonesia's state-sector industries were not welcome, since the profitable, well-run industries should remain state-owned, and the less productive industries couldn't be sold for the give-away prices being offered.

This new assertiveness reflects a recognition that the international economic system is in crisis, but also that Indonesia has taken dramatic measures to solve social instability. The government has carefully and effectively dealt with the separatist and ethnic conflicts that re-emerged with 1998's economic hardships, in Aceh, Papua, and the Moluccas, open targets for foreign manipulation and subversion. The nation's sovereignty was put in danger by the terror bombing of a disco, popular with tourists, in Bali on Oct. 12, 2002, and by the fact that the West portrayed it as proof that Indonesia was a playground for al-Qaeda. “Pre-emptive strike” in Indonesia was discussed around the Bush Administration, and openly proclaimed by its “deputy sheriff,” Australian Prime Minister John Howard. But the Indonesian police, in rounding up the suspects in the Bali case, have demonstrated that the terrorist

apparatus has deep roots in Indonesian history, and only incidental connections to international networks. When less threatened by destabilization, the government can act more directly in the interest of the general welfare of its population.

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## Interview: Sarasin Viraphol

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# ‘China’s Emergence Brings Forth Optimism’

*Dr. Sarasin Viraphol is Executive Vice President of the Charoen Pokphand Group Co., Ltd., Bangkok, the largest agribusiness group in Thailand, and one of the largest foreign investors in China. Dr. Sarasin, who has a PhD in History and East Asian Languages from Harvard, was a Professor at Chulalongkorn University before joining the Ministry of Foreign Affairs, where he served as Director of the Department of the Americas and Pacific, and Deputy Permanent Secretary. EIR correspondent Michael Billington spoke with Dr. Sarasin on Jan. 15.*



**EIR:** I would like to focus on some of your work in China and the Greater Mekong Subregion (GMS) development programs.

**Dr. Sarasin:** I have to tell you, that is really incantations. Really we are looking into the future.

**EIR:** Yes, I know, but there is a new wave of optimism, I sense, throughout the region.

**Dr. Sarasin:** There are new opportunities emerging, and that’s probably the reason for the general optimism.

**EIR:** At the November Phnom Penh meeting of the ASEAN+3, there was included a meeting of the GMS, at which they laid out quite optimistic programs for water transport, as well as dams, water control and power generation, and also road and rail programs. What is your sense of how much that will actually move forward?

**Dr. Sarasin:** Well, you know, all of this has been talked about for much of the past decade or so, since the Asian Development Bank (ADB) initiated a series of studies on the GMS. And after more than ten years, I guess, there is a consensus emerging that this is the basis for cooperation among the countries that are on peninsular Southeast Asia,

where the GMS is geographically focused, and which, of course, includes parts of China.

I guess for the newcomers of ASEAN—as in Indochina, particularly Vietnam, Cambodia, but particularly Vietnam—I would say, I think there seems to be a lot more enthusiasm for this concept of regional cooperation, because they would directly benefit from anything that would open up their territories for development, infrastructure and other things. The original six members of ASEAN share the enthusiasm, but they may not show it as much as the newcomers, including Burma [Myanmar].

Thailand, on the other hand, is probably the most prepared to push for the GMS concept, but Thailand also has other things in mind, other priorities in its development. So GMS is readily endorsed, but perhaps it is not as urgent [for Thailand], as it is for some of the other countries.

Understand that what I am saying here is, that other things need to be taken into account. Of course, the Asian Development Bank, being an international institution, may have all kinds of good ideas, genuine ideas for subregional cooperation. That is their mandate, but at the same time, ADB is a multinational institution with its own set-up and own limitations, and other things. ADB cannot speak for all of the countries in the GMS. It can promote the idea. It can help, but it cannot be in the driver’s seat, if you know what I am saying.

**EIR:** Are you concerned that it is trying to be in the driver’s seat?

**Dr. Sarasin:** ADB would like to be unlimited in its status as a multilateral financial organization. It can come up with money, financial support for studies, and it can show the way. It can push. It can endorse. At the same time, the countries of the GMS have to be in the driver’s seat. We *have* to be the ones to decide how fast, or how slowly we want to proceed with our regional cooperation.

**EIR:** Let me ask you about the tremendous development last week in China, with the first trip of the magnetic levitation train in Shanghai. This immediately brought to my mind, and to others that I talk to, that Thailand is at the hub of the Asian rail networks, both east-west and north-south, and would be a place where high-speed rail, and, perhaps, even the maglev, would be advantageous.

**Dr. Sarasin:** I think the Germans would like it very much! . . . At the moment, the Germans and the Chinese are talking about bringing the maglev to other parts of China. They are not talking about doing anything for Thailand. But, in terms of the idea of “linking up,” or improving on the rail services of continental Southeast Asia, definitely since Malaysian Prime Minister Dr. Mahathir proposed this—some eight or nine years ago at the ASEAN summit, in Bangkok, I believe, under the administration of Prime Minister Barnhan—that idea is on the table, and, of course, the Singaporeans have recently talked about that, too. But, there has not

been anything more in the way of joint planning, or seriously studying how the idea of the high-speed rail can be realized. The idea is definitely on the table, but there has not yet been a real effort to move it beyond the table top. . . .

I think we are much less ambitious at this point. Eventually the rail link is going to be a very important, a very crucial idea. But in terms of linking up within the GMS, I think the early stages of implementation would be in the area of the Mekong River, the north-south corridor roads, linking western China with Laos, Myanmar and Thailand. Those are the things that will happen first, or are likely to happen first.

I think the rail link will follow that.

**EIR:** You've been involved for many years in China, both diplomatically and in your business. What is your sense of China's role, in particular, in making the GMS project move forward.

**Dr. Sarasin:** Definitely the rise of China will help accelerate the realization of the GMS proposal. I think that the quicker the development in China is, the greater pressure will be on all of the countries of the GMS to do something with the GMS. Very definitely, it has that effect of pushing the idea further down the road of implementation.

Without that, it would take longer for the GMS to be realized. This is very obvious because, after all, for the GMS there must be a tangible objective, and that is economic development. Otherwise, why would you build roads and other transportation networks?

**EIR:** That is the idea behind the Eurasian Land-Bridge. It is not simply to get people from one end to the other, from Asia to Europe, but to create development along the path.

**Dr. Sarasin:** Economic development will help stir the contact of people, and without economic development, the justification for investing in all that effort would be less.

**EIR:** You know that the United States, Europe, and Japan are all simultaneously in a severe economic/financial crisis, and there is a dollar crisis, which many people, including Mr. LaRouche, believe is heading for an explosion in the very near term, perhaps this month.

**Dr. Sarasin:** Oh, really? As soon as this month?

**EIR:** Yes. I want to ask you specifically, in that context: This certainly puts a great deal of pressure on the rest of the world, and on Asia, given the role of the dollar in the world economy—pressure towards regional monetary integration as well as economic integration. Do you see motion in that regard, such as the Asian Bond policy or the Asian Monetary Fund policy?

**Dr. Sarasin:** Our Prime Minister has been pushing this idea of Asian bonds, and they have received some initial positive reactions—for at least the idea of exploring how this Asian Bond can be brought into being. We are moving more seri-

ously down that road, to see what more we could be doing together, weathering various problems that we are likely to face in the coming months or years.

But in the long run, I think the idea of the Asian Bond is to accelerate the cooperation among the countries of Asia in general. Specifically, with regard to generating money for *development* in various parts of Asia, certainly, Asian Bonds pose a possibility, the idea of pulling together our meager resources, or at least allocating a certain amount of reserves of each country in a pool in order to do something together.

**EIR:** So you think it is moving in the direction of something like an Asian Monetary Fund, for development, and not just a reserve?

**Dr. Sarasin:** Well, we don't know yet how fast this would move into this Asian monetary development fund. But I can tell you: We don't have any ambition to replace the dollar, but, definitely, it is good for regional development and cooperation. We don't know how far this will lead us, but at least it is an initial step in the right direction for cooperation.

**EIR:** If you combine that with the re-emerging alliance between Russia, China, and India, what is called the Strategic Triangle, do you see the ASEAN integration linking up with this triangle? With the larger Eurasian countries?

**Dr. Sarasin:** Not so clearly, although, you know, these three countries are already our dialogue partners. We talk to them, and they are also part of the ASEAN Regional Forum, ARF. But we don't envisage this power triangle—India, China, and Russia—when we deal with these three countries. We acknowledge their status as major powers, which can impact on our region, but we don't necessarily yet look at them as a power triangle.

And certainly, we would rather envisage all our cooperation within the context of ARF. . . .

**EIR:** Do you agree with what I said regarding the general sense of optimism in Asia, if that is your sense, too?

**Dr. Sarasin:** I think so. Basically, it is driven by what is happening in China, in some ways. We see China as a new light, a shining light in Asia, and as our partner. Of course, China can also be a competitor, but we are more familiar, we are more at ease with China also as a partner.

Our company has a lot of business in China. We have been dealing with China for the last 20 years. We are familiar with China. We feel China's emergence, and that does bring forth Asia's enthusiasm and optimism. In contrast to what is happening in Japan, this is welcome. This is definitely welcome.

But then we have other problems, you know, of our own. How will ASEAN get out of its current economic doldrums? We have to address those problems now for ourselves, but we see China as an engine for pushing, for bringing forth all this optimism.

# Poland: Slanders Aim At LaRouche's Influence

by Anna Kaczor

In its third issue of 2003, the Polish edition of *Newsweek* published a bizarre article about the work of the Schiller Institute in Poland. Igor Ryciak, who interviewed Lyndon LaRouche, said that his article was prompted by the growing influence of the Institute, and by the fact that many who are opponents of Poland joining the European Union under present conditions, quote Lyndon LaRouche's publications for their arguments. What Ryciak wrote was merely a cynical fallacy of composition, but his writing nevertheless revealed what those who commissioned it fear: LaRouche's economic program and his leadership qualities. Ryciak wrote, "LaRouche proposes to rebuild a state based on central government and to issue credits from central national banks to build roads, railroads, pipelines, mines and power stations. State investments are supposed to eliminate unemployment and poverty. . . . According to the Institute, the budget should not cut spending, the NBP [Polish National Bank] should open credit lines for the development of infrastructure, and foreign trade should be directed towards Southeast Asia."

Prof. Cezary Jozefiak, an economist and a member of the Council on Monetary Policy, admitted to Ryciak that in today's "recession," the influence of the Schiller Institute is bigger than ever. Sejm (parliament) Deputy Gabriel Janowski, a big opponent of mass privatization of state enterprises said that he reads the Schiller Institute publication *Nowa Solidarnosc*, and "yes, I participate in the meetings. Two years ago I was in the United States and I attended a meeting with Mr. LaRouche. It is difficult to disagree with his views. Everybody knows that the World Bank is a blood-sucker." Regardless of what the *Newsweek* article is trying to do, to discredit LaRouche and the Schiller Institute—and there have been a number of major slanders in Poland within the past few years—the ranks of those who see that LaRouche has been right, and want to use his ideas, will continue to grow, especially given the Polish government's lack of a comprehensive economic recovery plan.

## 'Free-Market' Vise

Apparently Prime Minister Leszek Miller thinks the best way to deal with the crisis gripping the country is to occasionally reshuffle his government, with three ministers leaving in the past few weeks. Finance Minister Marek Belka resigned in December; in mid-January, Treasury Minister Wieslaw

Kaczmarek was dismissed; and Health Minister Mariusz Lapsinski had to leave his post.

Further, the government and its advisers are seeking credit or subsidies from some foreign entity. Apart from "the usual suspects" like the World Bank, they are looking with great hope at the European Union, which during 2004-2006 is supposed to allocate 11.4 billion euros to develop Polish infrastructure and to help job creation efforts, and develop Poland's poorer regions and some of its industry. But, 25% of the EU investment is supposed to be matched by Poland's central or local governments, and under current "free market"-oriented institutions, there is no way Poland will come up with this money. So, Poland expects to borrow its "share" from the European Investment Bank or the association of private banks. The "irrational religion" of balancing the budget and cutting spending prevents decision-makers from even considering deploying public resources. Local governments, except for a few big cities, scarcely have enough money to even maintain schools and roads, while many private enterprises are utterly unable to raise 25% of any investment. The chairman of the Polish Fishing Association pointed out, that fishing companies will have difficulty getting any money from banks, and will not be able to use the EU funds.

There is also a brouhaha over \$9.8 billion in so-called "offset money" that Poland will get from Lockheed Martin company as a part of a contract for 48 military airplanes. The money will be invested mainly in Polish military industry, which has been on the verge of bankruptcy for years. It could have easily been saved from its dismal condition, if the governments over the 12 years since the collapse of communism, had issued credit for modernization and some conversion to civilian use.

What is wrong with this picture, is that there is no government debate about Hamiltonian national banking. The current Polish constitution does not allow even public credit creation. Using public credit is also discouraged under the EU's Maastricht Treaty. And, although occasionally there is a debate about curtailing the independence of the Central Bank, and using national banking methods to stimulate the economy, so far the supporters of state credit creation have lost the battle. As a result, even building highways, which do not require expensive technology, presents a big problem, and the few new ones have such high tolls that many drivers bypass them.

## High Social Cost of 'Reforms'

Meanwhile, the collapse of the real economy has led to growing problems in obtaining the most basic services for the population. Since the beginning of 2003, the daily news is dominated by reports about Poland's disintegrating health-care system. Since its "reform" a few years ago, along the lines of the infamous American "health maintenance organizations" (HMOs), the bulk of hospitals' and health clinics' revenues come from regional health insurance companies. Polish "HMOs" are demanding health-care providers sign

contracts this year with reimbursements as much as 30% less than 2002. Care-givers are unable to provide basic care; patients wait longer for tests, hospitalization, and surgery; rehabilitation centers are closing. In Silesia, the formerly industrial powerhouse in the South, recent mass protests were organized by the Silesia Solidarity trade union, demanding their “HMO” provide the same level of coverage as last year. With talks going nowhere, Solidarity is now considering calling for a general strike in health care.

But the immense suffering caused by underfunding is becoming daily fare in news reports: On Jan. 13, a 76-year-old man from Czestochowa, died in an ambulance, after nine emergency rooms had to turn him away, because they lacked the necessary equipment. A children’s hospital in Walbrzych, unable to pay for heating fuel, was about to evacuate the pediatric patients to another city, when the Health Ministry stepped in at the last minute. Nurses in small towns have not been paid for two or three months, but continue to work, because they cannot find employment anywhere else—unless they have foreign-language skills that allow them find jobs abroad.

Funding for social programs and unemployment benefits is dropping steadily, and poverty has reached unprecedented levels. In Gdansk, home of the famous Baltic shipyards, nearly 100 unemployed people have been occupying a local garbage dump, where they used scrounge for items to sell. After one was killed by a truck, the management tried to close the site. The situation there soon revealed that in every city, digging through refuse to find some marketable something has become a way of life for thousands with no other income.

Not long ago, four teenagers were hit and killed by a train, as they gleaned coal alongside the tracks; it was revealed, that in many Silesian cities, those who cannot afford heating fuel, “hire” kids to collect the coal that drops from trains—and that this is a crucial source of income for the youngsters’ their families crucial. Similarly, desperate former coal miners are digging coal from the “poverty shafts” to support their families, which is not only illegal, but also life-threatening.

Poverty, strikes, and protests continue to hit towns that once earned their livelihood by industrial production. In Ozarow, near Warsaw, former employees have been blockading the cable factory, which was sold to a foreign investor and closed down; in Wloclawek, once famous for its paper industry, many former employees live by selling steel parts from abandoned factories. This is an example of what “a post-industrial society” really means.

Economic insecurity discourages young people from starting a family. According to a recent government report, every third young couple is not financially independent and survives on a joint income with somebody else. Between 1990 and 2000, the birth rate dropped from 2.04 to 1.34—below the replacement rate of society. Polish households spend less and less each year on food, furniture, clothes, and health care.

In 2001, the income of 15% of Poland’s people was below the social minimum; 9.5% of Poles earned below the existential minimum, up from 8% in 1999. The monthly existential minimum income, below which biological survival becomes impossible, is estimated at 344 zlotys (\$75) for a single person, and 300 zlotys per person in a family of four.

## Follow the Italian Example

How to solve the crisis in the health-care system or eliminate poverty? The Sejm (parliament) agreed to the government proposal to increase fees for health insurance to 8% of individual income; to raise taxes, even on toys; to levy a fee for driving one’s personal car outside one’s province. Again, no discussion about national banking and public credit. If the issue comes up at all, it is in the context of EU membership and a complete ban on using public money. Polish steel mills, for example, have been given nine months to “restructure”—cut production by 991,000 tons—and until 2006 to reduce employment by 7,000. A government spokesman warned that this will be the last time the EU will allow Poland to use public credit.

With the economy disintegrating, most officials admit, their priority is to prepare the population for the mid-year EU membership referendum. When Miller was asked whether the government plans to put off work on some bills—like “reform” of farmers’ state pension funds and coal mining, the new rules on public money spending—rather than antagonize Polish voters against the EU before the referendum, his evasiveness confirmed everyone’s fears.

The only bright spot in Warsaw is the proposal of Infrastructure Minister Marek Pol, made public to the German Industry Association in December 2002. Pol stressed the need to modernize infrastructure and coordinate infrastructure development among European and Asian governments, echoing the concept of the Eurasian Land-Bridge. He said that many things in the East would not work without the state, and the EU should think likewise.

Poland’s EU referendum would make sense if it included the question: “Do you want to survive the global financial crisis? If yes, do you support the New Bretton Woods monetary system and Eurasian Land-Bridge?” This is really a “to be or not to be” question for all of Europe, which is perfectly understood by many. Italy’s Chamber of Deputies, and some of Senators and Cabinet ministers, after meetings with Lyndon LaRouche, issued a call for a New Bretton Woods monetary system; the government has said that enlarging the EU should mean building infrastructure to reindustrialize the whole continent and move towards the East. As a future member, Poland should stop counting the money—which may never come—but demand changing the Maastricht Treaty, scrapping the Stability Pact. Why join a Pact which even EU Commission President Romano Prodi called “stupid”? Instead, that Poland follow the Italian lead, is obviously what the *Newsweek* free marketeers are afraid of.

# Deep In Depression, Georgia Faces Elections

by Vladimir Kilasonia

Parliamentary elections are scheduled for Autumn 2003 in Georgia, the Caucasus Mountains country that figures prominently in military calculations about western Eurasia, as well as in energy geopolitics. Electioneering has already begun, against a backdrop of economic and social crisis.

At the moment of its independence from the dissolving Soviet Union in 1991, Georgia had a population of 5.5 million, over 1,100 industrial plants, an advanced agriculture, and a developed economic infrastructure, including a well-functioning transport network. In many parts of the world, there was demand for Georgian products: wine, tea, mineral water, manganese, and other commodities. With its unique climatic conditions and geography, Georgia was a land of mountain resorts and picturesque valleys; it was a world leader in hydroelectric potential. Georgian scientific work, in such fields as mathematics, physiology, ethnography, and linguistics, was up to the highest European standards.

## IMF Path to Misery

Today, however, the country is in miserable condition. It has lost control over parts of its territory, including the Black Sea coastline of Abkhazia, as well as South Ossetia. Separatist tendencies have also emerged in southern Georgia, in Javakheti, populated mostly by ethnic Armenians. Adjara, an autonomous district adjacent to Turkey, is developing its own policy, more and more independent from the Georgian government in Tbilisi and based primarily on close cooperation with Russia.

To these regional problems must be added the destabilization in Pankisi Gorge in eastern Georgia, which borders Russia in the mountains adjoining Chechnya, scene of the separatist insurgency over the past decade. Pankisi was historically populated by ethnic Chechens known as the Kists. Several years ago, Russian Chechens, fleeing the war, began to seek refuge at the homes of their relatives in Georgia. Soon there were thousands of Chechen refugees in Pankisi, mostly old people and children, but also guerrillas. The staging of raids into Chechnya from Pankisi has occasioned frequent, and ongoing, tension with Russia.

The situation in Georgia has also deteriorated because of the more than 300,000 refugees from earlier fighting in Abkhazia and South Ossetia (Samachablo). These people are living elsewhere in Georgia, deprived of shelter and finances, in an extremely miserable situation. Their tragedy has lasted

for over ten years. They are mostly engaged in small-scale trade in the major cities, while receiving small and irregular stipends from the government.

During the 1990s, the Georgian leadership tied the country's economy to the International Monetary Fund, taking its loans and blindly following its advice. A significant portion of funds disbursed never reached their destination, under conditions of rampant corruption.

Experts estimate the cost of the average monthly consumer market basket for Georgians at 150 lari (about \$68; 2.2 lari are equivalent to \$1). The average monthly pension in Georgia is 14 lari (\$6.43), or enough to purchase 28 loaves of bread. The salaries of state-sector employees range between 30 and 80 lari. Typical prices for other staples are 200 grams of butter, 2 lari; 1 kilogram of sugar, 1 lari; 1 kg of meat, 3-4 lari; 1 kg of cheese, 2-4 lari.

A great portion of the labor force has left the country, and people continue to leave, mostly to Russia, in order to be able to support their families. The size of this wave of emigration is estimated at between 800,000 and 1.5 million people.

## Labor Party Takes On Privatization

Privatization, the watchword in Georgian economic policy, has contributed nothing to the national budget. During the first ten years of independence, a great number of facilities of strategic significance were sold at far below their real value. The most typical case is the Tbilisi city energy company. It was privatized as a joint-stock venture called AES Telasi, dominated by the notorious energy sharks of the United States-based company AES, despite the fact that the sale of such strategic facilities is in violation of Georgia's Constitution.

Shalva Natelashvili, chairman of the Labor Party, has been the most persistent of the Georgian politicians, in attempting to block rate-gouging by AES Telasi. At the end of December, Georgia's Constitutional Court ruled in favor of a legal suit filed by Natelashvili, and forbade AES Telasi to charge individual consumers more than 0.01 lari per kilowatt/hour during the Summer or 0.05 lari in the Winter—the current rate being 0.13 lari, when the power is even on. This decision was perceived by the population as a first victory for healthy political forces. Natelashvili and his party have gained popularity, as the 2003 election campaign gears up, and a Presidential election will follow in 2004.

There are 235 seats in the Georgian Parliament, some elected from party slates and some through individual district elections. Previous elections have been characterized by massive violations, the Labor Party having a particular bad history of its votes being stolen.

## 'Industry Will Save Georgia'

The line-up of major political forces may be roughly sketched nine months ahead of the elections. The present majority party in the Parliament is the Union of Citizens of



*Georgia's economy has deteriorated so fast under the IMF "free market" of the 1990s, writes economist Kilosonya, that it has been losing sovereignty over parts of its territory—Abkhazia and then Ajaria along the Black Sea.*

Georgia (UCG), firmly linked with President Eduard Shevardnadze, who founded it seven years ago. Today, the UCG is headed by State Secretary Avtandil Jorbenadze, a popular intellectual and politician, educated as a medical doctor. UCG is campaigning on promises that implementation of the multi-billion-dollar Baku (Azerbaijan)-Ceyhan (Turkey) oil pipeline project, running through Tbilisi, will generate millions in revenue for the Georgian budget, while providing numerous new jobs. British Petroleum is the lead Western firm on the Baku-Ceyhan project, with Unocal, Delta Hess, Eni, and others also involved.

The UCG also approves the government's invitation to U.S. defense specialists to train and equip the Georgian Armed Forces. Shevardnadze, meanwhile, has officially applied for NATO membership and makes much of cooperation with the United States in the post-Sept. 11 world. He and UCG also speak in favor of a certain degree of cooperation with Russia, attempting to pursue a flexible line toward a northern neighbor that at times seems aggressive.

A new party, called the National Movement, has become quite active. It is headed by ex-UCG activist Mikhail Saakashvili, the former Justice Minister, who was educated in Ukraine and the United States. Today, Saakashvili heads the legislative assembly of Tbilisi city. According to the most recent polls, the National Movement is the next most popular party, after the UCG and the Labor Party. Saakashvili's major campaign theme is the struggle against corruption, up to and including through the seizure of illegally acquired property, which has brought down on him charges of advocating "Bolshevik methods." The National Movement is strongly opposed to any moves made by the party of power, the UCG.

The New Democrats party, considered right of center, is

chaired by ex-Speaker of the Parliament Zurab Zhvania. An influential politician, Zhvania is regarded as a constructive politician: though opposed to the ruling class, he admits compromises, and appeals for dialogue with the authorities. There may also emerge a "rightist bloc" on the eve of the elections.

The left flank is dominated by the Labor Party, which is oriented towards meeting the social needs of the population, rolling back the results of privatization, and creating conditions for Georgia to pursue a foreign policy of "active neutrality."

Georgia's Socialist party, headed by Vakhtang Rcheulishvili, is oriented towards Western democracy in the form of so-called European socialism, and cooperates with the "party of power" on the solution of ethnic conflicts. In particular, Rcheulishvili, at the President's initiative, has been negotiating with leading Russian politicians to smooth Russian-Georgian frictions. At present, he is also involved in efforts to resolve the Georgian-Ossetian conflict.

Among the larger political parties, it is also necessary to mention the party of businessmen called "Industry Will Save Georgia," headed by a prominent business and philanthropic figure, Georgi Topadze. His organization is gaining popularity, speaking on behalf of the domestic producers and criticizing the dictates of the International Monetary Fund.

Lastly, the Revival Party, the leading political force in Adjara, also plays a significant role on the national level. This party, headed by Aslan Abashidze, often runs counter to the ruling majority. Adjara's relative independence from Tbilisi is largely based on its strategic location, the presence of a Russian military base on its territory, and Aslan Abashidze's personal connections in Moscow.

*Dr. Kilasonia is an economist in Tbilisi.*

## 'War Over Iraq War' Hangs On Two State of Union Speeches

by Mark Burdman

The crucial dates, Jan. 27-28, arrive with two diametrically opposed mobilizations escalating over war with Iraq. The horror of what such a war would mean has unleashed tremendous opposition around the world, far broader and more determined than at the time of the September 2002 UN session. That this has spread among the American people, was seen in the 600,000 who came out to protest the war on Jan. 18, in Washington and San Francisco, and by poll indications. The burgeoning U.S. opposition was made possible when Lyndon LaRouche and his Presidential campaign "jammed up" the Iraq invasion expected in October-November 2002, through a mobilization including distribution of 10 million leaflets and pamphlets exposing the war faction's motives.

On the other side, and driven by their fear that global resistance could soon render a war impossible, the "chicken-hawk" architects of the war, in Washington and London, have massively stepped up their deployment of troops and military-logistical equipment to the areas contiguous to Iraq. The war rhetoric from the Bush Administration in Washington and the Blair regime in London, reached fever pitch in the week leading up to Bush's State of the Union speech on Jan. 28.

In this dramatic conjuncture, LaRouche's Jan. 28 "State of the Union" international webcast took on a crucial strategic importance internationally. LaRouche; his wife Helga Zepp-LaRouche, chairman of the Civil Rights Movement Solidarity (BüSo) party in Germany; and his friend Jacques Cheminade, president of the French Solidarity and Progress party, have been holding public and private meetings for months in France, Germany, Italy, Hungary, and in the Persian Gulf, telling Europeans and Arabs not to cave in to "war is inevitable" fatalism, but to intensify the pressure on the American Presidency to block it. They have been backed up by six months of mass organizing by their parties and LaRouche's

campaign. That intervention, and the dangerous combination of this strategic conjuncture with a worsening economic collapse, have combined to shift the political climate in Europe to a tough anti-Iraq war resistance, approaching a showdown with the "chicken-hawks."

### **Danger of Provocation Is Great**

Beyond the public opposition thrown up around France and Germany, *EIR* discussions during the week of Jan. 20 determined that there is very intensive private discussion, among policymakers in various capitals—Paris, Berlin, Moscow, and London—about what further, extraordinary actions might go beyond the diplomatic initiatives at the United Nations Security Council. Such deliberations are driven not only by the rapid American-British military forces escalation, but by the danger that a "Gulf of Tonkin"-type provocation will be launched in or around Iraq, to sweep away the anti-war mood and the UN Security Council with it. The UN weapons inspectors themselves, under gigantic pressure from Washington and London to validate the September 2002 "secret dossiers" of London and Washington on weapons of mass destruction, might be induced to do something unduly provocative. Intelligence sources have warned that Iraqi "sleepers" may stage an incident.

Also hazardous is the behavior of the Ariel Sharon regime in Israel, which has come under unprecedented attack for the Likud party's connections to international organized crime interests. Sharon's position, both in Israel and internationally, is shaky even if he wins the Jan. 28 elections; he very much wants a war to provide the cover for his decades-long intent to expel the Palestinians *en masse* from the Palestinian territories.

In the days leading up to Jan. 27, the date when chief of



*An estimated half-million Americans protested plans for an Iraq war on Jan. 18 in Washington; since the mobilization by Larouche's campaign held up the war in the Fall, Americans' tolerance for the war-hawks has fallen dramatically.*

UN inspectors Hans Blix must present his interim report to the Security Council, there have been unprecedented diplomatic moves. Most dramatic, have been the conjoined efforts of France and Germany to prevent the war, in the context of the Jan. 22-23 festivities for the historic 40th anniversary of the Elysée Treaty, and a series of detailed German diplomatic proposals to avoid war (see article following).

Germany became a member of the Security Council in January, while France is a permanent member, with veto power. With German Chancellor Gerhard Schröder standing at his side Jan. 22, French President Jacques Chirac proclaimed that "Germany and France have the same judgment on the Iraq crisis," as the two both felt that "war would be the worst option. . . . Any decision for the Security Council belongs to it alone. . . . For us, war is always evidence of failure." Earlier in the day, representatives of the two nations blocked a NATO decision on whether to prepare supporting measures for a possible Iraq war, during a debate at the Alliance's headquarters in Brussels.

*EIR's* sources stress that the French government's opposition to the war has become stronger than anyone anticipated. It is driven, in large part, by the extreme opposition of the French population; recent polls have shown that *three-quarters* of Frenchmen asked are steadfastly opposed to military action against Iraq.

A senior Russian strategist told *EIR* Jan. 20: "I think we will see some good news, on the Iraq front, after Jan. 28. My firm understanding, is that the UN Security Council will *not* approve an Iraq war after Jan. 28. By their rhetoric and approach, the Americans have gotten themselves into an idiotic self-trap. And the fact is, the situation in Britain is very shaky

for the Americans. My understanding is, that if there is a Security Council resolution openly authorizing war, the Russians will veto. The Chinese will veto. And probably, the French will also veto." This observer noted reports he had received from Washington that LaRouche's mobilization to "jam up" the war was bearing fruit among American institutions.

### **'Whole Energy Policy in Jeopardy'**

In a Jan. 21 discussion, a Paris-based strategist who has worked closely with the Inter-Action Council of former German Chancellor Helmut Schmidt, made the essential point: "All well-minded people now have one task respecting Iraq, which is to help this Administration in Washington backpedal from a war that they have been promoting constantly for several months. This is not a time for name-calling and recriminations, but a time for intensive efforts, to help construct a way out." This individual argues that Washington will be unleashing unanticipated disasters if it pushes ahead with war. "What is not being taken into account, by these great war planners, is that an Iraq war will create an explosive and devastating crisis in *Turkey*, a country which has no real instability, at this point. The internal dynamics in Turkey will create a very serious problem. What this will mean, paradoxically, is that *if* the Americans succeed in procuring Iraqi oil, it will be undermining the entire oil-pipeline structure, through Turkey, of oil that is to come from the former Soviet Union, and through the southern Caucasus. So, on the balance of accounts, there will be a loss of oil flow. The whole energy policy of Europe and the United States itself will be put into jeopardy. My hope is that [Chairman of the U.S. Joint Chiefs



*French President Chirac and German Chancellor Schröder on Jan. 23, at the 40th anniversary of their alliance after World War II; they marked the important milestone by a joint determination to stop and American-British war on Iraq.*

of Staff] Gen. Richard Myers, who has been in Turkey, will tell the White House about this disturbing reality. This would be all the more useful, as the opposition in the Pentagon, to this war, is very strong. Of course, Myers might not tell this reality . . . but I am sure he has been warned, what will happen in Turkey if this war breaks out.”

Bush Administration leading lights have reacted with anger to the anti-war moves of continental Europe. On Jan. 21 and 22, President Bush and Secretary of State Colin Powell both criticized the Franco-German position. But most direct was Secretary of Defense Donald Rumsfeld, who proclaimed on Jan. 22, “Germany has been a problem, and France has been a problem. But you look at vast numbers of other countries in Europe. They’re not with France and Germany on this, they’re with the United States.” He derided France and Germany, Europe’s two largest and most important nations, as “the old Europe.”

The Administration’s problem, however, is closer to home. Aside from the large anti-war protests of Jan. 18, and the continuation of this protest mood during the Martin Luther King holiday commemorations on Jan. 20, the newest opinion poll shows 70% of the American population insistent that the inspectors may be given more time. To make its case, the Administration began to deploy key officials publicly in the days leading up to the State of the Union. First, was Richard Armitage, Deputy Secretary of State, who blurted to a United States Institute of Peace gathering Jan. 22, that there was no need for finding a “smoking gun” in Iraq, since “there is nothing but smoke”—i.e., there are weapons of mass destruction all over Iraq. Rumsfeld had implied the same on Jan. 18.

Words are being matched with deeds on the ground. The vast array of matériel, and over 150,000 troops already de-

ployed to the Gulf show a shift in strategy, away from the chicken-hawks’ “cakewalk” approach of the Fall—that an Iraq war could easily be fought and won by air power and special forces—toward a more traditional “D-Day” strategy of massive force. The personnel buildup really began with authorizations signed by Rumsfeld on Dec. 24, after which 125,000 more troops were sent to the region; during the week of Jan. 20, some 37,000 more deployed. This was accompanied, from the British side, by the deployment announced by Defense Secretary Geoff Hoon on Jan. 20. One-fourth of the British armed forces, 26,000 troops, were being sent to the region, for a “highly visible” role in the war. It was also announced that British Prime Minister Tony Blair would travel to the United States on Jan. 31 for war deliberations with the American President.

### **Intense Propaganda, ‘Like Suez in 1956’**

Blair has become publicly furious, during the second half of January, about the necessity of “confronting Saddam,” and now insists that Saddam’s alleged links to terrorist networks pose the most immediate threat to Great Britain. On Jan. 21, he told a Parliament group, that a Saddam-backed terrorist attack on Britain was “inevitable.” Wild hyperbole from the Prime Minister has been accompanied by endless media reports of imminent biological or chemical warfare attacks on the U.K., and high-profile arrests of alleged terror planners.

Under the headline, “Scare Tactics Over Iraq,” Mike Berry, head of the University of Glasgow Media Group, charged in the London *Guardian* on Jan. 22 that “we are currently in the midst of the largest propaganda campaign waged by the British government since the attack on Suez, in 1956. . . . The Blair government has tried the Iraq weapons dossier—rubbished by defense analysts; and the Iraq human rights dossier—condemned as cynical and opportunistic by Amnesty International. Now it appears to have embarked upon a massive propaganda effort, to link Iraq to terrorism, and has started fabricating stories about imminent terrorist threats to Britain. These have been done by having the security services leak unattributable stories to various media organs.”

Berry enumerated the recent barrage of stories, as well as the “high-profile arrests.” In the latter case, the suspects are usually released without charges being brought, “but by then, the operations have already served their purpose, in helping to generate a climate of pervasive fear across the country. The purpose of this, is to scare the population into believing that an attack on Iraq will somehow improve their security, by removing a potential terrorist sponsor.”

Both Blair’s British faction and the Washington chicken-hawks are showing a desperation driven by running out of time, and by the rising demand of American and European populations that their leaders focus on the economic crisis, not war. Economist and candidate LaRouche’s Jan. 28 web-cast will have given the U.S. Presidency the guidance in how to do that, if it would survive this crisis.

# German Moves Against Iraq War Intensify

by Rainer Apel

It comes late, but the vast majority of the German nation hopes it will not be too late: an unprecedented escalation of the Schröder government's diplomatic moves to stop a war on Iraq. This latest offensive for a peaceful solution began with an op-ed written by Wolfgang Ischinger, Germany's ambassador to the United States, for the Jan. 17 *Washington Post*. In his article, which also received wide attention in Europe and internationally, Ischinger wrote that "the single new strategic challenge for the West in the decade ahead, will be how to shape its relationship with the greater Middle East—the vast region between the Mediterranean and the Indian subcontinent. It is a challenge that includes the issues of terrorism and the non-proliferation of weapons of mass destruction. As continuing transatlantic friction over war against Iraq demonstrates, the West has not yet developed a comprehensive political strategy toward this important region. Elements of such a strategy exist, but there is a lack of clarity about our priorities

and objectives.

"While few doubt that a war against Iraq would be won," Ischinger wrote, "many Europeans are deeply concerned that we might in the process lose two larger wars: the one on terrorism and the battle for the hearts and minds of hundreds of millions of Arabs and Muslims. This is one of the reasons why many in Europe continue to oppose a war against Iraq at this time."

## 'West Might Be In Trouble'

The German ambassador then sketched the following specific elements of a comprehensive Western strategy:

- A transatlantic commitment not only to a *road map* for peace in the Middle East, but also to its implementation. The role of the "quartet"—the United States, the European Union, the United Nations, and Russia—in promoting that, is emphasized by Ischinger;
- A continued commitment to fight international terrorism and to provide a prospect of stability and prosperity for Afghanistan, with peacekeeping and reconstruction being vital elements;
- A consolidated Western strategy on Iran, which the Europeans think should consist of working with Iranian President Mohamad Khatami;
- A strengthened non-proliferation strategy, which includes efforts to have arms control agreements—not only on Iraq, but on India and Pakistan, and a number of other countries;
- An intensified dialogue between the West and countries



*Germany's mobilization to prevent war in the Mideast is reaching into its streets as Feb. 2 state elections approach; the governing Social Democrats are campaigning on "No" to war, as Helga Zepp-LaRouche's BüSo have for months. Here, BüSo candidate Alexander Hartmann in Hesse.*

in the extended Mideast region, to help prevent a Clash of Civilizations.

“The West should clarify its priorities,” Ischinger wrote. “We need to clarify whether, as some in Washington are suggesting, we intend to pursue a *Wilsonian project for reshaping the whole Middle East* . . . and whether—as many in Europe doubt—the West would have the resolve and stamina to sustain it. Transatlantic friction can best be avoided if we operate on the basis of a shared vision. If we don’t start a serious effort to define a more coherent long-term strategy toward

that region, the West might be in trouble—and so might the greater Middle East.”

## Appealing to American Opposition

The fact that Ischinger’s “boss,” German Foreign Minister Joschka Fischer, made similar remarks, the same Jan. 17, in an interview with the German *Frankfurter Allgemeine Zeitung* daily, showed that a special mobilization of Germany’s diplomacy was on. That mobilization is coordinated with France, which chairs the United Nations Security Council for

## The Elysée Treaty Is A New Opportunity

*This statement by Helga Zepp-LaRouche was circulated by her Civil Rights Movement Solidarity (BüSo) party in Germany, and the allied Solidarité et Progrès party in France, in observances of the 40th anniversary of the Franco-German Elysée Treaty.*

On the 22nd of January the German-French friendship treaty reaches its 40th year. This Elysée Treaty, which German Chancellor Konrad Adenauer and French President Charles de Gaulle concluded in 1963 as the foundation for a common foreign policy, can also play a decisive role today in overcoming the crisis. If France and Germany act together for the development of modern infrastructure, in the framework of the Eurasian Land-Bridge, Italy will no doubt join this engine of development, as well as the rest of the European continent.

If France and Germany jointly agree on the necessity of suspending the Maastricht Treaty and the Stability Pact because of the crisis, that is precisely what will occur, and Italy and the other countries will follow. Already the President of the European Commission, Romano Prodi, has labelled the Maastricht Treaty “stupid.” And if France and Germany want to rediscover their identities as industrial nations and the efficiency that has just been demonstrated by the Chinese in Shanghai, then we must, along with France, put on ice the enormous thicket of ecological laws, regulations, and bureaucratic licensing procedures.

If Germany and France jointly agree, as part of the 40-year anniversary of the Elysée Treaty, this tangle of ecological laws, the financial market liberalization of the last 35 years, and the monetarist, growth-strangling strait-jacket of Maastricht, can be abruptly set aside due to the crisis. When the crisis has been overcome, but only then, can we judge anew the logic, or illogic, of these regulations.



*The French President and German Chancellor before the relief plaque commemorating Charles de Gaulle and Konrad Adenauer, who signed the Elysée Treaty on Jan. 22, 1962, establishing the French-German postwar friendship.*

Old friendships, like those which were established by Adenauer and de Gaulle between Germany and France, often, over longer intervals, express their significance in small, overlooked areas, such as youth exchanges, language promotions, and so forth. But many times these friendships are confronted with the challenge to overcome, jointly, greater problems. That is exactly the case today, when France, in January, and Germany, in February, take over the chairmanship of the UN Security Council—the two months during which it will be determined whether the war against Iraq will be stopped. But such a common great challenge, as well, is infrastructural and economic integration as Eurasia’s security policy.

Therefore, let’s seize the moment! We need a national debate in Germany about these questions which will decide our future, but also in France. An extraordinary opportunity for such a broad public discussion is the state election campaigns in Hesse and Lower Saxony, because only when voters are fully aware of these questions on which, ultimately, the fate of Europe hangs, can you make the right decision.

January—to be followed by Germany as chairman for the crucial month of February. Most experts concur that if the war on Iraq does not start before March, things will turn very problematic for the war-hawks, not only because of the climatic conditions in the region, but also because of increasing global opposition—and resistance also increasing visibly in the States itself. It is that latter, U.S.-based opposition that Ambassador Ischinger wished to address.

The next big move in that diplomatic offensive was Fischer's speech at the Jan. 20 session of the UN Security Council in New York. Fischer said that "rash reactions" to terrorism must be avoided, because they would lead into the kind of Clash of Civilizations the terrorists want to provoke. Germany, he said, opposes an invasion of Iraq because of the "disastrous consequences for regional stability" and "possible negative repercussions on the alliance against terrorism." Conflicts like the one with Iraq require responses based on international law and legitimized by the UN. Fischer stressed that German diplomacy gives great importance to the "dialogue with other civilizations, especially the world of Islam." He told German media, from New York, that the potentials of diplomacy are not at all exhausted, and that when inspections in Iraq have reached an unprecedented intensity, he could not understand discussion of military steps as "unavoidable."

Chancellor Gerhard Schröder himself made the next move in this offensive, stating for the first time, during an election campaign event of his Social Democrats in Goslar on Jan. 21, that he definitely ruled out Germany's voting for war on Iraq: "Don't expect Germany to approve a resolution legitimizing war, don't expect that. Our *no* to war has been firm, and it stays firm." And in an article published by the *Berliner Zeitung* on Jan. 22, Schröder wrote that one "can count on the governments of Germany and France to join forces to preserve peace, avoid war, and ensure people's security."

Schröder's Social Democrats are engaged in campaigns for the Feb. 2 election of state parliaments in Hesse and Lower-Saxony, and they have begun to put up campaign posters saying "No to War!" This is a pale reflection of the many months' campaign waged by Helga Zepp-LaRouche's *BüSo* party, in last September's national elections and in these state races; Zepp-LaRouche's slogan is: "Financial crash and threat of war—I know what to do."

## Anglo-Americans Boast Of 'New Empire' Drive

by Mark Burdman

As 2003 began, leading circles in both the American and British establishments were aggressively promoting a solution worse than the global economic disease: a "new imperialism," with an "American Empire" taking over the role formerly played by Great Britain and other doomed empires of the past. The Iraq war is intended to be the "consolidation point" for this imperial design.

The "new American Empire" is not only being promoted behind closed doors of elite policy institutions in Washington—where, *EIR* sources report, there is animated discussion about the "E-word," Empire—but also flouted in leading daily newspapers, on television and the Internet.

As much as the propagandists may dream of Washington as "the new Rome," *EIR* founder Lyndon LaRouche has pointed to the absurdity of the whole enterprise. The Roman Empire was, at least, launched at a high point of Rome's economic power. By contrast, the "American Empire" is being promoted at the moment that the American economy, and a world economy based on the so-called "Washington Consensus" of free trade, deregulation, and globalization, is in a systemic breakdown.

### The Legacy of Russell and Wells

The imperial propaganda offensive was publicly launched with the Jan. 5, Sunday *New York Times Magazine* feature by Harvard University's Michael Ignatieff (see *EIR*, Jan. 24), the descendant of a Russian imperial family, whose influential father, George Ignatieff, was a Canadian diplomat prominent in the one-worldist Pugwash Conference movement of the late Lord Bertrand Russell. Ignatieff is of the so-called "limp," or "liberal imperialist" camp, rather than the ostensibly more arrogant neo-conservative camp. The "limps" dress up their imperial designs in reluctance: Ignatieff headlines his diatribe, "The Burden," recalling British Empire propagandist Rudyard Kipling's "White Man's Burden." Their position had been enunciated, in the Spring of 2002, by British writer Sebastian Mallaby's article in the March-April issue of *Foreign Affairs*, the house organ of the highly influential New York Council on Foreign Relations. In Mallaby's "The Reluctant Imperialist," he proclaimed, "A new imperial moment has arrived. . . . America is bound to play the leading role."

Mallaby's argument had originated in Great Britain itself,

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right after the Sept. 11, 2001 New York and Washington atrocities. The October 2001 edition of Britain's *Prospect* magazine published a hallmark called "The Next Empire," by Prime Minister Tony Blair's foreign policy guru Robert Cooper" (see *EIR*, Nov. 9, 2001, "Blair Launches 'New Empire' Offensive").

In the last century, the "limp" argument was put forward by the ghastly duo of Lord Bertrand Russell and H.G. Wells. Their view, as most brazenly enunciated by Wells in his 1928 *The Open Conspiracy*, was that the sovereign nation-state must be eliminated, and a world government created, in order to carry out centrally mandated policies of population-reduction, eugenics, and social engineering. Russell also promoted, as a second option, a world government run by an "American Empire," as long as the United States was run by financier and Anglophile interests, and the republicans, whom he despised, were purged.

Even Russell's post-World War II calls for a pre-emptive strike against the Soviet Union are now being invoked to justify an immediate American-British strike on Iraq. This was the theme of the lead commentary in the Jan. 10 London *Times*, "Why the U.S. and U.K. Are Right To Target Iraq." Author Phillip Bobbitt, a former Director of Strategic Planning at the U.S. National Security Council, has become one of the more influential "utopian" military strategists in the Anglo-American camp, during the past months.

### **'Few Will Dare Resist'**

Not only the insidious "limps," but also the neo-conservative camp is busy pouring forth neo-imperial filth. Their banner had been raised, during the Summer of 2002, by Robert Kagan, the close partner-in-crimes of William Kristol, editor of *The Weekly Standard* and guru of the neo-conservatives. Kagan authored a much-discussed article for the Heritage Foundation's *Policy Review* magazine, "Power and Weakness," in which he boasted that the United States was a "hegemon," acting on the basis of the might-makes-right theories of 17th-Century British bestialist philosopher Thomas Hobbes. He contrasted this "hegemon" to the ostensibly cringing, weak-kneed European nations.

In the first days of 2003, the brutal variant of the imperial view was put forward by the widely read *Stratfor* military-strategic think-tank, under the headline, "The American Empire." One European figure familiar with U.S. political developments was convinced that this piece was inspired or instigated by Vice President Dick Cheney, who together with Deputy Defense Secretary Paul Wolfowitz and a powerful clique of fellow "Chicken-hawks," is at the center of the "War Party."

*Stratfor* emphasized that the provocations of al-Qaeda terrorists are helping "generate . . . the creation of an American empire." Noting the pre-Sept. 11, 2001 reluctance of leading U.S. circles to take on a global imperial role, the piece went on: "Nothing is more dangerous than power without

appetite or fear. Appetite and fear focus power, make it predictable and make it possible for other nations to craft policies that accommodate, avoid or resist that power. Where there is neither appetite nor fear, power is unfocused and therefore inherently unpredictable. That unpredictability was the mark of U.S. policy between the fall of the Berlin Wall and Sept. 11. . . . Sept. 11 redefined the world for the United States. . . . Sept. 11 created an unintended momentum in U.S. foreign policy that has led directly to empire-building.

"Few will dare resist. The United States is enormously powerful and has been transformed from a vaguely disinterested gorilla into a brutally focused and deadly viper, ready to strike anywhere. Given U.S. power and the American mood, few nations are prepared to risk U.S. displeasure by refusing to cooperate in the fight against al Qaeda. . . . The United States is becoming an integral part of the domestic policy process and implementation in virtually all countries around the globe. Those that resist are potential targets for American attack. . . .

"The United States has been a democratic republic, an anti-imperial power. Now it is an imperial power. . . . The United States is taking control of countries throughout the world. . . . The issue is not whether this should happen. It is happening. The real issue, apart from how all this plays out, is what effect it will have on the United States as a whole."

The widespread discussion of empire was featured in the cover-story of the Jan. 13 edition of *U.S. News & World Report* magazine, under the headline, "The New American Empire?"

### **'Their Imperialism Is Visceral'**

In Great Britain, the week of Jan. 5 saw the release of a new book by Oxford University Professor of History Niall Ferguson, entitled, *Empire: How Britain Made the Modern World*. The book is a shameless *laudatio* for the 18th- and 19th-Century British Empire. On Jan. 7, Ferguson summarized his thesis in the London *Times*. On Jan. 9, Britain's Channel 4 TV began a six-part series, "Empire," narrated by Ferguson.

But while hyping the British and related imperial traditions, Ferguson is certainly one of those who wants to build up the imperial obsessions in the United States, as well. On Oct. 31, 2001, a couple of weeks after Blair guru Robert Cooper published his "The Next Empire" piece, Ferguson wrote a commentary for the *Guardian*, entitled, "Welcome the New Imperialism," in which he called on the United States to proclaim itself a "formal empire," and play the role of "global hegemon."

On Jan. 13, Ferguson received exuberant praise from curmudgeon Lord William Rees-Mogg, writing in the *Times* under the title, "The American Empire, A Fine Old British Tradition." Rees-Mogg effused about the emerging American Empire as the continuation of the historical "trading

empires” of Athens, Venice, and Great Britain. His Lordship likened Ferguson’s account of the determining importance of the English-French “Seven Years War” (1756-63), for the consolidation of the British Empire, to the U.S. war against “Islamic terrorism” and “Saddam Hussein’s regime,” now, for consolidating an American Empire: “These two struggles of empire have some characteristics in common. Both are global, both have economic, political and religious aspects, both have involved tensions between France and Anglo-Saxons, both could be decisive in terms of imperial power. [Not to remove Saddam] would be a crippling defeat for American authority.

“In the present struggle in the Middle East, the continuity of the Anglo-Saxon and imperial tradition is particularly obvious, with the U.S. travelling the same territory that Britain covered in the first half of the last century, and meeting the same problems of oil, Islam and Arab nationalism.”

Then came this wild falsification: “Indeed, it is no mere coincidence that 1776 marks the publication of Adam Smith’s *Wealth of Nations*, Gibbon’s *Decline and Fall of the Roman Empire*, and the U.S. Declaration of Independence. The United States may have retained more of the intellectual imprint of the British 18th Century than Britain itself.”

Of course, the Declaration of Independence was the complete antithesis to the writings of Smith and Gibbon.

### **British Empire Is Disastrous Model**

Professor Ferguson, however, has also come in for some sharp attack in the British press, from writers who don’t share his airy-fairy view about the wonders of Britain’s Empire. Most devastating was Spanish historian Felipe Fernández-Armesto, who teaches at Queen Mary’s College at the University of London. Writing in the Jan. 12 *Sunday Times*, he began by ironically praising Ferguson, for not flinching from the fact that the British Empire was created on the basis of piracy, slavery, outrage, and atrocities. But, Fernández-Armesto wrote, in then trying to portray the British Empire as a vast positive development, Ferguson ignores the reality that Britain “deindustrialized” an India that was more advanced than Britain was when the British arrived there, and often created “massacres by famine” as a strategy. Wondering what agenda lies behind Ferguson’s propaganda, he quoted from the philosopher-historian George Santayana: “One Englishman, an idiot; two Englishmen, a sporting event; three Englishmen, an empire.” Concluding, Fernández-Armesto writes: “Are they really finished as potential empire-builders? Previous form suggests their imperialism is visceral. One shudders to imagine what they may do next.”

Ferguson’s book, and his television series, have been the subject of extensive controversy in the U.K. During the week of Jan. 5, the *Guardian* and *Independent* ran commentaries blasting him for his fantasy-ridden, “feel-good” depiction of the British Empire, and for ignoring the Empire reality, as seen by its victims.

# Pope John Paul: ‘War Is Not Inevitable’

by Claudio Celani

True world leaders today state that war is not inevitable, as do Lyndon LaRouche and his collaborator Amelia Boynton Robinson. Such a true world leader is, of course, Pope John Paul II, who is seen worldwide as the highest moral authority opposing not only the war against Iraq, but also the very idea of a “preventive war.” Instead, the Pope has repeated in public statements for many months, that the world community should engage in removing the causes of conflicts, which are primarily to be found in the lack of justice, especially social and economic justice, among and within nations.

Recently, John Paul II intensified his opposition by naming for the first time, the nation of Iraq and its population; high Vatican spokesmen have put public pressure on the United States as the nation that bears the highest responsibility, as a Christian nation, for maintaining peace in the world.

The Pope chose the traditional New Year’s diplomatic reception, on Jan. 13, to address the issue of the Iraq war in explicit terms as never before. “No to war!” the Pope said. “War is not always inevitable. It is always a defeat for humanity. International law, honest dialogue, solidarity between states, the noble exercise of diplomacy: These are methods worthy of individuals and nations in resolving their differences. I say this as I think of those who still place their trust in nuclear weapons and of the all-too-numerous conflicts which continue to hold hostage our brothers and sisters in humanity.”

Pointing to the “ongoing degeneration of the crisis in the Middle East,” the Pope stressed that “the solution will never be imposed by recourse to terrorism or armed conflict.”

“And what are we to say of the threat of a war which could strike the people of Iraq, the land of the Prophets, a people already sorely tried by more than 12 years of embargo? War is never just another means that one can choose to employ, for settling differences between nations. As the Charter of the United Nations Organization and international law itself remind us, war cannot be decided upon, even when it is a matter of ensuring the consequences for the civilian population both during and after the military operations.”

The sharp and precise words of the Pontiff, pronounced before the assembled diplomatic corps, challenged the United States and Great Britain which are threatening imminent attack against Iraq, with the public opposition of the highest moral authority in the world. He left no room for error that he held their policy unworthy of a Christian nation. “It is therefore possible,” the Pope continued, “to change the course of

events, once good will, trust in others, fidelity to commitments and cooperation between responsible partners are allowed to prevail.”

The Pope set “two conditions” if “we are to avoid descending into chaos”: “First, we must rediscover within states and between states the paramount value of the natural law, which is the source of inspiration for the rights of nations and for the first formulations of international law. Even if today some people question its validity, I am convinced that its general and universal principles can still help us to understand more clearly the unity of the human race, and to foster the development of the consciences both of those who govern and of those who are governed. Second, we need the persevering work of statesmen who are honest and selfless. In effect, the indispensable professional competence of political leaders can find no legitimation unless it is connected to strong moral convictions.”

### ‘The War Will Not Break Out’

At the beginning of his speech, the Pope thanked the dean of the international diplomatic corps, Ambassador Giovanni Galossi from the Republic of San Marino who, in his introductory speech, had “pointed to the legitimate aspirations of modern men and women.” Ambassador Galossi had stated that all efforts must be made to prevent war, and had called for “an effective vigilance on the so-called free market, which often humiliates weaker countries, with serious social repercussions.” Galossi also called for a “careful reconsidering of globalization . . . aiming at increasing—which is possible through new technologies—the living standard of many peoples who still lack essential goods.”

Following the Pope’s Jan. 13 address, one of the most experienced Vatican diplomats, Archbishop Renato Martino, took the gloves off, so to speak, on the question of why the Pope is so severe with the United States. In an interview with the Italian daily *Corriere della Sera*, Martino explained that the Holy See “rejects an anti-American view!” The Pope demands a lot from America, Martino said, because “he is confident that America can give a lot. It is a Christian people and the Catholic confession is the most numerous one. Therefore, the Pope is confident to be listened to.”

Martino has served for many years as Vatican representative at the United Nations and now is chairman of the *Justitia et Pax* Committee of the Vatican. He told *Corriere*, “Preventive war is not included in the definition of just war, which is only defensive war,” and warned a war against Iraq “would risk blowing up the Mideast powderkeg; will launch new terrorism against the U.S.A.; will strengthen anti-American sentiment in the Muslim world”; and will make it “easier to recruit suicide terrorists.”

But Cardinal Martino indicated that the Holy See is aware of the political faction fight around the U.S. government, when he pronounced himself “confident that [the war] will not break out,” because he “trusts that rulers are reasonable” and “there are other elements which, day by day, bolster me in this confidence, but not all of them can be reported.” He called Bush’s and Blair’s persistent threats “a form of deterrence, accompanied by troop movements to give strength to the words.” But the decision must be in the hands of the UN: “If weapons are found,” then “Saddam must comply. But if they are not found, we must lift the embargo which has been starving that population for 12 years.”

## Pope, LaRouche Greeted

*In their New Year’s address, the Captains Regent of the Republic of San Marino greeted Pope John Paul II’s message for World Peace Day, Jan. 1, and pointed to the November 2002 visit of Lyndon LaRouche to San Marino as an opportunity to deepen the economic and social aspects of the Pope’s teachings.*

In the spirit of the *Pacem in Terris* encyclical, today John Paul II insists that it will not be weapons, nor globalizing economic policies, that solve those conflicts that breed terrorism, but justice, in the form of a new world economic order. We Capitani Reggenti, in the name of the whole people of San Marino, offer our full and total support to His Holiness, for the peace efforts he is leading. . . . We are with the forces of peace, and we repeat with the same forcefulness and determination, that peace is built through the establishment of justice. For justice, we understand,

above all, the ability to create a balance in development and in using resources. . . .

Exactly on this issue, on injustices created by the current economic organization and on distortions produced by financial flows managed in a speculative way, the Regency had the occasion of reflecting in meeting with American economist Lyndon LaRouche, during his recent visit to San Marino. Our request was that he first meet representatives of the San Marino economy, so that a germ of a new organization of the economy could grow in our country.

But the commitment to create conditions of justice among men and states must be strengthened; and in the international organizations, San Marino’s voice must be raised in order to avoid the not infrequent “hesitation” in the international community over the obligation to respect and implement human rights. This commitment concerns not only respecting international conventions aimed at improving living conditions in the developing countries, but also regulating conflicts, so that the rights and duties of peoples are upheld.

# Will Sharon Become Israel's Ceausescu?

by Dean Andromidas

On the eve of Israel's Jan. 28 election, there were fears that a victory by Prime Minister Ariel Sharon's Likud party could lead to the collapse of the democratic state in Israel. Faced with two ongoing and escalating criminal investigations, Sharon marshalled support of Attorney General Elyakim Rubinstein, in a reckless and patently illegal attempt to block the investigation with the powers of government, threatening the investigators, press, and political opposition.

A leading Belgian jurist told *EIR* that Sharon's is "classic move by a politician who is exposed by the press to be under criminal investigation, to try to sabotage that investigation, by claiming the case is politically motivated and part of a conspiracy to destroy him. The politician then tries to put the investigators, political, opposition and the media on trial."

Recalling Richard Nixon's reaction to the Watergate break-in in 1972, Sharon has lied to the investigating authorities and the Israeli population concerning the charges. On Jan. 9, he called televised press conference, in which he claimed that Labor Party Chairman Amram Mitzna was behind a "conspiracy to topple the Prime Minister." So outrageous was Sharon's performance, that the chairman of the Election Commission, a Supreme Court judge, ordered the broadcast to be cut off in mid-air.

Now Attorney General Rubinstein has chosen to play the role of Nixon's Attorney General, John Mitchell: full partner in an illegal coverup and a *Nacht und Nebel*-style repression of the official investigators and the free press. As documents were leaked to the press, which indicated that Sharon was under investigation for receiving an illegal \$1.5 million loan, Rubinstein ordered the arrest on Jan. 21 of state prosecutor Liora Glatt-Berkovich for the leak. At 2 a.m. the next morning, the Justice Ministry began calling the Israeli press corps to announce her arrest, as if it were some major coup to defend the national security.

Then early on Jan. 22, after Glatt-Berkovich had confessed to her "great crime," Israeli police were ordered to call in *Ha'aretz* investigative journalist Baruch Kra and TV journalist Moshe Nussbaum for questioning, demanding that they reveal their sources or be accused of "obstruction of justice." This created national outrage. As in any society which claims to be democratic—and upheld in Israel by the Supreme Court—journalists maintain the right to protect the confidentiality of their sources. Rubinstein, feeling the heat,

gave a press conference at noon, to defend the arrest, using the justification that the Glatt-Berkovich leaked the documents on "ideological grounds." Thus he publicly supported Sharon's claim of a "conspiracy to overthrow the Prime Minister." Rubinstein insisted that he launched the investigation, because of "the obstruction and damage caused to the Sharon investigation by the leak, and the suspicion, which unfortunately came true, that a source from the government made the political move in this sensitive period prior to the elections."

## Why the Document Was Leaked

When journalists asked what he meant by "ideologically motivated," Rubinstein at first waffled; only hours later did he release a statement that he meant "political ideology"—exactly what Sharon wanted him to say.

Rubinstein also lied when he claimed that *Ha'aretz* journalist Baruch Kra had been warned not to publish information on the case. Kra contradicted him during the press conference, saying he had been in discussions with officials, and that Rubinstein had never issued a gag order, which would have been normal in a sensitive case.

The following day, attorneys for Glatt-Berkovich, released a statement saying, that their client had leaked the document on grounds of "the public's right to know," because she feared she would not be allowed to complete the investigation. She reportedly told interrogators, "I have a son who is about to be drafted into the Army," and her attorneys stressed that she feared the continuation of Sharon's brutal war against the Palestinians, which has also claimed 700 Israeli civilians' lives in two and a half years. "She was guided by a moral viewpoint and admits she broke the law," said attorney Yehoshua Reznik.

Commentator Amir Oren writing in *Ha'aretz* on Jan. 23, underscored that Glatt-Berkovich leaked the document and freely admitted it, because she justifiably feared, that the major investigation would have otherwise been blocked. Oren pointed out that Rubinstein had earlier refused to prosecute another Likud leader, former Prime Minister Benjamin Netanyahu in the notorious "Bar-On Affair," despite a police recommendation for an indictment. Glatt-Berkovich's "decision," Oren wrote, "to pass judgment on herself, reflects internal mistrust in the system that Rubinstein heads. Had she believed that by encouraging Rubinstein, the law would have been forcefully applied to the Prime Minister, and he wouldn't have simply made do with a public report, she would not have had to decide to leak the document."

Also on Jan. 22, Israeli police were ordered to raid the offices of Haifa Mayor Amram Mitzna, seeking documents allegedly showing Mitzna taking bribes. This thoroughly "politically motivated" case stemmed from a bogus private complaint by ultra-right Likud activist Avia Visolly. In a statement issued by his office, Mitzna demanded the investigation be completed before the election, declaring, "Unlike another candidate for Prime Minister, Labor's candidate is not hiding



*Washington is backing Ariel Sharon. But his attempts to preserve his re-election by arresting a prosecutor and hounding journalists who are exposing large-scale financial corruption scandals and investigations, evoked memories of Nixon's plumbers—or Ceausescu's Romania.*

behind the right to remain silent, but is demanding the truth be exposed before the elections.”

Rumors are circulating that Sharon, who thinks every man has his price, has promised Rubinstein a seat on the Supreme Court in return for his cooperation.

### **The Banana Republic of Israel**

Sharon's and Rubinstein's maneuvers were roundly denounced as a danger to democracy, and political leaders and civil rights organizations have called for Rubinstein to resign. Attorney Boaz Guttman, a former commander of the police fraud squad, told *Ha'aretz* on Jan. 22 that Rubinstein's move “sounds like a joke and a trick. In 20 years working in all types of investigations, I never heard of a journalist being questioned under such a warning [of police suspicions] because of a published report. It wasn't the obstruction that bothered the interrogators, but [that Kra refused] their demand that he name the sources. They tried to frighten him by waving a criminal record.”

The managing editor of *Ha'aretz*, Yoel Esteron, blasted the interrogation of Kra: “The Attorney General has thrown us into a reality that has been known only in other areas. People ask if there are precedents to this decision. Certainly there are precedents to this sort of investigation—in the Romania of Ceausescu, in the Soviet Union, there were certainly precedents like this. In a democracy, such a thing is inconceivable.”

Former Supreme Court President Moshe Landau also spoke out: “The police have enough activity under way these days other than to investigate a journalist about the leak of a

document that reached him. I am afraid this was a step meant to silence the press and get it used to working according to the instructions of the regime and not independently. This is another wild outcrop in Israeli society that we are witness to these days. To my regret many things have gone fundamentally wrong,” Landau said.

Prominent political scientist Yaron Ezrahi told Israeli radio: “This is not a banana republic—we are talking about the symptoms of a police state, which are beginning to trickle down into the system under the guise of safeguarding the law. I am not talking about the intentions of the Attorney General or his staff, but the results. The results are grave in the extreme.”

Ezrahi stressed that Rubinstein's request to have the Shin Bet domestic intelligence service investigate the leak to the press was denounced not only by the Supreme Court, but also by former Shin Bet chief Ami Ayalon, who called such a move an attempt to politicize his service. “Israel is a nation with a very thin democracy,” Ezrahi warned, “with a very backward and damaged layer of democratic norms, with large segments of the public who come from non-democratic nations. Therefore, the danger is very much greater here.” He warned that the apathy of the Israel public to this danger risks a collapse of the entire democratic system before people wake up to the dangers. “That is why the press fulfills a critical function today, throwing light on the acts and decisions that in fact threaten the rule of democracy in Israel. . . . No information is more vital to the public, than the possibility that the next Prime Minister of Israel would be forced to resign or be paralyzed due to a criminal investiga-

tion after the elections.”

*Yedioth Ahronoth* reporter Moshe Ronen also warned, “In the past there have been many attempts to restrict the flow of information. It’s clear that in the near term, sources in the police, army, prosecution, and other government agencies will be hesitant, waiting to see what happens to this prosecutor [Glatt-Berkovich], whether she’s brought to trial or not.” Expressing the hope that the truth will continue to be revealed, he said, “People of conscience, who have information and know of efforts to whitewash investigations or conceal information of importance to the public, will always be found.”

## Shades of John Mitchell

A former senior state broadcasting official added, “Where Rubinstein is concerned, the respect for immunity is over. . . . What spooked the Justice Ministry, such that it had to issue a statement at 2 o’clock in the morning, to state that they’d discovered the source of the leak? Had they seized bin Laden?”

Washington has remained silent as Sharon tramples all legal norms in his bid to retain power. Using a nation’s judicial authorities to blatantly intimidate the free press and other, non-compliant judicial authorities, has always been defined as one of the first steps in the collapse of a democracy. What could motivate Rubinstein to become a John Mitchell? (The original Mitchell served several years in a U.S. Federal prison for debasing his office.)

Sharon is without doubt being given the strongest encouragement by the war party in Washington, who are in a full mobilization to get the United States into a new Middle East war. He is also receiving the backing of the so-called Mega Group of billionaires who exercise tremendous influence in both Washington and Israel. *EIR* revealed last week, and again in this issue, that Mega Group members Michael Steinhardt and Marc Rich were only recently in Israel meeting top political layers. Steinhardt is the major financial backer of Sen. Joseph Lieberman (D-Conn.), who leads the pro-Iraq war faction in the Democratic Party.

Steinhardt admitted to a Washington-based journalist that he was in Israel promoting the idea of a new national unity government between Likud and Labor, which is the only means of preserving Sharon and his war policy. Mitzna, however, is not playing along: He has roundly denounced the “national unity” policy as being suicidal for Israel. We also document how Steinhardt and Rich have been conspiring with elements within the Labor Party to undermine Mitzna’s determination to follow peace trail blazed by the martyred Prime Minister Yitzhak Rabin.

## First Indictments in Cash-for-Votes

Although the Likud candidates are slated to win the election, some of the winners may go from their Knesset (parliament) seats to prison cells. The investigation into the massive

illegalities in the Likud’s Central Committee and its election of the Likud Knesset candidates, has begun to yield criminal indictments. In the “cash for votes” investigation, three lower-level Likudniks were arrested on various charges, including soliciting money from potential candidates in return for Central Committee members’ votes to position them high on the slate. Those indicted were Haim Naim, of the Likud Central Committee; Yaacov Baranes, deputy chairman of the Netanya Religious Council; and Rivka Cohen, the head of the neighborhood committee of Kfar Shalem, in Tel Aviv.

Naim is accused of asking candidate Akiva Nof for money in return for 45 votes. Baranes is accused of approaching candidate Nahman Shechter, who vied for a seat against Ariel Sharon’s son Omri, demanding payment in the form of office expenses for a local campaign he was running, in return for his support along with 30-40 other Central Committee members. Shechter refused to pay; it is not known whether Omri Sharon paid. Cohen is accused of impersonating another Central Committee member when she made a phone call to request payments from candidate Gideon Saar. Saar had apparently promised the Central Committee member cash in return for votes. Although Saar is not accused of anything yet, it is important to note that he is Sharon’s former Cabinet secretary. More indictments are expected, including that of former deputy infrastructure minister Naomi Blumenthal, number 12 on the Likud’s Knesset list.

However, more damaging is the investigation into how the top Israeli mafia bosses became Likud Central Committee members, and their role in electing the list of the party’s Knesset candidates. This part of the investigation involves Omri Sharon, who organized the Likud recruitment drive which brought Israel’s top mafia bosses onto the Central Committee.

Meanwhile the investigation into the illegal \$1.5 million loan, which is at the center of Sharon’s mad cover-up, continues. In the latest development, the Anglo-South African businessman Cyril Kern, who made the loan, has released to the press an affidavit he wrote for the South African government. Sounding as if it were written by Sharon’s spin-doctors, the affidavit claims that Kern gave the loan to Sharon’s son, Gilad—who he claims refers to him as “uncle Cyril”—for the latter’s personal needs. Kern then denounces the Labor Party for using him “in an undemocratic attempt to influence the Israeli elections.”

Mysteriously, Kern’s affidavit did not say whether the money he lent, which is the subject of the criminal investigation, was his; he does say that it was sent from “a foreign trust.” *EIR*’s investigation revealed that Kern left Great Britain as a bankrupt after two of his businesses went into receivership.

If Sharon does win the elections on Jan. 28, there is a question whether these criminal investigations, the most serious in Israel’s history, will be carried through; or, will Sharon turn Israel into a parody of Ceausescu’s Romania?

# Are Dirty Mega-Bucks Behind Sharon's Bid To Steal Israeli Elections?

by Scott Thompson and Jeffrey Steinberg

A small group of American and Canadian mega-billionaires, tied to organized crime and right-wing Zionist causes, has joined in the effort to steal the Jan. 28 Israeli elections, on behalf of Prime Minister Ariel Sharon, who is committed to drowning any Israel-Palestine peace process in a sea of blood. The Mega Group, founded in 1991 by Charles and Edgar Bronfman, Michael Steinhardt, Max Fisher, and several dozen other multi-billionaires, meets secretly twice a year, and, since its founding, has sought to impose its top-down control over the "alphabet soup" of pro-Israel political action committees, self-styled civil rights organizations, and tax-exempt charities. Among the Mega Group's institutional power bases are the World Jewish Congress, the Conference of Presidents of Major Jewish American Organizations, and the United Jewish Fund—a recent merger of the major American and Canadian Jewish charities, disbursing annual gross contributions of nearly \$3 billion.

According to one Israeli source, the group has expanded in recent years, and now is made up of over 50 American and Canadian super-rich Zionist activists. The dominant figures in the group—the Bronfman brothers, Steinhardt, and Fisher—all have longstanding personal and family organized-crime pedigrees, tracing back to the Meyer Lansky National Crime Syndicate. The Canada-based Bronfman gang, headed by Edgar and Charles' father Sam, and by Max Fisher, got their start as bootleggers during Prohibition. Fisher was a leader of the Detroit-based Purple Gang, which, in collusion with Moe Dalitz's Cleveland-centered "Jewish Navy," smuggled Bronfman's illegal booze across the Great Lakes from Canada into the Midwest. The Bronfman family motto, which applies to most of the Mega Group, is: "From rags, to rackets, to riches, to respectability."

Michael Steinhardt, like Edgar and Charles Bronfman, is the son of a Meyer Lansky lieutenant, "Red" Steinhardt, who was the National Crime Syndicate's number-one jewel fence. "Red" Steinhardt was also a partner with Lansky in the Havana casinos prior to Castro's takeover, and was also affiliated with the Genovese organized-crime family. According to Michael Steinhardt's autobiography, it was his father's ill-gotten gains that put him through the University of Pennsylvania Wharton School of Business; and it was syndicate loot that started him on a successful career as a Wall Street speculator

and hedge-fund manager.

For the past 15 years, Steinhardt has been one of Presidential wanna-be Sen. Joseph Lieberman's (D-Conn.) biggest boosters, having founded the neo-conservative Democratic Leadership Council (DLC), and promoted Lieberman as the group's poster boy.

Steinhardt grabbed headlines in January 2001, when he played a pivotal role in conning President Bill Clinton into granting a Presidential pardon to Russian Mafiya "Godfather" Marc Rich, one of Steinhardt's longtime business partners. Rich was a fugitive from U.S. Justice Department indictments for tax evasion and trading with the enemy (Iran). As *EIR* reported on Jan. 10, Rich is another source of dirty money flows into the Sharon camp, through his secret Russian Mafiya partner, Grigori Loutchansky, among others.

## Mafiya Damage Control

In a Jan. 15 interview with a Washington, D.C.-based journalist, Steinhardt boasted about his recent intervention to sabotage the electoral campaign of Israeli Labor Party Chairman Amram Mitzna, which was also intended to control the damage being done by the spreading scandal over the Likud party's ties to organized crime, into which Steinhardt and the whole Mega Group could be swept.

On Jan. 12, Steinhardt said, he had had a private dinner with Ariel Sharon. While claiming that he does not support either major party in Israel, Steinhardt did insist, that the Jan. 28 elections must produce another "national unity government," along the lines of the coalition that Sharon formed in 2001, in which Labor Party leaders Shimon Peres and Benjamin Ben-Eliezer held the Foreign and Defense portfolios. Their participation with serial war-criminal Sharon, gave him and his right-wing thug allies, 20 months in which they could tear apart the entire Oslo peace process, brutally exterminate much of the Palestinian Authority, and achieve Sharon's ultimate goal: the "ethnic cleansing" to remove all Palestinians from the West Bank and Gaza.

Mitzna has repeatedly stated that he will not join a national unity government with the mobbed-up murderers of Likud, and will press for Israeli authorities to get to the bottom of the Sharon-Likud-Mafiya election theft scandals. Whatever the outcome on Jan. 28, it is widely acknowledged inside Israel,



*The real godfather of the "Russian mafiya," Mega-speculator Marc Rich, is another major figure above and behind the Likud election scandals which have already rocked Israel during this election.*

*Wall Street speculator Michael Steinhardt, whose family legacy is the Meyer Lansky gang and who was a founder both of the Mega group of Zionist billionaires and of the Democratic Leadership Council, was in Israel Jan. 12. His reported purpose was, at least, to twist arms for a unity government in which Labor would again prop up Ariel Sharon as Prime Minister.*

that the scandals have denied Sharon the landslide victory he was hoping for. Mitzna, in rejecting the national unity scheme, is paving the way for a near-term political victory, uncontaminated by compromise with Sharon. The organized-crime/Likud scandal has become too big to bury, and any Sharon government—minus Labor—would likely be short-lived and paralyzed by scandals.

This is something that the Mega Group—in particular Steinhardt and Rich—cannot tolerate.

### **Steinhardt and Rich**

Steinhardt also admitted to the Washington journalist, that while in Israel, he met with Marc Rich, where they joined in promoting the Mega Group's favorite "charity," Birthright Israel, to which, he acknowledged, Rich is a major donor. Birthright Israel, founded by Steinhardt, and co-chaired by Charles Bronfman, is a U.S.-based charity, with "501(c)3" tax-exempt status, which sends Jewish youths, between 16 and 26, to Israel for indoctrination, to convince them to "make *aliya*"—i.e., to take up permanent residence.

But a closer look by *EIR* investigators at Birthright Israel raises some important questions about what the "charity" is actually all about. Among the most disturbing pieces of the picture is its close links to an Israeli-based "charity," the Mikhail Chernoy Foundation, a tax-exempt front, set up by one of the most notorious of the Russian Mafiya figures residing in Israel. The website of the Chernoy Foundation boasts that it is involved in joint projects with Birthright Israel.

Mikhail Chernoy is a major figure in the Russian Mafiya, whose "business" activities have been associated with Benya Stilitz's attempted takeover of Alpha Bank in Russia, and earlier Mafiya moves to corner the Russian aluminum sector, in league with none other than Marc Rich.

Stilitz is particularly close with Russian Mafiya don Grigori Lerner (a.k.a. Zvi Ben-Ari), who is scrutinized in Jeffrey Robinson's *The Merger: The Conglomeration of International Organized Crime* (New York: The Overlook Press, 2000). According to Robinson, after Lerner spent 18 months in jail in Russia for fraud, following a most unusual extradition from Switzerland, Lerner, in 1995, was permitted by the Israelis to found the Israeli-Russian Finance Co., accused of having been involved in laundering foreign funds.

Robinson reports that Lerner set up a string of shell companies around the globe, including in Panama, the Caribbean, Mauritius, Luxembourg, and Cyprus. Lerner became a major money launderer with the permission of the Israeli government, where there are no laws against money laundering. Lerner is also known to have given the former Israeli Minister of Trade and Industry Natan Sharansky, \$100,000; through Sharansky, Lerner made approaches with his largesse to the Likud and other parties.

Mikhail Chernoy's Foundation was created in June 1, 2001, and is seen by Israeli investigators as a public relations ruse. Chernoy claims that it was created after the terrorist bombing of the Dolphinarium Disco in Tel Aviv, to aid the 150 survivors and families of the 20 dead, mostly Russian immigrants. The foundation website boasts that American youths whom Birthright Israel brings to Israel, have met with these bombing victims. One item on the Chernoy Foundation website reported: "The emotional meeting [between the Birthright Israel youths and the Dolphinarium survivors] was moderated by representatives of the Mikhail Chernoy Foundation, which has been assisting Dolphinarium victims from



*The principled policy of Labor Party chairman and Prime Ministerial candidate Amram Mitzna has been the target of these election-stealing operations. Mitzna's policy, announced in early January, was to refuse to enter any government led by Sharon.*

the very first night of the attack. The Foundation financed a book and is producing a movie.”

Mikhail Chernoy's brother Lev has been a prime target of the Swiss investigation into the Russian Mafiya since he attempted to take over the Russian aluminum industry—allegedly with the assistance of Marc Rich. Also, according to Robinson, Swiss investigators believe that Lev Chernoy has ties with the Mega-linked “Russian oligarch” Boris Berezovsky, who is accused of siphoning \$200 million in hard currency out of Aeroflot accounts and into Switzerland. Both Chernoy and Berezovsky are suspected of involvement with the Bank of New York, which laundered billions of dollars in hard currency and state assets out of the Soviet Union during the early 1990s. According to Robinson, the person behind many of these murky deals was Likud campaign contributor Grigori Loutchansky. A recent international law enforcement probe of the Bank of New York operations has turned up evidence that Marc Rich was a silent partner of Loutchansky's in the Nordex operations, which started out as a KGB money-laundering front in the late 1980s.

According to the book by the late Robert I. Friedman, *Red Mafiya: How the Russian Mob Has Invaded America* (Boston:

Little, Brown & Co., 2000), Natan Sharansky, the former Soviet refusenik, head of the Russian emigré party Yisrael B'Aliyah, and a Sharon Cabinet minister, took millions of dollars from Loutchansky. Sharansky then introduced Loutchansky to former Likud Prime Minister Benjamin Netanyahu, who is now Sharon's Foreign Minister. The Israeli press reported at the time, that Netanyahu took \$1.5-5 million from Loutchansky, and the contributions to the Likud are never known to have stopped.

In 1994, new Israeli election laws were passed, making it a crime to accept foreign campaign contributions.

### **Show Me the Money**

With Steinhardt and Rich running around Israel, promoting a pre-election revolt against Labor Party Chairman and lead candidate Mitzna, over his refusal to entertain the idea of a unity government with Sharon—the only thing that would save the Likud thug from a near-term political fall—another question must be asked: Is Birthright Israel, like so many other U.S.-based tax-exempt charities, serving as an illegal siphon

into Sharon's and Likud's coffers on the eve of the election?

This is a matter that urgently needs to be taken up by Israeli and American prosecutors. While there is no “smoking gun” document, proving that Birthright Israel is funneling cash into the right wing, a careful review of the fund's U.S. 990 Internal Revenue Service filings poses some disturbing questions. According to the most recent filing available, covering the year 2000, in that year alone, Birthright Israel, with U.S. status as a 501(c)3 tax-exempt charity, took in nearly \$50 million in contributions, from an undisclosed number of donors. In the same year, its total expenses—including sending U.S. students to Israel—cost under \$5 million, leaving an unaccounted-for balance of \$45 million!

The 990 forms also revealed that Birthright Israel, more than any other “charitable” agency, is dominated by the Mega Group's known members. Of the 12 names listed in the IRS filing as board members of Birthright Israel, at least 8 are publicly identified members of the Mega Group (based on a lone published profile of the group, that appeared in the *Wall Street Journal* in 1998). There is no reason to believe that the other four directors are not members as well, but this has not been confirmed, and most members of the super-secret

steering committee are chary about discussing their affiliation, or anything else about Mega.

## Who's Who in the Birthright Israel Foundation

The two co-chairmen of Birthright Israel are Mega co-founder and booze baron Charles R. Bronfman and Michael Steinhardt.

Other board members include:

**Leonard Abramson**, the founder of the health maintenance organization, U.S. Healthcare, which he sold to Aetna Insurance, pocketing \$990 million on the deal. One Mega project that Abramson formed—at the Ariel Sharon's suggestion after his 2001 election as Israeli Prime Minister—was a group euphemistically called "Emet" (Hebrew for "Truth"). In a March 13, 2001 dispatch, the Jewish Telegraph Agency reported that Sharon wanted to launch a propaganda campaign to overturn the peace process, and the result was Emet. This black propaganda outfit for a "Greater Israel" has dismayed the Israeli peace lobby, because of its support for hard-line policies, such as those backed by Morton Klein and his Zionist Organization of America. Emet has both sent students to be indoctrinated at Tel Aviv University, and has worked with Birthright Israel International students.

**Edgar Bronfman, Sr.** The brother of Charles R. Bronfman is also a member of Mega. Their father, Sam Bronfman, was a leading figure in the "Jewish Navy," which brought high-ticket booze from Canada into the U.S. during Prohibition, before "going legit," by building a second fortune in distilling, among other activities. Edgar Bronfman took over the World Jewish Congress (WJC) following the death of Nahum Goldmann, and transformed the international organization into a political dirty tricks agency, which complemented his personal efforts to prop up the dying Communist regimes of Eastern Europe, especially East Germany. Bronfman's Seagrams Liquor had negotiated lucrative business deals with the Communist Party bosses of East Germany and the Soviet Union. Bronfman had also promoted what syndicated columnists Rowland Evans and Robert Novak labeled the "grain for Jews" deal between Moscow and Israel, which steered hundreds of thousands of Soviet Jewish emigrés into Israel (including a hefty percentage of Russian Mafiya criminals).

**Ronald S. Lauder**, heir to the Estée Lauder fortune. Lauder has used his millions to fund right-wing projects in the United States and Israel. According to a feature in the Jan. 29, 1996 issue of *Jewish Week*, based on a special investigation by reporters from *Jewish Week* and the Israeli daily *Ha'aretz*, Lauder had contributed both funds and other support to the Likud, when Netanyahu was running for Prime Minister (see "A Bigger Scandal: Illegal U.S. Funding of Sharon's Likud," *EIR*, Jan. 24). Among these illicit funding channels, was the Jerusalem-based Shalem Center, which Lauder has various founded, funded, and chaired; another Lauder conduit was

the short-lived Israel Research Foundation. Lauder has been associated with Russian oligarch Berezovsky, who is one of the chief middlemen between "Godfather" Marc Rich and the Russian Mafiya dons. The Ronald S. Lauder Foundation, which dispurses some \$10 million a year, has received sufficient contributions from the family cosmetics fortune to maintain a slush fund of around \$20 million.

**Marc Rich**, remains in Zug, Switzerland, despite his pardon. Rich's ties to the Russian Mafiya pre-date his flight from U.S. law enforcement. It was Rich who sponsored the original Russian Mafiya immigration to Brighton Beach, Brooklyn, shortly after the U.S. Congress passed the Jackson-Vanik Amendment in 1974, linking all U.S.-Soviet trade to Moscow's treatment of Soviet Jewry, including emigration.

**Leslie Wexner**, another co-founder of Mega with Charles Bronfman. Among his several businesses, the best known is Victoria's Secret lingerie. Wexner is a board member of Lord Conrad Black's Hollinger International, Inc. media empire, which turned Israel's main English-language daily, the *Jerusalem Post*, into a mouthpiece for Sharon. Through Hollinger, Wexner rubs elbows with former British Prime Minister Lady Margaret Thatcher, Sir Henry Kissinger, and U.S. Defense Policy Board Chairman Richard Perle (a.k.a. "The Prince of Darkness"), who loudly advocates a "Clash of Civilizations."

**Gary Winnick** is the founder of the telecom firm, Global Crossing, whose Jan. 28, 2002 bankruptcy was the fourth largest in U.S. history, with \$12 billion in debt. Before this crash, Winnick, who was described in *Fortune* magazine as having "spent like a Roman emperor," dumped his own holdings in the firm and ended up with an estimated \$250-500 million. According to a Feb. 11, 2002 BBC News wire on Winnick: "Global Crossing's . . . main Congress beneficiary, Sen. John McCain (R-Ariz.) asked the Federal Communications Commission to encourage the development of undersea cables"—undersea fiber optic cables was Global Crossing's main asset.

**Law Wasserman** is the former head of the Hollywood entertainment conglomerate Music Corporation of America (MCA), one of the Lansky National Crime Syndicate's first forays into the mass entertainment business. Wasserman was closely linked to Chicago-based crime syndicate lawyer Sidney Korshak, who was credited with consolidating the marriage between the mob and Hollywood.

Other Mega-linked Birthright Israel board members include: S. Daniel Abraham, Bonnie Lipton, Marlene Post, Arthur J. Samburg, and Lynn Schusterman.

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# A Sovereign Tribunal To Try War Crimes

by Gail G. Billington

A statement released by the Cambodian government on Jan. 13 draws out the vivid irony that the United Nations, together with the leading Western powers, provided recognition and overt protection for the genocidal Khmer Rouge regime, throughout the 1980s and much of the 1990s, but in recent years, self-righteously accuses the Cambodian government of stalling and obstructing the commencement of a tribunal for those Khmer Rouge leaders who are still alive. The Cambodian document not only counters these charges, but poses a higher issue: Justice and reconciliation far outweigh any demand for retribution or revenge. It also proposes that the model being developed, involving cooperation between the international institutions and the national sovereign government, may prove to be superior to the “externally imposed and run International Criminal Tribunals” which have existed up until now.

In the three years and eight months from April 1975 to Jan. 7, 1979, more than one in four Cambodian citizens died. Most died from disease and starvation, but were actually killed by an ideology that hated those who could read or write, or who had skills that could challenge the mind-deadening uniformity demanded by the Sorbonne University-trained leadership of “Brother #1,” Pol Pot, and his Khmer Rouge inner circle.

The first tribunal of the Khmer Rouge leadership was held in January 1979, shortly after their defeat by a combination of Cambodian irregular forces and the Army of Vietnam. The new government tried the leaders *in absentia*, on behalf of the People’s Republic of Cambodia. Not only did the UN refuse to recognize this tribunal, but it continued to seat the Khmer Rouge as the legitimate representatives of Cambodia to the United Nations until 1991. That same year, the Paris Peace Talks bestowed even greater legitimacy on the Khmer Rouge, by giving these murderers a seat on the new Cambodian ruling body, the Supreme National Council.

In June 1997, then co-Prime Ministers Hun Sen and Prince Norodom Rannariddh co-authored a letter to UN Secretary General Kofi Annan, seeking UN assistance to bring surviving Khmer Rouge leaders to trial. Talks continued until February 2002 on creation of a unique tribunal, involving international and Cambodian participation.

However, on Feb. 8, 2002, the United Nations, demanding

changes in Cambodian law regarding the Tribunal, signalled its intent to withdraw from these talks. Negotiations resumed only *after* the UN General Assembly voted on Dec. 18, 2002—with 123 nations in favor and 37 abstentions—mandating the Secretary General to again pursue negotiations.

It is in this context that the Cambodian Delegation to the United Nations issued its official statement “Regarding the Establishment of Extraordinary Chambers within the Courts of Cambodia,” on Jan. 13, 2003.

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## Cambodia’s Call for a Tribunal

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*Here are excerpts from the government statement. Subheads have been added.*

On 7 January 2003, Cambodia commemorated the 24th anniversary of the overthrow of the Khmer Rouge regime, in which over a quarter of the population died. Cambodia takes seriously its obligations under the Genocide Convention to prosecute those responsible for the massive human rights violations committed by the Khmer Rouge between 1975 and 1979.

Towards this end, responding to the invitation of the Secretary-General, His Excellency Kofi Annan, a Cambodian delegation led by His Excellency Sok An, Senior Minister in Charge of the Council of Ministers, has come to New York and has engaged in seven meetings—one with the Secretary-General himself, and six with representatives of the United Nations Secretariat, led by His Excellency Hans Corell, Legal Counsel, preparing for a resumption of negotiations for Khmer Rouge Trials for these crimes, in accordance with the General Assembly Resolution 57/228 of 18 December 2002.

The Cambodian delegation wishes to take the opportunity of the conclusion of these talks to address some of the issues and concerns that have been raised in regard to this process.

1. We re-affirm emphatically that the Royal Government of Cambodia is committed to conducting the Khmer Rouge trials in compliance with international standards of justice, fairness, and due process of the law. Since 1979, when we overthrew the Khmer Rouge regime, we have struggled for ways to address these crimes. We have sought to achieve truth, justice, and reconciliation, a contradictory but necessary synthesis, without which our people cannot escape from the aftermath of the genocide and go on to build a peaceful society, developing and benefiting from our rich natural and human resources. For the first time in our contemporary history our entire country is now at peace and unified—an enormous achievement.

### World Ignored 1979 Tribunal

The June 1997 request by the then Co-Prime Ministers for UN help in carrying out this task, marked the commence-

ment of the latest stage in this long search for truth, justice, and reconciliation. In 1979 we held the People's Revolutionary Tribunal—the world's first genocide trial—in which we invited international jurists to participate. Unfortunately, due in part to weaknesses in that process but, above all, due to the political isolation of our government at the time, the testimony and the verdicts were simply ignored outside our country. The Khmer Rouge continued to be recognized and to be seated in the United Nations, and we ourselves continued to find ways to address this problem. Now as we throw our efforts into this latest effort to seek justice, this time hopefully in partnership with the United Nations, we keep in our minds firmly that this must not damage the process of reconciliation.

The Paris Peace Agreements of 1991 accorded political legitimacy to the Khmer Rouge and, when UNTAC [United Nations Temporary Authority in Cambodia] left Cambodia in 1993, the new coalition government was left to face the Khmer Rouge continuing policy of civil war and destabilization. We then launched a multi-faceted strategy involving political, legal, economic, and military campaigns, including the 1994 legislation to outlaw the Khmer Rouge, and efforts to encourage its members to defect and split as part of what Prime Minister Hun Sen has described as a “win-win” policy.

By the end of December 1998 we had managed to put an end to the Khmer Rouge political and military structure, and were faced with the twin tasks of national reconciliation and justice. Cambodia can perhaps offer to others the lessons of our experience in the long and complex process of reconciliation. Today, former Khmer Rouge have put down their guns and have recommenced their lives within the general community, and the former factions have taken up the challenge of working together to develop the country.

When the Cambodian Co-Prime Ministers requested the United Nations' assistance in organizing the process for a Khmer Rouge trial, it was an appeal for assistance, but not for substitution of our institutions, which have continued to pursue these efforts. . . .

## **Justice Delayed**

2. We have been criticized for the time these negotiations have taken. We are more than mindful that justice delayed is justice denied, and that we continue to pay a high price for every day of the 24 years delay in bringing to justice the architects and perpetrators of the crimes. For our part, the Cambodian national law establishing Extraordinary Chambers to prosecute the Khmer Rouge crimes was promulgated on August 10, 2001, just two years after the first draft was put on the table when our negotiations with the UN commenced in August 1999. This is by no means an unusual length of time for a country to take to develop legislation, particularly of an unprecedented kind, inviting foreign participation into the national courts, and on a matter of such sensitivity. The draft law was discussed by our

Cabinet on three separate occasions, debated by legislative committees and the plenary sessions of both houses of our legislature, examined by our Constitutional Council, and finally promulgated by His Majesty the King and Head of State, according to the rule of law.

Some months delay was caused by the fact that the Constitutional Council ruled that the law was insufficiently clear that the maximum penalty was life imprisonment, and, therefore, could be in conflict with our Constitution, which explicitly outlaws the death penalty. As a result, the government amended the draft and re-submitted it for debate in the National Assembly and the Senate. It is important for us to recognize that our country is now undergoing a process of democratization and that the Constitutional Council is one of the recently established institutions whose authority and decisions should be respected as part of this process.

Further, the justice we seek is restorative justice, contributing to the reconstruction and democratization of our society as a whole. To embark on a process of prosecuting crimes for genocide and other crimes against humanity is not without risk, and so we have devoted enormous efforts to gaining the support of our people for this effort.

The unanimous votes in the National Assembly and Senate for this legislation were unprecedented, and testify to the results of this effort to reinforce and not jeopardize our fragile peace. Any estimation of time taken is of course subjective, but the past three years of negotiation must be viewed as part of this 24-year historic process, and can be compared with other countries which have taken more than years or even decades to attempt to deal with crimes of this nature.

## **'Crimes in Our Own Country'**

3. We are acutely aware of the relative weakness of the Cambodian judiciary and legal system, resulting mainly from the blows inflicted on the entire Cambodian social fabric by the Khmer Rouge. Indeed, this was one of the principal reasons that we requested assistance from the UN in 1997. We wish, however, to refute the notion that our judiciary ought not to be conferred an active and significant role in the process of seeking justice regarding the most serious crimes in our nation's history.

We point to significant efforts that our government has taken towards legal and judicial reform, whose results are beginning to be seen. . . . These reforms give us confidence that we have sufficiently qualified and competent legal professionals to play the roles required in the forthcoming Khmer Rouge trials, together with their international counterparts. Let us stress that we have requested not only international assistance but also international participation in the trials, and we have agreed to share with the international community the heavy task of judging the serious crimes committed in our own country by our own people. No decision will be taken without their full involvement and agreement.

As to our organizational capacity, Cambodia is this year

taking its first turn as the Chair of ASEAN (The Association of Southeast Asian Nations), and recently successfully hosted the ASEAN Summit and a series of associated meetings, including the Greater Mekong Subregion Summit attended by Heads of Government, Heads of State and Foreign Ministers from a number of countries. . . .

4. Some observers have questioned the credibility of the process prescribed in the Law to establish Extraordinary Chambers in Courts of Cambodia for the Prosecution of Crimes Committed during the Period of Democratic Kampuchea. . . .

During this process we have engaged seriously in the negotiations, and have reached compromises along the way to arrive at a formula that truly reflects a joint enterprise in which one cannot speak of control by one side or the other, but rather an equilibrium giving full national and international participation in all stages of the process, from prosecution, investigation, and judgement. . . .

### **Milestone in Humanitarian Law**

5. Several years of negotiations have formulated the personal, temporal, and material jurisdiction for the Extraordinary Chambers. . . . When we commenced the negotiations in 1999, our two positions were far apart. It would be unthinkable now to return to these positions and abandon our hard-won gains in the jurisdiction.

We are confident that the Cambodian model is not only credible, but represents an historic milestone in international humanitarian law, now moving away from externally imposed and run International Criminal Tribunals as have been seen over half a century in Nuremberg and Tokyo, and more recently The Hague and Arusha, towards complementarity, encouraging each country to exercise justice at the national level in a manner that meets international standards, and accords with our responsibility under the principal instruments, especially the Genocide Convention. . . .

Following these exploratory meetings held in New York, we have invited the Secretary-General to dispatch a delegation to Phnom Penh in the near future to formalise the Agreement to be signed by both parties and to move on to the long-delayed task of bringing to account those most responsible for these most serious crimes.

We thank the 150 countries that voted for the General Assembly resolution and call on the international community to join with us in carrying out this historic task.

New York, 13 January 2003

— FOR A —

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# LaRouche's Voice Heard In Dominican Republic

by Valerie Rush

Leading policymakers in the Caribbean island-nation of the Dominican Republic seized the opportunity to start their new year by welcoming the ideas and programmatic proposals of U.S. statesman and economist Lyndon LaRouche to their shores. Dennis Small, *EIR's* Ibero-American editor and a long-time LaRouche representative in the hemisphere, paid a four-day visit in early January to Santo Domingo, at the invitation of the Dominican Republic's Association of Architects, Engineers, and Land Surveyors (CODIA). With chapters across the country, CODIA is a leading institution, intensely involved both professionally and politically in the nation's economic development.

Small began his visit Jan. 10, with an early morning appearance on one of the country's most widely viewed television/radio programs, run by veteran journalist Dr. Julio Hazim. Later that day, Small addressed a forum at the Economics Department of the Autonomous University of Santo Domingo—the first university to be established in the Americas, in the early 1500s, where some 125,000 students are enrolled today. There, a gathering of 300 students and faculty were challenged by Small to “think outside the box” in coming up with new solutions to the systemic financial crisis afflicting the world today.

### **A Long-Standing Presence**

LaRouche's unique analysis of the ongoing world crisis was already familiar to many Dominicans. Not only have supporters of LaRouche's international movement been active in this nation of 10 million; his views have been routinely aired in interviews and newspaper columns. Indeed, LaRouche was interviewed just this past September on Julio Hazim's TV program, later rebroadcast both inside the Dominican Republic and via cable TV in the United States, where 1 million Dominicans live.

Earlier in 2002, the Spanish edition of the book *The ABCs of Nation-Building* was launched inside the Dominican Republic by a national book-store chain in Santo Domingo. *ABCs* combined two reports, Alexander Hamilton's famous 1791 *Report on Manufactures*, and Lyndon LaRouche's “Economic IQ Test.” At the press announcement of the book, LaRouche representative in Santo Domingo Jorge Meléndez emphasized that it “dethroned the myth of globalization.”

Small's Jan. 10 appearance on the Hazim program, originally scheduled for 20 minutes but then doubled, featured questions posed by two journalists with apparently contrast-

ing viewpoints. One, with a leftist profile, disagreed with Small's characterization of Venezuelan President Hugo Chávez as "a Jacobin," but then proceeded to defend the Jacobin mob of 18th-Century France as "a positive force" that helped bring down the *Ancien Régime*. Small pointed out that the Jacobins were deployed by the British oligarchy of that period against republican forces in France who allied with, and hoped to replicate, the American Revolution. Chávez and his thugs today, Small insisted, divert the Venezuelan people from nation-building solutions into mindless and violent rage against each other.

When the journalist continued to insist that Chávez was a dedicated opponent of the International Monetary Fund, Small referred to Chávez's repeated insistence that "every cent" of the Venezuelan foreign debt would be paid, despite the rapidly growing impoverishment of his country's population. Small declared, "The IMF doesn't care whether you sign with your left hand or your right, as long as you sign."

The other journalist, a "Marxist turned neo-liberal," attacked from the right, responding to LaRouche's proposal that Brazil break with the IMF system, with the furious demand that Small "name me one success story of any country which has broken with the system." Small detailed the successful nationalist measures Malaysia has taken, leaving his interviewer sputtering. Painting a world without the strait-jacket of the IMF and globalization, Small elaborated on LaRouche's proposals for criss-crossing the Earth with high-tech infrastructure projects like the Eurasian Land-Bridge.

## A University Intervention

Under the title "The End of Globalization and the LaRouche Solution," Small addressed a forum organized by the economics department of the Autonomous University of Santo Domingo. Although turnout was expected to be low, because students were still registering for the new semester, the forum rapidly swelled from 30 to over 300 people, including several dozen professors. Small addressed the nature of the world crisis, and developed LaRouche's programmatic solutions. He used two graphics—a photo of China's new, high-speed magnetic levitation (maglev) train, and the infamous photo of New York Stock Exchange President Richard Grasso embracing narco-terrorist FARC leader Raúl Reyes in the cocaine jungles of Colombia—as a jumping-off point for discussing the two opposing conceptions of the nature of man.

In the ensuing question period, one Fernando Peña rose to defend the FARC cocaine cartel, and to rant against Small for "defending capitalism." Peña was known to everyone in the audience as a top representative of the FARC in the Dominican Republic. He had personally brought Raúl Reyes to the country years earlier, to speak in that very auditorium.

Small responded that Marxism suffers from the same materialist viewpoint of man as the British empiricist outlook of the financial oligarchy, which is how Wall Street's Grasso and narco-terrorist Reyes could indeed share an embrace. The



*This picture, shown by LaRouche representative Dennis Small at a packed lecture at the Autonomous University of Santo Domingo, stung the narco-terrorist FARC's representative into an unsuccessful attempt to disrupt Small's lecture. New York Stock Exchange Chairman Richard Grasso (left) met FARC Chieftain Raul Reyes in the Colombian jungle in June 1999, to discuss "investments."*

audience was challenged to look past Peña's axioms—"left versus right" and "communist versus capitalist"—and see that the neo-liberal Davos World Economic Forum, and the Pôrto Alegre World Social Forum of the FARC and its ilk, ultimately represent the identical worldview, leading to a New Dark Age. Small argued that an opposite approach—economic reconstruction and continental integration—is required, and that LaRouche-allied forces across Ibero-America are constructing such an institution, known as the Guadalajara Forum.

The keynote address to the 40th anniversary conference of CODIA came on Jan. 12. Small detailed for the engineers and architects in the audience how to organize the reconstruction of the world economy, through great projects like the Eurasian Land-Bridge and linked counterparts in the Western Hemisphere. Faced, at first, with pessimistic comments that the "imperialist" United States would never permit this, Small attacked the anti-"gringo" attitude so prevalent in Ibero-America. He outlined the history of the American System of political-economy which built the economic might of the United States, "a history unknown in the United States as much as elsewhere." An encouraged audience besieged him with questions and congratulations for directly addressing the issue that was on all minds.

Afterwards, before 30 prominent CODIA members and international guests, CODIA president Olmedo Caba Romano announced that an "historic decision" had been reached: CODIA would offer its facilities and co-sponsor a meeting for Dominicans to participate in LaRouche's worldwide Internet webcast on Jan. 28. The same decision was announced by the Autonomous University of Santo Domingo, whose facilities also broadcast LaRouche's speech.

## State Budget Cuts Lay Waste To Health Care for the Poor

by Linda Everett

While increasing numbers of individual state legislators are looking towards Lyndon LaRouche's economic recovery program of state bankruptcy reorganization and Federally backed Super-TVA infrastructure projects to build our way out of what the National Governors Association admits is "the worst budget crisis states have faced since World War II," far too many state leaders have shown themselves willing to wield a barbarous budget-cutting knife against the country's sickest, most disabled, and poorest populations in a fruitless attempt to "solve" their growing Medicaid budget deficits. They have yet to realize that budget cutting will only make things worse.

Medicaid is the Federal-state health care program that covers more than 47 million indigent people, including nearly 24 million children, 11 million working adults, and more than 13 million elderly and disabled individuals. Even as the economy deteriorates, real incomes drop, and jobs disappear now at a rate of 90,000 per month—more people become eligible for Medicaid. But, the states' deepening Medicaid budget shortfalls are quickly leading to eliminating coverage for hundreds of thousands of existing Medicaid beneficiaries.

### 'This Is Going To Be Brutal'

According to a recent survey by the Kaiser Commission on Medicaid and the Uninsured, 40 states report that they are now facing a shortfall in the Fiscal Year 2003 Medicaid budget (which for most states began on July 1, 2002). Since the beginning of the fiscal year, 49 states and the District of Columbia have either made plans or already acted to reduce their Medicaid spending growth. But, Medicaid budget problems are becoming more severe than anticipated six months ago. Three-quarters of all states that began FY 2003 with such a strategy in place went back, after the fiscal year began, to enforce additional cost-control measures. All of these come

on the heels of the many previous cost-containment actions that the states adopted in 2002 and in 2001. Despite all of these significant cuts, state Medicaid officials believe that states will have to resort to even more stringent—murderous—cost-cutting measures in 2004. As one said, "This is going to be brutal, brutal, brutal." Another observed, "The new biennium is a disaster. There is a showdown coming."

Twenty-seven states have reduced or restricted eligibility to the Medicaid program. California will eliminate coverage for 500,000 people; Massachusetts cut off 50,000 indigent residents; Tennessee's new rules will cut 159,000-225,000 beneficiaries; Oklahoma will eliminate eligibility for 62,000 children and 18,000 adults. Other states that will cut off Medicare services altogether for some beneficiaries include: Vermont, Pennsylvania, Connecticut, Delaware, West Virginia, North Carolina, New Jersey, Georgia, and Michigan. South Carolina will cut coverage for everyone but those whom the Federal government requires must be covered by Medicaid.

The Center on Budget and Policy Priorities found that proposed cuts in 11 states also could result in the complete loss of health insurance for a million people currently covered by Medicaid and the State Children Health Insurance Program.

Besides Medicaid, hundreds of thousands of others in state programs for the medically needy are about to be dropped. For instance, in Florida, nearly 27,000 people rely on state help for life-saving drugs, such as those expensive (\$3,000 a month) anti-rejection drugs used in organ transplants. Without state programs, these people will die. Florida Gov. Jeb Bush (R) wants to cut the program, as well as reduce the income level for eligibility of these beneficiaries to \$450 a month!

Many services and benefits that states are eliminating are

a matter of life and death. Some 25 states plan to take or have already taken action to reduce acute-care benefits in 2003. Utah, for instance, denies coverage to new Medicaid patients for *all hospital care*, inpatient or outpatient, and speciality care. Some states now limit the number of days Medicaid will cover inpatient hospital care.

States carried out new limits on coverage of home oxygen, vision care, physical therapy, private-duty nursing, occupational or speech therapy. California, for instance, will end coverage for inhalers and diabetic test strips—affecting millions of chronically ill people who need these aids: Trying to do without them will leave them no alternative but to turn to already overburdened emergency rooms. Also, California will no longer cover artificial limbs, eye glasses, physical therapy, and wheelchairs. Many states are scrapping dental care, which is critical in the diagnosis of cancer, heart disease, life-threatening infections, and more. Oregon, Massachusetts, Connecticut, South Carolina, Tennessee, and Utah are some of the states reducing substantially mental health services.

### **Driving Medical Providers Into Bankruptcy**

So far, for FY 2003, thirty-seven states have reduced or frozen payment rates to medical providers (including providers of maternity care, of which Medicaid is the largest single purchaser). So, when states cut Medicaid payment rates to doctors and hospitals, or cut the income level at which these services are available, they do not eliminate the need for these services; they simply shift the costs for them to hospitals, which are operating in the red. Many U.S. hospitals are already trying to provide charity services to the country's 45-million-and-growing uninsured people, yet states like Georgia are cutting the amount of funds hospitals get for indigent care.

California Gov. Gray Davis (D), who intends to cut \$1.8 billion from that state's Medicaid program known as Medi-Cal (which will trigger the loss of \$1.8 billion in matching Federal funds), will cut payment rates to doctors and nursing homes by 15%. Already, 45% of California physicians refuse to see Medi-Cal patients, because of low payment. The move will scale back doctors' payments to 1985 levels! Note that physicians have already had a 5.4% cut in Federal Medicare payment rates for services to older and disabled Americans in October, with another 4.4% Medicare cut to be enforced in March. Although the elderly and disabled make up just one-quarter of Medicaid enrollees, they account for two-thirds of Medicaid spending.

Medicaid pays for more than half of all nursing home care in the United States. Nursing homes nationally are reeling from Medicare cuts in payments put in effect last October. California's 15% Medi-Cal cut to nursing homes will likely bankrupt an estimated 300-400 nursing facilities. At the same time, California will cut funding to the low-income, blind, and elderly—which means they may end up homeless and

need nursing home care. New Jersey, Maryland, Massachusetts, Missouri, Ohio, Nebraska, Delaware, Missouri, New York, Oregon, South Dakota, Texas, West Virginia, Virginia, Utah, among others, also cut Medicaid payment rates to nursing homes, doctors, and/or hospitals. Michigan may end Medicaid coverage for residents with disabilities who need in-home medical care. Massachusetts and Louisiana have cut funds to charity, public, or distressed hospitals. Mississippi, among other states, enforced "provider taxes" on nursing homes, facilities for mentally retarded, and psychiatric facilities.

So far, 17 states increased Medicaid patients co-payments to providers in 2003. This means that patients unable to afford to pay up to \$4 to visit a doctor or up to \$100 for a hospital visit, as some states now require, will go without that care and may become gravely ill, before medical attention is provided. Tens of thousands of patients will be rushed to hospital emergency rooms with less than a good chance of living.

Yet, even the obligation for coverage of emergency care would have been blocked by the Bush Administration, which pronounced last month that states were not obligated to cover emergency care services under Medicaid (the Bush Administration later rescinded the letter, after a torrent of protests).

Forty-five states have enforced prescription drug cost controls in FY 2003, such as cuts in Medicaid payment rates to pharmacists, or limits on the number of prescriptions a patient can fill monthly (disabled or chronically ill people often need a dozen or more medications daily, just to maintain life). States are imposing new or higher patient co-payments on each medication, or are mandating the use of generic drugs or state-approved drugs.

A recent study released by Families USA, a Washington-based healthcare advocacy group, showed that Medicaid spending in 2001 created 58,785 jobs on average per state, and that the \$98 billion that states spent on Medicaid created \$279 billion in "new business activity." The study found that states that reduce their Medicaid spending are hurting their economies because they stand to lose millions of dollars in Federal matching funds—money that has the potential to create jobs and stimulate local economies. This is true, but is limited to a vision of a country in a plummeting economy.

For the nation's future, our aims must be higher: a healthy economy, where the focus is on large-scale infrastructure projects that increase the country's capacity for new resources to serve the population and increase the standard of living for generations to come. Job creation, with appropriate health insurance and health-care infrastructure to properly serve the population, are basic mandates for the general welfare. Only within this perspective, do the chronically ill, elderly, and disabled rise from the bottom of a Medicaid list, to a center role of treatment, through new therapies, cures, and breakthroughs that are spinoffs of a scientifically and economically growing economy.

# D.C. Officials Conspire With Bankrupt Privateers To Destroy Health Care

by Edward Spannaus

District of Columbia government officials are again colluding with the corrupt Doctors Community Healthcare Corp. to slash health-care services for city residents. At the same time, more evidence of fraud and corruption is emerging in the ongoing bankruptcy proceedings of DCHC's financial partner, National Century Financial Enterprises, in Ohio. NCFE has announced that it will shut down over the next few months. It will probably take DCHC down with it, because of DCHC's involvement in National Century's fraudulent financing schemes.

David Coles, a restructuring specialist appointed to manage NCFE after its bankruptcy filing, was quoted in the *Wall Street Journal* as saying: "I've been involved with some badly-run businesses, some of which we've been able to recuperate, others which we've had to liquidate; but I've not had experience with a falsification of information component that compares to this."

## Corruption Costs Lives

In 2001, in a rotten deal between D.C. Mayor Anthony Williams, the Wall Street-controlled Financial Control Board, and DCHC—facilitated by lying promotion of the plan by the *Washington Post*—the District's public-health system was dismantled. The privatized system thus created was handed over to DCHC—a gangster-like outfit partially owned by the NCFE health-care looters.

DCHC's Nov. 20, 2002 bankruptcy, which followed NCFE's filing by two days, includes Greater Southeast Community Hospital in the District, which was supposed to "replace" D.C. General Hospital, the city's only public hospital, as part of the corrupt privatization plan.

D.C. General provided top-quality medical care to all who came through its doors, regardless of ability to pay. The HMO-type system which was created when D.C. General was shut down (called the D.C. Healthcare Alliance), was supposed to enroll 60-80,000 people, but it has only signed up about 26,000—and the quality of care they are getting has drastically deteriorated.

As was predicted at the time by *EIR* and other opponents of the shutdown of D.C. General, the entire city-wide hospital system is being overwhelmed by the effects of the hospital's closure, and by cutbacks of service at Greater Southeast—and it is now about to get a lot worse, under

the perverted scheme being proposed by the city and by DCHC.

At a Dec. 10, 2002 "Healthcare Summit" held by city officials, executives from the District's private hospitals described how their emergency rooms are overcrowded, ambulances are being diverted, and their institutions are serving many more uninsured patients. They also reported that they were not getting paid by the D.C. Healthcare Alliance, forcing them to bear the losses.

Reports are circulating in D.C. about more patients who have died because they had to be taken to distant hospitals for treatment. Ambulances are often stacked up outside emergency rooms, waiting one to two hours, or more, before patients receive care.

Under the privatization contract, Greater Southeast was required to provide emergency services equivalent to those that had been provided by D.C. General's Level One Trauma Center. As was predicted at the time, DCHC's Greater Southeast never even tried to establish such a Trauma Center, and now its low-level emergency room is often closed for lack of doctors and nurses. District officials never even tried to enforce this provision of the contract, and have allowed DCHC to flagrantly violate other parts of the contract—which may be related to DCHC's generous financing of Mayor Williams' re-election campaign.

(Two more deaths the week of Jan. 21 may be attributed to DCHC's failure to establish a trauma center at Greater Southeast. Two teenagers who were critically injured in a auto accident just across the District line in Prince George's County, Maryland were taken to Greater Southeast, where they died of their injuries. Health-care activists say that the two might have survived, if the Trauma Center at D.C. General had still been open.)

In November 2002, for the second time, Greater Southeast failed inspection by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and as a result JCAHO has refused to restore Greater Southeast Community Hospital's full accreditation, leaving it in "conditional" status. JCAHO said that, except for the "special circumstances" of the hospital's bankruptcy filing last month, it would have refused to give Greater Southeast any status at all, because of the poor conditions found during re-inspection.

As *EIR* has previously reported, an inspection last Spring

found numerous safety and health violations. Problems found this time include: emergency room patients having to wait because of back-ups in the ER and intensive care; medical charts not being updated properly; lack of medical supplies; no effective infection-control program; the safety plan not updated; and preventive safety maintenance not being performed.

### **Officials Allow Contract Violations**

Now, city government officials and DCHC are conspiring to obtain court approval for still further violations of the 2001 contract.

City Administrator John Koskinen is complaining that even the maintenance of a scaled-down emergency room at the old D.C. General Hospital campus is costing the District too much money, and he is proposing that it be cut back to an “urgent-care” center that is only open 12, instead of 24, hours a day. The urgent-care center would not be open to ambulances, and would treat nothing more serious than cuts, bruises, and fractures.

DCHC claims that Greater Southeast has lost \$14 million in running the emergency room and outpatient clinics at D.C. General. The reason given for the “losses” is that nearly 30% of patients treated at D.C. General have no medical coverage or insurance of any sort. The lesson seems to be: If you can’t make a profit off of medical treatment, forget the treatment and throw the patients on the scrap-heap.

DCHC’s lawyers have taken the Koskinen plan, and are presenting it in their own name, as part of a motion to modify the contract, to be presented to the Federal Bankruptcy Court.

(By way of background, we note that Koskinen is by profession a budget-cutter and asset-stripper, not a health-care expert. He was Deputy Director for Management of the Federal Office of Management and Budget in the mid-1990s, and then headed President Clinton’s hoaxster Y2K Commission. For over 20 years before going to OMB, Koskinen was an executive of a “turnaround” management firm dealing with bankrupt and insolvent companies.)

The Koskinen plan has been met with outrage by executives of the District’s private hospitals, who point out that it would divert more than 10,000 patients a year to their facilities. They note that their hospitals are already being overwhelmed by the effect of the shutdown of D.C. General and the curtailing of patient services at Greater Southeast. “The impact on other hospitals, in terms of patient care capacity and finance, is overwhelming,” said Sister Carol Keenan, the chief executive of Providence Hospital. “The city is playing that down. . . . It’s a crisis point for everybody who uses a D.C. hospital—not just the poor.”

Observers expect Federal Bankruptcy Judge S. Martin Teel to give DCHC a lot of leeway to continue reduced-scale operations, because he does not want to be seen as shutting down the only hospital in the eastern, poorest section of the city.

### **Council Mandates Public Hospital**

The only sensible thing to do in the face of this looming health-care disaster would be to immediately reopen D.C. General as a full-service public hospital, and for the city to take over and operate Greater Southeast as an adjunct of the revived public hospital. But Williams and Co. seem determined to stick with their lunatic scheme, no matter what the cost in suffering and lives.

The D.C. City Council, which unanimously opposed the closing of D.C. General, has recently mandated the construction of a new public hospital, but as part of a compromise on the disposition of the 67-acre D.C. General campus—a prime piece of riverfront real estate. Over the past year, Mayor Williams and his Office of Planning developed a “Master Plan for Reservation 13,” which allows for the development of high-rise private residential and commercial buildings on the site. The Council then passed legislation which sets aside two acres of the 67, for “the development of a new full-service hospital, including approximately 200 beds, and emergency department with Level 1 trauma care, general pediatric care,” and other services.

At the insistence of David Catania, the Council member who had fought the hardest against the DCHC/NCFE take-over, the legislation requires that the proceeds from any sale or lease of property on the site be deposited into a fund for a public hospital on the acreage set aside for that purpose. The Council also said that if instead, a full-service private hospital is constructed, the special fund must be used “solely for the purpose of providing health care to the uninsured residents of the District.” The bill also requires that all property taxes and commercial sales taxes collected on the site, also be dedicated solely to the provision of health care for uninsured District residents.

### **The LaRouche proposal**

As *EIR* has documented, Reservation 13—as the site has been known since George Washington’s time—was originally designated for public health purposes by President Washington and the designer of the City of Washington, Pierre L’Enfant.

The most comprehensive proposal for the appropriate development of the site was presented last year by Lyndon H. LaRouche, whose movement led the fight in 2001 to save D.C. General, as the leading edge of a national campaign to scrap the HMO system and revive the post-war Hill-Burton system. LaRouche proposed that Congress reconstitute D.C. General as the centerpiece of a research and teaching complex dedicated to national health-care security, operating under the authority of the U.S. Surgeon-General and the U.S. Public Health Service. The provision of health-care in the nation’s capital is a responsibility of the United States Congress, and in this case, this complements the requirement for an expanded, strategically-oriented national health-care research program located in Washington, D.C.

## Senate Tackles Omnibus Appropriations Bill

The Senate began work on one important piece of leftover business from the 107th Congress, on Jan. 15, when it took up an omnibus bill wrapping together the remaining 11 appropriations bills from last year. The process began when the House, before it departed on Jan. 8, passed two continuing resolutions, one to keep the government open until Jan. 31, and a second identical one to provide a vehicle for the Senate action. The plan, as developed by GOP leaders in both Houses, was for the Senate to pass the omnibus package, limiting spending to \$750 billion, turn it back over to the House for a final confirmation vote, and then, send it to President Bush before the State of the Union speech on Jan. 28.

The Republicans may succeed in getting it done, but since they are depending on holding their 51 votes together, rather than trying to block Democratic amendments, the process is dragging on longer than they had planned. This has led to GOP grumbling that the Democrats are only interested in slowing the process down. Sen. Rick Santorum (R-Penn.) complained on Jan. 22, that the amendments that the Democrats had offered up until that point totalled some \$350 billion over ten years which, in his view, "raises a lot of questions as to whether there's legitimate policy discussions going on here, or whether what we're doing here is playing politics." Santorum's remarks were in contrast with those of the new Majority Leader, Sen. Bill Frist (R-Tenn.), and Appropriations Committee Chairman Ted Stevens (R-Ak.), both of whom expressed satisfaction with the process up to that point.

For their part, the Democrats complained that the \$750 billion limit on

discretionary spending was \$10 billion below the sum total of all 13 spending bills passed by the Senate Appropriations Committee last year, all by unanimous votes. As a result, Democrats have been offering amendments to add funding to everything from homeland security, to law enforcement grants, to education, and have been defeated on near-party-line votes on most of them.

## Schumer, Durbin Threaten Filibuster vs. Pickering

Among the first batch of judicial nominations that President Bush sent up to Capitol Hill on the opening of the 108th Congress was that of Judge Charles Pickering of Mississippi, the same Pickering who had been rejected by the then-Democratically controlled Senate Judiciary Committee, last year. Bush's renomination of Pickering prompted Senators Charles Schumer (D-N.Y.) and Richard Durbin (D-Ill.) to issue a filibuster threat to stop his confirmation for a seat on the Fifth Circuit Court of Appeals. The Democrats, as well as civil rights groups, have long been critical of Pickering's stand on civil rights.

Pickering's renomination came on the heels of the controversy surrounding remarks viewed as racist by many, made by former Majority Leader Trent Lott (R-Miss.) at retiring Sen. Strom Thurmond's (R-S.C.) 100th birthday party, a fact which seems to have had the effect of waving a red flag in front of the Democrats. Schumer told reporters, on Jan. 8, "When it comes to civil rights, this administration has been talking a good game, but it's consistently ignored the need to move civil rights and racial issues forward." He added

that the Pickering renomination "shows, unfortunately, that Richard Nixon's Southern Strategy is still alive and well in the White House." Later, Senate Minority Leader Tom Daschle (D-S.D.) endorsed Schumer's comment and Durbin's threat, saying, "I don't think there's any question but that Democrats will take every step available to us to ensure that this Pickering nomination doesn't go forward."

The GOP reacted with threats of their own. Sen. Rick Santorum (R-Penn.) said that a filibuster of a judicial nomination "would set a very dangerous precedent. I think it would be very destructive to the institution [of the Senate] if we went down that road."

## Senate Votes More Money for LIHEAP

Members of Congress are apparently feeling the heat from their constituents regarding funding for the Low Income Home Energy Assistance Program, as a bipartisan grouping of members of both the House and the Senate demanded, during a Jan. 8 press conference, that the program be fully funded to a level of \$1.7 billion. Sen. Jack Reed (D-R.I.) noted that President Bush's budget request for LIHEAP was \$300 million short, last year, and "it looks like he's going to stick to those numbers" this year. He called that funding level "inadequate and insufficient to provide adequate heat" for hundreds of thousands of low-income households.

Accompanying Reed were Senators Hilary Rodham Clinton (D-N.Y.) and Jim Jeffords (I-Vt.), and Representatives Jack Quinn (R-N.Y.), Marty Meehan (D-Mass.), Bobby Rush (D-Ill.), and Jesse Jackson, Jr.

(D-Ill.). Clinton reported that LIHEAP applications are up by 9,000 this Winter, in New York State; Meehan noted that Massachusetts may have to cut assistance by 20%; and Rush and Jackson reported that the state of Illinois will have to cut assistance to 20-30,000 households. Sen. Olympia Snowe (R-Me.), in a written statement, reported that Maine has already received 46,000 applications for assistance this Winter, the same number it fulfilled in all of fiscal 2002, about 15% of which are new applicants.

The Senate got its chance to act on Jan. 21, when it passed, by a vote of 88 to 4, an amendment to the omnibus appropriations bill increasing the funding level for the LIHEAP program to \$2 billion. Reed told the Senate, however, that even with \$2 billion, the program will still be underfunded, because it does not recognize "that energy prices are soaring."

## **Senators Target DARPA Data-Mining Project**

On Jan. 16, Sen. Russell Feingold (D-Wisc.) introduced a bill to suspend the data-mining aspect of the Total Information Awareness project being run by the Defense Advanced Research Projects Agency. Under the bill, the program would remain suspended until Congress conducted a thorough review of it. Speaking at a press conference, Feingold defined data mining as "a broad search of public and non-public databases in the absence of particularized suspicion about a person, place, or thing." He said that "this untested and controversial procedure is capable of maintaining and accessing extensive files containing both public and private

records on each and every American." He warned that "when one considers the potential for errors . . . the prospect of ensnaring many innocents is frighteningly real."

Sen. Ron Wyden (D-Ore.), a co-sponsor, along with Sen. Jon Corzine (D-N.J.), of Feingold's bill, is also sponsoring an amendment to the omnibus appropriations bill to stop the funding of the program. "The Total Information Awareness Program, which could operate without any accountability to the United States Congress and without clearly defined safeguards, in my view, crosses the line and is unacceptable from the standpoint of the public interest," he said. He claimed that there was sufficient interest from Republicans to pass the amendment and vowed that he would not let the Senate leave until "there has been an up-or-down vote on whether or not the United States Senate will put the brakes on this, take the time to review it, and force the administration to make its case."

## **Kennedy, Byrd Blast Bush Policy on Iraq**

Two of the leading opponents to the Bush Administration's drive for war against Iraq, Senators Robert Byrd (D-W.Va.) and Edward M. Kennedy (D-Mass.), during last Fall's debate on the Iraq war resolution, have continued to speak out against the policy. Kennedy blasted the Bush Administration on Jan. 21, during a speech at the National Press Club in Washington, telling the assembled journalists that "an assault against Iraq . . . will not advance the defeat of al-Qaeda, but undermine it. It will antagonize critical allies and crack the global consensus that came together after Sept. 11. It will feed a

rising tide of anti-Americanism overseas and swell the ranks of al-Qaeda recruits and sympathizers. It will strain our diplomatic, military, and intelligence resources, and reduce our ability to root out terrorists, abroad and at home. It could quickly spin out of control and engulf other nations in the region, too."

Earlier, during floor debate on the omnibus appropriations bill on Jan. 17, Byrd called for reopening the debate on the use-of-force resolution. "Congress made a serious mistake," he said, "in passing an open-ended use-of-force authorization, last year," and "we only compound that mistake by sitting idly by while the Pentagon draws up war plans, costly war plans, and sends our young men and women abroad." He also took on the pre-emptive war strategy, warning that it has repercussions well beyond Iraq. "Other nations are watching what we are doing," Byrd said—including North Korea. "Even Brazil is reported to be contemplating the development of nuclear weapons as an insurance policy against a possible attack." He warned that "setting the United States up as the ultimate judge of good and evil, with the right to pre-emptively strike any nation which might pose a threat in the future, is the fastest way one can imagine to make us not only feared, but also universally hated."

On the House side, Rep. Sheila Jackson-Lee (D-Tex.) announced, on Jan. 21, that she had introduced a resolution to repeal the use-of-force resolution on Jan. 7. The use-of-force resolution, she said, "really abdicated the Congress's role to declare war under the Constitution . . . rejecting the Constitutional role of Congress to debate thoroughly and to decide on behalf of the American people." She indicated that there has been a great deal of interest expressed in her resolution.

AMERICA'S BATTLE WITH BRITAIN, 1860-1876

## The Civil War and The American System

by W. Allen Salisbury

**From the Editors:** *We celebrate this year the 25th anniversary of the publication of Allen Salisbury's book, whose title appears above. One of the jewels of the LaRouche movement, this book uncovered the long-suppressed history of the battle between the American System of political-economy, associated with the protectionist and pro-labor economics of Abraham Lincoln and Henry Carey; and the British System of free trade, the shared doctrine of both the Southern slaveholders and the New York and New England financier oligarchy.*

*Much has changed since Salisbury's book first appeared in 1978, but the fundamental issue of economic policy that he raises, is as vital now as it was then—and as it was in 1861. With the collapse of the Soviet Union in 1991, the politics of Cold War was replaced with a new era of "globalization"—free trade run rampant. The global physical economic breakdown which followed the 1971 collapse of the Bretton Woods System has proceeded apace, as Lyndon LaRouche forecast it would. Yet, the free traders have found new and ever-more-insane ways of looting a bankrupt global economy, by creating a speculative bubble of an enormity that the world has never seen before. They have concocted financial derivatives, currency warfare against developing nations, and an unprecedented rise in American consumer debt, among other means to maintain their doomed system for another week, or another month. Since Sept. 11, 2001, new schisms have arisen in the Anglo-American oligarchy, in which some—including in Britain itself—have distanced themselves from the most rabid advocates of a global imperium. And, most importantly, the LaRouche movement has matured to become a highly potent force internationally, finding new collaborators every day in*

*the fight for the American System.*

*Allen Salisbury, who suffered an untimely death in 1992 at the age of 43, and was a prime mover behind LaRouche's initiative for a Revolutionary Youth Movement in the early 1970s, would have been particularly joyful to see the rapid growth of the LaRouche Youth Movement over the past three years. It is mainly with those youth in mind, that we reprint here Allen's introduction to his book (in the first of two installments). The true story of American history told here is utterly unknown to victims of an American university education, who are instead fed lies about how "Lincoln was a racist," and "Adam Smith was the greatest economist in history." The book itself includes seminal writings of the American System thinkers of the 19th Century—including Henry Carey's stunning argument that slavery could have been abolished, and the Civil War prevented, had the protectionist policy of Alexander Hamilton prevailed.*

*Naturally, in 25 years, additional research, within and outside the LaRouche movement, has cast new light on some of the dramatis personae herein discussed. In some few particulars, the author, had he lived, might have revised his analysis. But the overwhelming truth and power of his argument remains, as an invaluable weapon in the war to defeat the British System.*

It would be slightly simplified, but essentially correct to say that there never was such a thing as a Civil War in the United States. The War Between the States that ravaged this country between 1861 and 1865 was the second military phase of the political battle which raged between Britain and the United



*President Abraham Lincoln and his economic adviser Henry Carey waged the struggle for industrial development begun by the Founding Fathers, against the fundamentally anticapitalist policies of the free traders. Here, a model of a statue commemorating Lincoln and his son Tad's visit to the Confederacy's capital of Richmond at the end of the Civil War, in April 1865. The statue will be dedicated on April 5, 2003 in Richmond.*

States from the time a formal ceasefire was concluded at Yorktown in 1781.

While it is widely acknowledged that the British oligarchy supported the Confederacy until its defeat appeared inevitable, modern historians have covered over the more fundamental relationship between the slavocracy and Great Britain. Britain, in its desire to replace the American System of industrial progress with the British System of Malthusian poverty and looting, created the Confederacy. Like the Tories during the Revolutionary War, the Confederates were either the conscious or duped agents of the British monarchy, sworn to destroy the American nation.

During the Revolutionary War period, the battle lines were clear: industrialization and expansion, or agrarianism and looting; a national government committed to the principles of technological progress, or subservience to the British crown. Except for the period of open hostilities during the War of 1812, however, British subversion in the period after the Revolutionary War usually cloaked itself in superpatriotic garb. It requires close inspection to rip the American nationalist costume off the likes of Andrew Jackson and Albert Gallatin, but the invariant activity of these exemplary Tories, among others, was to turn over the financial reins of the nation to the British Empire.

It was British financial intervention, exercised through such agents, that subverted the implementation of a national development program as it had been put forward under George Washington and Alexander Hamilton. The resulting

re-creation of the slave, cotton-growing South, then in alliance with certain New York and New England banking houses, served as an economic, political, and eventually military base for Britain's war against America.

To defeat this gameplan required the remobilization of the nation's workers, industrialists, and technology-proud farmers around the program that founded America. Henry Clay, John Quincy Adams, and Mathew Carey laid the groundwork, but the specific targeting of the treasonous British System, and the organization of the political party that could rout it were left to economist Henry Carey and the Republican Party of Abraham Lincoln.

The Republican Party of Lincoln was responsible for building the labor-industry alliance which won the war. That party's program has a surprisingly familiar ring to those fighting against the stagnation of the American and world economy under the British System today. Its key features were credits for rapid industrialization and realization of new technologies, debt moratoria on certain holdings that were crippling production, and measures to politically sever the U.S. credit generating mechanisms from British control.

It was not only the Democratic Party of Van Buren and Buchanan that Lincoln and his followers had to destroy. Their success depended on a constant battle against insidious agents inside the Republican Party as well—in some cases, agents who professed their loyalty to the Republican platform of industrial growth and protectionism, only to win their way into policymaking positions where they could sabotage Re-

publican policies. The problem is similar to that experienced by Americans today: how to reorient politics around the basic scientific principles of economic growth and thus weed out the slogan-mongers before the damage is done.

The party of Lincoln succeeded in launching the United States of America as the greatest industrial power on earth—but the British were not brought to the ground. Through assassinations, divide-and-conquer tactics, and, most importantly, the deceptive offer of an “Anglo-American Imperial Alliance,” the British oligarchs re-established an ever-tightening stranglehold over the U.S. economy and political system. Americans’ perception of their national interest was again viciously distorted and the war against the British System of austerity, deindustrialization, and mutually destructive class warfare conveniently forgotten. In this, American historians have played not the least significant role.

The Whig policies of Henry Carey and the Lincoln Administration live on in the largely un-self-conscious activities of millions of American workers, farmers, and industrialists today. Now, before the British succeed in manipulating the United States into economic or thermonuclear death, these policies must become a weapon for the re-establishment of the American System worldwide.

### **Reintroducing Henry Charles Carey, Whig Economist**

Henry C. Carey, largely written out of or deliberately deemphasized in today’s “revisionist” history books, is to be credited, perhaps more than any other single individual, with pursuing the policies which kept alive the Founding Fathers’ program for industrial-capitalist republicanism known as the *American System*. From the late 1840s until his death in 1879, Carey organized for Hamilton and Franklin’s dirigist system of political economy among the nation’s political leaders, industrialists, bankers, farmers, and skilled workers. Carey’s leadership in this effort, especially as exercised through Lincoln’s Treasury Department, enabled much of the nineteenth-century technological development of this nation to take place.

In the process, Carey and his co-thinkers prevented a British attempt to divide and conquer the United States.

A reading of his major works establishes that Carey, like the Founding Fathers, saw his own republican capitalist outlook as the continuation of the humanist struggles of the Hohenstaufen Emperor Frederick II, of the England of John Milton, and of the France of Jean-Baptiste Colbert.

Even competent Civil War historians (e.g., Robert P. Sharkey, *Money Class and Party*, 1959) conceptually block in their treatment of both Carey and the Civil War period. First, they refuse to recognize the line of development that links the outlook of the Founding Fathers with that of the Whigs—Henry Clay, Henry Carey, and Abraham Lincoln—and leads to the founding of the Republican Party. Second, they refuse to treat the Andrew Jackson Administration as the



*Author Allen Salisbury (1949-92), who discovered the long-suppressed work of Henry C. Carey and his collaborators.*

treasonous outfit it was, especially with regard to Jackson’s violation of the intent of the U.S. Constitution when he dismantled Nicholas Biddle’s National Bank in 1833.

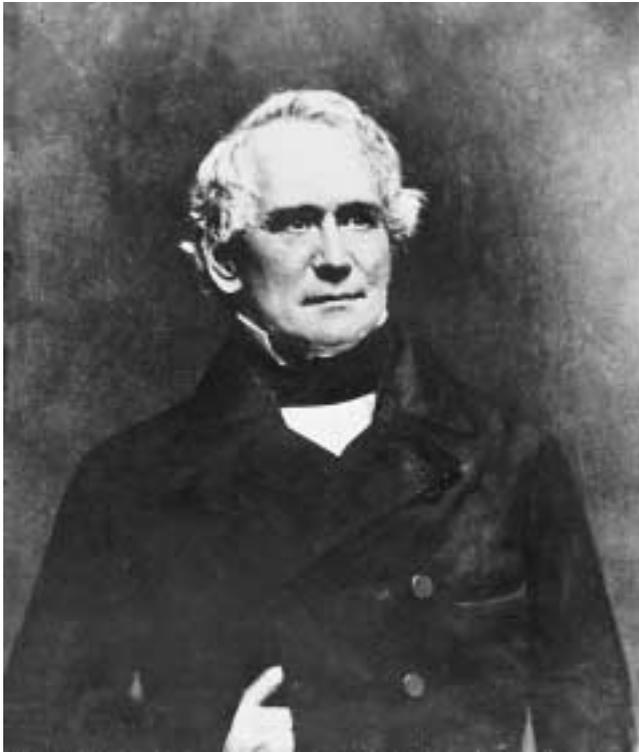
What is clear from a reading of Hamilton’s *Report on a National Bank*, which he delivered to the Congress in December of 1790, is that the Founding Fathers’ primary concern was to wed the new nation more closely to the production and promotion of useful manufactures, to the achievement of high rates of industrial growth and technological development, and to the discouragement of usurious banking practices, particularly those practiced by England. The Founding Fathers, following a dirigist policy of centralized national planning, intended the National Bank to so order the investment policies of the nation as to ensure that the production of real value (manufactures, internal improvements, inventions, and so forth) consistently outpaced mere interest on money or monetarist debt.

The Founding Fathers were guided by a labor theory of value, a theory commonly attributed to Karl Marx, but developed years earlier by Alexander Hamilton, particularly in his 1791 *Report on the Subject of Manufactures* to the Congress.

What is the labor theory of value?

From the time that man emerged from the baboon-like existence of the Pleistocene epoch, his activity has been characterized by willful innovations in the modes of producing his means of existence—innovations which have, at the same time, increased his population and the amount of energy available to and consumed by society.

Advances in human society are not the outcome of some biological or genetic variation (in the same way that some people glorify the continued adaptability of the ordinary house-roach to changing environmental circumstances). All great advances of humanity have been due to the intervention of humanists who have understood, along with Plato and his Neoplatonic successors, that man has the creative qualities to deliberately master the laws of nature and effect his own evolution.



*Henry Carey, who is ignored in today's history books, "is to be credited, perhaps more than any other single individual, with pursuing the policies which kept alive the Founding Fathers' program for industrial-capitalist republicanism known as the American System."*

For such Neoplatonic humanists, the material basis for solving all the problems of human existence must be located in technological and cultural *progress*. There must be an increasing number of human beings available and trained to work on those problems, and each individual's power over nature (his or her "productivity" as defined by assimilation of new, more efficient scientific-technological discoveries) must be increasing. And this progress must be unceasing. Every time a technological advance brings human society to a new mode of production, that mode defines certain aspects of man-altered nature as relatively finite. This does not imply that there are any natural limits to progress. Rather, what appear to be finite limits in one productive mode compel man to make the breakthroughs which will bring him to the next, more advanced mode, thus redefining the domain of natural resources in a qualitative way.

The need and capacity of man to create and assimilate such new discoveries in his day-to-day practice is what the humanist Alexander Hamilton meant by "the productive powers of labor." It is what the Whig economist and humanist Henry C. Carey, in further developing Hamilton's work, meant by the "quality of labor." It is what the great American literary figure and defender of Neoplatonic epistemology, Edgar Allan Poe, termed the "quality of genius." It is what Karl

Marx termed "labor power." And it is most emphatically what President Abraham Lincoln meant when he described himself as a follower of the "doctrine of necessity."

This quality of labor was first treated in detail by Alexander Hamilton in his *Report on the Subject of Manufactures* as being the sole source of value or wealth creation in a capitalist economy. Both Hamilton's *Report on the Subject of Manufactures* and his *Report on a National Bank* were key to the elaboration of an official U.S. government policy that was in opposition to the British colonial policy of primitive accumulation and enforced cultural backwardness.

Thus, the cornerstone of the humanist economic policy of the Founding Fathers—the policy which became known as the American System during the nineteenth century—was state direction of the nation's monetary and credit apparatus through a National Bank. The bank would ensure that the nation's currency and lending institutions acted as an aid to the productive process by issuing credit for industrialization, the fostering of scientific research, and the prevention of usury or at least the subordination of usurious practices to the process of production. Another included feature was government-financed internal improvements, which had the effect of ordering the investments of private individuals and companies into new manufactures, technological innovations in agriculture, and other, socially useful investments. A third policy associated with the American System was protective tariffs to prevent the British from wholesale dumping of their goods—as well as their debts—on the country in an effort to "strangle" American manufactures "in the cradle," as the British "liberal" David Hume put it.

In other words, the aim of the Founding Fathers was to effectively safeguard the nation that had just emerged from a successful revolution against British raw materials looting practices which would have meant the effective recolonization of the United States. At the same time, the Founding Fathers sought to foster the development of the United States until the nation became powerful enough to free the rest of the world from the British System.

From this point of reference, Andrew Jackson's decision to withdraw government deposits from the National Bank was unquestionably an act of treason. The decision left the U.S. at the mercy of the credit policies of the Rothschild and Baring banking houses, and made the Baring-dominated Associated Banks of New York and New England (the major financiers of Southern cotton exports) the most powerful group of bankers in the nation.

More importantly, Jackson's actions gave direct support to the theory of "free trade"—an ideology synthetically created by British Royal Society agents like Parson Malthus, Adam Smith, David Ricardo, and John Stuart Mill for the express purpose of *subverting* America's commitment to dirigism. This is the same subversive free trade ideology of "Cotton Is King" (see below), the outlook for which the South made its insurrection and against which Lincoln and

his Whig allies fought.

Historians of the Sharkey school nobly, but incorrectly conclude that the Civil War was primarily a contest between finance and industrial capital, with Henry Carey as the latter's chief spokesman. Rather, Lincoln and Carey must be seen as continuing the struggle for industrial development begun by the Founding Fathers against the fundamentally anticapitalist policies of the monetarists of Great Britain and their agents in this country.

This view has immediate implications for today: it leads to the conclusion that the current financial policy of the United States, which was and is formulated largely by the British-based investment houses and their affiliated think tanks like the Brookings Institution, are, in fact, alien to the principles on which the United States was founded. Adherents to this British policy are today exerting a control over the nation's institutions and policies that is treasonous.

### Carey's Roots

Henry Carey's background is rooted in republican humanist traditions. His father, Mathew Carey, was an Irish republican revolutionary strongly influenced by circles who were, in turn, influenced by Jonathan Swift. Mathew Carey's early Irish nationalism is humanist in the same sense as Franklin or Hamilton's American nationalism.

Mathew Carey was kicked out of Ireland for "defaming the British" when he resurrected Swift's *Modest Proposal for the Universal Use of Irish Manufactures*. He then made his way to France where he worked with Benjamin Franklin and the French General Lafayette. From France, Carey began printing and distributing Franklin's *Notes from America* to leading humanist circles throughout Europe, to keep them informed of the progress of the American Revolution. He later returned to Ireland to start a republican newspaper with the funds advanced for the purpose by Franklin and Lafayette.

Franklin, Lafayette, and Carey, too, were conspirators in a joint America-"League of Armed Neutrality" war against Britain of which the successful American Revolution was a part. The league of European continental powers stretching from Spain and France in the west to Russia in the east provided the decisive strategic element of humanist-organized monarchies to enable that battle against Britain to succeed. The plans did not end there; the league intended an invasion of Britain itself to bring an end to more than a century of British-based monetarist financial rule over Europe. To this end, Lafayette sought and received from the young Mathew Carey a detailed assessment of the possibility of establishing a republican state in Ireland. Ireland, at the time, was a probable launch point for an invasion force against Britain to be headed by Lafayette.

The plan became unworkable with the outbreak of the so-called French Revolution, which also nearly prevented the consolidation of the gains of the American Revolution in the form of the present Constitution.

Upon his arrival in the U.S., Carey quickly became an ardent supporter of Alexander Hamilton; he continued his collaboration with Franklin until the latter's death. Contemporary opinion placed Carey second only to Hamilton as the nation's leading protagonist for the "American System." His work with Franklin encouraged him to found the nation's first book publishing company following their successful U.S. publication of Condorcet's *Historical Sketch for the Progress of the Human Mind*.

Mathew Carey adopted the humanist organizing method of Franklin. As Franklin reports in his *Autobiography*, the Junto, a secret organization, agitated for continual improvements, the first fire company, and the first network of printing establishments in the nation. It was this model that was followed by Carey and the Philadelphia Association for the Promotion of National Industry to effect such improvements as the construction of the first railroad in Pennsylvania. For this reason, Edgar Allan Poe once said of his publisher Mathew Carey that he reminded one of Ben Franklin.

Around Mathew Carey's Philadelphia circle developed the second generation of American political economists. The American humanist was not disposed to adopting a professorial chair of economics. They plunged into the study of political economy out of necessity, as a deluge of classical British economics and economists threatened to stop development of the U.S. along the lines first elaborated by Franklin and adopted by the first U.S. Congress when it decided in favor of the celebrated reports of Alexander Hamilton.

After the assassination of Hamilton by Aaron Burr in 1804, major responsibility for keeping alive the American System program fell to this group of secondary leaders, which included as its chief spokesmen the Whig leaders John Q. Adams, Henry Clay, and John Calhoun (early in his career) and the members of Mathew Carey's Philadelphia circle, most notably such forgotten figures as Baltimore's Daniel Raymond, Hezekiah Niles, and the brilliant German leader Friedrich List.

As Mathew Carey documents his own contributions in his *Autobiography*, he vigorously pursued the policies put forward in Hamilton's report. In fact, he was a director for two terms of the Pennsylvania subdivision of the National Bank. Among other contributions was his defense of Joseph Priestley, the English chemist who collaborated closely with Franklin.

Priestley was forcibly exiled from England and had come under attack from William Cobbett. Cobbett was the chief U.S. publicist for the antihumanist circles around Jeremy Bentham and Parson Malthus in England. Cobbett's primary role was to conduct what today would be known as a Water-gating operation against leading U.S. Hamiltonians. The ensuing newspaper war between Carey and Cobbett eventually led to the dissolution of Cobbett's Pennsylvania newspaper, the *Peter Porcupine Gazette*, and his departure to England.

It was only with the defeat of the "League of Armed Neu-

trality,” sealed by the 1815 Treaty of Vienna, that Britain was again freed to continue open hostilities against the United States. In the eighteenth century, France was Europe’s leading industrial power and the leading national power in the league. Objectively, Britain could not defeat France in a war, so Britain manipulated France to defeat itself. Using Swiss and French agents under London’s direction, Britain wrecked French credit, mobilized the “sansculotte” slum population of Paris, and then set in motion the Jacobin Terror to abort any French humanist attempt at reproducing the American Revolution in Europe. By 1814, continental Europe was reduced to war ruin and the young American nation had fought another war against Britain—the War of 1812. The unfavorable aftermath of that war and continued trade war by the British against American commerce and industry was creating havoc within the United States.

The treaty that concluded the War of 1812 had given the New York merchants junior-partner status in the East India Company. Britain sought to “legalize” its trade war with the United States by having the U.S. drop its dirigist policy in favor of “free trade.”

Albert Gallatin, the Secretary of the Treasury under both President Madison and President Jefferson, was Britain’s “agent-in-place” for this subversion attempt. The Treasury’s London office under Gallatin was used as a training center for agents to influence U.S. economic policy toward free trade. There, Gallatin’s staff met with both Jeremy Bentham and David Ricardo, who instructed them not to have Hamilton’s dirigist system taught in the schools and colleges of the United States. Bentham even offered to Gallatin his services to rewrite the U.S. Constitution—an offer Gallatin relayed to Jefferson, Madison, and the U.S. Congress.

It was Gallatin who sought to manipulate President Jefferson over the question of the Louisiana Purchase. Jefferson was properly concerned that the United States should expand its territory across the Mississippi River to the Rocky Mountains—from the Gulf of Mexico to Canada—to prevent occupation by hostile governments allied with the British. The actual policy debate over the Louisiana Purchase, however, occurred over whether the territories were to be developed *before* they were admitted as states in the union. Gallatin pushed a program of “free” plots of land, while the leading Federalists and Whigs insisted that the lands should be settled by men with enough capital to invest in manufactures and agricultural improvements. With the experience of the French Revolution fresh in mind, they had no intention of creating a state run by beggars and speculators.

As part of Britain’s subversion, Adam Smith’s *The Wealth of Nations* was taken off the dusty bookshelves and made popular throughout the country. *The Wealth of Nations* first appeared in this country during the first year of the Revolutionary War. During the period after 1815, it was revived especially by the shipping interests of New England and New York, and by the slave states of the deep South.

It was also during this period that Mathew Carey and other supporters of Hamilton sought out and wrote their own textbooks on political economy to refute the works of Smith and, later, Malthus and Ricardo.

With the publication of his *Olive Branch*, Mathew Carey opened a campaign throughout the country for a continued national commitment to Hamilton’s economic policy. He immediately took up the study of political economy which, as he states in his *Autobiography*, he had not paid any attention to before reading *The Wealth of Nations*. His first work took on Adam Smith’s proposals to return the United States back to a colonial relationship with Great Britain. In this respect, *The Wealth of Nations* was British political intelligence propaganda. Of course, Smith paid due respect to the home market and its industries, but, as Carey states correctly, the whole proposal was a sham which he and Henry Clay’s close associates Daniel Raymond and Friedrich List proceeded to expose.

To Mathew Carey, the foundation of Smith’s proposal to establish “freedom of trade” was accompanied with “assurances” that the wiped-out American manufacturers and mechanics could find employment in “collateral manufactures,” especially agriculture.

These positions, absurd, futile, and untenable as they are, form the basis of the *Wealth of Nations*. To a person wholly unbiased by prejudice, it must be a matter of astonishment how a work, resting on such sandy and miserable foundation, could have obtained, and still more, have so long preserved, its celebrity. The monstrous absurdity of these doctrines and the facility with which they might be refuted, induced me to enter the lists against this Goliath with the sling and stone of truth.

Mathew Carey, Henry Clay, and others revived Hamilton’s Society for the Promotion of Useful Manufactures. The new Philadelphia Association for the Promotion of National Industry included manufacturers, as well as agriculturists, scientists, and skilled mechanics. As part of their work, Mathew Carey republished several times Hamilton’s *Report on the Subject of Manufactures*. In his prefaces to those editions, Carey correctly noted that Hamilton had already refuted all that Smith had to say and, in fact, Hamilton’s report subsumed the work of the great seventeenth-century French Finance Minister Colbert.

The impact of the association in at least sustaining Hamilton’s system as the policy intention of the nation is evident in this letter from President Madison to Mathew Carey.

I have read the pamphlet on our commercial policy, which is another proof of your disinterested zeal on an important subject. You have placed in a strong light the evils necessarily resulting from the excess of our importations over our exports and the necessity for re-

storing an equilibrium. I have read your essays as well as the report of Hamilton . . . and I must confess that I see no possibility of resisting the facts, principles and arguments they contain. What adds to their weight too with me is that, as you remark, we cannot be worsted by the experiment, as far as economical expediency goes. . . .

The remarks by the Senator from Pennsylvania, Andrew Stewart, during the 1827 debates on tariff legislation also evidence the impact of the association.

The gentleman from New York has called this a “New England Bill,” and, from principles of patriotism, he says he is opposed to it. “It is immaterial,” he says, “to us, whether we get our cloth from Manchester or Boston.” This may suit the patriotism of the representative of a city where it is said that three-fourths of the woolen business is in the hands of British merchants, and British manufacturers; but Mr. S. took his principles from another school. For he had been told in the course of the debate by a gentleman from South Carolina that there are two schools of political economy—one headed by Adam Smith, and the other by Mathew Carey—a British and an American school, and we are warned by that gentleman against giving up the sound doctrines of Smith, for what he is pleased to call the “Statistical Nonsense of Mathew Carey.” Now Sir, although the views of Adam Smith and other British writers may suit the purposes of the gentlemen from New York and South Carolina, yet they must give me leave to say that I would not give one page of the “Statistical Nonsense of Mathew Carey” on this subject for all the theories of Adam Smith, and their long and learned speeches into the bargain. . . .

One of the more important figures engaged in the fight for the American System was the German republican Friedrich List. List was brought to America and introduced to the Pennsylvania circle by Lafayette in 1824. List was already familiar with the works of Daniel Raymond, Henry Clay, Alexander Hamilton, Mathew Carey, and others principally through Carey’s earlier extensive collaboration with the German educator Christopher Daniel Eberling. To combat propaganda from Britain that was defaming America as a land of savages, Eberling requested and got a steady stream of reports on the latest developments in internal improvements, books, and samples of every leading newspaper in the young nation. What Eberling faced was an international campaign on the part of Great Britain to prevent the model American republic from being exported.

Professor List himself played a leading role in exporting significant portions of the American System when he established the *Zoll-Verein* or German customs union upon his

return to Germany in 1832. What List accomplished in part was the elimination of the customs duties between the various Germanic states. In its place, a national German customs policy was enacted, following the example of the United States. As Henry Carey later noted in his review of List’s book, *The National System of Political Economy*, it was this accomplishment that enabled Germany to become a nation.

List, like Mathew Carey and Daniel Raymond, had nothing but contempt for Adam Smith. List even postulated that Adam Smith, while on his deathbed, had all his personal papers burned so that the world would never know his evil.

List’s book *The National System of Political Economy* was written following his return to Germany, but was begun while List was in the United States working with the Philadelphia Association between 1825 and 1832. He was commissioned by Mathew Carey and Charles Ingersoll, the association’s treasurer, to write a series of open letters attacking Adam Smith and free trade, and explicating the principles of the American System of political economy.

List did write a series of twelve open letters in which he proposed, among other things, that the U.S. save the Latin American countries from having to repeat the U.S. experience of carving a nation out of wilderness by exporting U.S. technological know-how to Latin America.

List’s proposals on that account became a permanent feature of Whig foreign policy. His book was to be used by the association to counter what had become the hegemonic works of the British economists in the nation’s colleges.

The programs enunciated by List and others remained the policy commitment of the nation until Andrew Jackson entered the White House in 1829. The factions led by Henry Clay then formed the Whig Party in opposition to Jackson. The vigorous fight in behalf of the American System, led by Clay in the Congress, prevented Jackson from doing much damage until he was re-elected for a second term. After Jackson vetoed the charter of and withdrew federal money from the National Bank, the southern cotton planters forced Clay behind the Compromise Tariff of 1833. They threatened secession if U.S. tariffs against Great Britain were not ended. In fact, it was Great Britain’s Prime Minister Lord Palmerston’s policy in the early 1830s to get the United States to adopt the free trade policy in order to prevent the expense of another costly war.

The measures taken by Jackson, who was still publicly expressing his support for the American System, led to the depression of 1837. The bank’s destruction handed large sections of the South to the nullifiers (or secessionists) because otherwise enlightened southerners were unable to obtain the needed credits to diversify out of cotton, tobacco, and other raw materials into industry. The institution of slavery, which had begun to die out, spread as the British were given a free hand to demand southern debt service payments to New York banks and eventually to the bottomless coffers of the Rothschild and Baring banking houses.

Martin Van Buren's election to the presidency and Rothschild agent August Belmont's later election to the leadership of the Democratic Party solidified the Rothschilds' control over the U.S. Democratic Party.

The abolitionist movement, which began attaching itself to the Whig Party, was also coming under Great Britain's direction. Consider the fact that Harriet Beecher Stowe's patron, Arthur Tappan, and William Lloyd Garrison were both on the Board of Directors of Albert Gallatin's Baring-connected bank. These abolitionists lobbied for the North's secession from the Union. So, it is by no means accidental that both the southern "slavocracy" and the northern abolitionist movement were British free traders in economic as well as social philosophy.

The actions of both were coordinated from the top by the London-based Cobden Clubs. This organization had on its Board of Directors the leading members of the House of Rothschild, and Thomas Baring. John Stuart Mill, son of the detestable John Mill, was their chief political economist.

U.S. membership included such so-called liberals as the Boston cotton merchant Edward Atkinson, the leading abolitionist William Lloyd Garrison, as well as the top theorists for the southern slavocracy.

It was primarily the abolitionists, together with the William Seward-Thurlow Weed New York faction of the Whig Party, that prevented Clay or any other Whig leader of his calibre from winning the presidency. They forced compromise after compromise on the issue of the extension of slavery, all in the name of "states rights."

The Founding Fathers of this country had fully intended the slave trade and slavery to be stopped at the earliest possible date. The first draft of the Declaration of Independence, written by Thomas Jefferson with the aid of Benjamin Franklin, reads in part:

He [the king—A.S.] has waged cruel war against human nature itself, violating its most sacred right of life and liberty, in the persons of a distant people, who never offended him, captivating and carrying them into slavery in another hemisphere, or to incur a miserable death in their transportation thither. This piratical warfare, the opprobrium of infidel powers, is the warfare of the Christian king of Great Britain. Determined to keep open a market where Men should be bought and sold, he has prostituted his negative for suppressing every legislative attempt to prohibit or to restrain this execrable commerce. And that this assemblage of horrors might want no fact of distinguished dye, he is now exciting those very people to rise in arms against us, and to purchase that liberty of which he has deprived them by murdering the people upon whom he also obtruded them—thus paying off former crimes committed against the liberties of one people with crimes which he urges them to commit against the lives of another.

This draft of the Declaration of Independence was not adopted out of deference to South Carolina and Georgia in order to gain their support in the prosecution of the Revolutionary War and the later signing of the U.S. Constitution. However, it was understood that both the slave trade and slavery would be halted as soon as practicable.

### **Henry C. Carey and Karl Marx vs. The Manchester School**

In an essay published in the early 1960s, Arthur Schlesinger, like other British-tinged historians, recognized the significance of Karl Marx's assessment of Henry Carey as the "most important of the American economists."

After making that statement and dutifully identifying Carey's humanist commitment as the reason for Marx's positive assessment, Schlesinger asserts that "after all, Carey was much closer to the classical economists [Mill and Ricardo—A.S.] than he was to Marx."

The fact that Schlesinger could get away with publishing such nonsense and receive a Pulitzer Prize for his glorification of Andrew Jackson's Administration without a cry of moral indignation from the American population, suffices as evidence of the utter ignorance in which most Americans have been kept regarding their own history.

In actual political practice, it was Henry Carey who sought to demonstrate to Marx the differences between the American System and the British System of the classical economists for whom they both shared a mutual hatred.

Such falsified historiography on the part of Schlesinger represents the on-going British-centered intelligence warfare against both the Soviet Union and the United States.

The populations of the United States and the Soviet Union share a common commitment to industrial and technological progress. The Soviet Union's population associates such a commitment with the name of Karl Marx and its realization in the government's five-year plans. In the United States, Henry Carey and other supporters of the American System left this country a legacy which the average citizen associates with the "idea of progress."

On that account and especially after Lenin's successful 1917 revolution, British intelligence networks within both the U.S. and Soviet Union found it necessary to exploit both real and imagined differences in order to prevent the leadership of the two countries from making their shared humanist commitment the basis for international policy agreements and ventures—typified by the military collaboration between the U.S. and U.S.S.R. during World War II and by current efforts at scientific collaboration.

It is by no means accidental that Arthur Schlesinger, as a member of President Kennedy's National Security Council, was in part responsible for enhancing the credibility of British agents inside the Soviet Union associated with Georgii Arbatov and his U.S.A.-Canada Institute. That Soviet institute controls the archives of Karl Marx and, in early 1977, reprinted

in its *U.S.A.* magazine an error by Karl Marx regarding the Whig economist Henry Carey as evidence that Marx regarded Carey as a “bourgeois vulgar economist.” That same epithet is repeated in most Moscow editions of the works of Karl Marx.

In truth, the term “vulgar” was used by Marx to characterize John Stuart Mill, the hated enemy of both Marx and Carey. Mill, a contemporary of Marx and Carey, was the chief economist of the Cobden Clubs, and thus published and organized in behalf of the House of Rothschild and the Baring Brothers’ banking interests.

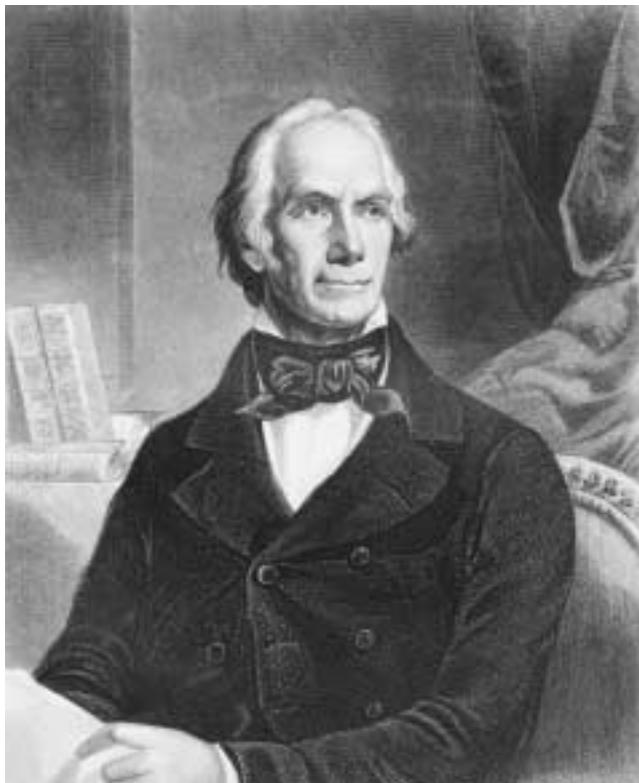
What is it that Marx actually had to say about Carey?

That bourgeois society in the United States has not yet developed far enough to make the class struggle obvious and comprehensible is most strikingly proved by H.C. Carey, the only American economist of importance. He attacks Ricardo, the most classical representative of the bourgeoisie and the most stoical adversary of the proletariat, as a man whose works are an arsenal for anarchists, socialists, and all the enemies of bourgeois society. He accuses not only him, but Malthus, Mill, Say, Torrens, Wakefield, McCulloch, Senior, Wakeley, R. Jones, etc., in short the economic masterminds of Europe, of tearing society apart and paving the way for civil war by their proof that the economic basis of the different classes must give rise to a necessary and ever-growing antagonism between them.

What is true is that Marx was almost totally ignorant of the humanist struggle of the eighteenth century which culminated in the American Revolution. Thus, he was unable, often to the point of ridiculous stubbornness, to recognize the difference between the American System and the British System, and took the latter to be the model for modern industrial capitalism.

Carey, on the other hand, in his first attempt at political economy, his 1840 *Principles of Political Economy*, thoroughly debunked Ricardo’s theory of rent by showing it to be both factually and historically absurd. Carey demonstrates how yesterday’s values are depreciated by today’s advances in technology by focusing on the effects of technological progress in an economy on the determination of value. For this, Friedrich Engels credits him with being the first to state that the value of a commodity is its necessary cost of social reproduction and not its accounting cost. Carey, also in this context, defined the combined quantity and quality (or productive power) of labor to be the sole determinant of economic value in a capitalist economy.

Carey’s book dealt a blow to the political-economic theory that was at that time reigning hegemonic. But Carey had not yet come around to the superior wisdom of his father, Mathew, and Alexander Hamilton that tariff barriers were needed to prevent the destruction of U.S. industry by Great Britain. He also accepted what was “positive” in Adam



*The factions led by Henry Clay formed the Whig Party, which fought for the American System in opposition to President Andrew Jackson. Abraham Lincoln was a dedicated partisan of Clay.*

Smith’s *Wealth of Nations* and stubbornly refused to recognize that it was merely bait. The eighteenth-century French economist Pierre Dupont de Nemours has even charged that “everything that is true in this respectable, but tedious work” is to be found in Turgot’s *Reflections on the Formation and Distribution of Wealth*; “everything added by Smith is inaccurate.”

But with the depression of 1848, Carey was to take over from Henry Clay the leadership of those forces committed to the protective policy. This leadership position forced Carey to hone his analysis of British monetarism.

In *The Past, The Present, and The Future* (1848), Carey begins to argue correctly that the entire British economic system was nothing more than an apology for a foreign policy of looting, bent on destroying the industrial capability of the rest of the world.

The *Harmony of Interest*, written in 1851, is a polemical restatement of his proposal for a labor-industry (or “producing classes”) alliance against the free trade movement in the U.S.

In *Harmony of Interest*, Carey singles out the Ricardo-Malthus school of British economists for the particular attention of his readers. The Malthusian doctrine of overpopulation is false, says Carey, because industrialization and improve-



*The sabotage of Alexander Hamilton's dirigist economic program, by agents of the British System, allowed the growth of the "slavocracy," as a base for Britain's war against the United States. Hamilton's ideas were revived, after his death, by Mathew Carey, and later by his son Henry.*

ments in agriculture have historically enabled man to increase his population. The Ricardian doctrine of ground rent is equally absurd. Using examples of settlement patterns in Pennsylvania, Carey proves that man does not move from the "best" lands to poorer ones. Rather, there are no "best" lands until they become man-improved by the introduction of agricultural implements, fertilizer, and dredging techniques. As further evidence against the Ricardian doctrine, Carey discusses the work of his German friend and chemist Liebig in the application of fertilizer and crop rotation methods to farmland. In capitalist society, such improvements by man give value to land and justify rent; Ricardo's is the system of a common thief.

Carey then describes the British System:

The impoverishing effects of the system were early obvious, and to the endeavor to account for the increasing difficulty of obtaining food where the whole action of the laws tended to increase the number of consumers of food, and to diminish the number of producers, was due the invention of the Malthusian theory of population,

now half-a-century old. That was followed by the Ricardo doctrine of rent, which accounted for the scarcity of food by asserting, as a fact, that men always commenced the work of cultivation on rich soils, and that as population increased they were obliged to resort to poorer ones, yielding a constantly diminishing return to labor, and producing a constant necessity for separating from each other, if they would obtain a sufficiency of food. Upon this theory is based the whole English politico-economical system.

We thus have here, first, a system that is unsound and unnatural, and second, a theory invented for the purpose of accounting for the poverty and wretchedness which are its necessary results. Overpopulation is the ready excuse for all the evils of a vicious system, and so will it continue to be until that system shall see its end, the time for which is rapidly approaching.

On the Rothschilds' role in the British System. Carey remarks:

Rothschild may be taken as the type of the whole system, and the following notice of him and of his modes of taxing those by whom he was surrounded, furnishes a picture of the speculators of every kind, in England, who live at the cost of the labourers of the world.

The name of Nathan Meyer Rothschild was in the mouths of all city men as a prodigy of success. Cautiously, however, did the capitalist proceed, until he had made a fortune as great as his future reputation. He revived all the arts of an older period. He employed brokers to depress or raise the market for his benefit, and is said in one day to have purchased to the extent of four millions. The name of Rothschild as a contractor for an English loan made its first public appearance in 1819. . . . The Old and the New World alike bore witness to his skill. . . . Minor capitalists, like parasitical plants, clung to him, and were always ready to advance their money in speculations at his bidding. He became the high-priest of the temple of Janus, and the coupons raised by the capitalist for a despotic state were more than a match for the cannon of the revolutionist.

*The Slave Trade, Foreign and Domestic*, written in 1853, identifies Harriet Beecher Stowe's *Uncle Tom's Cabin* as an important element in a British attempt to balkanize the United States. In it, there are many of Karl Marx's contributions to the *New York Tribune*, including one which exposes the hypocrisy of the British liberal's antislavery movement by showing Stowe's connection to the landed aristocracy of Great Britain, most particularly Lady Sunderland who was financing Stowe and who had just kicked all the peasants off her land to make room for a game preserve. Marx's appellation, "The Lady Sunderland Self-Glorification Society," be-

came “canonized” among Whig circles in the U.S.

Carey’s discussion of chattel slavery deals with the effects of British policy worldwide. Entire populations were enslaved, restricted to engaging in primitive agriculture and mineral extraction, and denied participation in technological progress. Carey treats India and how the British East India Company systematically supplanted the positive influence of Mohammedan culture with the introduction of the vicious ideology of Hinduism.

In a letter to Friedrich Engels, discussing *The Slave Trade*, Marx shows his stubbornness on the issue of the American System versus the British System.

Carey, the American national economist, has published a new book, *Slavery At Home and Abroad*. Under “slavery” are here included all forms of servitude, wage slavery, etc. He has sent me his book and has quoted me repeatedly (from the *Trib*). I told you before that in this man’s previously published works the harmony of the economic foundations of the bourgeois system was described and all the mischief was attributed to superfluous interference by the state. The state was his bogey. . . . The root of all evil is the centralizing effect of big industry. But this centralizing effect is England’s fault because she turns herself into the workshop of the world and forces all other countries back into the rudest agriculture, divorced from manufacture. For the crimes of England the Ricardo-Malthus theory and especially Ricardo’s theory of ground rent are in their turn responsible. The necessary consequences alike of Ricardo’s theory and of industrial centralization would be Communism. And in order to avoid all this, to oppose centralization by localization and a combination of factories and agriculture all over the country, the final recommendation of our ultra-free trader is—protective tariffs. In order to escape the effects of bourgeois industry, for which he makes England responsible, he resorts like a true Yankee to hastening this development in America itself by artificial means.

. . . The only thing of positive interest in his book is the comparison between the former English Negro slavery in Jamaica and the Negro slavery in the United States. He shows that the main body of Negroes in Jamaica, etc., always consisted of newly imported barbarians, as under English treatment the Negroes were not only unable to maintain their population, but lost two thirds of the number annually imported; the present generation of Negroes in America, on the other hand, is a native product more or less Yankeeised, English-speaking etc., and therefore fit for emancipation.

Your article on Switzerland was of course a direct smack at the leader in the *Tribune* and their Carey. I have continued this hidden warfare in a first article on India in which the destruction of the native industry by

England is described as revolutionary. This will be very shocking to them. For the rest, the whole rule of Britain in India was swinish, and is to this day.

Marx repeats this error throughout *Das Capital* and in the following quote from *Grundrisse*:

It is not surprising that the production relationships in which this immense new world has developed so surprisingly, quickly and fortunately are considered by Carey as the normal, eternal conditions of social production and distribution, contrary to what has taken place in Europe, especially in England—which for Carey is the real Europe where the production relationships have been hindered and disturbed by the inherited obstacles of the feudal period. What more natural from his point of view, than that these relationships should have been caricatured and falsified by the English economists, who have confused the fortuitous distortions of these relationships with their inherent character.

To this view, Marx objects that, according to Carey,

It is a law of nature, for example, that wages should increase with the productivity of labor. So if reality does not correspond with this law, whether in India or in England, we have to make an abstraction of the influence of the state . . . taxes, monopolies, etc. Naturally, Carey does not inquire to what extent these state influences—public debt, taxes, etc.—themselves grow out of bourgeois conditions; thus, in England, for example, they are not at all the result of feudalism, but rather of its dissolution and defeats.

Carey’s criticism of the English theory of landed property, wages, population, class contradictions, etc. resolves itself into one thing only—American conditions against English conditions. Bourgeois society does not exist in the pure state in England; it does not there conform to its nature and definition. So why should the ideas of English economists on bourgeois society be the true and untroubled expression of a reality they have never known?

Marx’s errors regarding the American Revolution duly noted, Marx as well as his close associates counted among the most potent allies of the nation during the Civil War, which was recognized by President Lincoln in his distinction between the British abolition societies and Marx’s International Workingman’s Association.

Marx wrote for the *New York Tribune* during that period when, for all intents and purposes, Carey was the financial editor of the paper. Carey’s personal friend and collaborator at the *Tribune*, Charles Dana, had added Marx to the *Tribune* staff and requested that Marx begin to write articles on En-

glish domestic and foreign policy. Marx's tenure stretched from the early 1850s through 1860. During that decade, Carey had more or less determined that the survival of the American System largely rested with himself and what became known as his Philadelphia Vespers circle—the center of Whig humanism in the United States.

Although Marx, in his theoretical work, rejected Carey's *Harmony of Interest*, which, in essence, was Carey's proposal for the cooperation of the industrialists, laborers, and farmers under an American System, in point of fact, Marx's actual political practice defended the American System forces against the British free traders and the social reformers and assorted liberals associated with them. Hence, the hatred bestowed on both Marx and Carey by the British liberals which continues to this day. Charles Dana even penned a letter defending Karl Marx from the slanders of British agent Herr Vogt. The letter was published in the first edition of Marx's work *Herr Vogt*.

### **The Carey-Lincoln Tradition and the Fight for the Republican Party**

The dissolution of the Whig Party following the death of Henry Clay in 1852 and the passage of the Kansas-Nebraska Act in 1854, which effectively repealed the Missouri Compromise of 1820 prohibiting slavery in the Louisiana Territory north of Arkansas, sparked what can only be described as a mass strike movement which gave birth to the Republican Party. The first national campaign of the Republican Party in 1856 gave them a majority in the U.S. House of Representatives despite the electoral defeat of their presidential candidate John C. Frémont.

The difficult task which the Whigs, Lincoln and Carey, faced was to establish the hegemony of Whig policy in the new party. Frémont was the candidate of a coalition led by New York's William Seward and the Jacksonian-turned-free-soiler and abolitionist William Cullen Bryant: the British free trade wing of the party. Lincoln was a supporter of Henry Clay and the American System all his political life. Contrary to the populist garbage peddled by the poet Carl Sandburg, Lincoln was the heir of earlier republicans who fought the political battles for the most rapid introduction of internal improvements to civilize the Midwest and West of the United States and against the Jacksonian notion of "rugged individualism." Lincoln detested the proletarianism (in the Roman, not Marxian, sense of the word) in his own Vice-President Andrew Johnson.

The state of American politics at the time made Whig control of the Republican Party a matter of urgency. The Democratic Party was led by Rothschild agent August Belmont, and the South, beginning with the Administration of President Buchanan—a documented embezzler—was preparing for a secession war through appropriation of the nation's military arsenals.

In 1855, the southern planters had prepared their seces-

sionist *raison d'être* in a work that was widely distributed throughout the South, titled *Cotton is King*. Representative William D. Kelley (R-Pa.) concluded the following discussion of the South's free trade policy with a quote from that book.

The opposition to the protective tariff by the South arose from two causes; the first openly avowed at the time, and the second clearly deducible from the policy it pursued; the one to secure the foreign market for its cotton, the other to obtain a bountiful supply of provisions at cheap rates.

. . . But they could not monopolize the market unless they could obtain a cheap supply of food and clothing for their Negroes, and raise their cotton at such reduced prices as to undersell their rivals. A manufacturing population with its mechanical coadjutors in the midst of the provision growers, on a scale such as the protective policy contemplated it, was conceived would create a permanent market for their products and enhance the price; whereas if this manufacturing could be prevented, and a system of free trade be adopted, the South would constitute the principal provision market of the country, and the fertile lands of the North supply the cheap food demanded for its slaves. . . . By the protective policy, the planters expected to have the cost of both provisions and clothing increased, and their ability to monopolize the foreign markets diminished in a corresponding degree. If they could establish free trade, it would insure the American markets to foreign manufacturers, secure the foreign markets of their leading staples, repress home manufactures, force a large number of northern men into agriculture, multiply the growth and diminish the price of provisions, feed and clothe their slaves at lower rates, produce their cotton for a third or fourth of former prices, rival all other countries in its cultivation, monopolize the trade in the article throughout all of Europe, and build up a commerce that would make us the ruler of the seas.

. . . As the protective system coupled with the contemplated internal improvements, if successfully accomplished, would inevitably tend to enhance the price of agricultural products, while the free trade, anti-internal improvements policy would as certainly reduce their value, the two systems were long considered so antagonistic that the success of one must mean the death knell of the other. Indeed, so fully was Ohio impressed with the necessity of promoting manufactures that all capital thus employed was for many years entirely exempt from taxation. . . .

"We must prevent the increase of manufactures, force the surplus labor into agriculture, promote the cultivation of our unimproved western lands until provisions are so multiplied and reduced in price that the

slave can be fed so cheaply as to enable us to grow our sugar at three cents a pound. Then without protective duties, we can rival Cuba in the production of that staple and drive her from our markets. . . .”

Southern policy was the very antithesis of the technologically vectored growth demanded by the American System. Both Lincoln and Henry Carey were right when they insisted that slavery not only oppressed and degraded the slave, but degraded the productive and mental power of all American labor. It was precisely on this point that Lincoln distinguished himself as a presidential candidate in his 1858 senatorial contest with Stephen Douglas, the intellectual author of the Kansas-Nebraska Act and the *Dred Scott* decision. The latter allowed the southern slave owner to cross state lines, if necessary, to reclaim his property—the slave.

It was also on this question of labor power that Karl Marx’s closest American collaborator, Joseph Weydemeyer, was drawn closer to support of Whig industrialists. Weydemeyer’s polemic from 1853 on was aimed at refuting the “over-population” theories of Malthus. In 1853, Weydemeyer published a series of pamphlets, *Sketches of National Economy*, to recruit the German emigré population, particularly in the U.S. West, away from the “spread the poverty” notions of the German emigré agent Weitling.

Following the passage of the Homestead Act in 1854, Weydemeyer again intervened to prevent the newly opened lands from becoming the domain of agriculture only, as the southern free traders wanted. In early 1855, the Central Committee of the American Workers League published a series of pamphlets by Weydemeyer which called for, in part:

Introduction of large-scale agriculture on those vast areas known as state lands, not in the interests of big capital, but in the interest of workers who constitute the great mass of the nation. Hence, inviolability and indivisibility of state property, development of these lands by workers’ associations under the control and with the help of the states. Connecting industrial enterprises with agriculture and administering them in the same way, so that the saving of human labor by the introduction of machines is not at the expense of the workers, and so that a healthy life and healthy home no longer seem incompatible with large-scale business undertakings.

Henry Carey, too, was insistent that the Republican Party adopt the American System as its policy. He perceived that unless the new party did so, the nation would be hopelessly divided into competing sections—all ruled by the British ideology of free trade. From 1856 until the presidential contest of 1860, Carey’s Vespers circle organized industrial associations in the Midwest, West, and especially, the border states to agitate for the American System.

Much of this agitation was initiated by the Home Protective Union of Pennsylvania of which Carey was president.

Carey and his circle were determined that William Seward would not get the presidential nomination of the Republican Party.

Of primary importance in the fight which preceded the adoption of a national development platform at the 1860 Republican Party convention were the open letters from Henry Carey to the “free trade” wing of the Republican Party and its leader, William Cullen Bryant.

The policy discussions that were generated around these open letters, which were printed in the nation’s protectionist press, reoriented the Republicans’ campaign focus for the upcoming presidential race. As late as 1856, nearly everyone, including some leading Whigs, were content to wage the campaign just on the issue of slavery and its prohibition or extension. Carey said as much in a letter to Ohio Whig leader Judge McLean in June 1858:

We have had a great meeting here, having for it’s object the reinauguration of protection as a part of the political platform. The ultra-Republicans do not like it, and yet they will be forced to stand by it—Pennsylvania, New Jersey, Delaware, and Maryland being fully determined as I think to have nothing to do with any party that has yet to determine between free trade and protection. . . .

At the same time, Carey continued to warn against the “radical” abolitionists around Harriet Beecher Stowe. In 1859, following the John Brown raid on the arsenal at Harper’s Ferry, West Virginia, which was financed and planned in large part by agents of the British East India Company, Carey wrote:

A year ago, we had the Kansas murders on our side. Now, our opponents have the Harper’s Ferry riots on theirs, and if we do not act with great caution, we shall fail to win the race. . . . It is my final belief that Messrs. Beecher, Phillips, and others, are in this quarter, the most efficient allies of the pro-slavery power. Reflect upon this and then try and persuade your editors to pursue such a course of action as will permit that we may re-elect a good mayor . . . and that we may give the Republican candidates in the autumn a handsome majority. . . .

Carey, particularly in his open letters to Bryant, warned the nation that the British were behind the attempts to wreck the Union.

In common with Franklin and Adams, Hancock and Hamilton, those men clearly saw that it was to the industrial element we were to look for that cement by which our people and our States were to be held together.

Forgetting all the lessons they had taught, we have now so long been following in the direction indicated by our British Free Trade friends—by those who now see, as was seen before the Revolution, in the dispersion of our people the means of maintaining colonial vassalage—that already are they congratulating themselves upon the approaching dissolution of the Union, and the entire re-establishment of British influence over this northern portion of the continent. For proof of this, permit me to refer you to the following extracts from the *Morning Post*, now the recognized organ of the Palmerstonian government:

“If the Northern States should separate from the Southern on the question of slavery—one which now so fiercely agitates the public mind in America—that portion of the Grand Trunk Railway which traverses Maine, might at any day be closed against England, unless indeed the people of that State, with an eye to commercial profit, should offer to annex themselves to Canada. On military as well as commercial grounds it is obviously necessary that British North America should possess on the Atlantic a port open at all times of the year—a port which, whilst the terminus of that railway communication which is destined to do so much for the development and consolidation of the wealth and prosperity of British North America, will make England equally in peace and war independent of the United States. We trust that the question of confederation will be speedily forced upon the attention of Her Majesty’s ministers.

“The present time is the most propitious for its discussion. . . . If slavery is to be the nemesis of Republican America—if separation is to take place—the confederated States of British North America, then a strong and compact nation, would virtually hold the balance of power on the continent, and lead to the restoration of that influence which, more than eighty years ago, England was supposed to have lost. This object, with the uncertain future of Republican institutions in the United States before us, is a subject worthy of the early and earnest consideration of the Parliament and people of the mother country.”

Shall these anticipations be realized? That they must be so, unless our commercial policy shall be changed, is as certain as that the light of day will follow the darkness of night. Look where we may, discord, decay, and slavery march hand-in-hand with the British free trade system—harmony and freedom, wealth and strength, on the contrary, growing in all those countries by which that system is resisted. Such having been, and being now the case, are you not, my dear sir, in your steady advocacy of the Carolinian policy among ourselves, doing all that lies in your power toward undoing the work that was done by the men of ’76?

Repeating once again my offer to place your answers to this and other questions within the reach of a million and a half protectionist readers, I remain Yours, very respectfully, Henry C. Carey.

Needless to say, Bryant could not effectively answer at the time. When the Republican Party convened for the Chicago Convention of 1860, they committed themselves to a program of internal improvements and to building a continental railway. They adopted this resolution penned by Henry Carey:

That while providing revenue for the support of the general government by duties upon imports, sound policy requires such an adjustment of these imports as will encourage the development of the industrial interest of the whole country; and we commend that policy of national exchanges which secures to working-men liberal wages, to agriculture remunerative prices, to mechanics and manufacturers adequate reward for their skill, labour, and enterprise, and to the nation commercial prosperity and independence.

After the Chicago convention, Carey wrote to a friend:

Happily the Republican, or antislavery, party has recently readopted Protection as one of the essential parts of its platform and has nominated as its candidate for the presidency a man who has been all his life a protectionist. He will be elected, and we shall then have a total change in the policy of the country, as you shall see.

## The Fight for the American System

When Abraham Lincoln entered office in March of 1861, the Civil War was weeks away. Four southern states had seceded from the Union immediately after the announcement of Lincoln’s victory in the October 1860 election; the rest were to follow in rapid succession. The immediate cause of the Civil War was the firing on Fort Sumter, a Federal fort in South Carolina, by the Confederate insurrectionists. But what drove the North and the South to war was the British conspiracy to overthrow the American System in favor of free trade policies.

The new Lincoln Administration found the United States Treasury virtually bankrupt. The actions taken by Andrew Jackson against the National Bank had set the standard for federal nonintervention into the currency and banking affairs of the nation, which was followed by subsequent Presidents in deference to states rights. Jackson’s dismantling of “Biddle’s Bank” was followed by the 1846 passage of the Independent Treasury Act by the “free trade” Democrats. The act prevented the U.S. government from regulating the affairs of the banks and stipulated that the government should be treated like any other depositor.

Thus, in 1861, Abraham Lincoln and his Administration

were faced with waging a dual war: one against the monetarist bankers of particularly New York and New England, the other against their surrogate, the Confederate Army.

It was Great Britain's intent to gain full financial control over not only the southern Confederacy, but the North. Any one familiar with the history of British financial manipulation of foreign wars knows that the ABCs of counterinsurgency entail such control of the purse strings of all warring parties as to predetermine the outcome of the battle or the war itself.

Congress was out of session following Lincoln's inauguration, so Secretary of the Treasury Solomon Chase turned to the Associated Banks, headed by James Gallatin, the son of Albert Gallatin, for an immediate loan to the Treasury of \$150 million in specie (gold coin). Chase arranged to have the banks buy government bonds in three sets of \$50 million each in intervals of six days. The specie returned to the banks after it was paid out by the Treasury Department as salaries, materials purchases, and so forth. The Associated Banks also had the right of marketing several million dollars worth of government refinancing bonds, known as 7:30 bonds.

The Associated Banks intended to sell the U.S. debt overseas to the Rothschild and Baring banking houses. In fact, the Barings wrote continually to Chase saying they would be glad to take a part of the securities the Associated Banks had assumed.

U.S. historians widely hold and propagate the belief that the reason behind the Associated Banks' abrogation of their agreement with Treasury Secretary Chase and suspension of specie payments to the government on December 28, 1861 was the *Trent* Affair. Two Confederates, Mason and Slidell, who were carrying diplomatic and financial papers, were enroute to London aboard the British vessel *Trent*. The ship was stopped by an American vessel and the Confederates were removed.

The November 1 *Trent* Affair indeed provoked a "diplomatic scandal." But, there had been other, more important developments in early December which forced the hand of the British and their Associated Banks' agents—the American System was adopted as government policy.

While Chase was negotiating for loans, Carey and his Vespers circle were engaged in furious letter-writing, negotiating, and lobbying efforts with senators, congressmen, and even the President to have the policies of Alexander Hamilton adopted.

In the fall of 1861, Carey received the following letter from Senator Morrill, the author of the protective Morrill Tariff:

I have had a full and fair conference with Secretary Chase. His philosophy is free trade and *ad valorem*s, but he confessed that in his present agony for money the latter failed. He suggested something like the Tariff of 1846. I told him it could not get 20 votes of the Republican Party in the House. At last he came into the same channel and agreed with me that all we could do

with the Tariff was to increase it upon several or even many things. . . . The Secretary prefers a new bill, but almost identical with the one passed. I have aided in preparing it and have found him willing to yield in all save three or four points. On the whole, he is willing to throw his theories to the dogs. All this, of course, you must regard as confidential and if you find a little not quite satisfactory you may thank your stars and possibly your humble servant that it was not worse. I think Chase, considering his antecedents, should receive generous treatment by all our friends. He is doing the best he can practically.

Secretary Chase's report to Congress in December 1861 proposed the passage of a Hamiltonian policy, a proposal seconded by Lincoln in his address to Congress on December 3, 1861. The Hamiltonian policy proposed by Carey and others included the Morrill protective tariff, the issuance of a currency that was internal to the United States and backed by the U.S. government's commitment to a policy of rapid industrial expansion, the sale of United States bonds (popularly known as the 5:20 bonds), the establishment of a national banking system regulated by the federal government, and a peace-winning program to industrialize the South. The national banks were intended to serve as investors in the future wealth of the United States through the purchase of 5:20 bonds and the issuance of long-term, low-interest loans to manufacturers, and by acting as a medium for the circulation of currency. (Carey had proposed such a banking system to Henry Clay years earlier; the system would have been under the jurisdiction of the United States Bank.)

In the fall preceding Lincoln's December address, Carey sent the President the following letters with a copy of his pamphlet urging the construction of a North-South Railroad to facilitate future attempts at industrializing the South:

If Henry Clay's tariff views would have been carried out sooner there would have been no secession because the southern mineral region would long since have obtained control of the planting area. Some means must be found to enable these people of the hill country to profit of our present tariff. . . .

Later Carey wrote:

How much more firm and stable might the antebellum union have been, had there developed then a policy which would have filled the hill country of the South with free white men engaged in mining coal and ore, making iron and cloth, and building school houses and churches, and establishing little libraries. . . .

Carey repeated the same message to Chase and Secretary of State Seward, particularly to encourage immigration to the U.S. The South. Carey argued, would need skilled mechanics

and other tradesmen if reconstruction were to be a success.

On December 3, 1861, Lincoln laid out the American System as the guiding principle of his Administration, a course he was to follow up to and including the day of his assassination. He urged Congress to consider the proposal by Carey to begin the construction of a railroad system into North Carolina, Kentucky, and Tennessee for the purpose of enabling the development of the mining and ore and other industrial interests in these southern states. Such transportation facilities were the obvious first step toward industrializing the South, a fact left out of the texts of modern day U.S. historians to create the myth that Lincoln's reconstruction policy was to readmit the South as it was. I quote here from the relevant sections of the December 3 address.

I deem it of importance that the loyal regions of east Tennessee and western North Carolina should be connected with Kentucky and other faithful parts of the Union, by railroad. I therefore recommend, as a military measure, that Congress provide for the construction of such road as speedily as possible. Kentucky, no doubt, will cooperate and, through her legislation, make the most judicious selection of a line. The northern terminus must connect with some existing railroad; and whether the route shall be from Lexington, or Nicholasville, to the Cumberland Gap; or from Lebanon to the Tennessee line, in the direction of Knoxville; or on some still different line, can easily be determined. Kentucky and the general government cooperating, the work can be completed in a very short time; and when done, it will be not only of vast present usefulness, but also a valuable permanent improvement, worth its cost in all the future. . . .

Regarding financial policy:

The operations of the Treasury during the period which has elapsed since your adjournment have been conducted with signal success. The patriotism of the people has placed at the disposal of the government the large means demanded by the public exigencies. *Much of the national loan has been taken by citizens of the industrial classes, whose confidence in their country's faith and zeal for their country's deliverance from present peril, have induced them to contribute to the support of the government the whole of their limited acquisitions. This fact imposes peculiar obligations to economy in disbursement and energy in action.*

Lincoln concluded the address by clearly stating labor's priority over capital:

It is not needed, nor fitting here, that a general argument should be made in favor of popular institutions; but there is one point, with its connections, not so hack-

neyed as most others, to which I ask a brief attention. *It is the effort to place capital on an equal footing with, if not above labor, in the structure of government. It is assumed that labor is available only in connection with capital; that nobody labors unless somebody else, owning capital, somehow by use of it, induces him to labor. . . . [However,] labor is prior to, and independent of capital. Capital is only the fruit of labor and could never have existed if labor had not first existed. Labor is superior of capital, and deserves much the higher consideration.*

The present author expects the British-tinged writer of U.S. history to indignantly protest this interpretation of Lincoln's annual address. The following brief quote from one of Lincoln's favorite "stump" speeches should firmly establish Lincoln as a self-conscious Whig humanist:

Man is not the only animal who labors; but he is the only one who improves his workmanship. This improvement he effects by Discoveries and Inventions. . . .

The policies which Lincoln would follow during his Administration could only conform to his own personal identity and commitment to the "idea of progress."

When Gallatin and the Associated Banks got wind of the new policy—even before Lincoln and his Treasury Secretary addressed the Congress—they instantly and incessantly wrote to Secretary Chase urging him to adopt instead a stringent taxing policy.

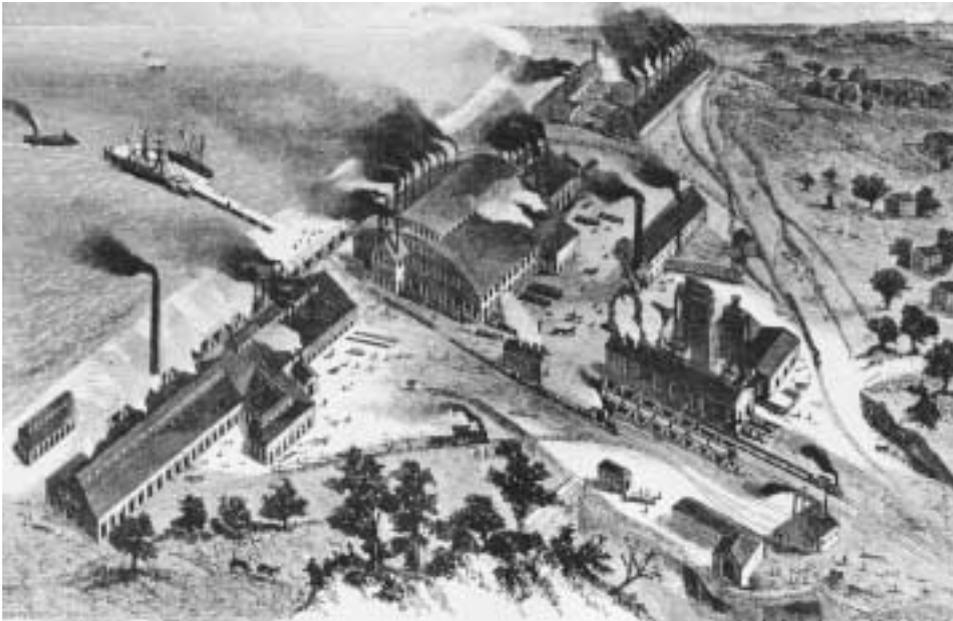
On December 28, 1861, the Associated Banks suspended specie payments to the government. Fearing that all was lost, James Gallatin arranged a meeting with Treasury Secretary Chase and the group of congressmen who would be responsible for steering the "Hamiltonian" legislation through the U.S. Congress.

On January 9, Gallatin outlined his proposal; the Associated Banks proposed that Chase adopt a policy of immediate and direct taxation, allow them to sell an unlimited number of government six percent (or 7:30) bonds below par on the London market, suspend the "sub treasury law" by which the government gained regulatory control over the banks, and halt the issuance of government legal tender.

This plan was dismissed by Congress; Congressman Samuel Hooper (R-Ma.) commented that he would adopt no plan which called for "government shinning [begging] before Wall Street."

British reaction was furious over the failure to get this proposal through. On February 22 *The Economist* of London ran this editorial:

. . . If Congress had adopted an efficient system of direct taxation at the outset of the struggle, the European credit of the government might have been preserved.



*The development of manufactures in the South would have destroyed the agrarian slave-based economy, to the benefit of the nation as a whole, as Henry Carey proved. The failure to implement that program cost 600,000 American lives. A 19th-Century ironworks in Milwaukee.*

At a price they would have got some money, but now they will not get a sixpence in Lombard Street or on the continent, no matter what interest they offer.

William Cullen Bryant, editor of the *New York Post* and free trade spokesman in the Republican Party, began, at the behest of Boston cotton merchant and financier John Murray Forbes, a series of editorials attacking Lincoln's financial policy and calling for direct taxation of industry to pay off the war debts. After congressional passage of the legislation, Bryant met with Lincoln and editorially implored him to veto the measure. Lincoln refused.

From Britain, August Belmont, then meeting with the Rothschild bankers, and Thurlow Weed dispatched a plethora of protesting messages to Lincoln and Secretary of State Seward. At a meeting arranged by the Rothschilds with Prime Minister Palmerston and Chancellor of the Exchequer William E. Gladstone, Belmont was questioned as to the state of the American nation's defenses and the popular attitude toward England. In one outburst, Palmerston had the gall to say: "We do not like slavery, but we want cotton and we dislike your Morrill tariff."

Belmont wrote to Seward:

... The English government and people could not accept the North's justification for fighting the confederacy as long as this war is not carried on for the abolition of slavery in the southern states. Perhaps English sentiment could use the tonic of a reduction in the objectionable Morrill tariff? Nothing else could contribute so effectively toward disproving widespread southern assertions that the war was merely a contest between free trade and protection.

Palmerston certainly had his reasons for "disliking" the tariff—and the rest of American System policy being implemented. Such a policy on the part of the United States was once again bringing to the fore various international currents which had almost succeeded in destroying British domination at the time of the American Revolution.

Both Germany and Russia began adopting protective systems. The case of Russia is particularly important because it illustrates the point that the protective policy of the U.S. was absolutely not to be equated with isolationism.

Leading U.S. protectionists stated time and again that their aim was to enable the United States to become strong enough to rid the world of the odious British System once and for all. Thus, during the early part of the Lincoln Administration, the U.S. exported to Russia both the blueprints and the technicians for construction of American iron-clad ships which provided the basis for the modernization of the Russian navy and the brute-force development of Russia's iron industry. It was Henry Carey who, by stating the *Tribune's* editorial policy, was responsible in 1856 for U.S. diplomatic support of Russia against England during the Crimean War.

Within England itself, Karl Marx took hold of the international ferment to give direction to the International Workingman's Association. In the words of Pennsylvania Congressman William Kelley, "the producing classes" in England were engaged in a struggle which would finally force that country to adopt some of the best aspects of the American System. Insight into the danger which the British faced is afforded by two letters written by Karl Marx to Friedrich Engels.

On March 6, 1862, Marx writes:

... Of [England's—A.S.] total exports, amounting to 125,115,133 pounds (1861), 42,260,970 pounds' worth



“Britain,” writes Salisbury, “in its desire to replace the American System of industrial progress with the British System of Malthusian poverty and looting, created the Confederacy.” Here, an Alabama cotton plantation.

about the military operations of which it officially knows nothing. What extraordinarily facilitated the paper operations of the Yankees (the main point being the confidence placed in their paper money and therewith in their government) was without question the circumstance that in consequence of secession the West was almost denuded of paper money and therefore of a circulating medium generally. All the banks whose principal securities consisted of the bonds of slave states, were bankrupted.

. . . Then partly in consequence of the Morrill tariff, partly in consequence of the war itself, which largely put an end to the import of luxuries, the Yankees had a balance of trade and therefore a rate of exchange favorable to themselves and against Europe the whole time. An unfavorable rate of exchange might

to go to English “possessions” and “colonies.” If one adds to these England’s further exports to Asia, Africa, and America, 23 to 24 percent at most then remain for export to the European states. If Russia goes forward in Asia at the double quick march of the last ten years, until she concentrates all her efforts on India, then it is all up with John Bull’s world market, and this end is further hastened by the protectionist policy of the United States, which now, if only to revenge themselves on John Bull, will assuredly not give it up so soon. Moreover, John Bull discovers with horror that his principal colonies in North America and Australia become protectionist in precisely the same measure as John Bull becomes a free trader. The self-conceit, brutal stupidity with which John admires Pam’s spirited policy in Asia and America, will cost him damned dear. . . .

have badly affected the patriotic confidence in their paper on the part of the philistines.

For the rest—this comical concern of John Bull for the interest on the national debt that Uncle Sam will have to pay! As if it were not a mere bagatelle in comparison with Bull’s national debt; moreover the United States are unquestionably richer today than were the Bulls with their debt of a billion in 1815.

Again, on May 27, Marx writes Engels on the response of Britain to American financial policy.

Frantic over the American System financial policy adopted by the U.S. government, the British government shifted the emphasis of its policy away from the “hard line” of Palmerston, who had intended to go to war against the Union on the side of the South. The new approach was to be “softer” and guided by the liberals under John Stuart Mill and Chancellor of the Exchequer Gladstone, who was later to become Prime Minister. Mill, who was heard to exclaim “what are we to do without our New York banks,” argued for such a shift: the South, after all, had defaulted on its debt payment and was unreliable.

It is wonderfully fine how the *Times* [of London—A.S.] wails that . . . liberty must be lost in the event of the North tyrannizing the South. *The Economist* is also good. In its last number, it declares that the Yankees’ financial prosperity—the non-depreciation of their paper money—is incomprehensible to it (although the matter is perfectly simple). It had hitherto consoled its readers from week to week with this depreciation. Although it now admits that it does not understand what is its business and has misled its readers concerning this, it is at present solacing them with dark doubts

Mill’s circle of liberals, connected to both the British manufacturers and the Rothschild and Baring banks, controlled the Cobden Clubs—Britain’s world-wide agitators for “free trade.” The clubs’ U.S. members could be found within the free-trade wing of the Republican Party and within the U.S. abolitionist movement. The leading figures in the United States were Edward Atkinson, the Massachusetts liberal and cotton merchant; William Cullen Bryant, the editor of the *Evening Post* and the leading transcendentalist literary figure; Charles Sumner, the abolitionist and Senator from Massachusetts; William Lloyd Garrison; Harriet Beecher Stowe;

Charles Francis Adams, the U.S. Ambassador to England; and a host of others. The Cobden Clubs, as the true descendants of Jeremy Bentham, were primarily responsible for disseminating and popularizing the Manchester school of economics, the school of Ricardo, Malthus, and Smith, as well as every degraded form of nominalist thought which passed for science, including the theories of Charles Darwin.

The network of free-trade radicals in the U.S. were largely tied to East Coast shipping and banking interests, and to New England textile manufacturers and export-import bankers. The merchants and bankers depended largely on England, the export of cotton and other unfinished raw materials, and the import of finished goods from Britain. They would, on economic matters, support the interests of Britain against the United States. Their party loyalties were largely to the Democratic Party, particularly after Andrew Jackson's election to the presidency.

This is the network which was employed in the operation to destabilize Lincoln's government, utilizing well-tested British counterinsurgency methods and underwritten by Britain. There was speculation in gold on Wall Street in order to depreciate the Greenback currency, and an effort was made to undermine the Union's war effort through an attack on the Commanding General of the Army McClellan and through a manipulation of the slavery issue.

The following letter, written by Henry Carey to Treasury Secretary Chase in January 1862, illustrates the problem.

... Last night at a large public meeting in this city one of the speakers asserted clearly and distinctly that General McClellan had been ordered by the President and the Secretary to take the South by the Peninsula—that he had protested it—that he had said however that he was only a soldier and must obey orders—and that he would do so, although it would certainly involve the ruin of the army. That the reverse of all this was true was not for a moment doubted by many of the audience, but who among them was there, who could certainly expect that such was the fact? Not even a single person present. The real facts, as given to me by a friend almost at the moment of their occurrence, I have always believed to be, that General McClellan urged the Peninsula route—that the Secretary opposed it—and that it was with no small difficulty he was induced to side with the former. If this is really so, why should not the world know about it? All believe the President honest, and all would be found ready to excuse any error of judgement that he might admit.

Some explanation must certainly soon be given for if it be not, we shall have war among ourselves—the McClellan and anti-McClellan factions as bitter as are now the patriots and the rebels. Let things go on as they are now going and there may arise a danger yet overlooked for—the appearance of McClellan and his army at the gates of Washington and not at those of

Richmond. A more unscrupulous faction than that which is now advocating ruin does not exist even in Carolina, and the government, by its silence, is doing all in its power to give it strength. Let us go on for another month and you will, my dear sir, find it very difficult to negotiate the notes you are now authorized to issue. For every reason then, I pray you to let your friends know what are the real facts.

What had been unleashed upon the American nation was “countergang” warfare in the midst of the war against the secessionists. The Commanding General of the Army, McClellan, was an ardent “states rights” Democrat who, by his own admission, was not politically motivated to wage war against the South and would have accepted peace at any price.

Having a target in McClellan, the radicals opened a campaign against the Administration on two fronts: demand for the removal of McClellan from office and agitation for an immediate proclamation ending slavery. It cannot be overly emphasized that the so-called radicals of the stripe of Charles Sumner, William Lloyd Garrison and William Cullen Bryant did not give a damn about ending slavery. It was merely a convenient issue around which to destabilize the Lincoln Administration. William Cullen Bryant's newspaper, *The Evening Post*, opened the campaign, early in 1862, shortly after Lincoln refused to veto the legal tender bill.

The focus of the slavery issue was the Wade-Davis emancipation bill, passed by Congress, but vetoed by Lincoln—and for a very good reason. The measure would have placed a lien on southern cotton for the accounts of New England textile manufacturers and the Rothschild-connected bankers Belmont and Seligman as security for payment of southern debt contracted before the war.

Lincoln incurred the wrath of the free traders for his veto of the bill, not because he was unwilling to free the slave, but because he would not set up the South for postwar financial looting against the South's entire population, including the freedmen.

The Wade-Davis Bill had the added onerous feature of treating slaves as southern property which could be confiscated together with the bales of cotton.

The newspapers of William Cullen Bryant and others harangued Lincoln for being pro-slavery; in their private correspondence, they were vexed. Cobden Club member Edward Atkinson received many such letters, including one from New England cotton merchant Forbes who wanted to “wring Lincoln's scrawny neck” for vetoing the legislation.

Free trade radicals infested Congress; they were even members of the congressional committee on the conduct of the war. Their waving of the Wade-Davis banner forced Lincoln to bypass Congress. As Commander in Chief of the Union's armed forces, Lincoln issued his Emancipation Proclamation as a military decree. He also proposed a period of apprenticeship for the newly freed men to enable them to contribute to a postwar industrializing South.

Another “free trade” attack which Bryant led was against the Greenbacks and the government’s investment policy, which centered on creating a national banking system. Government 5:20 bonds would be sold to those banks as a basis for issuing low-interest credits to industry and to facilitate the circulation of currency. Gallatin’s Associated Banks refused to participate in the national banking system and gave the government no aid in its sale of the 5:20 bonds.

Philadelphia banker Jay Cooke had been employed by Treasury Secretary Chase to become the sole agent for the sale of 5:20 bonds. Several of Henry Carey’s associates, principally Stephen Colwell and William Elder, both important Whig economists in their own right, and Samuel Wilkerson, prepared the propaganda Cooke utilized to sell the bonds. Elder and Colwell were later appointed by Lincoln to posts in the Treasury Department: Elder as the official Treasury statistician and Colwell as an economist.

The original bill, authorizing the sale of 5:20 bonds, contained no provision for paying the interest on the bonds in gold. Thus, if the bill as it was prepared by Thaddeus Stevens’s House Ways and Means Committee had passed the House, it would have had the effect of severing the domestic economy of the United States from the British early in Lincoln’s Administration. The British pound sterling, at the time, was the gold-backed world reserve currency. But before the bill was passed, August Belmont and James Gallatin worked out a compromise with Republican Congressman Spaulding of New York which allowed the bonds to be purchased with Greenbacks, but their interest was to be paid in specie.

The compromise was the first step in pegging the value of the U.S. Greenback to gold, and allowed Belmont and other New York merchants engaged in the export-import trade to speculate in gold through the Associated Banks and thus create fluctuations in the value of Greenbacks as measured by the British gold standard.

Congress was eventually forced to pass two bills in 1864: one coerced the Associated Banks to join the national banking system by forcing them to pay a ten percent tax on every transaction outside the system; and another, authored by Thaddeus Stevens at Lincoln’s request, outlawed all sale of gold in the New York Gold Room.

In the meantime, the actions of the Associated Banks prompted the Whig mayor of New York, George Opdyke, an ardent opponent of John Stuart Mill, to seek Jay Cooke’s assistance in founding a national bank in New York with twice the reserves of the Associated Banks. Opdyke had been instrumental in organizing, through a small faction in the New York City Chamber of Commerce, petitions to Treasury Secretary Chase and to Congress to make the Greenbacks legal tender. He was well informed and sought to keep the protectionist forces up to date on the work being done in England by Karl Marx and the IWMA, and constantly pointed to the fact that they were holding demonstrations all over England in support of the Union. As Marx writes in a letter to Engels on January 2, 1863:

The *Times* and Co. are utterly furious over the workers’ meetings in Manchester, Sheffield, and London. It is very good that the eyes of the Yankees are opened in this way. For the rest, Opdyke has already said at a meeting in New York: “We know that the English working class are with us, and that the governing classes of England are against us.”

Both Elder and Wilkerson’s pamphlets and circulars, produced for the government loan office, were largely educational on the national banking system and informed the world of the development policy of the country. A report by William Elder, written in the latter part of 1863 and titled *The Debt and Resources of the United States*, puts forth the Whig perspective on abolition as well as the nation’s development policy.

The very best and healthiest of all the causes of this prosperity is that one which has given us our own work to do—the congressional legislation of 1861-1862 upon import duties aided by the high rate of foreign exchange. For more than a year, we have had the competing industry of Europe under a tolerable commercial blockade, and the policy which saves a Nation’s work for its own hands has had a demonstration of its wonder working power among us, which will not be lost when gold falls to par and peace puts in practice the wisdom that war has taught. . . . Someone may turn upon us with impatience and ask whether we mean to prove that war is a blessing? No, alas! No. War, Pestilence, and Famine are a leash of evils, usually associated, but happily separated in our case, sparing us the most terrible, and so far modifying the fury of the leader of the train, and with this further mitigation, that for the time it has broken up a wretched system of commercial policy, greatly more destructive to the industrial interests of the nation than all the usual waste of war. It has muzzled the two blood-hounds that always hunt in couples, slavery and free trade, slavery ever crying for free foreign trade, and free trade meaning nothing but slave men. Even a national debt may be lighter than a paralyzed industry, and may indirectly give the strength to bear its burden, by protecting labor itself from foreign invasion, and keeping it free to build up a Nation’s wealth.

This fifty-page pamphlet and others like it were translated into German, Spanish, French, and Russian, and were distributed throughout. The pamphlet included charts of U.S. growth since the adoption of the protective policy, and the projected development of U.S. resources once the war is ended. Most importantly, the pamphlet contrasted the U.S. national debt with the British national debt, and the U.S. development policy with British looting. In short, it was a “how-to-do-it” pamphlet for other nations to follow.

*To be continued.*

## *It's the System*

Remember James Carville's 1992 Clinton campaign mantra, "It's the economy, stupid"? Bill Clinton followed Carville's advice and waltzed into the Oval Office, sending George "41" Bush back to Texas—not because he bucked Israel's Yitzhak Shamir and the American Zionist Lobby, but because the American electorate became convinced that Bush was out of synch with their mounting economic worries.

A decade later, the United States and the world are plunging headlong into the worst financial, monetary and economic crash in more than a century, and the updated version of Carville's Hall of Fame campaign slogan is now: "It's the system, stupid."

Indeed, the entire global dollar-based floating-exchange-rate system—the post-Bretton Woods system of speculation, deregulation, and free trade—has reached the end of the road. During the week of Jan. 21, there were a plethora of road-signs, signalling that the end is near:

- Glenn Hubbard, the "last man standing" among President George W. Bush's economic policy team, abruptly announced his resignation—less than a week before the President's State of the Union address. If there was ever a sign of panic and chaos at the top of the economic policymaking apparatus, Hubbard's departure is it.

- It took less than 72 hours for five Republican Senators to come out, earlier this month, opposing President Bush's so-called "stimulus package," which addresses none of the dire economic crises facing these United States. The President appears to be clueless, fixated on a senseless Iraq war, and stubbornly committed to his tax breaks for the super-rich. No one has bothered to tell him that his loony tax cut scheme is already dead-on-arrival at the Senate floor, and that if it were to miraculously pass the Congress, it would only accelerate the rate of collapse of what remains of the U.S. real economy.

- Three prestigious voices sent out S-O-S warnings about the doom of the present global financial system. The Bundesbank in Germany, in its January monthly survey, warned of a blowout of the credit derivatives

market, noting that the multitrillion-dollar unregulated derivatives market—which U.S. Federal Reserve Chairman Alan Greenspan holds sacred, as the pillar of global monetary stability—could trigger a global meltdown, far beyond the near-miss crash of September 1998, when Long-Term Capital Management (LTCM) went bust. The world could survive the collapse of one of the 60 financial institutions that sit at the derivatives gambling table, but the simultaneous collapse of two or more financial institutions would spell curtains for the entire system, the Bundesbank warned.

*Barron's* magazine, in a feature story in its Jan. 20 edition, under the heading "Debt Bomb," zeroed in on the \$32 trillion in combined government, corporate, and household debt in the United States, a bubble which is near implosion. And the Danish journal *Politiken* published a study by a Copenhagen University professor, citing the mushrooming U.S. balance of payments deficit as a near-certain trigger of a global depression.

- With the dollar down by 15% for 2002 against a basket of six leading currencies, European investors have begun to pull out their holdings of U.S. Treasuries and other investments in America. So far, this pullout has been offset by a net increase in Asian investments, but there are growing signs that Asians are ready to take flight—as their worries mount of a new oil shock, detonated by Bush's Iraq mis-adventure; and fears of an equally insane American flight forward into a confrontation with North Korea have them ducking for cover. A dollar crash—the most likely outcome of such a net capital outflow—would not just impact on the United States. The dollar, after all, is still the global reserve currency.

Of all of the declared candidates for the U.S. Presidency in 2004, Lyndon LaRouche is the only one who is prepared to address this real live crisis of the system, with well-conceived solutions to the worldwide bankruptcy, and a plan for global economic reconstruction. The best advice anyone could give George W. Bush would be: Listen to LaRouche, because, "It's the system, stupid."

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 7:30 pm, 11 pm  
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 (Occ. 4:30 pm)  
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 • PLYMOUTH  
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*Zajak Presents*  
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 Comcast Ch.20  
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 AT&T Ch. 17  
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 • HADDON TWP.  
 Comcast Ch. 19  
 Sundays 11 am  
 • MERCER COUNTY  
 Comcast\*  
 TRENTON Ch. 81  
 WINDSOR'S Ch. 27  
 • MONTVALE/MAHWAH  
 Time Warner Ch. 27  
 Wednesdays—4 pm  
 • NORTHERN NJ  
 Comcast Ch.57\*  
 PISCATAWAY  
 Cablevision Ch.71  
 Wed.—11:30 pm  
 • PLAINSBORO  
 Comcast Ch. 3\*

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 Comcast Ch. 27  
 Mondays—3 pm  
 ANTHONY/SUNLAND  
 T/W Ch. 15  
 Wednesdays 5:05 pm  
 • GRANT COUNTY  
 Comcast Ch. 17  
 Fri. & Sat.  
 7 pm or 8 pm  
 • LOS ALAMOS  
 Comcast Ch. 8  
 Mondays—10 pm  
 • SANTA FE  
 Comcast—Ch.6  
 Saturdays—6:30 pm  
 • TAOS—Ch.2  
 Thursdays—7 pm

**NEW YORK**  
 • BROOKLYN  
 T/W Ch.34  
 Cablevision Ch.67  
 Tuesdays  
 3:30 pm, 11:30 pm  
 • BUFFALO  
 Adelphia Ch.18  
 Wed.—12:30 pm  
 • CHEMUNG/STUEBEN  
 Time Warner-Ch.1  
 Mon., Fri.—4:30 pm  
 • ERIE COUNTY  
 Adelphia Intl. Ch.20  
 Thursdays—10:35 pm  
 • ILION—Ch. 10  
 Mon. & Wed.—11 am  
 Saturdays—11:30 pm  
 • IRONDEQUOIT Ch.15  
 Mondays—7:30 pm  
 Thursdays—7 pm  
 • JEFFERSON/LEWIS  
 Time Warner-Ch.2  
 Unscheduled pop-ins  
 • JOHNSTOWN—Ch.16  
 Fridays—4 pm  
 • MANHATTAN—MNN  
 T/W Ch.34; RCN Ch.109  
 Alt. Sundays—9 am  
 • NIAGARA COUNTY  
 Adelphia Ch. 20  
 Thursdays—10:35 pm  
 • ONEIDA—Ch.10  
 Thu—8 or 9 pm

• PENFIELD—Ch.15  
 Penfield Comm. TV\*  
 • QUEENSBURY Ch.71  
 Thursdays—7 pm  
 • RIVERHEAD Ch.70  
 Thurs.—12 Midnight  
 • ROCHESTER—Ch.15  
 Sundays—3 pm  
 Mondays—10 pm  
 • ROCKLAND—Ch. 71  
 Mondays—6 pm  
 • SCHENECTADY Ch.16  
 Mondays—3 pm  
 Wednesdays—8 am  
 • STATE ISL.  
 Time Warner Cable  
 Thu.—11 pm (Ch.35)  
 Sat.—8 am (Ch.34)  
 • TOMPKINS COUNTY  
 Time Warner  
 Sun.—9 pm (Ch.78)  
 Thu.—5 pm (Ch.13)  
 Sat.—9 pm (Ch.78)  
 • TRI-LAKES  
 Adelphia Ch. 2  
 Sun: 7 am, 1 pm, 8 pm  
 • WEBSTER—Ch.12  
 Wednesdays—9 pm

**NORTH CAROLINA**  
 • HICKORY—Ch.3  
 Tuesdays—10 pm

**OHIO**  
 • CUYAHOGA COUNTY  
 Ch. 21: Wed.—3:30 pm  
 • FRANKLIN COUNTY  
 Ch. 21: Sun.—6 pm  
 • LORAIN COUNTY  
 Adelphia Ch.30  
 Daily: 10 am; or  
 12 Noon; or 2 pm;  
 or 12 Midnight  
 • OBERLIN—Ch.9  
 Tuesdays—7 pm  
 • REYNOLDSBURG  
 Ch.6: Sun.—6 pm

**OREGON**  
 • LINN/BENTON  
 AT&T Ch. 99  
 Tuesdays—1 pm  
 • PORTLAND  
 AT&T  
 Tue—6 pm (Ch.22)  
 Thu—3 pm (Ch.23)  
 • SALEM—Ch.23  
 Tuesdays—12 Noon  
 Thursdays 8 pm  
 Saturdays 10 am  
 • SILVERTON  
 Charter Ch. 10  
 Mon, Tue, Thu, Fri  
 Betw. 5 pm - 9 am  
 • WASHINGTON ATT  
 Ch.23: Regional Area  
 Ch.33: Unincorp. Towns  
 Wednesdays—8 pm  
 Sundays—9 pm

**RHODE ISLAND**  
 • E.PROV.—Ch.18  
 Tuesdays—6:30 pm  
 • STATEWIDE  
 R.I. Interconnect\*  
 Cox Ch. 13  
 Full Ch. 49

**TEXAS**  
 • AUSTIN Ch.16  
 T/W & Grande  
 Sundays—12 Noon  
 • DALLAS Ch.13-B  
 Tuesdays—10:30 pm  
 • EL PASO COUNTY  
 Adelphia Ch.4  
 Tuesdays—8 pm  
 Thursdays—11 am

• HOUSTON  
 Houston Media Source  
 Tuesdays—5:30 pm  
 Saturdays—9 am  
 Wed, 2/5, 7:30 pm  
 Mon, 2/10, 5 pm  
 Mon, 2/17, 5 pm  
 • RICHARDSON  
 AT&T Ch. 10-A  
 Thursdays—6 pm

**UTAH**  
 • CENTRAL UTAH  
 Precis Cable Ch.10  
 Aurora  
 Centerfield  
 Gunnison  
 Remond  
 Richfield  
 Sainia  
 Sundays & Mondays  
 6 pm & 10 pm

**VERMONT**  
 • GREATER FALLS  
 Adelphia Ch.8  
 Tuesdays—1 pm

**VIRGINIA**  
 • ALBERMARLE  
 Adelphia Ch. 14  
 Fridays—5 pm  
 • ARLINGTON  
 ACT Ch. 33  
 Mondays—4 pm  
 Tuesdays—9 am  
 • BLACKSBURG  
 WTOB Ch.2  
 Mondays—6 pm  
 • CHESTERFIELD  
 Comcast Ch. 6  
 Tuesdays—5 pm  
 • FAIRFAX—Ch.10  
 Tuesdays—12 Noon  
 Thursdays—7 pm  
 • LOUDOUN  
 Adelphia Ch. 23/24  
 Thursdays—7 pm  
 • ROANOKE—Ch.9  
 Thursdays—2 pm

**WASHINGTON**  
 • KING COUNTY  
 AT&T Ch. 29/77  
 Mondays—6 pm  
 • KENNEWICK  
 Charter Ch. 12  
 Mondays—12 Noon  
 Thursdays—8:30 pm  
 • PASCO  
 Charter Ch. 12  
 Mondays—12 Noon  
 Thursdays—8:30 pm  
 • RICHLAND  
 Charter Ch. 12  
 Mondays—12 Noon  
 Thursdays—8:30 pm  
 • SPOKANE—Ch.14  
 Wednesdays—6 pm  
 • WENATCHEE  
 Charter Ch.12  
 Thu.—10 am & 5 pm

**WISCONSIN**  
 • MADISON—Ch.4  
 Tuesdays—3 pm  
 Wednesdays—12 Noon  
 • MARATHON COUNTY  
 Charter Ch. 10  
 Thursdays—9:30 pm  
 Fridays—12 Noon  
 • SUPERIOR  
 Charter Ch.20  
 Mondays—7:30 pm  
 Wednesdays—11 pm  
 Fridays 1 pm

**WYOMING**  
 • GILLETTE—Ch.36  
 Thursdays—5 pm

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