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## From the Associate Editor

With “Felix the Coyote” in our political target-sights, the LaRouche movement has launched a week of action, leading into the April 27 Washington webcast by Lyndon H. LaRouche, Jr. (1 p.m. Eastern Daylight Time at [www.larouchepac.com](http://www.larouchepac.com) and [www.larouche.pub.com](http://www.larouche.pub.com)). The big story in this week’s *EIR* is the explosion of Weimar-style hyperinflation in commodity prices, and the impending demise of the real estate bubble.

As Paul Gallagher reports, “For 2005 as a whole, the futures prices of a basket of 14 primary commodities inflated by 27.3%; then in just the first quarter of 2006, they inflated by another 22.2%; and in April 2006 (actually, in *just the first 19 days of April*), by a further 14.9%.” We are looking here not just at inflation, but at an accelerating *rate of increase* of the rate of inflation.

Following last week’s cover story, “The Great Leesburg Bust of 2006: Bankers Association Warns of Bust,” we provide documentation on the housing market in Virginia’s Loudoun County, of which Leesburg is the county seat. While many people are still “whistling past the graveyard,” realtors in the know are battening down the hatches in preparation for a crash (although most still hope it will just have the dimensions of a “market correction”). Loudoun County, one of the country’s most superheated markets, is a paradigm for the country at large.

A third focus is the auto sector, where new statistics show a continuing catastrophic decline in jobs (and corporate profits). But there’s good news to report here, as autoworkers in Michigan have decided to get out and organize for the general welfare.

These earth-shattering developments in the financial realm have the Synarchist oligarchy—Felix Rohatyn’s friends—terrified, and determined to escalate their global power grab. That’s the context for President Bush’s astounding remarks, reported in *International*, on the possibility of nuclear war against Iran.

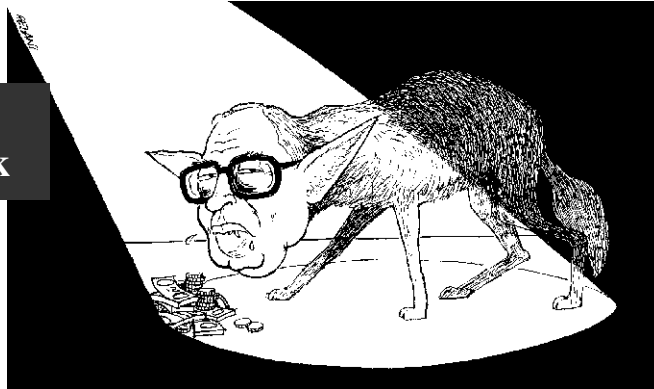
The key to reversing this danger, as LaRouche has insisted, is for the Democratic Party to throw off the corrupt influence of moneybags Felix the Coyote, and reconstitute itself as a newly invigorated force of opposition to the Bush-Cheney insanity. That task will be the focal point of LaRouche’s webcast.

*Susan Welsh*

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EIRNS/Claudio Celani

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## THE NEW LIBEL AGAINST LAROCHE

# Felix & Fascism

by Lyndon H. LaRouche, Jr.

April 16, 2006

Frankly, if you do not think of Felix Rohatyn as a fascist, you do him a grave injustice. Both Felix and the wildly libelous attacks on me which have surfaced in the aftermath of the Senate confirmation of the Supreme Court appointment of Justice Samuel Alito, put the essence of filthy Felix on today's global display. By all rational standards, Felix is a fascist who considers me a prominent threat to his currently larcenous schemes.

So, in keeping with Felix's fears on that account, the Alito confirmation has been followed by an accumulation of various lunatic libels recently featured against me in prominent mass media and comparable other locations, not only in a bankers' Boston, Massachusetts, but also in a featured hoax published in the *Neue Zürcher Zeitung*, in prominent Leipzig, Germany pro-fascist and related circles, in a leading French radio station, FranceInter, and other relevant places.

As noted by one person close to me, what is intended by those outlets as attempted defamation of me, relies heavily on the precedent set by the notebooks of E.T.A. Hoffmann and the archives of Charenton.

Felix's credentials as a fascist are clearly established. The best-known career connections of that sort, are traced from his association with the U.S.A. extension of Lazard Frères of the Hitler period's Banque Worms operations. Felix is notable from the history of the 1970s for his role in "Big MAC," but also has a much uglier prominence as a key banker in the operation backed by such as George P. Shultz and Henry Kissinger which brought the neo-Nazi General Augusto Pinochet to power in Chile, and unleashed the neo-Nazi mass-murder campaign in the Americas' Southern Cone during the first half of the 1970s. He is also a key ally of Vice-President Cheney in the scheme for transferring the power of the U.S. military from the control of constitutional government, to a system of private armies, of Cheney's Halliburton, et al.,

modeled upon Adolf Hitler's program for replacement of the German Wehrmacht by the Nazi SS.

In short, fascist Felix is a Synarchist, by expressed faith and by practice, a specimen cast in the tradition of dictator Mussolini's and Adolf Hitler's bankers of the 1920s and 1930s. He is not merely typical of the traditional practices of that collection of Synarchist scoundrels who brought Mussolini, Hitler, Franco, and their like to power during 1922-1945; he is, as the legacy of Banque Worms attests, fully witting of the evil he does.

The evidence supporting those characterizations which I have just summarized, is abundant, and conclusive, if anyone cared to debate the matter.

Otherwise, Middlebury, Vermont's filthy Felix is, like the feral coyote he much resembles, as clever (and as dirty) as a coyote in a feral sort of way, but not very intelligent—in fact he is an oafish boor—in matters of art, science, or morals. He is clever as a thief who knows how to steal money, but has no wish to know actually how to earn it. He has no understanding of economics, and no desire to understand that subject, since any form of rational behavior would conflict with his professional standing, that of the poor boy who achieved fame as the Charles Dickens' Artful Dodger in today's financial world.

Therefore, if you are fully sane and rational, you will consider the current rash of such wild-eyed libels against me personally, as marks of the high position of honor which I have earned in the world in recent times.

You might also wish to amuse yourself by noting the list of characters who have exposed their own disgusting morals in this matter, beginning with the *Boston Globe* (the sometime voice of Dracula's Vault), the leading Swiss daily, *Neue Zürcher Zeitung*, a leading French radio station, certain political circles in Leipzig, and a few present and former members of the U.S. Congress.

Filthy Felix, anyone?

# Felix Rohatyn's Fascist Legacy

by EIR Staff

A well-placed Washington intelligence source told *EIR* on April 19, that Felix Rohatyn is “really pissed off” at what LaRouche is doing to him. But, the source added, “the real target of the LaRouche exposés is the larger Synarchist apparatus. Rohatyn has become an important player in the French Synarchist apparatus over the last ten years [since his tour as Ambassador]. By going after Rohatyn, LaRouche has hit on a real Achilles’ heel of the entire French Synarchist apparatus: their dependence on public money.”

“Synarchy” is the real power behind what the naive identify as “fascism.” “Fascism” was the name created by Mussolini’s gangs to identify themselves, based on a Roman imperial fetish-object. But could Mussolini’s thugs, still less the eccentrics and hooligans of the German Nazi leadership, have taken power in a modern nation without the behind-the-scenes machinations of powerful forces within the establishment itself? Of course not! No more than lone psychotics could have assassinated John and Robert Kennedy, Martin Luther King, and Malcolm X.

“Synarchy” was the name given in the late Nineteenth Century (by Joseph-Alexandre Saint-Yves, called D’Alveydre, 1842-1909) to the occult Martinist freemasonry formed a century earlier, in the 1770s, in France and adjacent French-speaking Switzerland and Savoy. Ever since that date, what became fascism was directed from France, while strategically steered from London. It was the bankers of the Martinist cult whose manipulations determined that the coming French Revolution would not mirror the achievements of America, as Lafayette and many others intended it would, but instead ruin France and all Europe in the Terror and the Napoleonic Wars.

Indicative leaders of early Martinism were the notorious Casanova, the mountebank magician Cagliostro, the Pierre Mesmer exposed as a scientific fraud by Benjamin Franklin and his French ally Sylvain Bailly, and the Savoyard Count Joseph de Maistre. Maistre is revered by some fundamentalist Catholics still today, although his ideas and proclivities anticipated Twentieth-Century fascism so closely that the late Sir Isaiah Berlin dubbed him “the first fascist.”

World War II dispatches from the American Embassy in Vichy (fascist) France (see, for instance, William L. Langer, *Our Vichy Gamble*, 1947) confirm the reports of French investigators from the 1920s to the 1950s and be-

yond: that French fascism was centered in a hierarchy of self-described “Synarchist” secret societies. That this Synarchy was effectively identical with the personnel of Banque Worms, a bank established by Lazard Frères bank (Paris) for the Worms industrialist family. That the greatest part of the Vichy French fascist government, established in southern France ostensibly under Marshal Pétain after the 1940 German invasion, was directly run by members of secret Synarchist cults, all simultaneously affiliated or associated with Lazard’s Banque Worms.

Thanks to a family association with Lazard Frères, Felix Rohatyn went to work for that bank in New York and Paris as a young man, and then went on to be personally chosen as the successor to André Meyer as head of Lazard Frères New York. (Lazard comprises three closely interlinked banks: Lazard Frères of Paris, Lazard Frères of Wall Street, and Lazard Brothers of London.) André Meyer had been Managing Director of Lazard Frères Paris when he fled to the United States from the German invasion.

From his post as Lazard’s man on the board of ITT, which he himself had substantially created as a “trust,” as these conglomerates had been called in Germany, Rohatyn oversaw the financing of the 1973 coup which placed neo-Nazi Augusto Pinochet in power as dictator of Chile. Once in power, Pinochet and his sponsors here unleashed a bloodbath throughout the Southern Cone called “Operation Condor.” First and second-generation German Nazis and Italian Fascists led much of the killing, as they did later when the operation expanded into Central American death-squads.

From 1975-82, Rohatyn ran New York City as a personal fiefdom for debt-collecting banks, under “Big MAC” and the Emergency Financial Control Board.

As U.S. Ambassador to France (1997-2000), Rohatyn set about scrambling to the top of the French Synarchist apparatus, making many enemies in the process, according to *EIR* sources. French-media slander attacks against Lyndon LaRouche and his collaborators, channelled through state-controlled media in the recent period, often show telltale marks of Synarchist authorship.

Notable is Rohatyn’s position, with Gerard Worms of the Worms family mentioned above, on the board of the huge, but deliberately obscure world advertising and public-relations trust “Publicis Groupe.” Other members are Lazard (Paris) Chairman Michel David-Weill and Michel Curiel of Compagnie Financière Edmond de Rothschild. Publicis claims to be the world’s fourth largest communications group, ranking number three in Europe and fourth in the United States. Its various French-language statements of purpose and commitment remind one of the French Synarchist manifestos which came to light in the 1940s. The conglomerate encourages affiliates to undertake “nonpartisan” campaigns “in the public interest.” One such is the German Meinhard Miegel’s openly Jacobin and pro-fascist “Citizens’ Consensus” in Germany.

## HYPERINFLATION LIKE WEIMAR 1923

# World System on Weimar Collapse Curve

by Lyndon H. LaRouche, Jr.

April 20, 2006

*Already on Sept. 21, 2005, Lyndon LaRouche issued a warning of the expanding commodities bubble, "Hyperinflationary Patterns," published in EIR, Sept. 30, 2005. LaRouche wrote, "The world is presently gripped by a hyperinflationary wave-front of a Riemannian type," and provided a graphic depicting the "hedge fund-driven shock wave" of inflation propagating into the entire economy. He briefed a radio/Internet audience how "Government Can Control Today's Hyperinflation," published in the same EIR. His September 2005 warnings can be found on the EIR home-page at [www.larouchepub.com](http://www.larouchepub.com).*

The fakery of the outgoing Alan Greenspan administration, in burying the "M3" report, was clearly intended to conceal the fact that the rate of rate of increase of world prices of primary materials has the world as a whole currently on the same kind of "least-action pathway" curve of hyperinflation which gripped Weimar Germany during the second half of the year 1923 (**Figure 1**).

Comparing the present rates of rates of increase of primary materials prices with the pattern for Germany 1923, indicates the likelihood that, under present U.S. and European policies, the world system could reach a point of collapse of the monetary system by not much later than September 2006, if not earlier.

Under the present trends in policy-making in the U.S. government, both in the careening economic-financial lunacy of the current Bush Administration, but also the "Alfred E. Newman"-like diffidence of a negligent U.S. Congressional fraction of the Democratic Party, the likelihood is that the

world system as a whole will be in a U.S.-dollar-triggered collapse-phase before Autumn.

The point is not to predict what could happen by Autumn; the point is to kick the relevant political circles in the Democratic Party with the proverbial two-by-four prescribed for reluctant donkeys, and to do so hard enough, soon enough, and often enough, to move to the kind of emergency reform of U.S. policy which could stave off an otherwise onrushing general breakdown-crisis of not only the U.S. system, but the world system as well.

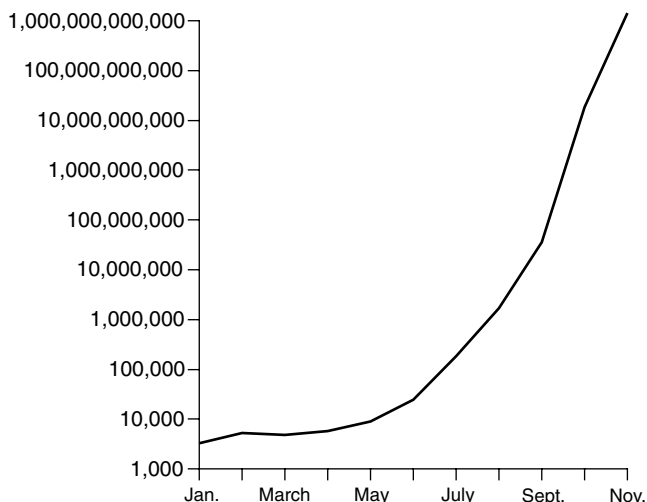
There is a relative handful of persons, typified by the Brookings Institution-based Hamilton Project team, who are capable of understanding this, and who already have command of most of the essential facts to be considered. There are professionals in other parts of the world, who could begin to understand this quickly, if they were kicked hard enough to come to the necessary state of wakefulness.

The world is thus, now, in the terminal phase of a hyperinflationary collapse of not only the dollar-system, but the world-system as a whole. To bring this into focus, consider the elementary features of the way in which Federal Reserve Chairman Greenspan's lunacy orchestrated the 1987-2006 phase of the relevant hyperinflationary cycle. Keep three illustrative curves in view: 1.) my "Triple Curve," which, since January 1996, has described the general characteristics of the ongoing collapse-function of the 1995-1996 interval (**Figures 3-4**); 2.) The curve of 1923 Weimar, Germany hyperinflation (**Figure 1**); and, 3.) The current hyperinflationary rate of rate of increase of primary commodity prices, as led by petroleum and metals (**Figures 2 and 5**).

(Leave the "supply-and-demand" freaks, and other statisticians from Swift's Island of Laputa, to play with themselves

FIGURE 1  
**Weimar Hyperinflation in 1923:**  
**Wholesale Prices (1913 = 1)**

(logarithmic scale)



behind the barn, where they will be happy.)

Essentially, what Greenspan did, was to bail out the banks whose coffers had been emptied by the events of October 1987, by laundering the mortgage-based securities packages of Fannie Mae and Freddie Mac. The real-estate bubble was built up to its presently cancerous proportions for this continuing purpose. This, in turn, provided the baseline of monetary and derived financial emission for what was to become a hyperinflationary expansion of a physically contracting economy. (See my Triple Curve.)

FIGURE 3  
**LaRouche's Typical Collapse Function**

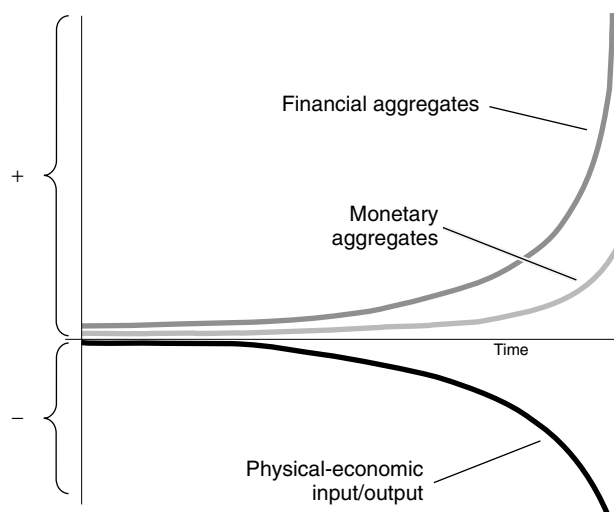
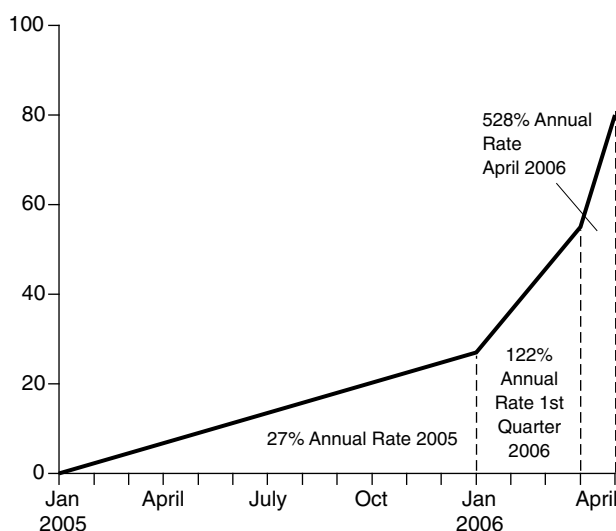


FIGURE 2  
**Futures Market Mean Price Inflation for 14**  
**Primary Commodities, January 2005-April 2006**

(% Rise from January 2005)

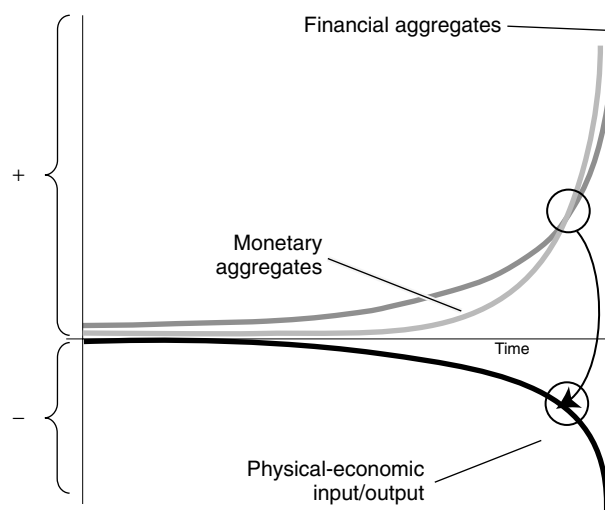


Sources: [www.thefinancials.com](http://www.thefinancials.com); ICIS Chemical Business; *EIR* files.

In the end, this became the core of a global financial-monetary bubble comparable to that of medieval Venice's tool, the Lombard League of Europe's Fourteenth-Century collapse into a New Dark Age. However, in this case, the end-game phase of this hyperinflationary process was cornering of the world market in primary materials.

For those shrewd enough to recognize that the present

FIGURE 4  
**The Collapse Reaches a Critical Point Of**  
**Instability**



world financial system is already hopelessly doomed, the witting class of predators must have a “landing place” outside the bounds of such a general financial-monetary collapse. Essential raw materials represent that landing-place.

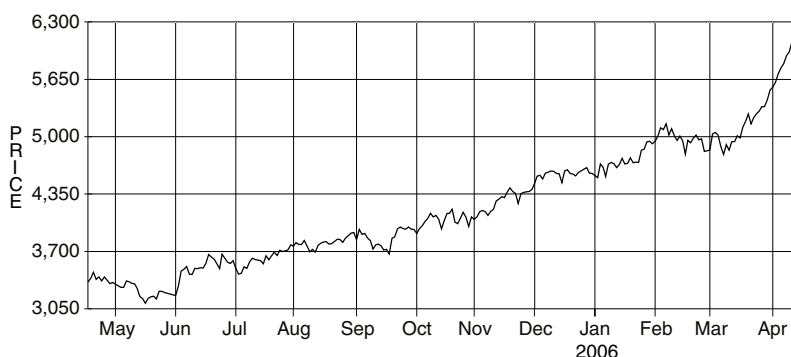
Therefore the rate of inflation of the rate of inflation in the market for primary commodities is the characteristic curve of the present world monetary-financial system. This rate of rate of inflation, as reflected in the concealed behavior of M3, is the curve which corresponds to the Weimar Germany hyperinflationary curve of June-November 1923.

Underneath it all, is Leibniz’s catenary-cued principle of physical least action, the fundamental principle of the Leibniz infinitesimal calculus and Leibniz’s original correct discovery of the natural-logarithmic function derived from the double-catenary characteristic of the least-action principle. The

FIGURE 5

### Copper Prices

(April 18, 2005-April 17, 2006)



comprehension of such systems in general, is found in the work of Riemann on hypergeometries.

## A Flood of Funds, Central Banks Feed It

**Figure 2** shows the average annualized rate of inflation of the futures-market prices of a basket of 14 “primary commodities,” into which speculative funds’ money has been flooding, while their last gulf—the U.S. real estate/housing bubble—has started to shrink. The rates are shown for three periods: a year, followed by a quarter; followed by a month; graphically illustrating the continuing acceleration of the rate of inflation in those commodities. The commodities are: Brent crude oil, propane, and gasoline; the common plastic base HDPE (high-density polyethylene extrusion); the metals zinc, copper, aluminum, tin, lead, nickel, and platinum; and the precious metals gold, silver, and palladium. **Figure 5** shows the actual futures price of one of those—copper—over the last 12 months, as a sample which shows the same increasing rate of the rate of inflation as the basket of 14, without the brief, wild fluctuations shown by some of them along the way.

For 2005 as a whole, the futures prices of the basket of 14 primary commodities inflated by 27.3%; then in just the first quarter of 2006, they inflated by another 22.2%; and in April 2006 (actually, in *just the first 19 days of April*), by a further 14.9%.

The modern-era’s model for this accelerating inflation—*hyperinflation*—is 1923 Weimar Germany (**Figure 1**), particularly the June-November period of that year

which ended with Reichsmarks losing their value entirely.

The driver for this hyperinflationary process is hedge funds and commodity index funds pouring speculative money in, irrespective of any “fundamentals” of supply or demand. While forecasts had been that speculative funds flows into commodity index funds would increase from \$80 billion in 2005 to \$120 billion this year, the figure appears to already have reached \$100 billion by April. And these index funds are only one part of the huge flows from banks, hedge funds, private equity funds, derivatives speculators, and even the now-besotted “conservative” institutional funds like pensions. This flood of funds begets a second inflation driver—mergers. In gold, for example, since September 2005, there have been at least 20 significant mergers and/or acquisitions (M&A) in the global gold industry alone (compared to just 5 in the first half of 2005), reports Merrill Lynch. The same is true for aluminum, nickel, and especially energy companies.

Central bank monetary emissions are fueling this bubble process, the extreme point shown in **Figure 3** of Lyndon LaRouche’s Triple Curve Collapse Function. As LaRouche notes, the U.S. Federal Reserve, from its March 23 weekly report on, suddenly suppressed public release of information on its broadest money-supply measure, known as M3, although acknowledging that the Fed is, of course, still gathering and computing this information.

The rate of expansion of M3 has accelerated, even as the financial press abounds with talk of “tightening” by the central bank. For the 13 weeks ended Feb. 27, M3 had grown at a very high 8.7% annual rate. Since then, the data is “classified.”—*Paul Gallagher*



# Loudoun County Real Estate Bubble Is Ready to Implode

by L. Wolfe

Loudoun County, Virginia, one of the nation's fastest-growing counties, and the "poster child" for the so-called national real estate boom, is in trouble. Economist Lyndon LaRouche had warned last year that this "white hot" real estate market was "Ground Zero" for the coming collapse of the Alan Greenspan real estate bubble. Where the equivalent of tarpaper shacks with gold faucets were selling for astronomical prices even one year ago, Loudoun is now experiencing what real estate veterans have identified as the classic early signs of a coming blowout—the buildup of unsold inventory; the panic-driven dumping of properties onto the market by worried homeowners seeking to cash out before prices fall; and the collision of the former with the seemingly insane rush to build new homes and townhomes and get them on the market before the whole thing comes crashing down.

When LaRouche put out his renewed warning of an impending Loudoun bust in the Spring of 2005, his remarks were greeted with skepticism and disdain from members of the real estate community and from Loudoun residents caught up in the cycle of greed and denial that marks a "bubble" mentality. They acknowledged that there had been a stupendous appreciation of property, especially in the last three years—a rise *averaging* more than 150%, and in some cases more than 300%—but rather than attributing this to pure speculation, they came up with "reasons" why such gains were justified—the growth of the "Internet economy," for which Loudoun is supposedly the "Crossroads of the Information Highway"; the large number of defense-related high tech contracting jobs, spurred by the Cheney-Bush war in Iraq; a similar government-driven spending spree for homeland security; and, Loudoun's role as a bedroom community for the Washington area's super-elite. Since, the delusional people claimed, Loudoun would continue to benefit from its relationship to Washington and the Federal government, there was no reason to doubt its continued prosperity as a real estate "boom town." There was no danger of a collapse—those powerful people who lived here and who had fueled the "boom" would never let it happen.

Today, less than a year later, those same people are worried. While many local residents continue to live within their delusions, and live a lifestyle supported by their real

estate-based "wealth," a growing number of residents as well as real estate professionals are already preparing for a crash. No serious members of the real estate community, despite what they might say in public earshot, denies the basic truth in LaRouche's forecast of a real estate collapse, although they might quibble about how bad it will finally get. "I wish to hell that he [LaRouche] was wrong," said one leading member of the local real estate community. "But, this market is on the edge, and it won't take much to push it over. And when it falls, there's a long way down before it hits bottom."

Such reality has very real implications for the national real estate market and a commercial banking, which, it is conservatively estimated, has nearly 50% of its total asset base tied up in mortgages and mortgage-based financial instruments. While the Loudoun-based mortgage market is estimated at around \$40-50 billion, Loudoun mortgages are significantly leveraged in the larger national mortgage market; since they were formerly regarded as "gold-plated" (i.e., rock-solid assets), they have been bundled with weaker mortgages from other areas, for reselling among financial institutions. Should the Loudoun mortgages go bad, it will trigger a chain reaction down the line for the holders of those mortgage bundles and mortgage-backed securities. Even more important than that, the collapse of the Loudoun bubble would have a devastating *psychological* effect on the national bubble, signaling that "all bets are off."

Back in July 2005, this author was commissioned by *EIR* to prepare an analysis of the Loudoun bubble, which showed that it was ripe for the kind of collapse forecast by LaRouche ("The Loudoun County Real Estate Bubble: A Case Study of How the World Went to Hell," *EIR*, July 22, 2005). In this current report, we shall summarize the main points of that article, and then show how subsequent developments, which have caused the dramatic change in the market, have confirmed LaRouche's forecast.

## How the Bubble Was Created

According to real estate and banking sources, the take-off point for the Loudoun real estate bubble occurred in 1999. Several factors played a role in igniting it.



EIRNS/Stuart Lewis

*Going down . . . Loudoun County's speculative frenzy is running out of easy money and lax lending policies.*

1. Some time in the Fall of 1998, just after the near-blow-out of the world monetary system around the collapse of the Long Term Capital Management hedge fund, a decision was made to create a national real estate bubble by dramatically lowering long-term interest rates and changing the tax codes to encourage high turnover in real estate transactions. This decision was made at the top, by central bankers such as Federal Reserve Chairman Alan Greenspan, and forced down the throat of the weakened Clinton Administration.

2. The U.S. Treasury Department put through two key tax code changes: First, the limit on gains that were exempted from taxation in the sale of a primary or secondary residence was raised to \$500,000; second, a home could be sold as frequently as every two years (or less, under certain loopholes), without a tax impact.

3. In the case of Loudoun County, first the Clinton Administration, and then the Bush Administration funnelled contracts to IT and other firms, to create the impression of an employment boom—and to counter the effects of the collapse of the IT bubble in 2000-01.

4. Loudoun already had a large number of developable tracts in the pipeline, as a result of rezonings that took place from 1996-99, in both the county at large, and in its largest town, Leesburg. When interest rates dropped, and the first new waves of buyers hit the county, these projects took off, while still more properties were opened for development. By 2001, county officials estimated that there were potentially more than 200,000 new homes in the Loudoun pipeline over the next 30 years!

5. As news spread of the great acceleration in home prices, Loudoun property began to be marketed by realtors and others as “golden”—that is, at whatever price you bought, it would experience phenomenal price appreciation. This brought in, from the region and the nation, buyers and

investors, who gobbled up property almost as soon as it was put on the market.

## The Expansion of the Bubble

Since 1999, real estate valuations, as reported in official county statistics, have risen nearly threefold, from approximately \$13.3 billion to more than \$35.7 billion. Most single-family homes, both old and newly built, are rising at a rate of *at least \$400 a day*, with some rising as much as \$500 or more. (These latter figures are based on “market values”—what property will fetch if sold, and figures reported by local realtors suggest that these are 20-30% above the official county assessments.)

One year ago, local realtors estimated that the total market value of Loudoun properties was well above \$60 billion—an increase in five years of more than 350%. Both the county and realtors agreed that the yearly rate of increase in property

value was in the 25-35% for most properties.

This coheres with a staggering price inflation, especially in residential properties over this same period, 1999-2004. Since 1999, the average sale price of a home has risen from well under \$300,000, to \$379,000 in 2004. As is typical of a speculative bubble, the rate of the rate of increase has accelerated in each succeeding year. By May 2005, the average sale price had risen to more than \$470,000, according to figures published by the Loudoun Board of Realtors. According to county figures, in 1999, the average price of a single-family detached home was about \$291,000; by 2004, this figure had jumped to more than \$566,000. In 1999, the price for a single-family attached home (for example, a townhouse) was \$165,000; by 2004, it was \$362,000! For a condominium unit, the average sale price in 1999 was about \$118,000; by 2004, it was \$252,000.

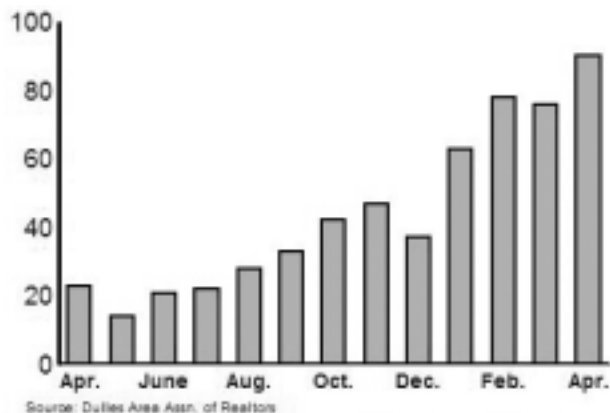
During this same period, developers built 23,479 units—increasing the county's housing stock from a little more than 62,000 in 2000 to more than 85,600 in 2004. While the majority of new homes are still single-family detached, the sharp rise in the prices of townhouses and condos, along with the desire of developers to maximize use and density in residential development, have led to a significant increase in the number of townhouses, relative to single-family detached.

From 2000-04, the U.S. Census Bureau estimates that approximately 70,000 people were added to the county's population, an increase of 41%, to about 239,000. (The county's own estimates, which are based on what it considers more reliable data, are for an increase of about 60,000 people for the same period, and we have used the latter figures in our calculations.) The vast majority of this increase are new families moving to the area. Such figures place Loudoun as the leader in population growth rate for the nation.

From figures prepared by EIR's staff, we can see that over

FIGURE 1

### Days on the Market, Loudoun County, VA (2005-06)



the course of the last five years, mortgage debt per capita (as derived from county assessment figures) has been rising astronomically, from a little more than \$80,000 in 1999 to around \$150,000 in 2004, and an estimated \$170,000 in 2005. And, the rate of increase, is increasing. (Although these figures are themselves derived from estimates of mortgage debt and should not be taken literally, the trends reflected are accurate—and appalling.)

### The Home As a ‘Cash Machine’

Given the significant numbers of government workers who lived in Loudoun, the county always had a relatively high turnover rate, with people moving in and out on average every 7-10 years, and many moving more frequently. However, with the changes in the tax code, the turnover rate has accelerated; the average homeowner now stays in his home around two or fewer years. This change is not, in general, caused by changes in employment or other economic circumstances (although this has taken place, with layoffs at three of the county’s largest employers, America Online, Worldcom/MCI, and United Airlines). Instead, it is caused by the greedy desire of homeowners to “cash in” on their equity appreciation.

While a home was once properly viewed as a long-term investment, it has now become a speculative “cash machine”—the equivalent of an ATM, which through sale, owners “withdraw” huge sums.

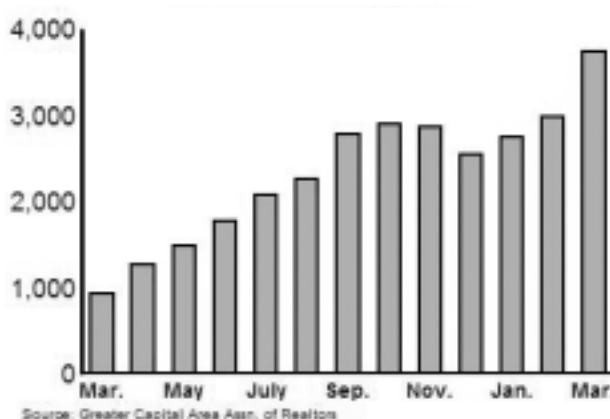
Thus, the county had two swarms of greedy locusts—ones that are internally migrating, and others that coming into the “promised” land to stake their “claims.”

### The Bubble Springs a Leak

The trends discussed in the July 2005 article continued, pretty much unabated, through October 2005. At that point,

FIGURE 2

### Single Family Homes on the Market, Loudoun County, VA (2005-06)



there began a slow reversal in some key indicators of the bubble: unsold housing inventory and length of time a property remains on the market.

In the heyday of the bubble, realtors now fondly remember that if a property—almost any property—were put on the market, almost within hours, the phones would be ringing with potential buyers. It was not unusual for a home, especially in a choice location, to be sold within a few days, often with several buyers bidding up the price. In October, it was still the case that, according to “official” real estate industry figures, the average home (of all types) sold within 15 days. Now, the market has slowed down dramatically. As **Figure 1** indicates, there has been an almost hyperbolic rise in a short span of time—less than six months, where it is estimated that the figures for April will show that a home now takes at least 90 days to sell.

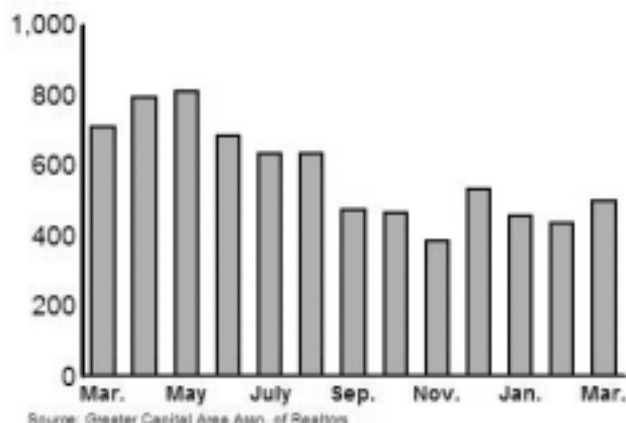
At the same time, despite this obvious slowdown in the market, there has been a sharp jump in inventory, as evidenced by the rise in the number of total real estate listings compared to last year. The latest available month, March, shows a year-on-year rise of more than 275%, placing some 3,800 homes in the unsold inventory as of March. Again, as our chart shows (see **Figure 2**), this rise in inventory has been accelerating over the last three months, at what many realtors say is an alarming rate. And these figures don’t include homeowners who place their homes on the market themselves, seeking to avoid real estate commissions; sources say that figures for “sale by the owner” are also way up.

What is driving this apparent panicky dumping of homes onto the market?

First, long-term interest rates are rising, from historically low levels, thanks to the Greenspan-Bernanke policy, backed by their fellow central bankers, to reign in the hyperinflation

FIGURE 3

### Sales of Single Family Homes, Loudoun County, VA (2005-06)



in commodity and other speculative items by tightening credit. The Loudoun market, as with the national market, has been fuelled by easy money and lax lending policies; take those away, and there are problems.

As we indicated above, many homeowners have been caught up in the speculative frenzy, believing that they can “make” money merely by buying a home and then letting it appreciate a bit, then selling it for a non-taxed gain. In addition, homeowners, especially in Loudoun, with its recent history of stupendous price appreciation, sought to cash out their supposed (appreciating) equity, by borrowing against it. This means that an increasing number of homeowners have assumed debt loads that can only be supported *if home prices keep rising and/or if interest rates remain low*.

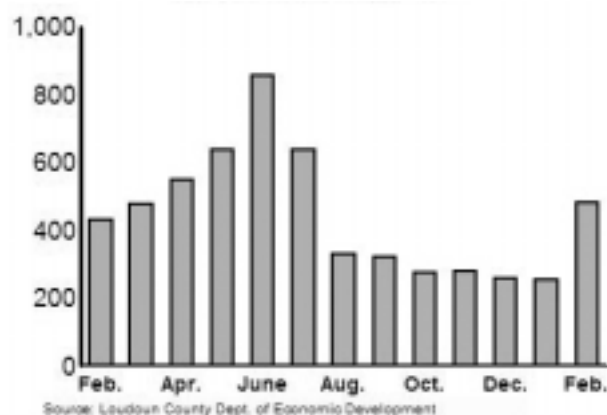
Even though properties in Loudoun have continued to appreciate, with interest rates rising, the sense has been communicated to many people—especially those whose homes are heavily encumbered with first and second mortgages and equity lines and so forth—that they had better get out while the getting is good.

This problem in Loudoun has been compounded by the large number of new home buyers who have fallen prey to various delusional financing scams such as “equity plus” borrowing (borrowing above the present assessed value of property on the prospect of its continued, significant appreciation), adjustable rate mortgage (ARM), and so-called interest-only loans which have a trigger when much higher rates suddenly kick in. Up until late 2004 and early 2005, most Loudoun mortgages were standard 30- or 15-year fixed rate instruments. However, in 2005, nearly 50% of all homebuyers were either using ARMs or interest-only loans.

It is now estimated that a growing portion of the mortgage market has been refinanced into these dubious loan instruments, compounding the problem. Since these scams

FIGURE 4

### Residential Building Permits Issued, Loudoun County, VA (2005-06)



are mostly used in the middle and low end of the market, they have a tendency to make that component highly volatile. Real estate industry statistics now place the average Loudoun home at between \$400,000 and \$500,000. It is precisely this segment of the market that is dumping homes into a problematic and dangerous environment. Real estate listing figures for this segment (also including homes \$300,000 to \$499,000) have shown an astronomical 400% jump over last year!

Nationally, there is a growing and alarming trend for homeowners to find themselves “upside down”—owing more on their home than its current market value. It is estimated that nationally, at least one mortgage in ten is “upside down,” with more than one in twenty, “under water,” so to speak, by more than 10%. So far, since property values have continued to appreciate, the figures for such “negative equity” for Loudoun, according to banking sources, are not as high as the national average. But as one local mortgage lender told me, should property value appreciation slow down significantly, many homeowners will suddenly find themselves drowning in unpayable debt—and will dump their homes on the market to try to bail out.

One would think, given the current market conditions, with large numbers of existing homes suddenly coming onto the market, that developers, in order to protect their own investments, would slow down the pace of new construction. Last year, once again, was a near record for home sales, with more than 8,000 new units of all types sold, bringing the total housing stock to more than 94,000. According to the latest figures from the county’s Office of Economic Development, this torrid pace of homebuilding has only slightly slowed—by less than 9%. New homes are continuing to come on the market at near record pace, colliding with a rising inventory of unsold homes, as overall settlement

of contracts is declining by nearly 20% against a year ago. (See **Figure 3**.)

This collision will soon lead to a “train wreck” in the market, which will sharply drop prices in almost all categories. Already there have been sharp drops in advertised sale prices on homes that have languished on the market for weeks.

Builders and developers still have more than 30,000 potential homes, townhouses, etc. in the pipeline—in one or another stage of zoning approval or construction—which indicates the enormous level of additional pressure on what is becoming a fragile market.

Meanwhile, the county government, instead of trying to rein in this dangerous speculation, is apparently trying to fuel more of it. Last month, the local Board of Supervisors suddenly declared a moratorium on restrictive zoning policies that had limited growth in the more rural areas of western Loudoun (**Figure 4**). This year-long moratorium has prompted developers, property owners, and speculators to rush in for building permits, for especially the “McMansions”—million-dollar-plus homes on small rural lots. Local government, which depends on property tax for its revenue, has no interest in believing that their money machine is coming down; the same Board actually lowered the tax rate this year, stupidly claiming that they were giving the taxpayers a break because of increases in the property assessments. (An official in the county Assessors office once said, “They don’t pay us to lower assessments.”)

### Living in a Delusion

What is happening in Loudoun has not escaped the national media. Since LaRouche’s “early warning” of a renewed threat of a blowout appeared last year, national media outlets have all picked up on the story that the “bloom is coming off the rose,” with potentially dangerous consequence. For example, a Dec. 19, 2005 story in *Business Week* reported on a reversal of fortunes in the market, with a deep “chill” setting in. It quoted local insurance agent Joe Kelley as offering his own explanation for the turnaround in the market: “They ran out of stupid people.”

But while there may not be so many stupid buyers, there are plenty of still-deluded sellers. A local realtor reported to me that he is running into great difficulty in convincing clients what is happening: “They come to me with these preconceived notions about what their home is worth, based on what was happening two years ago. I try to convince them to lower prices, but they won’t—or can’t—listen. I tell them that I’ll do what they say, but I’ll come back to them in three months, and we’ll have this same conversation.”

In the end, it will probably take the collapse itself to convince people that the game is finally over. By that time, the many people in Loudoun who should have listened to LaRouche when he warned them about the bubble, will have paid a very dear price for their foolishness.

## A Surprise Flank Against Delphi-Led Auto Collapse

by Paul Gallagher

Two weeks remain before the potentially industry-destroying bankruptcy plan of Delphi Corporation goes to trial before a New York bankruptcy judge on May 9. But flanks are developing against the attempt of Delphi’s pirate CEO Steve Miller, to use bankruptcy to drive outsourcing and globalization to their extreme, and wipe out the irreplaceable U.S. auto/machine tool sector.

Some of the attacks are legal ones in the bankruptcy court itself, including challenges to Miller’s phony “tactical bankruptcy” strategy from the entire court-appointed creditors’ committee, and from the Federal Pension Benefit Guarantee Corporation.

More important are the first serious moves in Congress since the U.S. auto collapse crisis began 14 months ago. These moves, though still defensive in nature, begin to challenge the shutdown of auto and its vital machine-tool capabilities, rather than just discussing ameliorating the effects for hundreds of thousands of laid-off workers and shut-down businesses—something Congress has not come up with any way to do.

Most notable is the surprising move originated by some Flint, Michigan auto union organizers, taking shape in an April 29 mass march and rally in Michigan. Their strategy is to raise the level of the battle: from a fight—possibly a national strike—against Delphi, to a mobilization for action by Congress to reverse globalization and “save the American dream,” of a good productive job, a good education, and a secure retirement. Their march and rally under that theme, to the Michigan capitol building in Lansing on April 29, may begin a mass mobilization into the U.S. capital in Washington. If so, it may intersect continuing mass demonstrations of immigrants, in which the fundamental *underlying* issue is the same—how globalization destroys advanced productive capabilities, infrastructures, and wages.

“Citizens Marching for the American Dream” aims high, at “the current direction our elected officials are taking our Country. We are angry that our government gives incentives to corporations who move our jobs outside the borders of the United States.” Its mission statement says, “The time has come to tell our lawmakers . . . what we expect from them. We, the people, have certain inalienable rights. Among them are life, liberty, and the pursuit of happiness.” The Lansing mobilization calls on elected officials—primarily aimed at the Federal level, say the organizers—to provide “certain pro-



*If Congress does not enact a new Marshall Plan for U.S. industry, this GM assembly line and its skilled workers will become extinct species.*

tections.” Particularly, “As Americans, we have the right to expect that our jobs are not outsourced while we are performing them,” and the right to earn a secure retirement pension after a lifetime of productive work. The movement also calls for universal health-care insurance.

### ‘Globalization by Bankruptcy’

The priceless machine and tool-and-die capabilities of the American auto industry—which in the past has retooled to be the Arsenal of Democracy, a builder for the space program, and other crucial national efforts—is now an endangered species, to be saved only by forceful Congressional action. The section of the industry richest in such capabilities is the “parts and supply” sector where Delphi has been a giant. And it is precisely this sector which is being pushed into mass bankruptcy by globalization, as every major automaker tries to get close to the “global price”—the “Mexico price,” or “the China price”—on every parts contract. A Chicago Federal Reserve Board special report on the auto industry issued April 17, showed that of the 240,000 net auto jobs lost in the United States just since 2000, some 220,000 were lost in the auto parts-supply sector. There are four auto-supply jobs for every one in auto production and assembly.

*Business Week* on April 13 landed a solid blow on the nose of Steve Miller’s operation to wreck this sector of auto, when the magazine accused Miller of “globalization by bankruptcy,” and essentially challenged Congress to do something to stop it. The high-profile article, “Go Bankrupt, Then Go Overseas,” fingered Miller’s use of a fraudulent declaration of bankruptcy. “Miller wants to use the bankruptcy courts to drastically slash Delphi’s U.S. presence, thus freeing it up

to focus on its already vast overseas production,” the article said. “If Miller gets his way, Delphi will end up with a U.S. workforce of perhaps 7,000 [from 48,000 in the year 2000—ed.], leaving the bulk of its production and value abroad.” (Delphi would have nearly 200,000 workers outside the United States!) The article headline has the kicker, “For Delphi, Chapter 11 is a globalization gambit. If it works, rivals will copy it.”

A clear giveaway of the globalization strategy is that Miller’s plan submitted to bankruptcy judge Robert Drain, not only closes 21 of Delphi’s 29 major plants in the United States; it calls for closing down half of the eight plants in Delphi’s Packard (electronics) Division, centered in Ohio, which in 2005 generated record business and made overall

profits for the company. This work would go to Mexico and to China.

*Business Week* named Lear Corp. and Johnson Controls—two other big auto suppliers not yet bankrupt—as candidates to imitate Delphi’s Miller’s globalization-by-tactical-bankruptcy. Another big auto supplier already is imitating Delphi. Tower Automotive entered bankruptcy in February and like Delphi, demanded its United Autoworkers union contracts be torn up by the bankruptcy judge. The UAW has shown that Tower’s problem is not its labor costs, but its huge corporate debt.

### Congress’s First Move

Some in Congress have responded to this rapid spread of the globalization parasite for the first time. Representatives John Conyers of Michigan and Evan Bayh of Indiana, both Democrats, introduced legislation on April 6. The Fairness and Accountability in Reorganizations Act of 2006 (S. 2556, H.R. 5113) is intended, as they stated, “to tighten up the bankruptcy laws in response to Delphi’s moves, forcing bankruptcy courts to take all of a company’s international operations into account in assessing its plans for bankruptcy reorganization, so that it can not take all its assets abroad and hide them. Some international corporations that are struggling domestically use their losses at home to justify breaking contracts with American workers, while their overall company is still thriving.”

Changes in the corporate bankruptcy law are urgently needed—companies are using the present bankruptcy courts as if they were the Pinkerton union-breakers of a century ago. Over in the Senate, the same move to stop this, is advancing

in the form of a circular letter initiated by Senators Debbie Stabenow (D-Mich.) and Ted Kennedy (D-Mass.), and signed by five other Senators so far.

### **‘Marshall Plan for American Manufacturing’**

But the organizers of the Lansing rally go beyond this to challenge the Congress to act positively to save the auto industry, and other industries and infrastructures going under to globalization. The effort, originated by Flint leaders including Russ Reynolds and Art Reyes of the UAW district council there, is aimed to draw thousands, and maybe more, citizens from across Michigan to the capitol on a Saturday, “and give them the idea of mobilizing on this,” said Reyes, “so that next we can mobilize them to Washington, D.C.” Reyes, who has been criss-crossing the state speaking at meetings, emphasized that the demonstrations will not narrowly focus on the auto manufacturers; “Most of this problem is on the Federal level, and it will take Federal action.” “Saving the American Dream,” Reyes said, means saving the plants with a Marshall Plan for American manufacturing; securing the future with higher education, focussing on Federal help for state colleges; creating well-paying jobs and secure retirement.

Another rally organizer, Bill Jordan of Flint’s Local 599, said that elected officials from both parties should be attending, but also stressed the broad and national character of what the organizers are trying to kick off. “Wages, good wages vs. a non-living wage, are only 25% of this problem of globalization,” Jordan said. “Infrastructure, the environment, education, public health, protection of the conditions of high-quality production, are 75% of it.” And the solution? “It’s legislation in Washington, D.C.” The next step, Jordan hopes, will be a mobilization to the nation’s capital for action.

The organizers are receiving messages of support up to April 29, to the UAW Hall at 3518 Robert T. Lansing Blvd., Flint, Mich. 48506; and on their website, [www.cmad.us](http://www.cmad.us).

Weeks before the rally, the Lyndon LaRouche Political Action Committee (LPAC) released a one-hour DVD documentary called “Auto and World Economy Recovery,” as a political mobilization tool and a message to Congress. The message: Save the auto industry capacity and workforce, by a Congressional intervention to *retool* the industry to help build vitally needed economic infrastructure. The documentary shows how this was done on UAW initiative, at the outset of World War II, to make the auto plants “the Arsenal of Democracy”; how it was proposed again by UAW President Walter Reuther at the end of the war, to retool to build railroads and housing; and Lyndon LaRouche’s full proposal to use the 50-60% actually unutilized auto capacity today, to build the modern-technology new infrastructure the nation’s economy sorely needs. Current UAW local leaders are interviewed on how a real “New Marshall Plan for auto” could take shape.

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## **Who’s Sabotaging the PBMR?**

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# **A Neo-Con, a Prince, And a Speculator**

by Dean Andromidas

There is an ongoing international campaign to block South Africa’s development of the Pebble Bed Modular Reactor (PBMR), the small high-temperature nuclear reactor that promises to produce cheap and abundant energy for all of Africa. The campaign brings together mega-speculator George Soros, the U.S. neo-cons, the Danish government, and the Prince Consort to the Danish Queen.

The PBMR is a joint venture of South Africa’s state electricity company Eskom, the state-owned Industrial Development Authority, and Westinghouse, which was recently sold by British Nuclear Fuels to the Japanese company Toshiba. The inherently safe nuclear reactor design, which would produce between 110 and 165 megawatts of electric power, represents the ideal solution for bringing cheap electrical power to vast areas of Africa, Asia, and Ibero-America, where millions of people continue to live in a “dark age” because of the lack of electricity.

Eskom, the South African state electricity company and major shareholder in the project, plans to begin building a demonstration reactor by 2007. In South Africa alone, the company intends to build at least 30 reactors to expand the nation’s electricity grid to the 30-40% of the population lacking electric power.

While for Africans the prospect of abundant power can only be welcomed with open arms, for powerful international financial interests, such a prospect poses a far greater “existential threat” than any nuclear-armed “rogue state.” As the speculative financial bubble of the world financial system is on the verge of bursting, the control of the massive raw materials of Africa, including its gold, diamonds, oil, copper, and uranium, is essential to the very survival of the international financiers. It is the massive flows of funds buying up these resources which have led to the “resource wars” of the last decade, especially those that have hit central Africa, the Democratic Republic of the Congo, and the Great Lakes region.

It is not surprising, in this context, that the Bush Administration’s international “War on Terror” has set up bases in Africa’s Sahel, where rich deposits of gas have been discovered, as well as uranium and other strategic raw materials.

A preliminary investigation by *EIR* has revealed that the “usual suspects” are intimately involved in this operation.

They are the environmentalists, backed by powerful international financial and political interests who operate like gangsters.

### **Soros: The ‘Capo di Tutti Capi’**

At the top, operating like a racketeering mafia boss, is mega-speculator George Soros, who finances local environmentalists and other useful dupes, and deploys them as tough guys to attack nuclear energy as “unsustainable.” At the same time, these deployables promote so-called “sustainable” technologies, like wind turbines and solar energy, both of which are totally incapable of sustaining an industrial economy.

Since the collapse of the high-tech bubble in 2000, Soros has shifted his investment strategy from high-risk currency speculation to investment in physical assets, especially raw materials, gold, silver, and so on. Africa plays a large role in this strategy. With George’s brother Paul Soros, investments have been made in African mining companies and state-owned companies which governments are being forced to privatize by conditionalities imposed on them by the World Bank and the International Monetary Fund. Valuable assets, including mines, plantations, and other agro-investments, have been bought up by Soros and the international corporations he supports financially.

Through his “Open Society” network of foundations, Soros organizes the “street” against the government and power centers that stand in the way of his financial operations. Thus, he puts into power those leaders who will implement the appropriate free-market laws. One celebrated example was the so-called Orange Revolution in Ukraine.

In South Africa, George Soros operates through his Open Society Foundation, based near Cape Town. The Foundation’s major source of funding is from the profits of the Soros Fund Management LLC and other entities from which Soros rakes in billions of dollars annually. According to U.S. Securities Exchange Commission filings dated Sept. 30, 2005, among the many companies in which Soros Fund Management holds millions of dollars in stock are mining companies with huge assets in Africa. These include AngloGold Ashanti Ltd., which controls one of the largest gold mines in the world, which the government of Ghana was forced to privatize, and Barrick Gold, the Canadian company that bankrolled the overthrow of the Mobutu regime, leading to a decade of civil war in the Democratic Republic of the Congo. Other companies include Newmont Mining, which has mines in Ghana, and the Ibero-American-based Apex Silver, in which Soros holds very large interests and has placed his brother Paul on its board of directors.

Although Soros has publicly compared President George W. Bush to Adolf Hitler, that has not stopped him from holding stock in the Iraq War mega-profiteer firm Halliburton, whose former CEO was Vice President Dick Cheney.

Another Soros stockholding directly related to our story is in the Exelon Corporation, whose decision to withdraw its

investment from the PBMR project in April 2002 almost led to the project’s collapse.

### **Sabotage**

In 1999, when the process for gaining the authorization for the building of a PBMR demonstration plant, was under way, the Soros apparatus moved to sabotage it.

The Environmental Justice Project of the Legal Resources Centre, which is funded by Soros’s Open Society Foundation, commissioned one Stephen Thomas to write a report trashing the PBMR and nuclear energy in general in 1999. At the time, Thomas worked at the Science Policy Research Unit of the University of Sussex, in Great Britain; he now works for the Public Service International Research Unit of the University of Greenwich, also in Great Britain. The report was then handed over to Earthlife Africa, a South Africa-based environmentalist organization which used the report as documentation for a court action to prevent approval for going forward with the PBMR demonstration plant.

This court action was supported not only by the Legal Resources Centre, but by the Open Democracy Advice Centre, which provided legal and financial assistance. This latter entity is also financed by Soros’s Open Society Foundation. It is a joint venture of the Black Sash Trust and the Institute for Democracy, both of which are also financed by the Open Society Foundation.

The Thomas report, which has gone through several versions, is a piece of sophistry, which makes no attempt to deal with the technological feasibility of the project. For instance, in an earlier version of the report, Thomas attempts to trash high-temperature-reactor technology as problematic, citing how the Chinese program was allegedly moribund. In its latest version, the report cites the same “moribund” Chinese program as representing a major potential competition to the South African PBMR!

But the key point of Thomas’s report is its analysis that nuclear power is not compatible with energy liberalization and privatization of state electricity companies like Eskom. It asserts that Eskom will inevitably face being broken up and privatized. Thomas’s 1999 report states: “The momentum for liberalization throughout the world now seems unstoppable and, sooner or later, Eskom is going to have to give up its monopoly status and run its business under competitive pressures.”

But Thomas makes clear that these “pressures” are, in fact, the higher profit-rates the radical, globalized free market is demanding. Thomas draws the comparison with the privatized British utilities: “Government-owned utilities have usually been able to invest money at very low rates of return on capital partly because new power stations were seen as a safe investment and partly because, for a variety of reasons, governments have tended to require a lower rate of return on capital than private industry. Thus, in Britain before privatization, the national utility, the CEGB, could invest at a 5 per





EIRNS/Stuart Lewis

*Mega-speculator George Soros funds the environmentalist groups to protect his raw materials looting by attacking projects like the PBMR, which is a science driver for a national industrial economy.*

cent real (net of inflation) rate of return and recover the costs over 35 years. After privatisation, it is known that private investors are looking for about 12-15 per cent real return and recover the capital over 15-20 years.”

This is exactly what George Soros and globalization are all about: Destroy the institutions of the nation-state in the name of higher profits. It is not just the PBMR that these financiers oppose, but the very idea of a state-owned public sector, because it serves as a driver for real economic development instead of profits that will be taken out of the country.

Since 1999, when Thomas’s words were written, the world has seen Enron and other such disasters which have done much to discredit privatization and deregulation of the energy sector.

Earthlife Africa and the Legal Resources Centre were able to block the approval of the PBMR’s environmental impact study on a technicality, forcing the study to be redone. But they lost another case, demanding the release of the minutes of the meetings of the government commission that was formed to assess the environmental impact of PBMR. The latter case was thrown out of court in January 2006 and Earthlife had to pay the costs. The judges ruled that the study by Thomas, which was submitted as evidence, had “no probative value.” Earthlife also lost its appeal of the decision on this case this month.

## Windmills and the Prince

Soros is not the only financial backer of the anti-PBMR campaign. The other is the Kingdom of Denmark and the Consort to the Queen, Prince Henrik. The Danish International Development Agency (DANIDA), which is the Danish government’s official aid organization, is also funding the

operation. DANIDA finances the Environmental Justice Project of the Legal Resources Centre as well as Earthlife Africa’s Sustainable Energy and Climate Change Project. The latter is also financed by the World Wildlife Fund Denmark, the Danish chapter of the World Wide Fund for Nature, whose founder and chairman is Prince Henrik. (The other founders of the WWF were also European royalty—Britain’s Prince Philip and the Netherlands’ Prince Bernhard.)

Like Soros’s “philanthropy,” this aid is not to help the “little people,” but has a real profit motive, killing off the competition. Denmark is the largest world exporter of wind turbines, and since 1984 DANIDA has been financing projects throughout the developing world, where Danish-made wind turbines are being built.

For example, DANIDA was instrumental in establishing the wind turbine industry in India and lent support to India’s “wind energy pioneer,” Rakesh Bakshi, upon whom, in 1997, was conferred the “Diploma of the National Association for Danish Enterprise and His Royal Highness Prince Henrik’s Medal of Honour.” Where DANIDA financing goes, the Danish wind turbine companies closely follow, and Danish wind turbine manufacturers, like Vestas, have established Indian subsidiaries.

The DANIDA projects are being carried out throughout the world, including Africa. One of the most extensive is in Egypt, where DANIDA helped fund the Zafarana wind farm, along with the German government’s Kreditanstalt für Wiederaufbau (Bank for Reconstruction). The project’s 105 turbines are supplied by the Danish-Germany company Nordex. In South Africa, DANIDA financed a wind farm in Darling, which is situated in the Western Cape, and an experimental wind station of three turbines operated by Eskom.

It is significant that German government financing was secured at the time when the Green Party was a coalition partner in the government led by Gerhard Schröder. The Green Party’s Heinrich Böll Foundation is actively supporting the anti-PBMR campaign in South Africa and has financed South African environmental activist David Fig to write a book attacking the South Africa nuclear industry.

## The Unsustainability of ‘Sustainable’ Energy

A glance at the Danish wind turbine industry demonstrates that, without government sponsorship and subsidy, the industry would rapidly collapse, because an electric generator that depends on wind is by definition totally inefficient—especially when there’s no wind.

As the top exporters, the Danes have several companies ranging from small wind turbines to the monsters that would even frighten Don Quixote.

It is a very special industry. Take Gaia Wind, which produces small 11-kilowatt wind turbines. Named after the Earth goddess, it was set up by the Gaia Trust, founded by Ross Jackson, an American expatriate and “spiritualist” living in Denmark. Jackson is a retired speculator who first financed



www.sandia.gov

www.denmark.dk/photo: Rigmor Mydtskov

*Henrik, the Prince Consort of Denmark, has championed windmills as a Danish export, especially in the developing sector, and funded the opposition to the PBMR. Here, one of Denmark's royally subsidized windfarms on the southwest coast.*

the trust through his GaiaCorp, one of the world's first hedge funds dealing with special forms of currency derivatives. Gaia Wind, along with the Danish wind-turbine consultancy Kentec, won funding from DANIDA for a feasibility study in Africa.

On the other side of the spectrum is Vestas Wind Systems, the largest wind-turbine manufacturer in Denmark, which makes monster 4.5-megawatt ocean wind turbines. Its history parallels the growth pattern of the industry, which has been based on political and financial backing of the Danish and other governments.

Vestas started making wind turbines in 1978, experiencing a lackluster sales record until 1981, when California passed special tax legislation that made investment in wind turbines profitable. The company expanded until it had 800 employees, while providing the U.S. market with 2,500 wind turbines. But when the California tax legislation expired in 1985, Vestas went from riches to rags, and in 1987, the company was reorganized, retaining only 60 workers.

Although this collapse is testimony that the industry is only "sustainable" through government support, its revival was through government support as well.

According to Vestas's website, in 1989 "powerful political forces seek to strengthen the Danish wind turbine indus-

try." These "powerful political forces" not only in Denmark but in neighboring Germany, shifted their governments' policies away from nuclear energy into wind, solar, and other alternative energy sources with tax incentives, financial support, and legislation decreeing that thousands of megawatts of energy had to be generated by wind turbines, whether or not technically or commercially viable. Vestas soon captured one-third of the huge German market, which expanded greatly after the German Green party entered the government in 1998.

Vestas then grew to employ 10,000 people with subsidiaries all over the world. Many of their projects in the developing sector are financed by DANIDA. But while foreign sales boomed, in 2001, a new government came to power and put an end to government support. The Danish internal market collapsed to the point that in 2004, only five wind turbines were erected in all of Denmark. The situation changed only after the Parliament passed legislation in 2004 mandating an additional 750 megawatts of new wind power.

It is one thing for rich countries like Germany and Denmark to make insane decisions to throw away taxpayers' money on wind turbines, and quite another for the countries of Africa, most of which are desperately poor, to expend limited resources on an inefficient and dead-end technology.

## The PBMR and the Neo-Cons

Meanwhile, in the United States, the attack on the PBMR came from two very related sources.

The first was a report used in the above-mentioned Earthlife Africa case, which was written in 1999 by Dr. Edwin S. Lyman of the Nuclear Control Institute of Washington, D.C. The South African court stated that this report was written in such a highly technical style that it was unintelligible!

What is the Nuclear Control Institute? Run by Paul Leventhal, it is committed to stopping all nuclear power because it will allegedly lead to nuclear proliferation. This is the line now promoted by the neo-conservatives in and around the Bush Administration. It was pioneered by the late Albert Wohlstetter, one of the demigods of the neo-cons, who equated civilian nuclear reactors with atomic bombs. Wohlstetter's chief disciple was Paul Wolfowitz, former Deputy Secretary of Defense and now head of the World Bank. Wolfowitz, who wrote his doctoral thesis under Wohlstetter as an attack on nuclear desalination in the Mideast, is deeply committed to preventing any development of nuclear energy in the Third World.

Unlike the Danes, Leventhal doesn't push wind turbines, but preemptive strikes. He is a member of the Iran Policy Committee, which calls for "regime change" in Iran. This committee is the extreme of the extreme. One board member,

for example, is Gen. Paul Valley (ret.), who was featured in *EIR*'s special report on the "spoon-benders" in the U.S. military (see "Cheney's 'Spoon-Bender' Pushing Nuclear Armageddon," *EIR*, Aug. 26, 2005). Valley is not only for air strikes, but also for ground assaults against Iran.

It is curious that EarthLife Africa and the Legal Resources Centre, both of which claim to support the "little people," would team up with such an extreme group as the Nuclear Control Institute.

The second U.S. attempt to derail the PBMR was through the withdrawal of the U.S. energy company Exelon. The move came after the project's chief sponsor in Exelon, Corbin A. McNeill, retired as chief executive officer and chairman in 2002. McNeill's support for PBMR dates back to when he was chairman of PECO energy company, which later merged with Unicom Corporation to form Exelon in 2000. A retired captain of the U.S. fleet of nuclear submarines, McNeill was an enthusiastic supporter of the PBMR project. He especially saw the project as ideal for the countries of the developing sector.

McNeill's successor, John W. Rowe, immediately cancelled Exelon's support of the project on the grounds that it did not fit into his strategic plan for the company. A lawyer by training, Rowe is a very different type of CEO than McNeill, and did not share the latter's passionate commitment to nuclear energy, despite the fact that Exelon is the largest operator of nuclear power stations in the United States. According to industry sources, Rowe is a fanatical believer in the "shareholder value" ideology which underpins globalization and radical free-market policies.

Unlike the retired military officer McNeill, Rowe is a man of the business establishment, fancies himself a philanthropist, and belongs to all the right clubs. But politically he is close to the neo-cons, just like Leventhal. Until recently, he was a trustee of the American Enterprise Institute, better known as the Temple of Doom, a center of the neo-conservative movement in Washington, where both Dick Cheney and Donald Rumsfeld worked. Rowe participated in many of the seminars, conferences, and other affairs held in AEI's "Wohlstetter Hall," and perhaps met there another frequenter of these events, Paul Leventhal.

Rowe also sits on the National Commission on Energy Policy, along with R. James Woolsey, a Wohlstetterite and former CIA director, now very prominent among the neo-conservatives who want the United States to launch a strike against Iran.

There is now a renewed debate throughout Europe and the United States on nuclear energy. Finland is already building the first new nuclear power station in Europe in ten years. Russia and China have announced the intention to build dozens of new nuclear power stations over the next quarter century. Africa has to become part of this process if it hopes to survive the ravages of globalization. The PBMR project is on the front lines of that fight, and intends to win.

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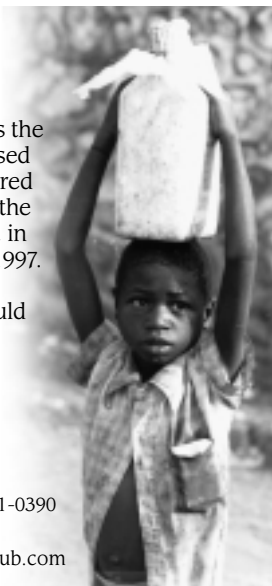
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# LaRouche: Conyers' Health-Care Bill Is a 'Litmus Test' for Congress

by Marcia Merry Baker

Bill H.R. 676, "U.S. National Health Insurance Act of 2005," introduced by Rep. John Conyers, Jr. (D-Mich.) et al., in the first session of the current 109th Congress (Feb. 8, 2005), remains on target as the way to deal with the current health-care crisis in the United States; namely, to put into place coverage and facilities to be sure that all citizens have needed medical treatment and care. At present, between 45 and 75 million Americans have no health insurance whatsoever, another 50 million have very limited insurance, and the so-called "charity" safety-net of clinics, emergency rooms, community health centers, and hospitals is falling apart. The U.S. health-care system itself has broken down, at the same time that the economy at large is collapsing, under decades of "post-industrial," HMO-era looting policies.

Lyndon LaRouche, who has warned of this collapse process over the past three decades, announced his backing for the Conyers initiative on April 10, saying: "We demand that all members of Congress support getting rid of the HMO system, and support the Conyers bill for universal health care, or else be prepared to be kicked out of office. Every single member of Congress must be put on the line. *This is a litmus test to check the morality of your Congressman or Congresswoman.* Go on the warpath on this one: Those who don't support the Conyers reform of health care, must be punished by being defeated."

In effect, the Conyers bill would *eliminate* the HMO profiteering system, creating a "not-for-profit" system that would provide health care and prescription drugs for all. The focus of the Conyers plan uniquely acknowledges that the current U.S. health-care system itself is broken, which stands in contrast to other legislative initiatives trying to work within the dysfunctional system, to bring care or coverage to subgroups.

Another name for the Conyers bill is "Medicare for All," and Conyers was in office in 1965, when Medicare and Medicaid were first created by Congress, for the purpose of ensuring care to all the nation's elderly and poor. At that time, many of the bipartisan backers of those new programs supported the post-World War II concept, that health care is a human right.

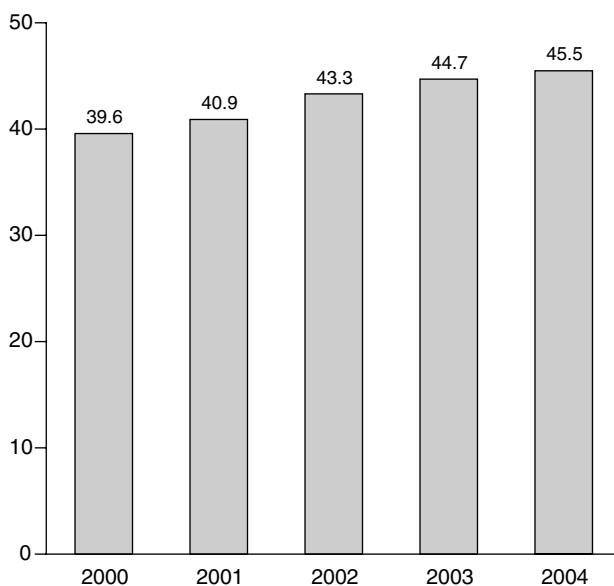
Commitment to the principle of universal health care has been a hallmark of Conyers' 42 years in office, and he has introduced such legislation before. Co-sponsors of the current H.R. 676 bill include Representatives Dr. Donna Christensen

(D-Virgin Islands), Dennis Kucinich (D-Ohio), and Jim McDermott (D-Wash.). Soon after the bill's introduction a year ago, it had 47 other co-sponsors.

There is no pro forma aspect to this initiative. In brief, as Conyers puts it, the bill's program would be "publicly financed with privately delivered" care. "The goal of the legislation is to ensure that all Americans, guaranteed by law, will have access to the highest quality and cost effective health-care services regardless of one's employment, income, or health-care status." No co-pays or deductibles would be permissible, and no private health insurers would be permitted to sell coverage that duplicates the public system.

## Number of Nonelderly Uninsured Americans, 2000-04

(Uninsured in Millions)



Source: Kaiser Commission on Medicaid and the Uninsured; Holahan and Cook, "Changes in Economic Conditions and Health Insurance Coverage, 2000-2004," *Health Affairs* Web Exclusive, Nov. 1, 2005.

*Nearly six million more Americans under age 65 lacked any health insurance as of 2004, compared with 2000, as the total number of non-elderly uninsured rose from 39.6 to 45.5 million over this time period. Today the total number is far worse, primarily due to the sharp decline in employer-sponsored insurance.*



EIRNS/Stuart Lewis

*The HMO for-profit system introduced in the last 30 years has downgraded U.S. health care, from the number of beds available and staff-to-patient ratios, to the unaffordable costs of medical care and insurance. Here, a “birthing inn” at a community hospital.*

LaRouche has repeatedly stressed the responsibility of the Federal government for the general welfare of its people, to see that needed ratios of the physical health-care delivery system—such as hospital beds, medical personnel, public health services, and so on—be available and accessible (through both community and private endeavors), as shown by the 1946 Hill-Burton Law (“Hospital Survey and Construction Act”).

The “Hill-Burton principle” in U.S. health care prevailed up through the 1960s, in particular, with the enactment of Medicare and Medicaid in 1965. Tuberculosis, polio, and other infectious diseases were rolled back; the ratio of hospital beds per thousand residents across all 3,000 counties approached modern standards (then, about 4.5 per 1,000), and other advances ensued. The health insurance system, with all its flaws, still “worked,” through its constituent parts, including employer-provided non-profit companies—such as Blue Cross/Blue Shield—and civic charities.

Then, in 1973, with the passage of the pilot project “Health Maintenance Organization Act,” the shift against the Hill-Burton/general welfare principle began. Both physical health-care logistics and decent insurance coverage declined drastically. Under nominalist rhetoric about “competition will lower costs,” the HMOs and for-profit hospital chains were permitted to carry out looting raids against citizens and medical facilities alike. Physical infrastructure contracted. In Conyers’ own state of Michigan, the ratio of hospital beds per thousand residents has dropped drastically from 4.3 in 1980 down to 2.6 by 2000, and is even lower in many localities. To top it off, the Bush/Cheney Administration is now not making required payments to states and hospitals for Medicaid/Medicare expenses, guaranteeing both instant financial crisis, and patient suffering.

Running interference for all this, is former Congressman Newt Gingrich, given the limelight by networks of financial

interests, to call for even more HMO “competition” and consumer choice. Speaking at Harvard University on March 30, Gingrich said, “What we need is a Travelocity for health care.” Gingrich’s entertainment act specializes in euphemisms for how millions of Americans should get no care at all.

As LaRouche said, now is the time for the moral line to be drawn. We are in a three-month period, between now and the end of June, which will be fatal to the bankrupt world financial system. All the various financial schemes, ruses, and waves of leveraged speculation over the decades of the Alan Greenspan Great Game are blowing apart. The system is finished.

Therefore, look around, and you see not only your physical conditions of life going—your house, your hospital, your gasoline, but your ideological way of life. There is no alternative to the changes that have to be made, the changes that LaRouche has been laying out for decades.

LaRouche’s advice: Are you afraid of being left with no health care, and no housing either? Go after your Congressman, and get him or her to support the Conyers bill.

## LaRouche Endorsement: Support Conyers’ Health-Care Reform!

The actual or virtual obliteration of pre-existing, private pension and related contractual agreements, demonstrates the folly of inducing large numbers of our citizens to place their trust, and the hope of their families’ future, in the substitution of the dubious protection of private pension and health-care systems for public measures as durably permanent as our constitutional republic itself.

The extraction of financier profits in layer upon layer of the private health-care and pension systems, and the degree of reckless mismanagement shown by the successive waves of actual, and virtual bankruptcy, and mismanagement of more and more of the privately constructed programs, should be taken as a lesson which, in the light of recent experience, no prudent heads of family households could conceivably overlook.

The most essential, mandatory quality of any pension or health-care system, is that the protection it promises must be delivered in a full and promptly timely way when the time for the redemption of that promise has arrived.—Lyndon H. LaRouche, Jr., April 21, 2006

# Nation-States Must Survive, Not Supranational Currency Unions

*Prof. Wilhelm Hankel, economist and former senior government official, is a leading opponent in Germany of the European Monetary Union and its unitary euro currency. He spoke with Lothar Komp and Michael Liebig on March 16 at his home near Bonn. The interview has been translated from German.*



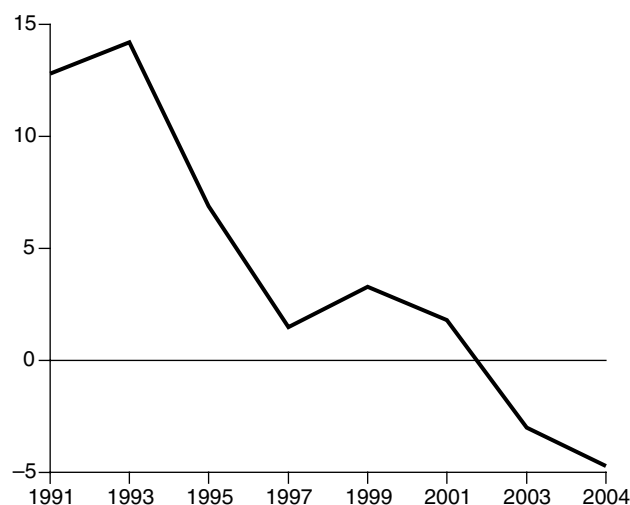
**EIR:** Germany is a world champion in exporting, but the domestic economy is on its knees, and public investments (see **Figure 1**) are approaching zero. Since the introduction of the euro, this trend has become more aggravated every year. How do you see the connection between the European Monetary Union (EMU) and the increasing loss in substance for the German national economy, on whose condition our neighbors in turn depend?

**Hankel:** Through its membership in the European Union (EU), and above all, through its membership in the European Monetary Union, Germany has been damned to be a *double* paymaster. The public only knows that Germany is the biggest net payer into the EU budget. Maastricht and the EMU have not changed that at all. Less well known, but more decisive is the fact that Germany is also the biggest “capital supplier” to the rest of the EMU states and Europe. It is being bled white.

The enormous German trade and current account surplus does not lead, as it did earlier—when we still had the deutschemark—to a situation where Germany expands its national wealth according to its surplus, claims to foreign assets, or currency reserves; in any case, financially tangible wealth. This wealth produced in Germany is burned up through the deficits of the other EMU national economies. Germany earns foreign exchange and claims on foreign assets for the whole eurozone, but this foreign wealth is not to the benefit of Germany any longer, but to the EMU deficit countries.

Countries like France, Spain, Italy, or Greece, have huge current account deficits, which are not paid off by these countries through “belt tightening,” and giving up consump-

FIGURE 1  
**Net German Public Investments**  
(Billions of Euros)



Source: Bundesbank.

*Net investments are the difference between actual investments and the estimated depreciation of existing physical capital. In the case of public investments, this physical capital is infrastructure. Negative public net investments mean that the actual investments have fallen below the level needed to merely compensate for the natural deterioration of previous investments. Thus, German infrastructure is rotting away.*

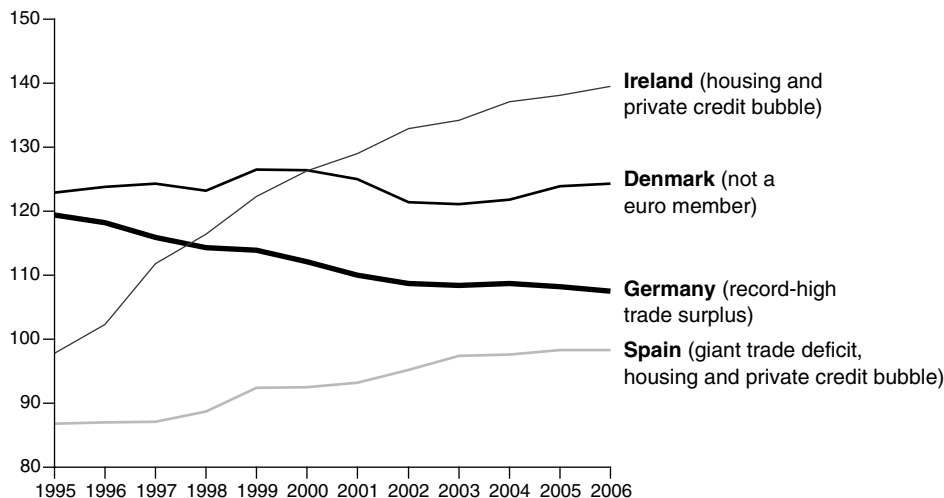
tion and imports. No, on the contrary, they receive *financial transfers* from Germany. With the EMU, we are—in terms of macro-economics—the paymaster of Europe, and to a greater extent than is the case with our net payments into the EU budget.

One could also say: Without Germany’s transfer payments, not only would Brussels be bankrupt, but the majority of EMU member countries would experience a crisis brought about by their current account deficits. What is grotesque in this EMU construct is that Germany, which provides these transfers to its neighbors, is—at the same time—condemned “to tighten its belt” more and more, in the context of the “Stability and Growth Package” (see **Figure 2**).

FIGURE 2

**Euro Makes Germany Poor**

(Per-Capita Income, 100=EU Average)



**EIR:** The question of Germany's indirect subsidies within the eurozone is not easy for laymen in economics to understand. Let us take two countries which have extremely high trade and current account deficits in comparison to the size of their national economies: the U.S.A. on the one hand, and the EMU member Spain, on the other. What is the difference here?

**Hankel:** The difference is the following: The U.S. does have a huge current account deficit, and the trend is for the deficit to rise even further, but the U.S. pays for it through the abandonment of national wealth. It is not the case that the U.S. pays for this deficit through dollars that it "prints itself," although technically speaking, that's the case. The mass of the U.S. current-account deficit is financed by giving up American national wealth: foreigners make dollar investments; they buy American stocks, bonds, and other securities. The U.S. thus goes into debt honestly with its creditors. One could also say that the U.S. is being bought out.

**EIR:** Could one say that these foreigners acquire a legal claim to national economic potential in the U.S.?

**Hankel:** Right. These foreigners have their claims in their hands; the claims belong to them. An increasing share of America's national wealth belongs to foreigners. At some point, this process naturally comes to an end, since one cannot assume that the U.S. will indebt itself 100%, or more, to foreigners.

But regarding the EMU member state, Spain, the situation looks completely different. Spain does not pay with its own national wealth. Inside the eurozone, Spain's current account deficit is "balanced" through Germany's surpluses.

Spain goes into debt internally, but not vis à vis foreigners—as the U.S. does. Germany is a creditor in its own currency; therein lies the indirect subsidizing.

**EIR:** But German exporters still have their exports to Spain paid for?

**Hankel:** Here we see quite clearly the difference between the macroeconomic view and the microeconomic one—looking at the economy in the perspective of a corporation: The latter having become ever more dominant, while the macroeconomic point of view is in decline. Naturally, German firms make export earnings and profits. But the German national economy as a whole, which

monetarily no longer exists, which has dissolved itself into the EMU—is *not getting richer*. You have already mentioned the symptoms of this: sinking average incomes and investments, as well as increasing unemployment.

Anyone who has learned to distinguish the viewpoint of the national economy from that of the company, sees this immediately. Since, in Germany, the firms set the economic policy tone, the government seems not to notice that. But the German Bundesbank, which formerly was the administrator of German export and currency surpluses, should have sounded the alarm. I accuse the Bundesbank and the financial supervisory agency, Bafin, of not exposing this sellout of the German national economy, and not attacking it. For, this is a sellout of the German national economy, because the national wealth produced by the national economy is being burned up by the deficit countries in the currency union for their national aims.

**EIR:** Could one say we are dealing here with a draining away of real economic power [Leistungskraft] that could have flowed into physical-economic investments and consumption? These resources are no longer available to the German national economy.

**Hankel:** Right. I would formulate it this way: German firms still do have their earnings from export deals, but the German national economy does not have the increase in national wealth delivered by them. We have in fact increased income, but through the currency union, this is used up by the deficit countries in the EMU.

**EIR:** And this drain of resources manifests itself in the real

economy in sinking average incomes and the lack of means for necessary investments, especially in maintenance and expansion of hard and soft infrastructure.

**Hankel:** Yes, in the decline of economic potential. In Germany, the potential for growth of the national economy—measured against the 1960s and 1970s—has fallen back catastrophically. Firms, of course, make good earnings in exports, but the national economy as a whole is losing capital wealth. The national economic capital stock, which includes foreign assets, is frittered away by others, within the EMU.

**EIR:** This is so different from China, for example, where through huge trade surpluses, huge currency reserves pile up. While in the case of EMU member Germany, with its huge surpluses, the case is completely different.

**Hankel:** We have, so to speak, export surpluses “without consequence.” For the firms, it makes no difference whether they do business at home or abroad; they draw no distinction between domestic and foreign turnover. The main thing is, they make earnings—and that’s all right. But the national economy is dependant on having its capital wealth maintained and growing, since future investments and infrastructure projects have to be financed. Its potential has to be maintained and expanded. In Germany, economic potential is sacrificed on the altar of Europe.

**EIR:** Net investments are almost negative in Germany.

**Hankel:** Public investments, for some time. We experience it every day. The social-state and public spending are in a ruinous condition. We drive on roads full of potholes, sometimes even on the *autobahn*. Such things I have seen only in the Third World. And this, in the biggest and strongest economic power of the EU.

**EIR:** Which is also seen in the construction sector, which is in the worst crisis of the post-war period.

**Hankel:** In the construction sector the damage is among the worst. But, in essence, the whole German national economy is damaged. It is above all the good German citizen, who pays his taxes, and now has to witness that not even national infrastructure is financed, but that of our European neighbors (see **Figure 3**).

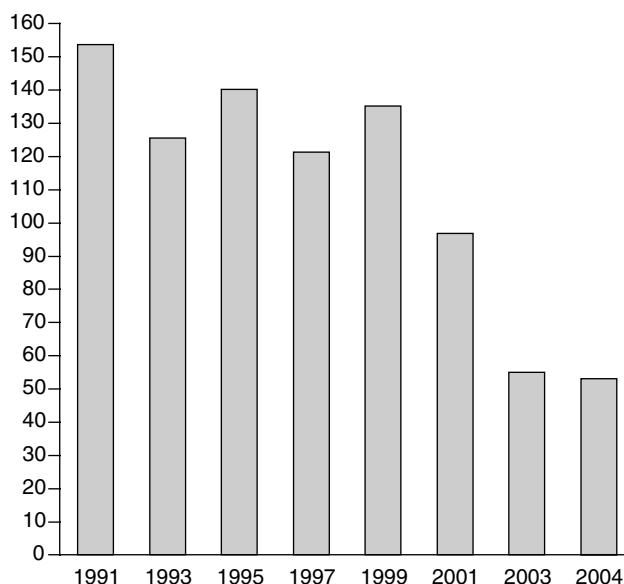
**EIR:** The reality of the outflow of resources from Germany—through the EMU—is described as the big “open secret” of Europe, in private discussions with leading bankers and politicians outside Germany. What is your explanation for the fact that the Bundesbank, which, unlike others, at least has the technical competence to see through this, does not say a word?

**Hankel:** It is a strange mixture, partly out of political cowardice and partly out of a lack of macroeconomic competence. This is seen very clearly in the comment of the Bundesbank on its own “National Economic Account.” The

FIGURE 3

### Net German Investment

(Billions of Euros)



Source: Bundesbank.

Bundesbank has noted for at least five years, that savings exceed investments in Germany. The formation of monetary wealth is much greater than real capital investments. This is a scandal—from the standpoint of economic policy. In Germany, supposedly investments do not occur because of a “lack of money,” but in reality, this lack of money doesn’t exist. From the figures of the Bundesbank, it is very clear that the surplus of savings over investments *is transferred abroad*.

That is so because the savers have to invest their money somewhere to earn interests and income. This leads on the one hand to the purchase of foreign securities, and on the other hand, to speculative nonsense. Increasing portions of the formation of monetary wealth are no longer invested in the real economy, but in the money sphere. As Lyndon LaRouche would rightly say, to the detriment of the physical economy. This is one side of the very clearly recognizable fact of capital being wasted. The other side of capital waste is the German transfers in the context of the euro system.

The Bundesbank registers this fact, but does not put it on the agenda for discussion. And the explanation for this is quite obvious; the Bundesbank no longer perceives that its central task is to administer the national financial potential so as to insure that the national economic capital wealth is maintained and grows. Instead, we have the European Central Bank (ECB), and the Bundesbank is *one member* of the European central bank system. The Bundesbank quite



evidently does not want to discredit its membership in the European central banking system, by pointing to this outrage of capital waste.

In addition, there are clear signs of the economic incompetence of the civil servants at Bafin. They think in formal-juridical terms, not economically. One example: recently, a Spanish company floated a bond on the German capital market—with a clearly recognizable negative real interest rate, because of the Spanish inflation rate. The bond yield was considerably *below* the Spanish inflation rate. When a senior business figure asked Bafin about this, the responsible civil servant wrote back that this was completely in order. For the German subscriber of the bonds, it is the German inflation rate which applies—and not the Spanish rate. The man asked me what I thought. I answered him in writing, saying that this was not only incorrect behavior on the part of the supervisory authority, but scandalous. The Bafin should never allow junk bonds to be offered to German investors at negative real interest.

**EIR:** From the standpoint of the Spanish debtor, we allow him to acquire capital in Germany at negative real interest.

**Hankel:** The supervisory authority in Germany declares such junk bonds as gilt-edged. For Spain, this means a capital subsidy from Germany: one can acquire capital in Germany at negative interest rates, and invest it in Spain very lucratively, especially under bubble conditions. Where this leads to can be seen in part in the huge real estate bubbles, not only in Spain, but also in Ireland, Holland, or in France. This specific case, too, underlines that Germany, with its own savings rate, finances and subsidizes the investments and capital formation of its EMU partners.

**EIR:** One ought to think that for the government, the Bundesbank, or Bafin, the Constitution were applicable, in that it says the organs of the state have to avert damage to the German people.

**Hankel:** Exactly. If you recall, we used precisely this article—Constitution Article 65—as our motto for our case against the introduction of the euro, a case which was unfortunately rejected by the Constitutional Court. The issue is averting damage to the German people. This damage has been institutionalized through the construction of the EMU—in violation of our Constitution.

**EIR:** In Italy, there is a debate now on the euro. Should Italy leave or not? The pro-euro faction says that if Italy were to leave the eurozone, it would default the next day, and would go the way of Argentina. How do you see this?

**Hankel:** Through its EMU membership, every Italian government, whether right-wing or left-wing oriented, as is also the case for the German government, has lost every possibility to pursue its own economic and conjunctural policy: Neither interest rate nor exchange rate can be altered; these

TABLE 1

### Trade Balance of Euro-zone Members with Extra Euro-Zone Countries, 2005

Country	Billions of Euros
Germany	+99.9
Austria	+13.1
France	+12.6
Ireland	+10.1
Finland	+7.3
Italy	+2.1
Luxembourg	−1.2
Belgium	−3.5
Portugal	−5.6
Greece	−14.1
Spain	−42.7
Netherlands	−54.8
<b>Euro-zone total</b>	<b>+23.3</b>

Source: Eurostat.

*The trade balance figures for the Netherlands and Belgium are distorted due to a statistical effect caused by the location of major ports of entry in those countries. For example, imports of oil for several other European countries, via Rotterdam, the Netherlands, appear in the statistics as imports by the Netherlands.*

instruments are blocked. And thus the euro damages Italy.

On the other hand: Italy has still not really coped with its unification of North and South, which occurred 150 years ago. The Italian South is still subsidized by the North, which has a level of productivity comparable to that of Bavaria. With the entry into the EMU, a part of the subsidies for the South were transferred into the EMU. Italy, as a whole, is a leading beneficiary of the euro zone. The Italian interest rates were at double-digit levels before the EMU entry. When it became clear that the lira would vanish into the euro, the interest rate fell overnight from 14% to a German level. This alone relieved the Italian budget—Italy is the most heavily indebted country in the euro zone—of 75 billion euro per year. If, now, Italy were to leave the euro, certainly the lira would sharply devalue, but the Italian interest rate would more than double.

**EIR:** Don't we have a similar problem in Germany?

**Hankel:** Meanwhile, that's the case. One can say without exaggeration that what the Mezzogiorno is for Italy, the new German states [former East Germany] are for us. In 1990 we tackled the monetary side of reunification in a completely wrong fashion. Through a faulty exchange rate between the old German Democratic Republic [GDR, or East Germany] currency and the deutschemark (DM), we further exacerbated the productivity gap between East and West Germany. The dying out of the industrial base in the new German states was largely created through the wrong exchange rate.

How should the industrial firms in the ex-GDR have survived with their low productivity, if they had to pay wages based on a 1:1 exchange rate? How could these industrial firms keep their traditional export markets in eastern Europe, Russia, or the Third World, if their export prices were based on a 1:1 exchange rate? This was an upvaluation of 300 to 500%! First these firms laid off their employees, and then they were soon bankrupt. The Treuhand [the agency administering state-owned economic assets in the former GDR] did enormous damage with its policy of privatization and sellout at any price. But, the German-German currency union of 1990 had already delivered a deadly blow to the east German industry.

The deindustrialization of eastern Germany has resulted in permanent subsidizing, which however does not lead to any new formation of real capital, because it is primarily related to consumption. We subsidize private incomes—unemployed and retired people—and the state and municipal budgets that are in deficit. But with these transfer payments we do not contribute to capital formation and job creation in the productive sector.

In addition, there is something that is generally overlooked: parallel to the flow of *public* transfer payments from the west to the east, there is a flow of *private* transfers from east to west. The savings of the new states are not invested locally in industrial and Mittelstand firms, but rather are recycled back into western Germany through the money market. Ultimately, that comes down to a situation where eastern German savings flow into the American financial markets, for example, in order to shore up old-age provisions of eastern Germans. This is like a bathtub, in which you can no longer put the plug in, so there is a permanent outflow; no matter how much you fill it up, the level in the bathtub cannot rise.

**EIR:** At the end of the 19th Century, and the beginning of the 20th Century, there was a Scandinavian currency union, which fell apart. And there was also a “Latin currency union” which also fell apart. What lessons can one draw from this today?

**Hankel:** One can explain these failures rationally and in an economically plausible fashion: It was an inner bleeding white, so to speak. The “Nordic” and the “Latin” currency unions collapsed due to different inflation rhythms. In the 1920s, France had the problem, that the inflation rates in the other member states of the “Latin Currency Union” were much higher than in France. Consequently, the other member states would exchange their currencies in France, and receive gold-backed French francs in return. That had to lead, sooner or later, to France’s abandoning the “Latin Currency Union,” as it did in the middle of the 1920s, in order to prevent further outflows of gold.

In the Nordic states, things followed a similar course. There was formally a Kroner Union until 1930. The Danish,

Norwegian, and Swedish kroner established a common currency space of the three Nordic states, with strictly regulated exchange rates. But already in the inflationary phase after World War I, the three currencies drifted apart. When, at the end of the 1920s, the unemployment problem was added to inflation, the Swedes terminated the currency union. They needed a free hand in monetary policy in order to fight unemployment in their own country.

The collapse of both currency unions proves: When conflict arises between historically developed and constitutionally anchored nation states, on the one hand, and supranational currency unions, on the other, the nation state survives. Nation states must survive, not currency unions. And this is good. We have seen this also, on a worldwide scale, with the collapse of the gold standard. The gold standard was given up in 1931 by the most important participants—Great Britain, the U.S.A., and pre-Hitler Germany. They did so, because they needed to have a free hand to fight the depression and unemployment. The belief that currency unions lead to integrated state unions is, and remains, a utopia. On the contrary, supranational currency unions exacerbate tensions and frictions between nation states—to the point that either one gives up the currency union or the state breaks down.

**EIR:** Is that the lesson of history?

**Hankel:** Yes. When it comes to a struggle for existence between the state and the currency union, the state, if it wants to survive, must give up the currency union. One could have spared oneself the suffering and bitter experience involved, if one had read the works of the German economist who had always forecast this: The man’s name is Friedrich List. Already in the foreword to his *National System of Political Economy*, he wrote that the “cosmopolitan” world economy was a fiction, a utopia.

**EIR:** Adam Smith thought otherwise.

**Hankel:** List considered Adam Smith a charlatan, for whom, in reality, the only issue was the supremacy of England’s economy over the rest of the world, which he sought to gloss over “scientifically.” The kernel of List’s thought is that the economy is always bound to a territory, and must always be seen from its specific characteristics and economic conditions. Economics is a political science, and has a clear mission: Securing the prosperity of the national economy. No one, by the way, saw this more clearly than Bismarck, who always had List’s book on his bedside table.

**EIR:** What could we learn today from List, the customs unions and Bismarck?

**Hankel:** List has a “phased plan” for Germany, which Bismarck later followed. First, we need to bring the many German states closer together—economically and politically. That began with the Customs Union [in 1834]. An

internal market had to be established, which involved the elimination of internal customs and the creation of railways and canals, lines of communication which in List's lifetime barely existed. It was only *after* the political unification of Germany as a state that the time would be ripe for a single currency.

The tragedy of Friedrich List is that only very few people understood him, during his lifetime. That is why he tragically chose suicide. This really great economist, who was head and shoulders above his contemporaries, never achieved academic honors in Germany. It was in America that he was first acknowledged for his outstanding work. It was only with the next generation in Germany, especially the leading Prussian elites and the so-called *Kathedersozialisten* [a school of German academics promoting a strong role of the state in economic and social affairs] that List was understood.

List's best disciple was Bismarck; he had not only political instinct, but also basic convictions on the economy.

**EIR:** Is the route traced in Germany, from List's Customs Union to Bismarck, a successful "model"?

**Hankel:** Yes. Bismarck followed the route that List traced in his "phased plan." He strengthened the Customs Union. But he refused to expand it to the multi-national Austrian Empire, and put an end to an Austrian-Prussian monetary union in 1867. Bismarck created the unity of Germany as a state through the transitional step of the North German Union. It was only after the unification of Germany as a state, in 1870-71, that the unitary currency was instituted, in 1873. It was also clear to Bismarck that the currency question should not be mixed with the question of Prussia's political domination. This is why he did not choose the Prussian taler as the currency of the new German state, which would have seemed logical, but the mark currency of the city-state Hamburg.

By the way, a further "success model" for an *organic* growing together and integration—economically and then in monetary terms—in 19th-Century Europe, is Switzerland. This is not taken into consideration nowadays.

**EIR:** Can you say more about the influence of the "American System" economist Henry C. Carey on Bismarck's Germany?

**Hankel:** Now, Carey knew List, and vice versa. Both rejected considering the economy as a "trade and profit" economy of merchants. Both fought against the "free trade" ideology. And since Bismarck oriented to List, he was certainly also in favor of Carey's ideas. Bismarck was no friend of those German economics professors, who were blinded by the British free trade ideology. He knew what the importance was of a railway network and canal construction—just think of the canals linking the North and the Baltic Sea, or the Rhine river and the Elbe. And he wanted to protect domestic production, be it agricultural or industrial.

But here a lot of work still remains to be done in order to provide access to the mutual influences and cross-fertilization between economic theory and policy in America and Europe during the 19th Century.

**EIR:** From Bismarck we have the dictum: Europe's statesmen always speak "in the name of Europe," when they don't want to present their naked national interests as such.

**Hankel:** That certainly applies to all EU and EMU states—except Germany. Here we have the true causes for the "Maastricht System" and of the introduction of the euro, whereby—together with the DM—the monetary-financial sovereignty of Germany was eliminated. We come back to List again and again: The economy cannot be separated from the national territory. Whoever denies this, wants to conceal ulterior motives, commercial as well as political interests.

Politically, "Maastricht Europe" was launched by people who were afraid of Germany; one can understand that, immediately after the Second World War. And secondly, in Germany itself, "Maastricht Europe" was endorsed by the "eternally guilty" who believe in a German "original sin," and reduce German history to Hitler and Auschwitz. But Germany consists not only of Hitler and Auschwitz.

"Maastricht Europe" is a supranational, bureaucratic construction, which is dominated by particular interests of "Eureaucrats," business concerns and financiers. Neither the EU bureaucracy, nor the ECB could—even if they wanted to—provide or secure the essential *collective goods*—education, infrastructure, or a social security system. Such indispensable collective goods can be provided and financed only by the nation state. What the EU Commission pulled off during the last years in this respect, should remove the last doubts. Therefore, it is absolutely destructive to destroy the existing states of Europe for a chimera, which one does not want and will not have.

Here it is a question that I have often discussed with colleagues like Prof. Schachtschneider or [Professor Wilhelm] Nölling, [head of the Landeszentralbank Hamburg, one of the Bundesbank's regional institutes, and Bundesbank board member]. I think that the social state is a very great advance in statecraft—after absolutism and the aggressive territorial state. It is a big step forward, that in today's Europe, the democratic states do not consider themselves aggression-addicted military states, or strive for territorial expansion at the expense of neighbors. The European states see their constitutionally anchored task in domestic, employment, and social policies. Their obligation is the social state, which is duty-bound to the common good of its citizens. And it is obvious that only the state can fulfill this task. For this, however, it needs its instruments.

**EIR:** Now we are approaching a branching point in Europe. The imbalances in the EMU are getting ever larger, and the political crisis of the EU is deepening. What could trigger

the collapse of the entire “Euro/EMU Project”?

**Hankel:** I think first that the connection between the “European crisis” and the failed currency union must be forced into the broad political consciousness. We have not reached this point. We have seen the rejection of the EU Constitution in France and the Netherlands, but that happened more or less “from the gut.” If it had come “out the head,” one would have had to say: The crisis in Europe, especially in the big states, is a crisis which came with the euro, and which is not to be solved as long as we have the euro. It is a matter of making clear that we need to get back the ability to act economically as nation states. This ability must be reestablished.

Thereby we would *not* be destroying Europe. On the contrary, it is the precondition for Europe growing together. We need both: The national social state and its economic prosperity, and European cooperation. As far as this synthesis is concerned, we can learn a lot from Switzerland’s historical evolution. The Swiss have cooperation in foreign, defense, and security policy, but otherwise keep internal autonomy.

**EIR:** What will happen to the single euro currency system?

**Hankel:** It must be reformed. I think in any case one has to have national central banks, which can set interest and exchange rates in conformity with the needs of the economy. And we have to have national governments capable of defining and making economic policy. There is no way around this.

**EIR:** What do you think of a “core Europe-EMU”?

**Hankel:** I don’t think much of the idea that one would “save” the EMU system by excluding peripheral countries that are running deficits, and limiting the EMU to a “core Europe.” That way, only more tensions, splits, and conflicts would be created. It is always wrong to turn history back. And, there is no alternative to the state. A nation state on a basis of solidarity is always more stable than even the most compact “core Europe” bloc. Supranationality—regardless in what form—is a fiction. And it is always exploited by those who benefit from it, or from people who fantasize far from reality. Just think of someone like the French Prime Minister de Villepin, who has never worked in all his life, who has never understood that one cannot govern without knowing what the people want.

In order not to lose European solidarity and cooperation in the inevitable currency reform—thus avoiding, in particular, exchange rate wars, which were the nightmare of the 1930s—one could use the euro as a monetary “link” for an effective coordination of national currencies.

**EIR:** Comparable to the ECU of the former European Monetary System?

**Hankel:** Yes. Unlike most central bankers, I think that a

parallel currency standard in Europe is a viable option. The central bankers have rejected this, claiming it would not be practical. One could think for the distant future, but without deadlines—the “Werner Plan” in 1969 foresaw this—of making the unit of account—the euro—into a parallel currency. This would mean that the citizens in Europe would have the choice to keep their savings in the national currency or the euro or both. Very healthy stabilizing effects would ensue from this currency competition. No European state could afford to live at home beyond its means, and to inflate its own currency vis à vis this parallel euro.

My basic idea of the European currency reform, however, is the following: Europe does not gain anything, if it allows its economic “locomotives” to be wrecked, or if it butchers its economic “draft horses.” Today the most endangered part of Europe is Germany; here the currency reforms have to be implemented first, so that through a growing German economy, Europe wins back its strength and competitive power. Every good economist knows: Real economic development begins at home—not through monetary integration, and certainly not through transfer payments from outside.

**EIR:** In conclusion. What is your prognosis for the next 12 months, regarding the euro and the dollar?

**Hankel:** We are dealing here with two sick world currencies, but the two do not infect each other, they support each other. That’s because of the labile structure of the world financial markets. The dollar gets its strength from the Asian investment habits, the reserve formation in Asia. There, the dollar’s prestige is not at all so undermined, as elsewhere in the world. At the same time, the Arab world is very obviously trying to shift from the dollar to the euro. Only, this is a doubly questionable endeavor, since it will not achieve an enduring stability of the euro—its internal tensions and problems are simply too big. And, Europe would thereby enter into a new dependency, this time with unpredictable partners.

So, I would say, the world financial system is, and remains, labile. For, no one can forecast where exactly the two sick world currencies will move. Moreover, the labile world monetary regime can be destroyed tomorrow. If the interest rates go up in the U.S.A., the Europeans have no choice but either to follow suit, or to risk an international currency crisis. If Europe, too, raises its interest rates, it may avoid an international crisis, but the internal domestic economic crisis will be further exacerbated. We already have enough problems with the differences in real interest rates *within* the EMU. If, in addition, there is a general, international increase in interest-rate levels, then the situation could go out of control. If, however, the ECB were to pull back, again pursuing a low interest policy, then the exchange value of the euro will collapse. This is the dilemma.

You know the only real solution of the global monetary situation. I have said it often enough. So has Mr. LaRouche: We need a new Bretton Woods.

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### Stop the 'Rohatyn' of Berlin!

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*The LaRouche Movement is fighting the deindustrialization strategy of Berlin's Senator of Finances, Thilo Sarrazin.*

**B**erlin's chief budget-cutter, Senator of Finances Thilo Sarrazin (Social Democrat), is out to privatize large chunks of what remains of the city's public sector, hoping to lock in his policy by June. But he hasn't calculated on the opposition that is being mounted by the LaRouche Movement, whose German party, the Civil Rights Movement Solidarity (BüSo), is running 20 candidates in the city's municipal elections in September.

The German capital has a per-capita debt three times that of Argentina, as the result of more than 15 years of "budget consolidation," since the city's reunification in October 1990. In the Spring of 1991, Berlin had a public debt of 20 billion marks (10 billion euros), but the Federal government decided to eliminate its subsidies to the city, in the range of several billion marks a year—a payment granted to West Berlin during the more than four decades of partition. Berlin's debt then began to soar, reaching 20 billion euros in the Spring of 1994; 45 billion euros at the end of 2001; and 62 billion euros today. The brutal deindustrialization of the city after 1990 also played a role in this, as the city lost 75% of its nearly 400,000 jobs in the productive sector, by the year 2000. In the city of 3.5 million inhabitants, there are now fewer than 100,000 employed at productive jobs, while more than 500,000 are either long-term unemployed or welfare recipients. As a result, Berlin's tax revenue pays for only 40% of the annual budget of the municipal administration.

Privatizations of public property

in the range of 15 billion euros, in the past 15 years, have not improved the fiscal situation. And the politicians who run the German capital have gotten worse and worse, over the years. The worst of them is Sarrazin, the man in charge of the fiscal department of the municipal administration, whose creed is "cut, cut, cut." Sarrazin, in office since January 2002, already then stated his commitment to slash 60,000 of the city's 160,000 public servants (two-thirds of that has so far been accomplished). Sarrazin wants to sell off the public transport sector, the public housing sector, and the public banking sector, all in hopes of balancing the budget.

Sarrazin is for Berlin what Felix Rohatyn was for New York City 30 years ago, when he created and ran the Municipal Assistance Council (MAC), with a policy of draconian austerity and deindustrialization.

Sarrazin's plan to privatize the city's public banking sector is also relevant for all of Germany. For several years, private banks, hedge funds, and private equity firms have tried to take over the profitable German savings and loans sector, with its annual turnover of more than 3 trillion euros. That would make for a nice speculative bubble of the kind urgently needed by a collapsing global monetary system that is increasingly running out of options. So far, a majority in Germany's political establishment has stood firmly in defense of the public banking sector; but that resistance is threatening to be undermined by the deal which Sarrazin says will bring 3 bil-

lion extra euros into the Berlin budget.

Sarrazin pushed through new legislation in June 2005, with the assistance of the London-based law firm Freshfields, Bruckhaus, Deringer, which specializes in privatizations. Assistance was also given by the Berlin office of another law firm, Wilmer Hale, which emerged from the U.S. law firm Wilmer, Cutler & Pickering.

The new legislation would permit sale of the public savings institution Berliner Stadtsparkasse, as well as other public institutions of the Bankgesellschaft Berlin Holding. The new private owner would have access to about 1.5 million bank accounts, worth an estimated 20 billion euros.

Were the Berlin sell-off to materialize, the deal would provide private banks and hedge funds with a foot in the door, to make a similar move against other cash-strapped municipalities. The 3 billion euros that Sarrazin expects to get for the Sparkasse sale, would, however, not do much to improve Berlin's financial situation.

Sarrazin's move provoked a strong response by Germany's financial market supervisory agency, BAFIN, last Autumn. His plans violate German law, which defines for public savings banks a special obligation to serve the common good, stated BAFIN.

After several months of dispute with BAFIN, Sarrazin upped the ante in March 2006, and wrote a letter to the European Union Commission in Brussels, recommending that the Commission take legal action against those blocking the privatization/sell-off of public banks. He argued that their opposition 1) blocked his policy of balancing the Berlin budget—in line with the EU's Maastricht Treaty regulations; and 2) was in conflict with the EU policy of "freedom of financial services" (no obstacles to speculation, that is).

## Will Cheney's 'Strangelove' Bush Go for Nuclear War Against Iran?

by Nancy Spannaus

If there were any lingering doubt in anyone's mind that the President is clinically insane, it was dispelled, forever, by George "Strangelove" Bush's performance on April 18 in the Rose Garden. At a press conference, ostensibly called to announce the appointment of Rob Portman as the new head of the Office of Management and Budget (OMB), President Bush had the following exchange with a reporter:

**Q:** Sir, when you talk about Iran, and you talk about how you have diplomatic efforts, you also say that all options are on the table. Does that include the possibility of a nuclear strike? Is that something that your administration will plan for?

**The President:** All options are on the table."

Just hours before President Bush refused to rule out preemptive nuclear strikes against Iran, the Shanghai Cooperation Organization (SCO) announced that it would add Iran, along with India, Pakistan, and Mongolia, as full members, at its next meeting, in June. Founded in Shanghai on June 15, 2001, the SCO is a regional security and economic cooperation organization, made up of China, Russia, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan.

In response to these two dramatic, intersecting developments, Lyndon LaRouche asked: "What are the consequences of the President of the United States declaring the U.S.A. an adversary of one of the member states of the SCO? If President Bush is threatening a nuclear attack on a state that is part of the SCO alliance, is he, in effect, seeking to provoke general nuclear war? And what about the U.S. military bases on the territory of some of the Shanghai Cooperation Organization states? Doesn't President Bush's Rose Garden declaration show that he is clinically insane?"

### The Method in the Madness

No one should be confused about where the President's implicit threat of nuclear attack comes from. George W. Bush

doesn't either decide what to say, or necessarily know what he is saying: The script is determined by the likes of Vice President Dick Cheney, and Cheney's bosses in the Synarchist financier camp. Cheney's record of threatening the first use of nuclear weapons is an open book.

As *EIR*'s Jeffrey Steinberg laid out in detail during the run-up to the Iraq War (*EIR*, March 7, 2003), it was Cheney who, as Secretary of Defense in the early 1990s, commissioned a study of how the United States should respond to the new military strategic reality of the fall of the Soviet Union. The study laid out a policy for an American military empire, which would be committed to striking out against any nation or alliance of nations threatening American military hegemony. The use of a new generation of nuclear weapons, as well as the doctrine of preemptive strike, was included in the document.

In 1992, President George H.W. Bush vetoed the plan, at the urging of his top national security aides, Gen. Brent Scowcroft and James Baker III.

However, Cheney's plans for preparing for a U.S.-initiated nuclear war did not die. Pursuant to a top-secret "Nuclear Weapons Employment Policy" (NUWEP), issued by then-Secretary of Defense Cheney in early 1991, sections of the Pentagon began to plan for the use of nuclear weapons against Third World nations that were thought to be capable of developing weapons of mass destruction. From this program, came the development of so-called mini-nukes, or "bunker-busters," the weapons currently touted as being prepared for use against Iran.

The Russians, who responded with loud alarm to the initial Defense Policy Guidance prepared under Cheney in 1991, have, not surprisingly, remained extremely sensitive to such threats. President Bush's April 18 statement that the use of nuclear weapons to attack Iran is "on the table," received wide



White House photo

*Dick Cheney, the author of the preemptive nuclear strike policy for this Administration, has to be removed, in order to take that threat off the table.*

coverage in Russia, even as it was effectively buried in the American press.

Notable is the fact that none other than British Prime Minister Tony Blair also responded to a query on the possibility of the use of nuclear weapons against Iran, by refusing to rule it out.

### Will the U.S.A. Attack?

Negotiations between Iran and the international community remain stalemated as of this writing. Although Iran's much-touted achievement of a new level of uranium enrichment has been evaluated by nuclear experts as bringing them nowhere near the possibility of having weapons-grade nuclear capability, the Cheneyacs and their international allies have seized the occasion to try to stoke immediate confrontation.

U.S. spokesmen John Bolton and Condoleezza Rice have called for immediate action at the United Nations, with the hope of beginning a regime of sanctions, which could lead to authorization for military attack. A prescheduled meeting in Moscow for the week of April 17-20, was the scene of debate on the issue.

Although apparently the United States and United Kingdom arranged to have the talks on Iran "expanded" to include Canada, Italy, and Japan (as the G-8), this did not help the war party's mission.

U.S. Undersecretary of State Nicholas Burns demanded that Russia abandon its cooperation with Iran to complete the Bushehr nuclear power plant, saying, "We also think it is important for countries to stop cooperation with Iran on nuclear issues, even on civilian nuclear issues like the Bushehr facility." The Russian Foreign Ministry spokesman, Mikhail Kamynin, issued a flat no: "We have an agreement with Iran that nuclear fuel for the nuclear power plant will be delivered

from Russia, and spent nuclear fuel will be returned to it, which will rule out any possibility of using it in the military area, and Washington knows this. From this point of view the nuclear plant does not constitute any threat to the non-proliferation regime."

The official Foreign Ministry spokesman of China, Qin Gang, speaking of Deputy Foreign Minister Cui Tiankai's mission in Moscow, reasserted his government's commitment to a diplomatic solution. "We hope," he said, "that the world community will not renounce the efforts to solve the Iranian nuclear problem peacefully. In Beijing, we welcome the dialogue between Iran and the EU-3, and hope that the two sides can enhance mutual trust and make progress on the way to a peaceful solution."

Russian Foreign Minister Sergei Lavrov explained that the group made no progress in two days of talks, because "we are convinced of the need to wait for the IAEA report." His French counterpart Philippe Douste-Blazy reportedly agreed.

### What Is the Urgency?

Clearly, there is no urgency in terms of a physical threat, which would call for an attack on Iran by the United States, or anyone else. Competent military professionals in the United States have insisted that such an attack would be both ineffective, and counterproductive, in that it would set off a much-expanded wave of irregular warfare throughout the world.

The urgency, therefore, only lies in the political-ideological realm defined by the Cheney crew which controls the Bush Administration, and their own Synarchist mentors. An expanded war would provide the pseudo-justification for the Administration to quash all opposition to its drive for dictatorship, and outright fascist looting measures.

Presently, the Administration is finding its popularity plummet, and the White House itself is under increasing siege by Special Prosecutor Patrick Fitzgerald, for its crimes of leaks and coverups. The cosmetic personnel changes undertaken so far, cannot be expected to save the higher-ups responsible, who clearly include Vice President Cheney, if not the President himself. All indications at present, are that Fitzgerald's investigation is speeding up, and headed toward the Vice President's office, whether through an indictment of Karl Rove, or more directly.

Thus, it would be the height of irresponsibility to ignore the potential for the White House to do *precisely* what Cheney, and now Bush, have threatened: Carry out a preemptive nuclear attack on Iran. In this way they would hope to intimidate the entire world into submission, but would simultaneously destroy civilization, including the United States itself. In this light, the urgency of getting Cheney out of office, couldn't be greater.

# Bush Loses Ally Berlusconi as Prodi Wins Italian Elections

by Claudio Celani

With the electoral defeat of Italian Prime Minister Silvio Berlusconi on April 10, the Cheney-Bush Presidency lost one of its closest allies. However, there will be no radical change in Italian policy, such as immediate withdrawal of troops from Iraq. The new Prime Minister, Romano Prodi, who is making a comeback after a few years in "exile" as chairman of the European Union Commission, is expected to freeze the situation, while joining the mainstream line in the EU.

But this already is a turn of policy, as outgoing Prime Minister Berlusconi did not hesitate to break with his European partners France and Germany on the issue of the Iraq War, where Berlusconi supported Bush. The shift has implications for the coming showdown with Iran, especially because Italy has now joined, together with Japan and Canada, the 5+3 nations group which is negotiating on the Iran nuclear issue. However, it will take several weeks for the Prodi government to be effectively in place, as the new Prime Minister will formally receive his mandate from a new State President, who must be elected by Parliament in mid-May. The new government will have a tiny majority of only two seats in the Senate, signalling quite a precarious life, or even an early demise, unless Prodi seeks some sort of a dialogue with the opposition or elements of it.

In fact, Romano Prodi's Unione party managed to lose almost entirely the 4-5 point advantage it had over its rival coalition, Berlusconi's Casa delle Libertà (CdL), two weeks before the election. The Unione got 49.8% of the votes in the House of Deputies (lower house), against 49.7% for the CdL. Thanks to a majority bonus, this 0.1% advantage gave the Unione 340 seats against 277 of the CdL. In the Senate, Berlusconi's coalition got significantly more votes than Prodi's, with 50.2% against 48.9%, but, paradoxically, won fewer seats because of the complicated electoral law, which adds up bonuses of three seats for each region "won" by either coalition. In the end, Prodi's center-left coalition has only two Senators more, 158 against 156. This figure might change, as seven Senators with life terms can be formally counted, five of whom are expected to vote for Prodi, but whose presence won't be more than sporadic. De facto, the Unione will hardly be able to rule without asking for a confidence vote for virtually every bill.

Anyone other than Romano Prodi would have done better against an incumbent government with a smeared face in for-

eign policy, and facing popular discontent because of the growing impoverishment of Italian families compared to five years ago. But Prodi is a shallow figure, with an allegiance to international financial markets and the Euro-Maastricht monetary system. Thus, he became an easy target for Berlusconi and his allies, especially in the last phase of the campaign, in which the central issues became taxes, infrastructure, and "family values." Prodi was ambiguous on all three issues, as underscored by his proposal to introduce to his party's program a home property tax, a Greenie-tainted attitude on key infrastructural and energy investments, and a proposal for legalizing homosexual marriages.

## Polarized Electorate

Voter participation, at 83.6%, was even higher than traditionally high Italian standards, and defies explanations of "political disaffection"; it, however, presents the picture of a country split down the middle. Reflecting a European-wide pattern, it was more an "against" vote than a "pro" one. Most Unione voters voted for Prodi not because they like him, but because they hate Berlusconi, and vice versa. Half of Italians are afraid of Berlusconi's abuse of power and divisive policies, but the other half is afraid of Prodi's technocratic leanings and of a return to Green Party anti-industrial policies. This has resulted in no clear mandate for the winner.

Berlusconi has exploited the situation and called for a "government of national concordance" after the model of the Grand Coalition in Germany. As of this writing, Berlusconi has even refused to acknowledge Prodi's victory, although this was formally confirmed by the Supreme Court on April 19, after a recount of contested ballots. Berlusconi is playing hardball, knowing that conflicts in the Prodi coalition will sooner or later explode, and that he might as well just wait on the riverbank to see the corpse of his enemy float past. On the other side, Berlusconi's very figure is the obstacle to a Grand Coalition type of government.

The Prodi coalition is divided into two camps: a radical jacobin faction which insists on "taking no prisoners," and a pragmatic faction, around former Prime Minister Massimo D'Alema, which rejects the idea of a Grand Coalition, but seeks a dialogue with the opposition on economic and institutional issues.

The first test of this complex situation will occur with the





*Romano Prodi, the new Prime Minister, won by a slim margin, based on voters' hatred of his predecessor, Silvio Berlusconi. Unfortunately, Prodi is offering no positive alternative for Italy—and about half the voters hate him more than they do Berlusconi.*

election of the new State President. Carlo Azeglio Ciampi's successor must be elected before mid-May, by Parliament in a joint plenary session, possibly with a large majority to guarantee unity of the country. The new President shall then formally invest Prodi with a mandate to form the government.

## **Fight Over the Economy**

The first hard test for the government will be the budget. On one side, Italy has agreed on a two-year plan with the EU Commission, to reduce the deficit down to the 3% of GDP parameter established by the EU's Stability Pact; on the other side, with a current 4.2% deficit, the Prodi coalition has made electoral promises which cost a minimum of EU 10 billion. This will make the adjustment plan virtually impossible to carry out.

Moreover, Fitch and Standard & Poor's rating agencies have already warned that, unless Italy enforces budget discipline, a further downgrading of Italy's sovereign debt is unavoidable within this year. Betting on a default risk, Goldman Sachs has advised its customers to buy credit default swaps against Italian bonds, which have already a 32-basic-points spread against the German Bund (a state bond), the largest since the birth of the European Monetary Union (EMU). Of course, such derivative-leveraged pressure is pushing the spread up further. Still, demand for Italian bonds is high, as indicated by recent auctions; however, a downgrading would increase the costs of Italy's public debt, which is already at 108% of GDP, threatening to push it out of control, as the Euro-Maastricht straitjacket keeps the real economy shrinking.

Despite Italy's debt, given its industrial potential and its

capability to generate sovereign credit, there is actually no "case of Italy." There is instead a "case of the international financial system," which is bankrupt and whose vultures in search of prey are creating a political crisis in Italy.

This is demonstrated by a nasty commentary published by Wolfgang Munchau in the London *Financial Times* on April 17, which "predicted" that international speculators will react to Prodi's weak victory by taking out long-term bets against Italian state bonds. This is similar to what happened in 1992, when the George Soros-led speculation forced the Italian lira out of the European Monetary System.

The article unleashed a debate in Italy where, unlike in the past, even from the traditionally pro-British Prodi camp, it was judged to be an unacceptable act of colonialism. One of the clearest statements came from a veteran of the old Christian Democratic-centered political system, Paolo Cirino Pomicino, who had been Finance Minister in the late 1980s, and is now a member of the European Parliament. In

an article in *Il Giornale*, Pomicino wrote that the Goldman Sachs/*Financial Times* "one-two punch seems in reality more aimed at pushing the new government to implement wholesale policies like those implemented in the nineties by the same center-left government. Goldman Sachs and the *FT* are both expressions of those international financial circles who, since the beginning of the eighties, have seen Italy not only as a market, but also as a country to be colonized." The British campaign, Pomicino wrote, aims at pushing the Prodi government, "under the specter of insolvency," to put on sale its 30% control share of the national oil company ENI, of the electricity company ENEL, of the defense industry Finmeccanica, and so on. Sections of Prodi's coalition and Bank of Italy Governor Mario Draghi "could be accomplices" in that sellout, Pomicino wrote.

However, like all large debtors, Italy holds the knife in its own hands. The central question is therefore, whether the next government will capitulate to demands from financial markets and enforce brutal budget cuts, or whether it will defend its industry and state social protections. Potentially, a large coalition of forces could use its broad support base to engage in a pro-national policy; but it could also go in the opposite direction, if it is dominated by pro-globalization interests.

The Italian LaRouche movement has published a statement by its chairman, Paolo Raimondi, calling for a productive credit policy to launch an economic recovery, referring to the debate in the U.S. Democratic Party over a revival of Alexander Hamilton, the founder of the American System of political-economy. The statement can be read at [www.movisol.org](http://www.movisol.org).

# The LaRouche Youth Movement Makes Its First Trip to Moscow

by Sergei Strid

Three members of the LaRouche Youth Movement (LYM) from Berlin, Jessica Tremblay, Daniel Grasenack-Tente, and Sergei Strid, were invited to attend a conference in Moscow on “Human Being Formation,” organized by the Moscow International Film School (MIFS), a secondary school using alternative methods in education, which was founded in 1991, after the collapse of the Soviet Union. The principals of the school had visited the LaRouche movement’s office in Los Angeles earlier this year, where they became inspired by the curriculum, which encompasses physical science and Classical art. The Russians were overwhelmed by the level of concentrated intellectual work, which begins early in the morning, with a study group on geometric curvature, and ends late in the evening, with the rehearsal of a string quartet. Now, they want to bring this process to their school in Moscow.

Thus, when the conference started on April 5, the LYM was given the honor of making the first presentation, which we entitled “Out of the Bushes, Into the Future.” Attending were approximately ten international guests, eight teachers, and 70 students, from the ages of 13 to 17.

Tremblay opened by emphasizing the uniqueness of the American Constitution as a concept of the nation-state committed to the general welfare, and how the oligarchy founded the Congress for Cultural Freedom (CCF) in order to destroy this idea. Although people in Moscow are well aware of the devastating neo-liberal shock therapy employed against Russia in the 1990s, neither the contemporary collapse of the economies of “the West,” nor the history of the struggle between the “two Americas,” is very well known in Russia. So, when Tremblay read quotes from Lord Bertrand Russell on how it were possible “to produce an unshakable conviction that snow is black,” half the audience was stunned.

To demonstrate how the LYM works to create a cultural paradigm-shift, Tremblay elaborated on the principles of *bel canto* voice training, showing a video of how the singing made the difference at the Democratic Party Convention in Boston in 2004. A second video clip of the German LYM performing Mozart’s “Ave Verum Corpus” was shown as an example of the power of well-tempered polyphony originating from the human singing voice.

The question of the equality of emotion in discoveries in physical science and performance of Classical music, caused

the most controversy throughout the conference; here, we clearly saw the difference between “love,” as in the Platonic-Christian idea of *agapē*, and the superficial, Romantic notion of “love,” represented by most of the participants.

## A Dialogue Among Cultures

In reaction to speeches by the other participants, including international guests involved in similar projects in Thailand, Japan, Poland, Holland, and South Africa, we were able to make some interventions, which clearly showed how the power of Lyndon LaRouche’s ideas in a dialogue among cultures, through the introduction of a higher principle, lifts the discussion to one based on universals, rather than a mishmash of different opinions. A couple of examples:

On the ostensibly destructive behavior of the Thai government against local rival political factions and ethnic minorities, Grasenack-Tente spoke about the effects of globalization on *all* nations of the world, and the need for the institution of the nation-state to defend the people. If we don’t solve *these* problems, different ethnic minorities will not have a chance to survive anyway.

In a discussion about traditional ways sometimes being harmful to children, and whether or not one can prohibit certain customs by law, Strid made clear why the concept of *natural law*, based on the creative potential of the human mind, as opposed to interpretation of *positive law*, is necessary to establish any kind of truthful criterion for how to approach such problems.

The importance of such a community of sovereign nation-states for the development of the Eurasian continent, was again brought into focus by Dr. Yuri Gromyko, guest speaker from the Moscow Academy of Culture and Educational Development, in his lecture on national genius, using Yevgeny Schiffrs’ analysis of Alexander Pushkin’s role in poetically capturing the essence of the Russian nation. He spoke of the necessity of the individual finding his own identity in order to develop those ideas that ignite men’s hearts, as Pushkin did. Dr. Gromyko also discussed the current destruction of national cultures through the dominance of globalization, which destroys the ability to communicate profound ideas amongst the people. He then highlighted LaRouche’s notion of a dialogue of civilizations as a necessary means for achieving cooperation, not only for



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*LaRouche Youth Movement members at Moscow State University. Left to right: Daniel Grasenack-Tente, Jessica Tremblay, Prof. Andrei Kobyakov, and Sergei Strid. The LYM addressed a chemistry class at the university, briefing students on the world political and economic crisis, LaRouche's solutions, and his emphasis on the contributions of the late Ukrainian-Russian scientist V.I. Vernadsky.*

foreign policy matters, but also in connection with joint development of industry and infrastructure, citing the Eurasian Land-Bridge proposal.

### **Russia's Intellectual Identity**

Something that quickly became clear to us, is the difference between the way that Russians and Western Europeans look at themselves. Whereas much of the Classical, humanist tradition of scientific thinking in the West has been destroyed through the influence of the CCF's rock-drug-sex counterculture, in which anyone who claims to know something to be true is labelled as an "authoritarian personality," Russians have no problems with mentors from whom they can learn something—it is even something to be praised!

Individual thinking is seen as a virtue. Sometimes this results in endless debates inside the fishbowl, or, as the saying goes: "You have two Russians, but three opinions!" However, on the positive side, if you take the conversation to the realm of ideas, and, for example, bring in LaRouche's discoveries in the science of physical economy, you will often get an interesting discussion going.

This was the case when we addressed about 30 chemistry students at a meeting, which lasted more than two hours, at Moscow State University. The LYM representatives gave them a full political briefing about the cultural paradigm-shift in the West, and how Lyndon LaRouche has created an international youth movement. This led into a short presentation of what physical economics is, with illustrations such as LaRouche's Triple Curve pedagogy (see *Economics*), and V.I. Vernadsky's conception of the Noosphere as the necessary approach to the development of Russia and Eurasia—

concepts with which these chemistry students already had some familiarity. During the discussion period, students wanted to know our view of the "Rainbow Revolutions" in Ukraine and Georgia, the impact of the LYM on American politics, and the question of music and culture. Afterwards, we engaged in further private discussions.

### **Fighting Out Ideas**

In another noteworthy example of Russia's intellectual tradition, a former Parliamentarian approached us after one of our interventions at the education conference, saying that he found what we had said very interesting, and wanted to know more about LaRouche and our movement. We gave him some literature and set up a meeting. He opened that meeting by saying that he had read what we gave him, and began commenting on it, which already showed a higher degree of intellectual rigor than your average U.S. Congressman or Member of Parliament in Europe. From there, we had a good discussion on the nature of physical economics, globalization, ecology, and oligarchism, fighting out ideas on how to measure the performance of an economy, and the question of power vs. energy. This was only one of the numerous meetings we had with different groups.

This first visit ever by a LYM delegation to Moscow, opened up a lot of doors for further collaboration. With the now-imminent collapse of the world financial system, getting to know LaRouche's ideas and mastering the principles of physical economy will be essential also for Russian patriots who want to help their country. As one of our Russian friends put it: This is merely the beginning of a process, of doing the good!

## ‘The Universe Does Not Belong to the Devil’

*Lyndon LaRouche was interviewed on Radio 786, in Cape Town, South Africa, hosted by Fahri Hassan’s program “Prime Talk” on April 18, 2006. Hassan, the news director, last interviewed LaRouche on Dec. 28, 2004. The Muslim community station was founded in 1995.*

**Hassan:** *Assalam-aleiykum*, good evening and welcome to Radio 786 on 100.4 FM stereo, your link with the community, your link with the world. I’m your host Fahri Hassan, and that means it is Prime Talk: discerning, dissenting, *never* disappointing. The program that tackles the crux of the matter, unravels the controversies, and educates the public about events, local, national, and, international. Tonight we focus on the global crisis, with its nexus in the Middle East, the Persian Gulf, and most importantly, the impending implosion of the world monetary system. We shall hear tonight of a gigantic fraud, perpetrated by international financial interests to launch a potential, diabolical, perpetual war. We shall hear of the real reasons behind these plans of the reshaping of the geographic landscape of the region, under hegemonic control, and subjugation by these financial interests, using an anti-Islam crusade, engineering a form of a Clash of Civilizations.

Driven by neo-conservatives, or neo-crazies in the U.S.A. regime, or as former U.S.A. Presidential candidate Lyndon LaRouche called Bush and company, “lunatics, clowns, and fools,” who it may be said, are promoting the interests of the Israeli lobby, who is driving the world to a potential nuclear holocaust catastrophe.

In this context, we hope to also focus on the Israeli-Palestinian conflict which has reached a new escalation with the advent of Hamas to the leadership of the Palestinian Authority, a situation, it would appear, untenable to Israel and the Israeli lobby.

We are faced with a world held ransom by a few, “a tyranny based on the threat of war, and the fear of men”: So starts American statesman James Madison’s address on April 20, 1795. It continues: “Of all the enemies to public liberty, war is perhaps the most to be dreaded, because it comprises and envelopes the germ of every other. War is the parent of armies, from these proceed debts and taxes, and armies and debts and taxes are the known instruments for bringing the many under the domination of the few. In war, too, the discretionary power of the executive is extended. Its influence in dealing out offices, honors, and emoluments is multiplied.

And all the means of seducing the minds are added to those of subduing the force of the people. The same malignant aspect in republicanism may be traced in the inequality of fortunes, and the opportunities of fraud growing out of a state of war, and of the degeneracy of manners and morals engendered by both. No nation shall preserve freedom in the midst of continual warfare.”

So says James Madison.

Tonight, we host a very special person, a former U.S.A. Democratic Presidential candidate, and noted economist, Founder and Contributing Editor to the acclaimed journal *Executive Intelligence Review*; a prolific author of numerous books and publications, and a well-respected intellectual worldwide. It is indeed a privilege and a great honor to welcome Mr. Lyndon LaRouche to the airways of Radio 786.

Good evening, and welcome Mr. LaRouche.

**LaRouche:** Thank you for having me.

**Hassan:** Great, thank you. It’s our pleasure. Please note that you can access Mr. LaRouche’s writings at [www.larouche-pac.com](http://www.larouche-pac.com), or at [www.larouchepub.com](http://www.larouchepub.com). Mr. LaRouche will also be conducting a webcast on the website, on the 27th of April—I think it’s round about 6 or 7 p.m. our time—in which he will address the threat represented by the privatization of military functions being carried out by the Cheney-Shultz-Rohatyn grouping through the Bush Administration.

In a statement issued March 21st, entitled “Private Armies, Captive People,” Mr. LaRouche blasted the moves by the international financial syndicates to break the power of governments, through globalization, including the employment of private armies and private secret police forces, to implement a new world dictatorship in imitation of that designed by the Nazis.

Without further ado, Mr. LaRouche: Let’s get straight to the topic tonight. We are focussed on the global crisis, and you called it in your publication, a “crisis on the global chessboard.” You called it a revival of Bernard Lewis’s global anti-Islam strategy, centered around the concept of perpetual war, to promote global imperialism, or globalization as you put it. Mr. LaRouche, please explain.

**LaRouche:** Well, if you go back in history to about 1000 A.D., you had the development of a movement in Europe, which was a positive movement which was associated with Charlemagne of France. Now, as many people in Islam know, this was made possible by the great Baghdad Caliphate’s role at that time, and particularly with the personal relationship of Haroun al-Rashid to Charlemagne. There was an organization in Europe which was a struggle to free people from the vestiges of various kinds of Roman imperialism—Byzantine and other.

In response against that, a force centered on Venice at that time—there were Venetian bankers who’d come to power as the Byzantine Empire’s power had declined—and they organized the Norman Crusaders. And they did around what



White House/Monty Haymes

*"Bush has deep emotional, mental problems. He, in that sense, is insane. But, more important, is the crowd he represents, the instruments behind this policy, are criminally insane!"*

they called the Crusades, which was religious warfare. And we recall, that from the period of essentially that time, until the Renaissance in Europe in the 15th Century, and then again, from 1492 with the Expulsion of the Jews from Spain by Crusader traditions, until the 1648 Treaty of Westphalia, that Europe was dominated by religious warfare.

What has happened in the case of Bernard Lewis and his friends in the Arab Bureau of British intelligence, which has now moved him into the United States, from where he has been directing the policies of Brzezinski, Huntington, and so forth—we're now back at it, in using religious war as a means of world empire. The target, of course, has been Islam, and that's the key to understand the whole situation.

The problem is clear, when you look at the alternative: We have made, in spite of all the things that have happened, we have made great progress in some respects in European and world civilization. It was Roosevelt's intention—unfortunately it was set back when Roosevelt died, and Truman came in with policies of Winston Churchill and so forth. So, we went back to a new Crusade. This time, the Crusade was first the Soviet Union, declared by Churchill. Nonetheless, we progressed. We progressed economically; many parts of the world did recover to some degree. The tendency toward recolonization which had been launched by Truman and Churchill, that abated by the time of the late 1950s. We were on the way to progress, until a series of events, including the assassination of President Kennedy and the launching of the war in Indo-China, then, we began to shift into a new policy.

With Nixon, from the Nixon Administration on, we have been shifting toward a kind of imperialist policy, which is opposed to everything in economic policy that the United States in principle stood for, that Franklin Roosevelt stood for. We're now going to a policy of globalization, which is

another name for imperialism. It's a *form* of imperialism, which is traced especially to the period of the Crusades, from about 1000 A.D. until the fall of the power of this banking power in the 14th Century crisis.

So, now we're back to it. And the same kind of evil, which brought the world into crisis in former times, and various empires, has struck again. And the question is, do we have the stamina, do we have the will, do we have the knowledge to prevent this from going forward now?

**Hassan:** Sorry, Mr. LaRouche, just following on from what you're saying, one of the features that I find—in reading some of your articles and your propositions—is that, we're looking at a global economic meltdown. It would appear that the international monetary and financial system, seems to be imploding. And this, it would appear, is at the bottom of all the machinations that the Bush government and the British government, and all the allies are busy with. It seems that this underpins all the movement that is taking place within the Middle East, and its surroundings. This is at the bottom of that.

You also mentioned that this is based on a gigantic fraud. Can you put that in a nutshell for us?

**LaRouche:** There are two aspects to it. In ideology, people may have a bad ideology which may lead them to do bad things. But they also, themselves, they become the victims of what they believe. And this is a perfect example of it: They wanted to destroy the influence of the model, the American System model as associated with Franklin Roosevelt, which is the model of which we say, all of society is entitled to the protection and promotion of the common good. And that was the intention; it's been the intention of the United States at the inception; that was the intention of Roosevelt. We've gone in other directions at different times, but that's our policy.

Now, what's happened, in Europe and in the United States, is that, over the past 40-odd years, there has been a reversal, a cultural paradigm-shift which came out of the immediate post-war period. And this cultural paradigm-shift has moved people to destroy those institutions, economic and other institutions, which were the basis of Franklin Roosevelt's power, the power of the United States coming out of World War II.

But that became their ideology: The idea of a post-industrial society, the Greenie movement, became a part of destroying the Franklin Roosevelt and similar kinds of thinking around the world. You now have a group in power, which are determined to have a Venetian-style, financier-controlled world empire, called globalization. And they have largely destroyed what we had built up, worldwide, into the 1960s, built up as an economic system which was actually, at that point, with all its problems and errors, was nonetheless increasing the productive powers of labor, increasing the standard of living around the world, physically, during that period.

We reversed that: We are now going into a great financial crisis, which is a result of that bad policy, a bad policy which

is a built-in ideology of leading forces, including some members of the political system of the United States. So therefore, you might say: It's the law of God, that evil will destroy itself. And these evil ideas have brought us to the point, where at the same time they tried to destroy the world, in effect, by globalization, with the aid of religious warfare as a religious theme, for religious warfare, but at the same time, they're destroying the very economic power upon which their ability to attempt to control the world depends.

**Hassan:** Mr. LaRouche, in your thesis, you also mentioned that what certainly seems to be happening is that this Cheney-Bush regime—and there's many others that you mentioned as part of this cabal, or neo-conservative grouping—that they are actually being also controlled by certain financial interests, and that clearly you are saying that there are groupings behind them that are driving this policy. You also mentioned, in fact, in your pieces, that there's a gigantic bubble that's about to implode, that this bubble is about to burst. Is it the property bubble that you're also focussing on?

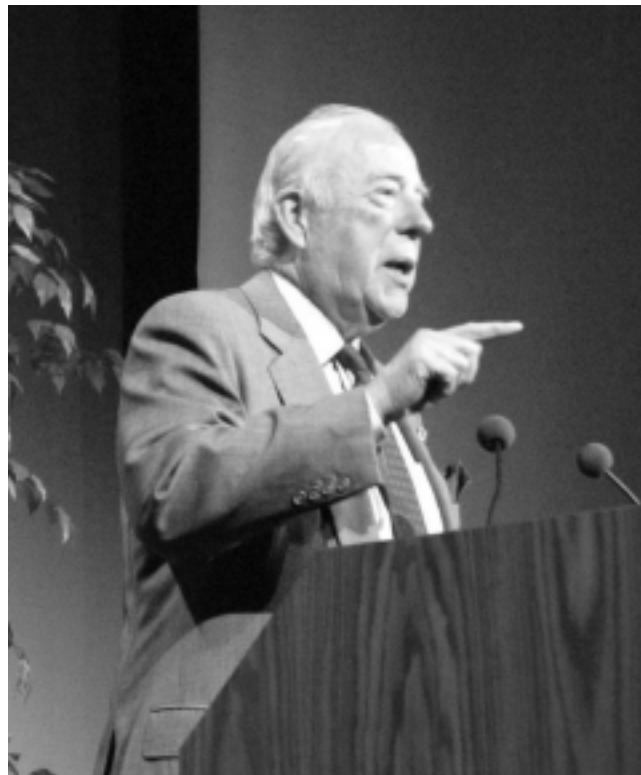
**LaRouche:** Yes.

**Hassan:** Can you unpack this all for us, so that we can understand what is happening in the Persian Gulf, and what is coming out of the promoters of this policy, how this all fits in?

**LaRouche:** Well, if you look back in history, and you say that some of the most powerful forces of their time were also intrinsically evil, and in the long term, stupid, and brought about their own destruction through their own evil. Now, this takes the form of some people sometimes behind the scenes, who try to control and orchestrate events. To orchestrate events, they use various ideological methods of moving certain forces, which are essentially their puppets. And they move these forces to do the dirty work.

Take the case of the fascist regimes from 1922 through 1945: Beginning with Mussolini, who was put into power by the British system, through an Italian-Venetian banker, and through the adoption of Hitler, Franco, and the other fascist movements, these things were created by a financial interest called the Synarchist International at that time, which was orchestrating these various fascist movements. The fascist movement was defeated in 1945 with the fall of Hitler, and of course, with the surrender of Japan. But the people *behind* the fascist movement were not rooted out. That is, we punished some Nazis, we shot this guy, hanged that guy, whatnot, we tortured others—but we did not go at the root of the problem. What we did is, we went at the tool which was the Nazis and the other various fascist movements. But we did not root out the banking circle which had organized this, the Synarchist banking circle.

The same Synarchist banking circle, which ran the Nazi operation, is back, doing the same thing again, today. I name Felix Rohatyn, for example, in the United States, who's typical of this. I mean, Rohatyn, for example, was the guy who



[www.llnl.gov](http://www.llnl.gov)

*"George Shultz was the fellow who actually orchestrated and pulled together the elements which designated George Bush, Jr. to become the President of the United States. George Bush is their puppet. There are various people who were put in as controllers of George Bush."*

financed, or organized the finances to take a Nazi, Augusto Pinochet, and make him the dictator of Chile! And it was the same forces which, organized under the Pinochet government, took the entire Southern Cone of South America, and they organized—with Nazis, second- and third-generation Nazis—organized mass murder of a Hitler type, in Argentina and so forth, in the Southern Cone, and spread this stuff into Central America later.

So, it's the same kind of thing. The same enemy is there. The enemy is an enemy of—it's the financial kind of thing which Venice typified, which the Roman Empire typified, and so forth. But they have, also, their *instruments* who are the instruments of repression. It's like a man who kills somebody: He gets a gun. He kills the person with a gun. People say, the gun killed the man. Yeah, but who pulled the trigger? So, what's happened is, that you make a distinction between the instruments of evil, and the trigger-pullers of evil.

But, as in this case, in the end, these people will lose. Because this universe does not belong to the Devil. And therefore, eventually, this power will be crushed. And I think the time has come to crush it.

**Hassan:** Some pundits or some commentators have said that

these forces, and Bush, in fact, have got a messianic type of vision, and that it's driven by corporate greed, and driven by, as you've mentioned, fascist ideologies. But now, coming to the present crisis, I want to start off with the Iran crisis, perhaps work backwards to Iraq, and picture what's happening in that region.

The Iran crisis, at the moment, the United States—or at least the way the media and the various groupings are promoting it—is at a standoff on the nuclear issue. Apparently the United States is—Seymour Hersh has revealed that they're planning a nuclear strike on Iran, and planning full-scale military campaigns. And this of course, in total contravention of international law.

But, having said that, is this the real motive behind what is happening in that region? The nuclear standoff—are there perhaps other underlying motives for what is happening in the Persian Gulf region, at the moment, Mr. LaRouche?

**LaRouche:** Well, to understand this situation, you have to say some undiplomatic things. First of all, the President of the United States is crazy. He's insane. He does not really know what he's doing. He does not have the brain power, in terms of understanding, or, if he has the brain power, he doesn't have the emotions to use the brain power. But he's a puppet essentially. He's a puppet of forces which are typified by George Pratt Shultz and international banking circles—actually the same international financial circles which were behind the Hitler project, back in the 1920s and 1930s, 1940s.

**Hassan:** Sorry to interrupt, Mr. LaRouche: Is this the George Shultz that's also part of the Carlyle Group, part of the George Bush, Sr. cabal, that's—

**LaRouche:** Absolutely.

**Hassan:** Financial investment—is that the group?

**LaRouche:** That's right. Shultz was the fellow, who actually orchestrated and pulled together the elements which designated George Bush, Jr. to become the President of the United States. George Bush is their puppet. There are various people who were put in as controllers of George Bush. Now, George Bush is an individual who has the authority and power to say certain things: For example, today, he said in a television interview—national, international press covered it—that he is not opposed to using nuclear weapons against Iran. And he did this in defense of his Secretary of Defense, who's his tool, Rumsfeld, in defiance of the fact that active service, and other major military officers, flag-rank military officers of the United States, have threatened to resign, and denounced his actions, in terms of this Iran option.

He is now in the process, like the Emperor Nero, of destroying himself. And Shultz and this crowd are behind him.

But, as I said, you've got to look at the factor of insanity. Now, you could say, technically, that George Bush is insane. He is not a sane person. He has deep emotional, mental problems; that he, in that sense, is insane. But, more important, is,

the crowd he represents, the instruments behind this policy, are *criminally insane!* And that's our problem.

My question is, do people have the courage—many people will condemn George for saying this, will condemn the Bush Administration's action: *Will they stop it?* No one in Europe is prepared to intervene to stop this thing! They're prepared to oppose it, but not to *stop* it! In the United States, we have some people who are determined, especially military officers who know what this involves, who have said, it's got to be stopped. Others who say, it's got to be stopped. I know, from the inside, from working with many of the people in leadership in our government—that is, in the Congress and elsewhere—that there is the intention to stop it. But there's also the command facility to be able to give the commands that actually stop the thing. And my concern is to *stop it!* Not just to complain about it.

**Hassan:** But, there's another thesis, that several commentators are putting forward, that in fact the underlying cause, or the underlying reason, is really because Iran is wanting to form their own Iranian euro-based oil exchange board, and this frightens the Americans.

**LaRouche:** No—

**Hassan:** This frightens the American regime and its allies, because of the fact that going over to a euro-based—it will in fact encourage many of the European states, and other countries, to start putting their money in euros, and this would create a major helpless dollar, and cause the dollar to crash. What about that thesis?

**LaRouche:** Well—forget it. That's a childish thesis. It has no correspondence to any reality. If the destruction of Iran—which would not be the total destruction of Iran, what's intended—but the coming in there with nuclear bunker-busters and things like that, the MEK retooled and so forth, and things like that, is not going to eliminate Iran. It's going to turn Iran from what it is now, into a focal point of destruction of the entire system.

Now, what would happen for example, to the price of petroleum, if the attack on Iran occurred? There is no knowledge as to what the ceiling would be for the price of petroleum. We're now looking at \$150 to \$200 a barrel.

The euro system is *dead*: Expect nothing from the Europeans. The Europeans are not a power. There's not a single government there that has the guts to do anything. There're bankers in there, financial interests—they have power. But the governments are totally impotent.

If it were to occur, you would plunge the entire planet into a Dark Age. That gets you right to the heart of the issue: These guys, behind this issue, are prepared to have a Dark Age! They're not entirely stupid. They're criminally insane, but they're not entirely stupid. If you get an oil price equivalent going to \$200-250 a barrel, you're not going to have an empire of the euro! You're going to have a destruction of civiliza-

tion globally.

At the same time, we're at the point, at which it is impossible to proceed with civilization without the extended use of nuclear power: The old ideas of the Green Revolution, all these kinds of things—this is dead. We have to go back, we have to provide a system which can provide the economic means to deal with a population which is now over 6 billion people; to deal with that population which is growing, among people in these countries such as China and India, most of whom are very poor, who have the aspiration to improve the conditions of life of coming generations. And we have to provide the physical economic opportunities to fulfill those aspirations.

We're now using up the cheap natural resources, the ones which are the so-called richest natural resources—we're using them rapidly. That's not a problem: Because, if we use high-density energy production, such as nuclear fission, and going on to nuclear fusion, we can meet these problems, we can handle these problems. We have a water crisis, already, worldwide. We're using up fossil water—we can't continue that. We have to start to desalinate water on a large scale. We can meet the problems.

So, what we're looking at, is, one force which knows that it's playing with the danger of putting the entire planet into a Dark Age. And they say, "Yes, okay, we'll accept that." They are the ones who're going ahead with this. You have a man who's insane, the President of the United States, he doesn't know what he's doing, he doesn't care. He's blind—he's going by his ideology. He's narrow, small-minded. You have people around him, who are, also, as I know, insane. In terms of functionally insane—not personally insane, but functionally insane: morally insane. They will do that. They will not know what the consequences are. They didn't know what the consequences were when they went into Iraq, this last invasion. They don't know what they're doing, in terms of effects. They're not supposed to know: They have their passions, their ideology.

But those of us who understand, know, that at the higher level, in terms of the leading international financiers such as, in our country, say, Felix Rohatyn—who was the guy who helped put Pinochet into power; and who is one of the people behind this policy of using private armies to control the world—these people are doing this.

**Hassan:** Coming to that point, where you are saying about the private armies, and you can bring in that aspect if you can perhaps take a part of your webcast that you're going to speak about—there are, within the United States, and various rightists are promoting the same thesis. That it is in fact, these interests, as you said, the international financial interests, through the multinational corporations such as the armaments industry, and Halliburton, the Bechtels, and these companies, they are in fact funding the beast of the American military, these private armies, to fight their battles, these future battles,

for them. And at the moment, as it's come to light, I think it was a couple of months ago, where the British soldiers were found with bombs; and of course, in recent times in Iraq, you found in the Samarra bombing, this pack of death squad activity also coming through—is this what is happening at present in Iraq, and what we can see for the foreseeable future? And how do we solve the problem?

**LaRouche:** That's exactly what you can foresee, is a likely thrust of attack. For example, go back to the British East India Company, back in the 18th Century, early 19th Century: The British army was not the British government's army. It was the British East India Company's army. And that was not original. You go back to the Crusades: who were the Crusaders? Well, they were primarily the Norman chivalry, called the "Crusaders." But who were they? They were private armies. Financed by what? Financed by Venetian bankers, who funded the whole operation, who controlled the Crusades.

Today, you have Halliburton. Now Halliburton has become a private army, has probably got close to \$12 billion for its part in the war in Iraq, so far. The policy of Felix Rohatyn, for example, the policy of Cheney: The policy is to destroy the regular military forces, and, as Hitler did with the SS, in taking down the Wehrmacht, to replace it by an SS—the same thing is in process today.

So, if you're going to run an empire, you can not run it with soldiers which have patriotic inclinations toward a particular country. You do it as the Roman legions did it, recruiting people from many peoples of the world, into legions, and parading them around the world to conduct extermination campaigns against entire populations. The Byzantine Empire did something quite similar, just like the Crusaders.

And this is the mentality: That a soldier of a country, who is moved by patriotism, by patriotic service to his people and his country, is a different proposition than a mercenary.

And what these are, are mercenary armies which are being used. And Felix Rohatyn is one of the leading sponsors of a policy for replacing regular military forces by mercenary armies. And that's what the generals in the United States are revolting against, in revolting against Rumsfeld: They're really revolting against an insane President Bush, for whom Rumsfeld is by law, merely a puppet.

**Hassan:** Coming back to the Iran crisis, and just looking at what is unfolding around the issue of the nuclear standoff, from an outside observer and a commentator, one sees that the American regime has set up military bases all around that area, and clearly in Iraq, it would appear they already have laid down plans for building military bases. So there's a clear strategy of not pulling out, but of staying there. And it would appear—and I'm quoting here from certain groups like the RAND Corp., which has produced several documents, to destabilize the Muslim world; and also, interestingly, this brings in the Israeli lobby, because they've also cottoned on from—





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*The Roman legions. You can not run an empire, said LaRouche, “with soldiers which have patriotic inclinations toward a particular country. You do it as the Roman legions did it, recruiting people from many peoples of the world, into legions, to conduct extermination campaigns against entire populations.”*

I think in the U.S. regime there were certain individuals that were—well, in fact it was attributed to them, a document called “The Strategy of the Realm” [referred to as “Clean Break”—ed.], which was a policy document for the State of Israel, and how they were going to, kind of almost destabilize that Middle East region, in order to secure the interests of Israel.

How powerful is the Israeli lobby in devising and influencing U.S. foreign policy on this, Mr. LaRouche?

**LaRouche:** Well, the Israeli lobby, as such, is not that powerful. It’s only powerful in the sense that it’s a glove, into which somebody puts a fist. The fist is not Israeli. The fist is primarily Anglo-American, and Anglo-American-French.

You look at the entire region, you go back to 1905-1915, the emergence in the wake of what happened in Sudan in 1889, under Kitchener, and you saw a policy coming out of the Kitchener operation in Iran and elsewhere; you saw an operation which actually led into the whole Sykes-Picot operation, which included Iran, which included Southwest Asia in general. So, the whole area was carved up in an agreement which the British government, the British monarchy, together with the French, cut, involving Turkey, and involving Iran, and how they were going to recarve the Ottoman Empire. And this also resulted in this agreement between Czar Nicholas II and the British, on the partition of spheres of interest in Iran.

What you’re looking at in that area, is you’re looking at a combination of the old British East India Company, its operation, and the India Office, which then split off immediately after World War I, to form the Arab Bureau, with Glubb Pasha, and with the present things.

So, what you have, is you have the Middle East policy has

been used, ever since the period of the Crusades, has been used as a pivot for global power. The targets here, and the reasons for the bases in that area, have nothing to do with the base; the Israelis are essentially puppets of the operation: The objective is the destruction of China, the destruction of India, the destruction of Pakistan, the destruction of Russia and the Near Abroad. That’s the objective. And that’s why the bases are being put there. These bases are not permanent bases, they are expendable. Nobody knows what’s going to happen to them. But the problem is, they’re plunging toward a Dark Age for all humanity: because, the war they’re trying to start, can not be won by anyone. The human race would lose.

**Hassan:** But having said that, one doesn’t kill off the system, and you also die by that same [blow]. So the banking system as you put it, the financial interests behind this, they would obviously secure themselves, you know. And how do they ensure that, with a Dark Age?

**LaRouche:** Well, look at history: You have the first financial system of this type, was centered around the Cult of Apollo, the Delphi Cult. This, at that time, was a representative of what were Middle Eastern—that is, the Persian Empire—and other banking or financial interests, which ran a system, very much like the international banking system today. They orchestrated the destruction of Greece’s culture, because Athens was a threat to their power. That led, after a period of time, to the emergence of the Roman Empire, *which they created*. You look at the Roman religion, so-called, the pagan religion, was a direct copy made by the Cult of Apollo. The Romans were not a people; the Romans were a bunch of people created as a people by an orchestration, to destroy the

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*The Middle East has been used as a pivot for global power. The objective is the destruction of China, the destruction of India, the destruction of Pakistan, the destruction of Russia and the Near Abroad. That's the objective. And that's why the bases are being put there.*

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branch Hittite culture, which was the Etruscan culture. They became an empire: The control of the empire was a financial system. All the Roman emperors were setting up a financial system, a continuation of the Delphic system.

Then, you have the Byzantine system: the same thing! It was a financial empire, at core. Then you had the Middle Ages, the Crusader age, and this was the same thing. The Venetian bankers *ran* this! When Venice fell into bad times, as a power, as a political power, toward the end of the 17th Century, the Dutch East India Company took over. And Venetians suddenly adopted Dutch and English names. And so, today, you have the Anglo-Dutch Liberal system in Europe, as a continuation of an unbroken chain of financier power, from Mesopotamia, where it came from, through the Delphi Cult, through the Roman Empire, through the Byzantine Empire, through the Crusader period, and into the modern British-Dutch empire, and those in the United States who have pretensions in the same direction.

**Hassan:** So, if you can just put into a nutshell: How does the attack on Islam, as you stated with the Bernard Lewis strategy, how does the attack on Islam—well, one understands that most of the Muslim lands at present find themselves on the black gold. But, how does this hegemony, because, some of these plans that are being put in place, like the “Strategy for the Realm,” and of course, the Strategy for the 1980s, somehow tends to promote this idea of hegemony by dividing up and balkanizing this entire region. How does this benefit these powers, attaining hegemony in that region?

**LaRouche:** Well, sometimes power is the purpose of destruction. There are over a billion people who are identified with Islam: If you make them the enemy, if you target them with very cruel and brutal methods, as were done with the case of the recent Iraq war, under George Bush II, if you do that, you enrage them. Now you look back, look back at the religious war in Europe in a more recent time: 1492 to 1648. The Expulsion of the Jews from Spain, by actually a continuation of the Crusader faction, set forth religious warfare which almost destroyed Europe internally.

You go back, again, you find that religious warfare, or large-scale warfare, or what is called today in technology as “irregular warfare” or “asymmetric warfare,” is deadly. If you turn the planet, which is now collapsing economically in most parts today, you turn it into this kind of holocaust, a religious

warfare, no one will be able to maintain a *nation-state form of society on this planet*. Because religious warfare destroys the conception of the nature of man: man as a creature who is not an animal, but a creature made in the likeness of the Creator. Once you get people who think of themselves as being followers of the Creator, in the likeness of the Creator, killing each other, they are destroying the image of man as made in the image of the Creator, and degrading him to the image of a *mere beast, a feral beast!*

If you turn man, from man to man, to beast to beast, you can destroy civilization. Some people, out of a strange kind of hatred, and these are centered in these financier groups, are determined to do exactly that.

**Hassan:** Hmm. Yes, this is certainly food for thought, there. . . . About the Iraqi debacle and what is happening there: The U.S. and its allies have got no intention of getting out of Iraq—I mean, they're there to stay. And it seems like the policy is such that, as you've mentioned, the international financial interests, are pushing it to maintain the hegemony over that region. And of course, noting that, according to Colin Campbell, one of the oil experts in the world, the world oil has reached its peak. That's certainly one of the ways of maintaining hegemonic control over the resources, is to maintain a military presence there. Is that a fair assessment, Mr. LaRouche?

**LaRouche:** Well, not really. I had a discussion back in 1976 with Abba Eban, who was then out of service, but who was, of course of South African origin, and was the Foreign Minister of Israel under the Labor government. And we were discussing the possibilities which I was working on at the time, for trying to get some agreement for getting the Palestinians back their rights. And in the course of discussion, he said to me, “This is all fine,” he said. “But you forget, that some heads of government, heads of state in the world today, are clinically insane.”

Now, this could be said of some Israeli governments among others! But he was right at that point. Don't assume, in dealing with these matters, that the people who are authoring these evils are sanely aware of the consequences of what they're doing. They're sometimes like mad beasts, clouded by their own special ideology, their own greed, their own illusions. We know people like that in society. We sometimes ignore the fact that people like that, we know as crazy people,

are in our neighborhood—you know, madmen—that these people are sometimes in top positions of government and leadership.

This whole thing is not going to work. It *can not* work.

See, because you look at the other side of the thing: How do we progress? You have cycles of evil regimes come in, and take over for a while. Then the people come out and emerge, and often, again, this leads to the emergence of a better form of society. Which then may go through the same cycle again. But overall, since we have moved from, say, 700 million people on this planet prior to the European Renaissance, to over 6 billion today, and better conditions of life had existed generally, prior to the end of the 1960s, we have progressed. Mankind has progressed.

The power that I like to concentrate on, is not the fear of the power of evil, though that has to be faced, and I do have to face that. But, I look at the things that will lead to happier results, results more in keeping with mankind. How do we build a coalition of forces, and of forces which do not necessarily have to agree with each other on everything: But they have to agree on the nature of man, and the purpose of humans' existence and the betterment of the human condition; and peaceful relations among peoples. So, my concentration is to look at these things, not from the standpoint of the evil I've often described, as I have today so far, but to look at these matters of evil, from the standpoint of the alternative: the Good. What should we be doing? And if we could get people mobilized more about what we should be doing, we would be stronger for facing evil.

This is the problem I see in Europe, today. Europe is, Western and Central Europe in particular, is right at this moment, *completely hopeless—it's a complete waste, strategically!* It's corrupt, it's gone, it's going no place.

We, in the United States, despite our corruption, have the responsibility of turning the corner on this. But, as I've found out, and I've demonstrated recently, the only way you lead people away from evil, is by proposing the alternative good. You inspire people to see that there *is* a better way of doing things. Then you can muster the strength to make the decisions you have to fight evil. And that's the situation we have today.

**Hassan:** Just before I ask you to elaborate more on those solutions, we have a caller on the line, so caller please go ahead.

**Q:** I just want to pose a question to this learned person, you know. To me, taking a great interest in world politics, to me the *main obstacle* for a peaceful solution for world problems, and I think this could play a major role in world politics, which is being dominated especially by the U.S.A., is the United Nations. And I think the sooner the people, the peaceful peoples of the world try to oust this group, and form a new group, that has peaceful intentions for mankind, the sooner we will move forward. But as long as the UN is playing this devious

role that it's playing at the present moment, I think the world populace is coming on a very slippery slope, as it is at the moment.

**Hassan:** Hmm, interesting point here. Thank you, caller. Mr. LaRouche?

**LaRouche:** There's a misunderstanding of the situation. Remember, the United Nations was created by Franklin Roosevelt, who's intention was, that at the close of the war, the U.S. power would ensure that nations that had been colonized, or semi-colonized, would be not only given the right to establish their own independent self-government, but would be assisted economically with long-term credit, to build their nations.

Churchill was of a different persuasion. Churchill hated Roosevelt, even though he was allied with him during the war against Hitler. But he wanted to preserve above all, the British Empire. He did not want decolonization. Truman, who succeeded Roosevelt as President, shared Churchill's outlook, and therefore, the United States, together with the Dutch government, the British government, and the French government, conducted brutal, repressive actions against the peoples of Africa, Asia, and elsewhere, in the attempt to preserve some form of colonialization. And now, as you know from South Africa, there was—in Africa as a whole—there was a kind of a de-colonization, which was not really de-colonization, because the power never got to the people.

The problem has been, as in the United Nations, for example, I was one of the contributing factors in the conference held in Colombo, in Sri Lanka, in 1976. It was the Non-Aligned Movement conference, at which we proposed a remedy on this to the United Nations. One of the speakers, one of my collaborators, was then the Foreign Minister of Guyana, Fred Wills. At Colombo, at the conference in August, the majority of representatives of the Non-Aligned nations group voted for the proposal which I and others had crafted. When we got to New York, for the UN General Assembly meeting, *the only person on this planet* from an official position who defended the adopted proposal of the Non-Aligned nations group, was my friend Fred Wills.

So, the problem is not in the United Nations. The United Nations has *not* been an alternative, and *will not be* an alternative. The United Nations was created to be an instrument of de-colonization and freedom. And the problem is not the governments; the problem is not the lack of UN control; the problem is not the nation-state principle: that's a mistake! People can function only as they are able to express this through their own culture: Their own culture is a nation-state culture. It is the unity of cooperation of cultures which is what we seek. Therefore, we must *strengthen* the nation-state, not destroy it. We must have protectionist systems. For example: Poor countries can not match powerful countries: they need protection, they need *protectionism*. It has to be agreed among us.

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So, we should look always at the positive solution, here. The United Nations is not a positive solution. It should be transformed, back into what Roosevelt intended: An instrument to affirm the equality of peoples as sovereign nations on the planet. And that's good. That must be done. But there must be an agreement among states, especially among powerful states: that we can not live on this planet with the kinds of insanity which threaten us now, today.

**Hassan:** So, Mr. LaRouche, if I understand you correctly—I mean, what of course the Third World has been experiencing has been years of repression, years of colonial oppression, and of course occupation in various forms. And, clearly that was continued with the IMF/World Bank policies, and of late, of course, we have now the World Trade Organization imposing the globalization strategy. And clearly this strategy is continuing. In the Third World, what do we, as subjugated—and I believe we are still very much, because here in our country, in South Africa, there seems to be a marriage between government and big capital; that seems to be the case, here: How do the ordinary people extricate themselves from this hegemony?

**LaRouche:** Well, that's what I've devoted a good deal of my adult life to. I didn't set out to become a Jeanne d'Arc. I started, came back from military service at the end of World War II, but, I came back to find a country in the United States, which was no longer the country of Franklin Roosevelt; it had become something else under Truman, and the same forces we had fought against in Hitler, were back at it again, but this time in new clothing.

So, my view is that we have to have two things: You need an international consensus, in a sense, building up among people about the changes we have to make. That's what I've been working for, for most of my life, increasingly especially over the past 40-odd years! And it's a tough fight. The forces are such, that those of us who have influence of power, and nations which have influence of power, have to recognize that their existence, the moral significance of their existence depends upon the betterment of mankind as a whole. And what my fight has been, is for the development of peoples of the planet. I was involved emotionally and otherwise in the Indian struggle for independence, when I was still in U.S. uniform, back in the 1940s. And I've been at this thing, off

and on, for a long time. The only path that works, is that we've got to fight to reestablish that. And you have to bring some major powers into the play, major powers of people who realize, we have to protect our brothers, who may be weaker and smaller nations. We have to protect them and ensure their rights.

And that's the kind of government we have. It's the only one that's going to work. You have to have—power has to be in the hands of those who are dedicated to that purpose.

**Hassan:** Before we get to the point where I'm going to ask you, how do we achieve that, there's a caller online. Caller, please go ahead.

**Q:** The United Nations . . . was established for what you fought for in the Second World War, so we don't repeat the same mistakes we did in the First World War, and the Second World War. . . .

My dad fought in the Second World War, he was a prisoner of war in Poland; I learned a lot from him. He spent his time in Poland, he was fighting for the British and all that. . . . America could do mass production of planes because they had infrastructure, they had everything. Other countries couldn't do it. I mean holding the enemy off, with all the Luftwaffe in Germany. Americans were producing bombers in the hundreds.

Now, another question, America's image is now outdated, which they have to get rid of. How do you get rid of something like that. . . ?

**Hassan:** Interesting point, thank you caller. Mr. LaRouche, did you hear that?

**LaRouche:** Yes, I did. I think, the point is, I've dealt with power, and I know from history, and I know from my own experience, that we're up against power. And the power is international. The power is not located *in* nations, it's a power that *uses* nations. And therefore, it places the greatest importance in using the more powerful nations, because that's the way power can be exerted.

But the problem lies with the fact we have a system, a financier-controlled system, which has managed—essentially as I've traced it earlier, from the fall of Greece under the influence of the Delphic Cult of Apollo, which corrupted Athens and led to the Peloponnesian War, that all throughout

this history, these thousands of years, you look at the history of European civilization: It has been a struggle between two forces, and what you see in, for example, Plato's writings, particularly in *The Republic* and other writings, the conflict between these two forces has continued. If you look at the implications of the European struggle, that is, internal European culture—which is now the Americas as well as Europe, and the extensions of that culture in various ways to other parts of the world, we find that the same force which has controlled European history—the same conflict of forces which controls European history is now *a worldwide conflict*. There's no part of the world which is exempt from it. We have to have unity of forces which are determined to eliminate this evil, and the evil is the financial system.

The struggle has been—go back to the end of the war, when Roosevelt set up the Bretton Woods system, when the U.S. currency was the only currency on the planet that was worth anything, we used that currency, initially under Roosevelt's intention, to rebuild the world, as a fixed-exchange credit system. That was destroyed. That was destroyed in steps, by the launching of the Indo-China war, and by the launching of the change in the system to the floating-exchange-rate system.

Since that time, the developing nations, the weaker nations of the world *have had no power*. Because they don't own their own currency. They don't control their own fate. Their fate is controlled by international financier forces. The only people who can *break that power*, are in leading nations. The United States is the principal nation, which should lead in breaking that power. If we're going to survive as a nation, the United States, now, we're going to have to *dump that system*. Because, if the United States tries to defend the financier policies, which have dominated the United States for the past 40 years, the United States is not going to exist much longer. We're going to go into a world of chaos.

So therefore, the point is: We've got to understand what the real difference is. It's not nations against nations. It's not peoples against peoples. It is peoples *played* against peoples by a higher power. That higher power has to be understood, and defeated. We have to become the higher power.

**Hassan:** But on that point, just finally, Mr. LaRouche, in your country, how are you going to achieve that? Because back here, we also have the same fight, if I understand you correctly, between those who do not have, and the elite, the top controllers of the financial system. How do the only people—for instance, I mean, the media is controlled, and so the people are duped into believing in this system which George Bush was elected into; and they believe that the electoral system has been working for them. Likewise here in our country, and in various other countries.

But, the systems are in place which dupe the people into believing that this is the only system which will work. And at this moment in time, I don't see how, under the hegemony of

this group, and with the control that they have over the mass media, how ordinary people are going to break out of this?

**LaRouche:** Well, go back in history, go back in U.S. history, in particular. Go back to 1932: This system was fully in control of the United States, during the 1920s. You had military officers who were opposed to it, and others who were opposed to it. Then, you had the election: Franklin Roosevelt was elected. Franklin Roosevelt changed the system, and beat the system. He then died. And when he died, the same crowd came back in again.

We're now at the point, that the system under the leadership of these bankers, who are, as I know, totally incompetent, is about to crash. This system is about to crash. If the people of the United States are going to survive, they're going to change the system in the way I indicate it must be done. Similar is true in Europe.

Now, we have also, at the same time, we have a great development in the world: We have important developments toward unity in South America. Unity in terms of cooperation. We have great movements, you have China, India, Russia, and these are becoming a bloc of people who represent the core of Asia, the Asian population. So, the Asian population does have a voice. If you have a similar development in the United States—which we *do have* and we're on the verge of retrieving it—then we can get out of this. *We have a chance before us*. One chance: That in the breakdown of this system, which is coming on now, we will have the opportunity politically, if enough of my friends have the courage to continue it, we have the opportunity to reform this system! And when we reform this system, we're not going to let go: because we're going to do what Roosevelt did.

And then, if we succeed in preventing Hell on Earth from erupting, as threatened now, let's hope that the next generation is prepared to make sure that we don't make the mistakes that were made when Roosevelt died, or after Roosevelt died, in the post-war period. The important thing now, in my view, and I'm concentrating on this now: We have to develop among young adults, that is, between 18 and 25 years of age—it's a certain precious period of lifetime—the basis of development, so that when we pass on, if we succeed in doing this, when we pass on, this generation will be qualified to make *sure* that the mistake that we made under Truman is not going to be repeated, again!

**Hassan:** Very positive. Very clear. And very concise. And I think the people have listened. And certainly, and indeed, an inspiring hour of talk radio. Indeed, an education for us. And, indeed, Mr. Lyndon LaRouche, certainly it was uplifting and very positive. And I think people are feeling much more positive in this hour, in this time of desperation. I think, for the public, listening to you certainly would have gained lots of courage from your speech. . . .

Mr. LaRouche, I'm very pleased to have had you tonight, and once again, it's been an education for me and a privilege.

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## Nuplex City-Building Will Transform the Third World

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*Detailed plans to build nuclear-powered agro-industrial complexes date back to the Eisenhower Administration, but were never implemented. It's high time to revive them, as Marsha Freeman reports.*

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Numerous countries in the developing world are poised to finally begin the nuclear-energy-based transformation of their economies that has been on the planning books since the 1950s. Indonesia, Turkey, Venezuela, Vietnam, and many others are carrying out feasibility studies, and contacting international suppliers, to plan their first nuclear-power reactors.

More than 50 years ago, President Dwight Eisenhower boldly announced that the United States would embark on a program of sharing civilian nuclear-power technology with the rest of the world, which he described as "Atoms for Peace." At the first international conference on the Peaceful Uses of Atomic Energy, in 1955, dozens of nations presented their optimistic plans for introducing this revolutionary technology.

From the beginning of the atomic age, President Eisenhower, and like-minded thinkers in the emerging nuclear scientific and technical communities in the United States, saw nuclear power not only as a source of inexpensive and virtually unlimited supply of electricity, which could be available to all nations regardless of their endowment of natural carbon-based resources, but also as the organizing principle for new cities, new industries, improved agriculture, and the road to peace.

Just as Lyndon LaRouche is stressing today, the nuclear pioneers recognized that as the world depletes its supplies of both fossil fuels and fossil water, technologies must be deployed to create a new base of resources. Since the 1950s,

it has been clear that nuclear fission would provide the foundation for such a transformation of the world economy. President Eisenhower wisely stressed that such a long-range, multi-generational program for nuclear-power development would be the most effective policy to avoid war.

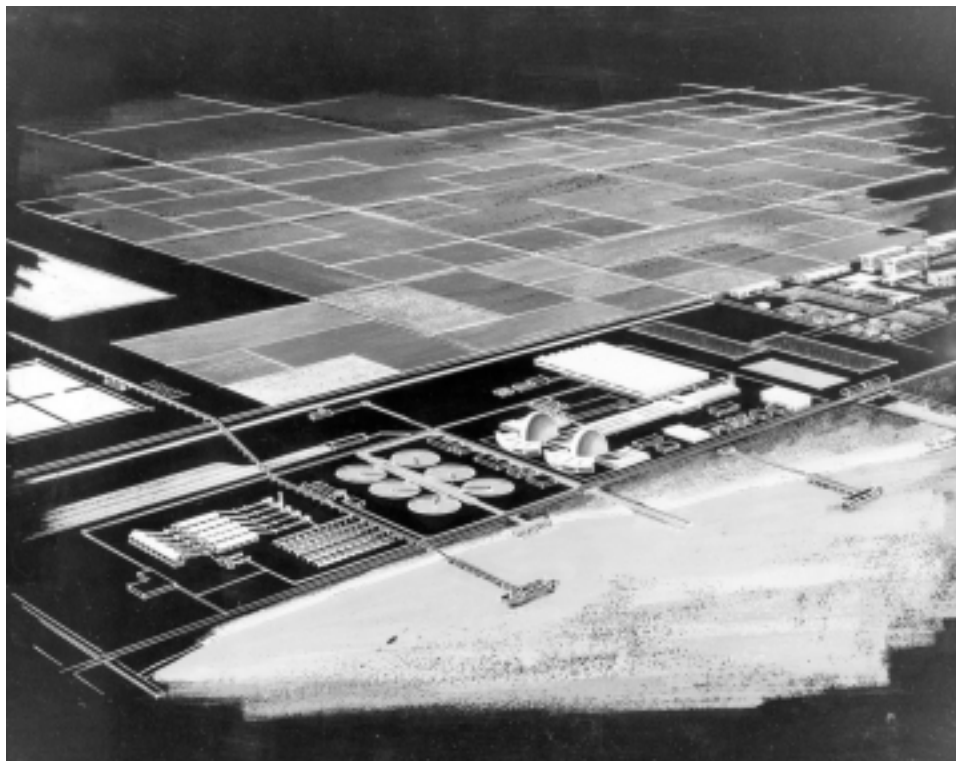
With an international nuclear renaissance now under way, it is time to bring to fruition the concepts and possibilities for nuclear-centered, agro-industrial complexes, or nuplexes, to start rebuilding the world economy on the basis of the most advanced technologies.

### **Middle East: Water or War?**

In the mid-1950s, it was clear to President Eisenhower that the continuing political volatility in the Middle East could again erupt into war. Recognizing the critical nature of the limited water resources of the region, he dispatched diplomat Eric Johnson as his personal representative to attempt to persuade the Arabs and Israelis to work on an agreement to share the water of the Jordan River. The 1956 war temporarily dashed hopes for such an economic reshaping of the Middle East.

Water development was also the basis for the studies carried out by the Roosevelt-era Tennessee Valley Authority in the post-war period, for a "TVA on the Jordan," based on the experience of the miraculous transformation in the 1930s of the southeastern United States, through the building of two dozen dams.

But, by the early 1960s, the accumulated experience with



Atomic Energy Commission

*Nuclear-centered agro-industrial complexes, or nuplexes, were designed at Oak Ridge National Laboratory to bring the most advanced technologies to developing nations. In this 1969 concept, two nuclear reactors would produce more than 2,000 megawatts of electricity and up to 1 billion gallons of fresh water per day from the sea. Adjacent is a 300,000-acre "food factory," to feed up to 6 million people. Fertilizer and other manufacturing facilities are powered by the nuclear plant, with residential areas to the far right, in a new city.*

operating power-producing nuclear plants convinced scientists at the TVA-region's Oak Ridge National Laboratory, former President Eisenhower, President Lyndon Johnson, and other political leaders in Washington, that the solution to the crisis in the Middle East was to use this new resource of nuclear power, not only for energy—since much of the region is rich in petroleum—but to create more of a resource that is scarcer there than energy: water.

In 1963, Oak Ridge National Laboratory scientist Philip Hammond suggested that fresh water could be produced economically by desalting seawater, using the excess heat from large nuclear-power plants. Alvin Weinberg, the director of the Laboratory, and a member of President Kennedy's Science Advisory Committee, promoted the idea that this application of nuclear energy could make the "deserts bloom." In fact, understanding the critical nature of freshwater shortages worldwide, President Kennedy had considered desalination as the major research and development project for international outreach for his Administration. Fast-paced advances in the Soviet space program led the President to focus more intensely on his Apollo program to land a man on the Moon.

Dr. Glen Seaborg, chairman of the Atomic Energy Commission, is credited with coining the term "nuplex" in 1964, to describe the unique multi-purpose potential of nuclear power. Philip Hammond's desalination-nuplex concept was featured at the 1964 United Nations conference on Peaceful Uses of Atomic Energy in Geneva, and adopted in President Johnson's Middle East "Water for Peace" proposal.

In 1964, Oak Ridge Laboratory staff travelled to Israel, India, Puerto Rico, Pakistan, Mexico, and the Soviet Union, to help develop plans for desalination plants. When President Johnson adopted his plan in 1965, 100 researchers at Oak Ridge, including chemists, were studying how to apply new techniques to nuclear desalination.

Taking Eisenhower's lead, Johnson had established a bilateral commission with Israel to study nuclear desalination, while Oak Ridge was tasked to develop a detailed feasibility study of how nuclear-power plants could become the center of complexes to power cities, produce potable water, provide process heat for home heating and industry, and revolutionize agriculture. Just days before the June 1967 Six-Day Middle East War, an international conference in Washington, organized around Johnson's "Water for Peace" program, drew thousands of participants.

The 1967 Middle East War did not end the organizing initiative for the nuclear-desalination proposal. The details of the program were spelled out by Rear Adm. Lewis L. Strauss (ret.), who had been AEC Chairman under President Eisenhower, in an Aug. 7, 1967 article in *U.S. News & World Report*.

Admiral Strauss proposed the construction of three nuclear plants to desalt water and provide cheap electrical energy. One plant might be built on the Mediterranean coast of Israel, he proposed, from which the desalted water would flow to Israel, Jordan, and Syria. Another plant, on the Gaza Strip, could pipe water under the Suez Canal to eastern Egypt, to be

used for irrigation. And a third, on Jordanian territory at the head of the Gulf of Aqaba, could transform what is otherwise a wasteland.

Under Strauss's proposal, the first plant "would be designed to produce daily the equivalent of some 450 million gallons of fresh water—incidentally, more than the combined flow of the three main tributaries which make up the Jordan River." The power from the plant would provide the electricity to pump fresh water to water-starved areas. The three plants together will "have the effect of opening to settlement many hundred square miles which heretofore have never supported human life . . . and the controversy over the division of the Jordan River would be minimized," he wrote. This opening of new lands would provide a solution to the Palestinian refugee problem, with formerly barren land now open for settlement for perhaps 1 million refugees.

Strauss concluded that while "some observers" doubt that the Arabs and Israelis could agree on such a program, their choice is between "devastating war, and an atomic-age pathway to peace."

Other farsighted and experienced political forces joined the fight for nuclear-powered Middle East development. On Aug. 14, just two months after the June 1967 War, Sen. Howard Baker (R), from the TVA state of Tennessee, introduced Senate Resolution 155. Among the motivating clauses, the resolution stated:

"Whereas the greatest bar to a long term settlement of the differences between the Arab and Israeli people is the adequate food supply;

and Whereas the United States now has available the technology and the resources to alleviate these shortages and to provide a base for the peaceful cooperation between the countries involved:

"Now, therefore, be it Resolved, That it is the sense of the Senate that the prompt design, construction, and operation of nuclear desalting plants will provide large quantities of fresh water to both Arab and Israeli territories." Such a program would also increase agricultural productivity, the Resolution stated, and create new jobs for refugees. The Resolution was adopted unanimously by the Senate in December.

Feasibility studies for nuclear-powered desalination began under the auspices of the International Atomic Energy Agency (IAEA) in Vienna, in cooperation with governments in the region.

Meanwhile, at Oak Ridge National Laboratory, the first major detailed report, begun in 1966, on how to design multi-purpose nuclear plants to power nuplexes, was being prepared.

### **Nuplex City-Building**

Nuclear-powered agro-industrial complexes were developed to answer the question posed by Oak Ridge National Laboratory Director Dr. Alvin Weinberg: "How can we most quickly bring the developing countries up to the standard of

living of the advanced sector?" Nuplexes, he proposed, would solve the immediate problems of shortage of food and water, but, most importantly, they would allow nations to "leapfrog" to new technologies, in the course of their development.

As an example of the potential of nuplexes, a 1968 Oak Ridge report stated that "the time has come when the energy derived from nuclear energy can be looked upon very seriously as a key for releasing indigenous agriculture from the bondage imposed by the necessity of securing fuel, fertilizer, and power for tillage all directly from the land without energy resources from outside. . . . Such [nuclear energy] inputs could free these people from Malthusian limitations hitherto imposed upon their indigenous food supply. . . ."

A team of 16 scientists, engineers, economists, and agricultural experts worked on the series of Oak Ridge nuplex studies, in close collaboration with the IAEA, the governments of Mexico and other nations.

The heart of the nuplex is the nuclear-power plant. The concept is to use an array of nuclear technologies, each optimized for a particular function—such as the production of electricity, process heat, or nuclear fuel—and to tailor the design of each nuplex with regard to the natural resources and specific needs of each geographic location. Modular production of nuclear plants was envisioned, with clusters of reactors in each nuplex. For example, ten reactors, of different types, could produce up to 15 gigawatts (GW) of electricity. This energy could power an industrial base and support a new city of at least 5 million people.

The general idea is to have pairs of nuclear-power plants to produce electricity and process heat. Surrounding the plants would be the industrial facilities they would energize. Where appropriate, these could include minerals- and raw materials-processing, equipment and machinery manufacture, and chemical industries. Where needed, the nuplex would be sited where desalination of seawater would make deserts bloom, and open new lands for cultivation. A new, modern city, complete with all required transportation, communications, educational, cultural, medical, and other infrastructure, would be built from the underground up.

In a policy statement released on June 26, 1978, and published in the August issue of *Fusion* magazine, Lyndon LaRouche explained the relationship of nuclear technology to city building. The nuplex will require a "four-to-six-year construction period, during which period many engineering and other skills are employed on the site. In a developing nation (especially) . . . the construction period is a period of education and other training. . . . On-the-site training, including schools for technicians, workers and their families, cultural programs, and so forth, is indispensable.

"So, to build an agroindustrial nuplex means to build an entire new city, to build structures and facilities to last as quality structures for a coming period of 50 to 100 years. . . . These nuplexes serve not only as self-contained concentrations of high technology, but as the hub of radiation of high-





*An ample supply of water is a critical element in creating a stable Middle East. This artist's concept illustrates an offshore nuclear-powered desalination plant, with fresh water transported by pipeline to where it will make the "deserts bloom."*

Oak Ridge National Laboratory

technology services to agriculture and other developments over areas of wide radius surrounding.

"A network of such nuplexes throughout continents such as Africa transforms the Sahara and Sahel into a vast new habitable and fruitful region, and establishes a continental grid-system of centers of high technology through which to transform the entire continent."

The nuplex designers began with the nuclear technology most readily available in the 1960s, the light-water reactor. Coupled with industrial facilities, even the 220-280°F waste heat from such power plants, available after the steam-turbine production of electricity, could be used to provide process steam for the paper, chemical, rubber, and agricultural industries. District heating of homes and aquaculture facilities to raise the intake of protein for the population, also can benefit from this temperature range.

Breeder reactors, which can ensure the ready supply of nuclear fuel for a growing world nuclear industry by creating fuel, were also envisioned by the Oak Ridge designers. They could deliver process heat between 900-1,100°F, extending the range of industrial applications. These higher-temperature nuclear reactors can be applied to the direct reduction of ores, the processing of raw materials, and thermally enhanced electrolytic production of hydrogen from water, creating new resources.

Nuclear-powered desalination can not only create fresh water from brackish or salt water, they proposed, but also minerals and metals that are largely unused by-products of the desalination process can be the raw-material feedstock for a variety of chemical industries, as in the extraction of potassium and chlorine.

The gas-cooled high-temperature reactors can boost pro-

cess heat quality to the 1,700-2,000°F range, approaching the possibility to thermally crack water to more cheaply produce hydrogen. It was estimated by the Oak Ridge team that one 1,000 megawatt (MW) high-temperature reactor could supply the electrical and process heat requirements of the largest existing chemical plants, including factories that produce ammonia for fertilizers, or a petroleum refinery with a 500,000-barrel-per-day capacity.

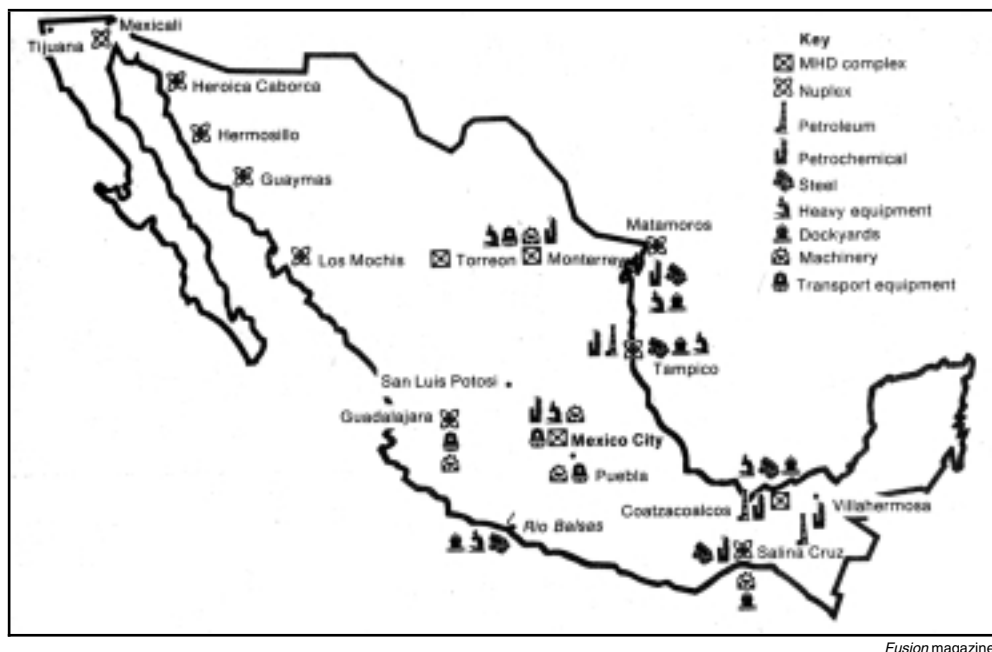
As nuclear technology advanced, existing plants would be replaced with the latest, most efficient reactors, possibly every 15 years, they projected. This rapid turnover of technology would continuously extend the range of applications for nuclear power.

Later, thermonuclear-fusion energy would become available, where making use of not only heat, but high-temperature plasmas and a variety of radiation outputs would redefine the base of raw materials, and even open up the rest of the Solar System to the exploitation of new resources.

## Global Nuplex Plans

As the potential for nuplex development became known, it did not take long for numbers of developing nations to begin their own studies of how to use nuclear energy in city-building nuplexes. In 1968, the Government of India Atomic Energy Commission released its Preliminary Report on the Nuclear-Powered Agro-Industrial Complex, drafted by the Bhabha Atomic Research Centre in Bombay.

In 1965, the governments of Mexico and the United States, and the IAEA agreed to carry out a preliminary assessment of the applicability of dual-purpose nuclear plants to produce fresh water and electricity in the region bordering the southern portion of the Colorado River. Their report, "Nu-



*Lyndon LaRouche's 1981 plan for the development of Mexico centered on the creation of agricultural and industrial nuplexes, projected to be in place by the year 2000.*

*Fusion magazine*

clear Power and Water Desalting Plants for Southwest United States and Northwest Mexico," was completed in September 1968.

In the United States, the Oak Ridge team developed detailed economic nuplex blueprints for 26 sites around the world. Central to many was the application of nuclear energy to agriculture.

The Strauss-Eisenhower proposal for the Sinai-Negev desert site, for example, included a "food factory," which depended upon a mixture of crops, and could support up to 6 million people. Water usage was estimated to be equivalent to that per person in New York City. An extremely detailed study completed by the Oak Ridge group in 1970 described the feasibility of using nuclear-power waste heat for aquaculture, or fish farming.

Not satisfied with just paper studies, Oak Ridge National Lab embarked upon a joint program with the Agriculture Department of the Tennessee Valley Authority to test the feasibility of using nuclear-reactor waste heat in enclosed structures devoted to agriculture and aquaculture. A small pilot greenhouse began construction in 1971, and was run successfully for one year by the Lab. It was then decided to develop a demonstration greenhouse to use the heat from TVA's Brown's Ferry Nuclear Power Plant, then under construction. Similar demonstrations of the use of rejected nuclear-power-plant heat were carried out by Oak Ridge and the TVA.

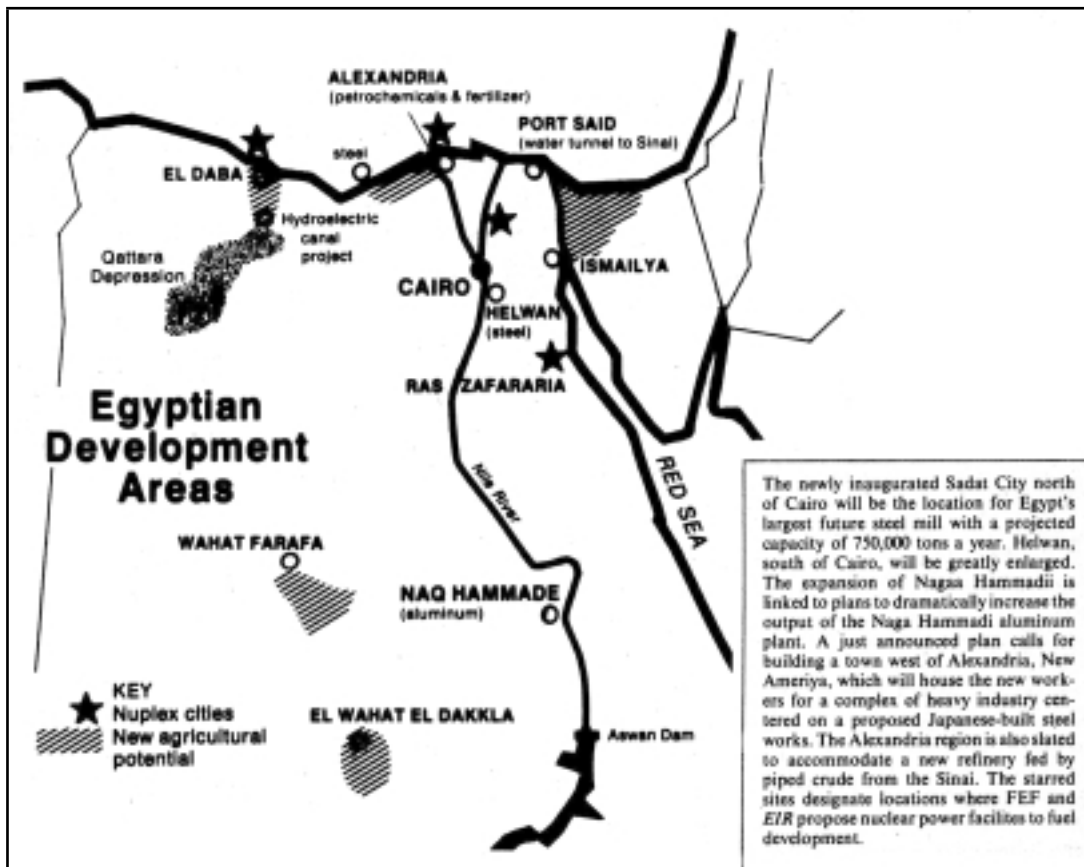
The nuplex idea gained widespread support. Graduate student John M. Holmes submitted to the University of Tennessee a doctoral dissertation titled, "The Impact of Nuclear Energy Centers on the Economy of Puerto Rico" in August 1970.

The following year, Oak Ridge completed its study on several possible locales for nuplexes. These in-depth studies included sites in Western Australia, India, Northwest Mexico (Baja California), Peru, and the Sinai-Negev in the Southeastern Mediterranean, encompassing the United Arab Emirates, Israel, and Egypt. The areas studied were limited to those where land was not then under active intensive cultivation, due to desert and semi-desert conditions, or received less than 15 inches of rain per year. They were considered typical arid coastal regions, close enough to the sea to provide cooling water for the nuclear reactors, and feedstock for desalination plants. All were seen as potential nuplex sites.

Through the early 1970s, nuplex studies continued, as nuclear-power-plant construction in the United States accelerated. Various U.S. sites were under study for nuplexes. The Industrial Economics Research Division of Texas A&M University produced a report in May 1973 titled, "Nuplex Siting on the Texas Coast." The preface states that although the study is "based largely on present reactor capabilities, the realization of the full potential advantages of a nuplex will be enhanced by the utilization of commercial breeder reactors scheduled to become operative about 1985."

But the Henry Kissinger-organized 1973 war in the Middle East quadrupled energy prices. Billions of dollars were stolen from industrial and developing nations that were dependent upon imported energy. Visionary economic investment plans were shelved.

Two years earlier, President Nixon's destruction of Franklin Roosevelt's Bretton Woods system had wrecked any hope of nuclear or any high-technology transfer to developing nations. The increasingly anti-nuclear "West" by and large abandoned its own nuclear construction programs.



New Solidarity

*As an intervention into an unstable region, Lyndon LaRouche proposed in 1981 that a string of nuclear-centered cities be created in Egypt, complementing his broader Oasis Plan, which encompasses all of the nations of the Middle East. This graphic appeared in EIR, Dec. 8, 1981.*

But by the late-1970s, LaRouche and the Fusion Energy Foundation were on the scene, working with many of those scientists and engineers who had developed the nuplex plans, with an organizing perspective to put them back on the agenda.

The Middle East continued to be a necessary focus of attention. In October 1981, following the assassination of Egyptian President Anwar Sadat, LaRouche commissioned a study to develop an economic-development program based on U.S. cooperation with Egypt, in order to counter the potential for political chaos in the region.

The plan proposed the creation of four new agricultural and industrial nuplex cities, with the goal of increasing the per-capita consumption of electricity in Egypt 20-fold, over a two-decade period.

## LaRouche in Mexico

In the early 1980s, Mexican President José López Portillo was developing a strategy to free his nation from the colonial grip of the International Monetary Fund, and place it firmly on the path of economic development.

In February 1981, the Fusion Energy Foundation and its affiliated Mexican Association for Fusion Energy presented a 20-year program for Mexican development, at a conference in Mexico City, which was attended by representatives of

eight Mexican government ministries and other national institutions.

The following month, LaRouche made a ten-day visit to Mexico to present the framework for his "oil-for-technology" development program. The results of that trip were discussed in Washington, D.C. at a conference sponsored by *EIR* on March 26-27, and were summarized in the July 1981 issue of *Fusion* magazine.

The program to transform Mexico was centered around the use of a portion of the revenues from the sale of that nation's petroleum production to finance \$100 billion of capital-goods imports, over 20 years. These imports would include not only nuclear plants, but also farm tractors and equipment, transportation equipment, port construction machinery, steel-making capacity, and other capital goods. By 1995, Mexico was projected to be producing more than half of its own capital-goods requirements.

The plan proposed that by the year 2000, more than 60 GW of nuclear power (equivalent to sixty 1,000 MW nuclear reactors) should be in operation in Mexico. This would signify more than simply a transition to a new source of energy, but the transition to a modern economy, including the transformation of education, infrastructure, and overall standard of living and culture, through agro-industrial city-building.

Lack of support among Mexico's neighbors for López

Portillo's bold move to take back sovereign control of his nation's economy, and a frontal assault from the international financial oligarchy, delayed, but has not doomed, his efforts.

Today's growing, continent-wide movement for an economic revolution south of the U.S. border, exemplified by the actions of Argentine President Néstor Kirchner, has placed nuclear power and new cities back on the agenda.

In March of this year, Lyndon LaRouche returned to Mexico, to restate the American System economic approach that that nation, in concert with its neighbors, must take at this time of a collapsing world financial system, to fulfill López Portillo's promise of economic development. The LaRouche Youth Movement in Mexico will be holding a seminar on June 7, on "Oil for Nuclear Technology," in Mexico City, to organize the support needed to finally bring this program into being.

### Nuplexes for Tomorrow

Beginning in the late 1970s, LaRouche and his affiliated organizations intervened to place the nuplex pathway to economic development before many nations. By that time, it was clear that the continent of Africa was dying. The suffering caused by a century of direct colonial bondage, and decades of International Monetary Fund financial strangulation, had led to the emergence of new diseases, and the devastating lack of medical, nutritional, or any other infrastructure to save

Africa was dooming the continent.

In June 1979, the Fusion Energy Foundation held a conference in Paris, titled "The Industrialization of Africa," and the following year, a book of the proceedings was published. The chapter titled, "The Role of Agronuplexes in African Development," described why only the introduction of the most advanced technologies, to supersede subsistence agriculture in Africa, can create the required accelerated rates of growth. Such an approach, based on the upgraded educational and skill level of the population, must replace the IMF-dictated labor-intensive farming then prevalent on the "dark continent," the report stated. The upgrading of nutrition and health care are primary, in order to rescue a population so economically depressed, that it has become the breeding ground for new, emerging diseases. The goal was to use nuclear power to create a modern standard of living for every African by the turn of the 21st Century.

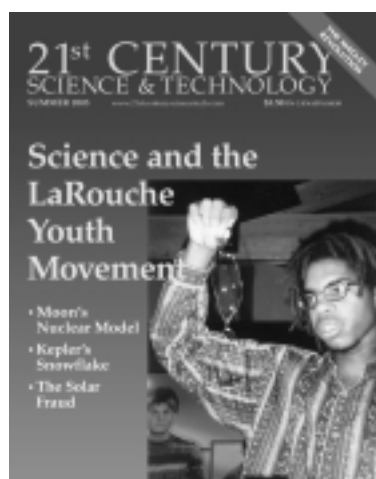
The Middle East has continued to be a theater of war, thanks to the continued intervention by the old British colonial masterminds, and two generations of Bush Administration collaborators,

In 1990, as President George H.W. Bush was amassing, in the Middle East, the largest military force outside the United States since the Vietnam War, LaRouche reissued the Middle East water development "Oasis Plan" he had first introduced in 1975. On July 12, 1990, LaRouche stated: "To avoid a conflict which would be ruinous for all people and nations of the Middle East, an effective series of common interest proposals must be made in accord with the rights of all parties. . . . Although to some, an Oasis Plan seems an unlikely proposition under the present circumstances, the price of failing to implement such a program will be staggering. Therefore, there is no obstacle so great, nor so difficult, that we should not seek to overcome it in order to further economic cooperation." Unfortunately, for failing to heed LaRouche's warning, we have witnessed since then the consequences of not one, but two, Iraq wars.

Today, we have progressed no further toward peace than when Lewis Strauss and President Eisenhower proposed their nuclear-desalination plan as a war-avoidance policy in the 1950s. Rather, the region is embroiled in what could easily become endless wars.

The solution today is the same as it was a half century ago: Deploy the most advanced technologies, clustered around the placement of a succession of advancing nuclear capabilities at the center of new cities and agricultural and industrial complexes. Make educational, medical, cultural, modern transport and communications, housing, and other infrastructure available to each citizen.

Prepare the nations of Asia, Africa, and Ibero-America to participate in a 21st Century that sees the fulfillment of the potential of each individual. And rebuild the decrepit industrial and capital-goods-producing sectors of what have historically been the industrialized nations, to make that a reality.



*"You won't read about it in Science or Nature, but the big news in science today is the growth of a youth movement, committed to the principle of discovering the truth."*

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# Nuclear Desalination: A Proven Technology Whose Time Has Come

by Christine Craig

Early in the 1960s, foreseeing a time when freshwater needs would outstrip available supplies, the United States Department of the Interior's Office of Saline Water (OSW) authorized funding for five research facilities to study and develop various desalination technologies for the country. These facilities were strategically placed in Freeport, Tex.; Roswell, N.M.; Webster, S.D.; Wrightsville Beach, N.C.; and San Diego, Calif.

The Wrightsville Beach facility on Harbor Island, set up in the early 1960s, was dubbed the "world center for experimental development in saline water conversion," by the director of the OSW at that time, C.F. McGowan. Its mission was to study and assess the feasibility of a variety of possible desalination technologies—freezing, reverse osmosis (RO), electrodialysis, and distillation—of which the most promising were RO and distillation. While the lab was still in operation during the 1960s and 1970s, a huge sign covered the three freshwater storage tanks for the research station, proclaiming mysteriously: "Fresh Water from the Sea."

Desalination is by no means a modern concept. The importance of fresh water would be inescapable to any long-distance seafaring people. As Samuel Coleridge's ancient mariner lamented: "Water, water, everywhere, nor any drop to drink." Japanese (and undoubtedly many other) early mariners used heat evaporation and cooling condensation to provide emergency fresh water on voyages. Thomas Jefferson even wrote a technical paper in 1791 on an improved form of distillation process for desalination aboard ships. And with the advent of sea-going steam ships, desalination became absolutely necessary to provide the relatively pure water necessary for the steam process. Nowadays, regardless of what powers an ocean-going vessel, desalination of potable water is the norm, and eminently more sensible than trying to carry a hold-full of drinking water across the wide ocean.

## Nuclear: Perfect To Power Desalination

Modern desalination techniques require large amounts of electricity or process heat for large-scale production of fresh water, and nuclear power is the perfect candidate to supply it.

Nuclear desalination seemed a natural outgrowth of the potential envisioned for nuclear power by the Atoms for Peace Project initiated by President Dwight D. Eisenhower after



Eisenhower Library

*President Eisenhower (left) and Lewis Strauss, just days after the 1967 Six Day War, proposed a huge nuclear desalination project for the Middle East, to promote peace and stability, by providing adequate power and fresh water for economic development.*

World War II. In fact, in 1967, just days after the Six Day War, former President Eisenhower and Adm. Lewis L. Strauss, former chairman of the Atomic Energy Commission, proposed an ambitious program for development in the Middle East, which was an extension of Eisenhower's 1953 Atoms for Peace program. This program, called "A Proposal for Our Time," aimed at promoting peace and stability in a war-torn region by priming the pump with a massive infrastructure project to bring cheap fresh water to the region—a nuclear water-desalination project.

This proposal envisioned the construction of three huge, multi-purpose nuclear plants, two on the Mediterranean and one on the Gulf of Aqaba, which would be capable of generating more than a billion gallons of fresh water per day, using the well-studied distillation technique. At the same time, the plants could be used for electricity production in the region. Based on studies done by the Oak Ridge National Labs, Eisenhower was confident that the price of water generated at these facilities could be made cheap enough for agricultural use, making possible an agro-industrial oasis in the desert.

As early as 1964, an announcement was made of a partnership among the Department of the Interior, the Atomic Energy Commission (AEC), and the Metropolitan Water District of California to study the construction of a 150-million-gallon per day desalination distillation plant near the OSW test facility in San Diego. According to then Secretary of the Interior Stewart Udall, "Preliminary reports indicate that a well-designed plant using nuclear energy can produce fresh water at seaside for 22 cents a thousand gallons and generate electric power for as little as 3 mills per kilowatt hour."

The project was to be powered by a 1,800-megawatt-electric nuclear plant, coupled to an multi-stage-flash distilla-



IAEA

*Ohi Nuclear Power Generating Station, run by Kansai Electric, was Japan's first nuclear desalination project.*

tion desalination plant, supplying up to 750,000 people with fresh water and electricity in the arid southern California desert.

By the 89th Congress, in September of 1966, the Metropolitan Water District project was well along, and was touted as “the first dual-purpose desalting application of its kind and size in the world” in the Joint Committee on Atomic Energy hearings on the project.

The project was never completed. Unfortunately, Eisenhower’s “Proposal for Our Time” was never implemented, as the nation’s optimism for nuclear power was manipulated and transformed into fear and pessimism by nuclear non-proliferation fanatics and their puppets in the environmental movement.

### Other Nations Move Ahead

While nuclear desalination has languished in our country, other nations have amassed decades of experience coupling the two technologies. The first large-scale nuclear production of fresh water was at a Soviet-era 150-MWe liquid-sodium-cooled fast breeder reactor in Aktau, Kazakstan—the BN-350. From 1973 until its decommissioning in 1999, the BN-350 reliably and safely produced 80,000 cubic meters per day of fresh water by Multi-Stage Flash Distillation and Multiple-Effect Distillation (MED). The water was used in plant operations and for municipal water consumption in the arid Mangyshlak peninsula on the east coast of the Caspian Sea.

Japan first harnessed nuclear power for desalination back in 1978, with its Ohi Nuclear Power Station’s 1,175-MWe Pressurized Water Reactors. Since then, 10 of Japan’s 53

electricity-producing nuclear plants have used waste heat or electricity to desalinate water on a small scale—100 to 3,900 cubic meters per day—mostly for in-plant use for steam generators and potable water. The desalination technologies used by these plants have included all of the major types.

More recently, Pakistan hooked up its KANUPP 137-MWe Pressurized Water Reactor to an RO desalination system, producing 454 cubic meters per day of water as an emergency source of feed water to the steam generator. In the last few months, the reactor staff has also installed a larger demonstration MED unit capable of producing 4,500 cubic meters per day. India has done the same with its Kalpakkam PHWR in the southern state of Tamil Nadu (see *EIR*, March 31, 2006, p. 38).

Even in the United States, which long ago turned its back on nuclear desalination, the Diablo Canyon Nuclear Power Station, owned by Pacific Gas & Electric, quietly has operated a desalination unit powered by its two 1,100-MWe Pressurized Water Reactors, which pro-

duces 4,500 cubic gallons per day by RO for in-plant use. The desalination plant was originally conceived as a joint project of the California State Department of Resources and the OSW.

So, nuclear desalination is not a radical untested idea. It is a mature technology which has been waiting in the wings, perfecting itself for the call to action by a world (including the United States) waking up to the nuclear power imperative.



U.S. Maritime Administration

*The NS Savannah was the first nuclear-powered cargo/passenger ship. She was a product of Atoms for Peace optimism, designed to demonstrate the technical feasibility of nuclear merchant ships. NS Savannah could circle the globe 14 times at 20 knots without refueling. Nuclear surface ships, submarines, and icebreakers all use nuclear desalination for their plant and potable freshwater needs.*

# From Promethean Fire To Nuclear Energy

by Manuel Romero Lozano

*The author is a LaRouche Youth Movement member from Mexico.*

There can be no doubt that these are times in which the moral and historic quality of individuals is being put to the test, as modern civilization faces the worst economic, financial, and existential crisis ever. Now, as in other historic periods, civilization needs extraordinary individuals to serve as leadership to guide humanity in a good direction, just as Prometheus did in giving fire to humankind.

In this sense, the LaRouche Youth Movement throughout the continent has taken up Lyndon LaRouche's challenge, as posed to us during his mid-March visit to Monterrey, Mexico. Said LaRouche: "Unity between Central and South America must be achieved, from Mexico down to Argentina. The potential to do this exists. You must provide the population with the politics of ideas. You must become giants and fill that vacuum that now exists among nations; that is your mission."

One week after this challenge was posed, members of the LYM from Mexico, Argentina, Colombia, and Peru released the first edition of the Ibero-American LYM's weekly Internet publication *Prometeo* (Prometheus), designed to provide the "politics of ideas" to the population of Ibero-America, but especially to its youth ([www.wlym.com/~spanish](http://www.wlym.com/~spanish)).

## On to Laguna Verde

After the successful completion of this publication mission, and with the takeoff of the nuclear campaign in Mexico, the LYM refined its high-energy isotopes towards achieving a "fusion reaction" in the organizing, by visiting Laguna Verde, Mexico's sole nuclear energy plant.

And thus began our voyage to the center of the atomic nucleus. Right away, we were asked by our guide to talk more about the LaRouche political movement. Afterwards, we watched a video on how the reactor is refueled. Then, an engineer took us to see life-size pedagogical models of various parts of the reactor, such as the fuel rods, control rods, fuel assembly, and so forth. It is worth noting that the visit to this section was initially planned to last 45 minutes, but given the dialogue that naturally ensued with our pro-nuclear group, it lasted nearly two hours.

We were all awed by a scale model of a cross-section of the boiling water BWR-5 nuclear reactor. Questions to our guide poured out: "What is this?" "What's that for?" and



EIRNS

*Author Manuel Romero of the Mexican LYM, with a model of a nuclear fuel rod, at the Laguna Verde plant. A large group of LYM members toured the plant.*

so on. Another interesting aspect was the explanation about radiation, and we learned that in our daily lives, we are constantly bombarded with low-level radiation.

Then, the moment we had all been waiting for arrived. We put on our safety helmets and safety glasses, to enter the building where the reactor itself is housed. It was incredible, going through all the security systems.

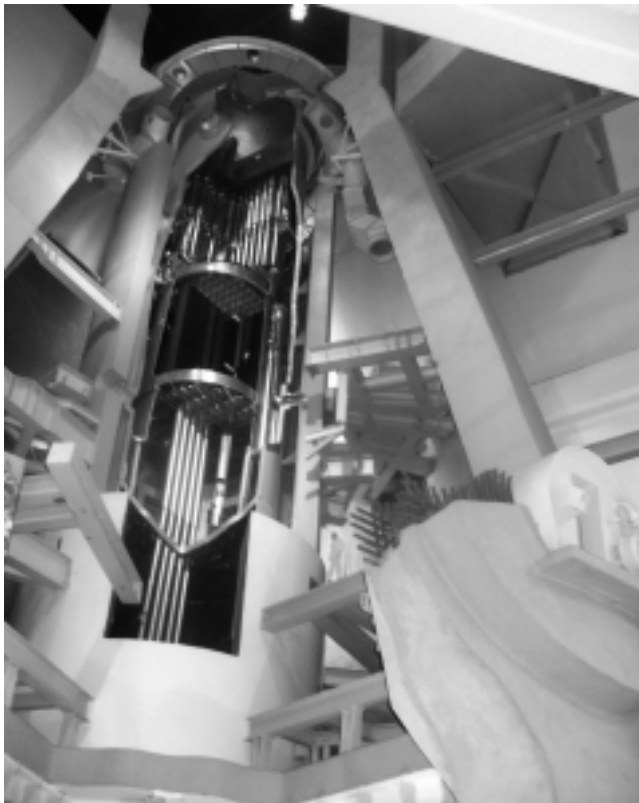
At the first radiological checkpoint, the engineer leading our group told those in charge of the section that we were a group of pro-nuclear youth, to which those working in the section responded with great enthusiasm. With all of the security equipment and safety checks, we felt as if we were about to take a voyage into outer space!

We saw the reactor's controls, and various floors of the reactor building, including the room where the refueling takes place. From the refueling area, one could see the pool which held the used fuel rods. It was an awesome experience to realize that a nuclear reactor was operating right in front of our eyes.

## 'The Safest Place in Mexico'

As we left the reactor building, safety regulations were stricter. We even joked that "we are in the safest place in Mexico," which was actually quite true. The most impressive thing was how they tracked radioactivity in the body, and





EIRNS

*A cutaway model of part of the Laguna Verde nuclear reactor. The two Laguna Verde reactors supply 6.25% of Mexico's total energy consumption.*

wouldn't let you leave until you were free of contamination. Having exited the building with a radiation reading of .01 millirem, we burst into our now-famous song on nuclear energy.

The guides were thrilled with our songs, and it appears that we gave them back the hope of having more nuclear reactors in the country. Contrary to the urban myths that Laguna Verde is obsolete, that it pollutes, that it is old and unsafe, and so on, the fact is that the Laguna Verde nuclear plant is the safest, cleanest, and most carefully monitored site in all of Mexico!

Some of the most striking points about the plant include:

- It is located in the state of Veracruz, on the coast of the Gulf of Mexico;
- It has two BWR-5 reactors of the Mark 2 direct-cycle type;
- The plant generates 6.25% of the total energy consumed in Mexico;
- The plant has two turbo generators made by Mitsubishi Heavy Industries, of 682.44 megawatts each.

And so, once again, we are generating the critical mass so that the Mexico LYM can ensure that the nation will have sufficient energy for the 21st Century!

# What We Really Know About Chernobyl Today

by Marjorie Mazel Hecht

It has been 20 years since the Chernobyl nuclear explosion on April 28, 1986. The accident shocked the entire world and continues to keep most of the population in the area around Chernobyl frightened about what happened and about their future, while worldwide, anti-nuclear organizations and media keep fanning the flames of fear, without regard for science or truth.

What do we really know after 20 years about the effects of the radiation released from Chernobyl?

The most competent analysis is the official report of the United Nations Scientific Committee on Atomic Radiation (UNSCEAR), issued in 2000, which determined that there was *no* increase in the incidence of solid cancers and leukemia in the highly contaminated areas, except for thyroid cancers (which are the result of the screening effect—see below), and *no* increase in genetic diseases. More recently, the UNSCEAR assessment was echoed by the 2006 report of the United Nations Chernobyl Forum, which is composed of representatives of eight UN organizations, the World Bank, and the governments of Belarus, Russia, and Ukraine.

Both reports have come under fire from the unscientific special interest groups, which prefer to proliferate the idea that radiation at any dose is “dangerous.” Greenpeace, for example, claims that 200,000 people will die as a result of the Chernobyl radiation, and the German-language *Der Spiegel* calls Chernobyl “The Pompeii of the Nuclear Age,” in an April 17 article that highlights alleged radiation-caused genetic aberrations (such as deformed limbs) in children born after the accident.

## Radiation in Perspective

Dr. Zbigniew Jaworowski, a physician and radiation scientist at the Central Laboratory for Radiation Protection in Warsaw, Poland, and a former chairman of UNSCEAR, presents a most informed, thorough, and sobering assessment. Writing for the Spring 2006 issue of *21st Century & Technology*, as well as for the current issue of the Polish-language edition of *Scientific American*, Jaworowski puts the Chernobyl radiation in perspective. The enormous amount of radioactive dust from the burning reactor, he says, was *200 times less* than the atmospheric radioactivity from the previous generations of nuclear bomb tests. From these tests, he says, the highest radiation dose was in 1963, at 0.1133 milli-sievert, to the world population. The Chernobyl radiation dose, in the



first year after the accident, was 0.045 milli-sievert, not only lower than the radiation from testing in 1963, but only 2% of the average annual dose of *natural* radiation (which is 2.4 milli-sieverts per year).

Furthermore, Jaworowski says, this average dose is dwarfed by the dose that populations receive in regions with higher natural radiation; for example in Brazil, or in southwestern France, where the natural radiation dose is more than 700 *milli-sieverts* per year. "No harmful health effects were ever detected in such high natural background areas," he says. On the contrary, people living in those areas show evidence of better health.

Jaworowski stresses that the worst harm to those exposed to Chernobyl fallout "was caused not by radiation, and not to flesh, but to minds." Indeed, as he describes it, for the 5 million people living in the contaminated regions of Belarus and Russia, the real adverse health effect is an epidemic of psychosomatic diseases of the digestive and circulatory systems, and other post-traumatic stress disorders, such as sleep disturbance, headache, depression, anxiety, escapism, "learned helplessness," overdependence, alcohol and drug abuse, and suicides.

This terrible situation is caused not by radiation, Jaworowski states, but by *radiophobia*, an irrational fear of radiation, and a combination of governmental and administrative decisions that convinced several million people that they are "victims of Chernobyl," even though the radiation dose they received was only one-third of the average annual dose of natural radiation worldwide. He notes one of the most lethal effects of the accident: Some 100,000 to 200,000 wanted pregnancies in Western Europe were willfully aborted soon after the accident, when physicians wrongly advised patients that the Chernobyl radiation was a health risk to unborn children.

## The Death Toll

There were 31 early deaths of the 134 rescue workers and power station employees who received very high radiation doses, and 3 deaths for other reasons. Among the 103 survivors of this group, 19 others had died as of 2004, mostly, according to Jaworowski, of ailments that cannot be attributed to ionizing radiation. It is interesting that even this group of people, who received very high radiation doses, have lower mortality rates than the general Russian population by 15 to 30%. This is also true of the population in the most contaminated Russian region near Chernobyl.

Jaworowski takes exception to the Chernobyl Forum report on three points. First, in terms of the increased number of thyroid cancers among children in the highly contaminated areas, he believes that this is due to what's called the "screening effect." There is a very high level of "occult" thyroid cancer in the general population, he explains, where there are no clinical symptoms and the cancer is found in post mortems, or in special health screenings. The U.S. incidence of occult

thyroid cancers is 13%; in Japan it is 28%, and in Finland it is 35%. In Finland, in fact, occult cancers are observed in 2.4% of the children, which is some 90 times higher than the maximum found in the highly contaminated region of Bryansk in Russia. In this region, and other contaminated regions, the thyroids of all people who were less than 18 years old in 1986 are screened yearly. "It is obvious that such a vast scale screening resulted in finding the 'occult' cancers," he says.

Jaworowski further notes that these thyroid cancers began to appear in 1987, only one year after the accident, "too early to be in agreement with what we know about radiation-induced cancers."

A second point on which Jaworowski criticizes the Chernobyl Forum is that the report projects future cancer fatalities caused by the low-level radiation of "4,000 to exactly 9,935 deaths." "This projection is not based on trends in cancer mortality or incidence observed during the past 20 years," he says, because as the Chernobyl Forum itself reports, epidemiological studies show a *decrease* in cancer mortality and incidence among exposed people. These are the trends that should be used for realistic projections of future health, he says.

Instead, as he describes it, the Chernobyl Forum performed an arithmetic exercise, "multiplying a tiny dose of about 2 milli-sieverts, by a great number of people, and a radiation risk factor deduced from Hiroshima and Nagasaki studies." These studies, as Jaworowski has shown in detail, are based on "an outdated concept of collective dose and a linear no-threshold assumption, which states that even a near-zero dose of radiation can induce harm." "This assumption was never proved by scientific evidence," he stresses, and in fact, it is known that low-level radiation has beneficial effects for human health.

Jaworowski describes his own reaction in Warsaw in 1986, when he learned the news of the increased radiation at 7 a.m. on April 28. He now reflects that although he was an expert in radiation protection, and fully aware of the facts about natural background radiation, he got caught up in the frenzy of the moment himself. He describes how decision-makers were panicked, and how ridiculous radiation standards were set ad hoc, which had no bearing on human health, but were enormously costly. "The most nonsensical action, however, was the evacuation of 336,000 people from the contaminated regions of the former Soviet Union, where the radiation dose from Chernobyl fallout was about twice the natural radiation dose." Later, the limit of radiation ruled acceptable was decreased to *below* the natural background radiation (!), and "was some five times lower than radiation at New York City's Grand Central Station."

Compared with other industrial accidents, Jaworowski concludes, "In centuries to come, the [Chernobyl] catastrophe will be remembered as proof that nuclear power is a safe means of energy production."

## AN UNUSUAL FRIENDSHIP

# Otto von Bismarck and John Lothrop Motley

by Michael Liebig

*This article first appeared in the German weekly Neue Solidarität. Quotes from Motley are from the original English, while quotes from Bismarck are translated from German, unless otherwise noted.*

Otto von Bismarck (1815-98) is seen today as a “controversial” figure—not just outside, but even within Germany. A typical stereotype of Bismarck presents him as the “Blood and Iron” Chancellor who created a united, but “reactionary-militaristic” Germany. Bismarck’s historical image is often blended with that of the pompous Kaiser Wilhelm II, who, in reality, ousted Bismarck as Chancellor in 1890. Bismarck is a contradictory personality, but he was certainly neither “reactionary,” nor “militaristic.” He was what nowadays is called an “authoritarian personality”—a “natural leader.” His tradition was not democratic-republican, but that of the Prussian constitutional monarchy based on an untainted judicial system and a highly qualified civil service, without corruption. Prussia and, after 1871, Germany had elected Parliaments which Bismarck respected, as documented by his many speeches before the Reichstag.

When Henry Kissinger calls Bismarck one of the most outstanding diplomats of all times, that judgment is correct, despite the qualities of the man who made it. Bismarck united a Germany which until 1870 had been split into 30 kingdoms, principalities, and city-states, and which was surrounded by European powers determined to keep it that way. Between 1864 and 1870, Bismarck had to fight three wars—against the Kingdom of Denmark, the Habsburg Empire, and the French Empire of Louis Bonaparte. None of these three—rather short

and limited—wars were “wars of aggression,” launched by Bismarck for “imperialistic” aims. Executed by the military genius of Helmuth Graf von Moltke, the wars were the precondition for Germany’s unification, forcing the European powers to accept a unified Germany that they had tried to obstruct ever since the Peace of Westphalia in 1648.

Once Germany was unified, Bismarck declared her “saturated,” and focussed exclusively on diplomacy to preserve the peace in Europe. During the 19 years that he was Reichs Chancellor, Germany did not engage in any military conflict, and it took almost another quarter century until Bismarck’s incompetent successors had squandered his heritage, allowing World War I to break out in 1914.

Russia’s Count Sergei Witte once said that Bismarck always had Friedrich List’s<sup>1</sup> *National System of Political Economy* at his bedside. Whether that’s literally true cannot be determined. But, Bismarck was indisputably a committed follower of List’s economic policies. He strongly backed the German Customs Union, he pushed for an integrated, publicly owned German railway network, and the building of key waterways; he promoted advanced industries; and he forced through the “protectionist turn” in Germany in 1878. Bismarck also pushed through truly revolutionary Social Secu-

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1. The German-American Friedrich List (1789-1846) was a foremost proponent of the American System of political-economy, in the tradition of Alexander Hamilton and against the British free-trade system of Adam Smith. See *Friedrich List: Outlines of American Political Economy*, German/English edition, with a Commentary by Michael Liebig and an Epilogue by Lyndon H. LaRouche, Jr. (Wiesbaden: Dr. Böttiger Verlags-GmbH, 1996).



Library of Congress



The American diplomat John Lothrop Motley (left) and Prussian Chancellor Otto von Bismarck were life-long friends. Motley described Bismarck as “a man of great talent and iron will,” noting that despite their differing political views, their friendship didn’t suffer, and “probably no man living knows him as intimately as I do.”

rity legislation during the 1880s, providing health insurance and pensions.

Bismarck was no economist, but he had a keen sense for what kind of economic policy led to agro-industrial growth and strength. And he saw that there was no place on Earth where the growth of agriculture, industry, and infrastructure had been more rapid and profound than in the United States. The 1876 Centennial Exhibition in Philadelphia demonstrated this to the rest of the world, notably to the German representatives there, Emil Rathenau and Franz Reuleaux, the “father of German machine-tool design,” for example. The growing influence of the writings of Henry C. Carey since the 1860s in Germany was another factor. (See accompanying article.)

And, Bismarck saw that the United States had successfully mastered the enormous trial that the Civil War represented. His conversations with former President Ulysses Grant in Berlin in 1878 are testimony to that.

While Bismarck was the dominant political figure in Prussia and then in Germany as whole, relations with United States were excellent. Opposite to most other European powers, except Russia, Bismarck recognized the Monroe Doctrine and

unconditionally backed the Union in the Civil War. And the United States had outstanding diplomats in Berlin, notably George Bancroft (1868-74). Bismarck’s friendly position toward the United States did not only come from his world-political perspective through which he understood the growing weight of the U.S.A. in international affairs. Bismarck also had a very close American friend: John Lothrop Motley.

The private letters of the American historian and diplomat Motley not only afford the reader a fascinating insight into 19th-Century world politics, but also into Motley’s life-long friendship with Bismarck, which began when both were students at Göttingen University.

### Bismarck’s ‘American Friends’

On page two of his memoirs, *Gedanken und Erinnerungen* (*Reflections and Recollections*), Bismarck refers to an “American friend” thusly:

“And nevertheless my German patriotism was so fervent, that when I entered the University [at Göttingen] I joined the fraternity whose declared purpose was to foster the national sentiment. . . [I] kept that patriotic drive, and the belief that developments would shortly lead to German unity; and I even



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George Bancroft, the U.S. Ambassador to Berlin (1868-74), was hailed by Bismarck as “far better than most of the Europeans who ply the trade.”

struck a bet with my American friend Coffin that, within twenty years, that objective would be attained.”

Later Bismarck refers to “my late friend J.L. Motley,” and quotes from a letter Motley had written to his wife. In *Reflections and Recollections* there is scant reference to “friends.” Bismarck’s memoirs tend to be a quite ruthless settling of accounts with opponents, and in the most unguarded way, describing as he does his opponents variously as “dishonest thrusters,” “out-and-out oddballs,” “courtesans,” or “political intriguants,” “flatterers,” “gossips,” and “whispering insinulators.” The list of those he calls French, British, Austrian, or “ultramontane” agents of influence, acting against Prusso-German state interest, is very long, and includes members of Royal Houses, ministers, and high officials. And so for Bismarck to mention two “American friends” is a singularity.

With respect to Amory Coffin, we know that, like Motley, he was a student alongside Bismarck at Göttingen University, and that the three were very close friends. Hailing from South Carolina, he wrote a number of novels. A great deal more is known of Motley and of the latter’s ties to Bismarck, which ended only with Motley’s death in 1877.

### Motley’s Correspondence

A wonderful source for Motley’s life, his relations with Bismarck, and for an understanding of 19th-Century grand strategy, and in particular, its transatlantic dimension, is the two-volume *Correspondence of John Lothrop Motley* (New York, 1899). The *Correspondence* includes not only many letters to family members and friends, where Motley relates his many visits to Bismarck, but several letters from Bismarck to Motley. However, since letters published in the *Correspon-*

dence are private, they do not include the diplomatic reports Motley filed while U.S. Ambassador to Vienna and London.

In conversation, Motley and Bismarck used the German familiar pronoun “*du*” (thou) rather than the formal “*Sie*”—bearing in mind that Motley spoke German fluently. Their letters are perfectly direct, and even in old age, full of youthful high spirits, even where the issue was grave and political, and despite the fact that Motley was a dyed-in-the-wool republican—hardly Bismarck’s case!

It is not possible, in this short essay, to give even an approximation of a description of Motley’s very full life, just as we cannot walk the reader through the meanders and contradictions of Bismarck’s personality and policies. But the *Correspondence* does give a remarkable perspective on Bismarck’s actions, and goes a long way to sweep away the usual, banal—whether hostile or favorable—generalizations. And how curious that, among the many scholars who have written on Bismarck, so few have studied Motley’s views, although there was no one who was better acquainted with the German statesman.

### Who Was John Lothrop Motley?

Motley was born on April 15, April 1814, into a wealthy and notable Boston family. His grandfather had been amongst the founders of the United States, and had corresponded with Benjamin Franklin and George Washington. During the 19th Century, amongst Boston’s political and intellectual milieu, the tone was set by the circles around John Adams, who had been U.S. President from 1797 to 1801, and his son, John Quincy Adams, President from 1825 to 1829. After attending Harvard College, Motley studied at Göttingen University in 1832, and then at Berlin in 1833. On returning to the United States, Motley was first active as both a lawyer and a writer. In 1841, he entered the diplomatic service, but resigned after a few months’ posting at the U.S. Embassy in St. Petersburg.

In 1851, Motley moved to Europe to devote himself entirely to a close study of the history of the Netherlands, which led to his published *Rise of the Dutch Republic* and *History of the United Netherlands*. While his family lived first in Dresden and then in Vevey in Switzerland, Motley pored over the Archives in Holland, Belgium, Germany, Venice, Paris, and London. From 1861-67, Motley was U.S. Ambassador to Vienna, and from 1869 to 1870 Ambassador to London. He spent his declining years in England, where he died in 1877.

From the mid-1850s on, Motley enjoyed an international reputation as an historian and also, both before and after serving as Ambassador to Vienna and London, as one of the United States’ leading unofficial representatives in Europe, in touch with monarchs, prime ministers, foreign ministers, and financiers. On April 29, 1860, Oliver Wendell Holmes wrote to Motley, “we now regard you as the plenipotentiary of the true Republic accredited to every Court in Europe.” An American patriot and staunch republican, Motley was at special pains to maintain close contact with England’s ruling

class, and undoubtedly played a major role in preventing London from openly backing the Confederacy during the Civil War.

### Relations in Göttingen, Berlin, Frankfurt

When Motley reached Göttingen University in 1832, he undertook to study law, but also attended lectures by the Grand Old Man of German ancient history, Arnold Hermann Ludwig Heeren, who kindled an interest in historiography that would remain with him throughout his life.

Professor Heeren was to have a great influence on another U.S. statesman and historian, George Bancroft, who became U.S. Ambassador to Berlin from 1867 to 1874. Edward Everett, U.S. Secretary of State from 1852 to 1853, later president of Harvard University, studied at Göttingen, and also fell under Heeren's sway. George Ticknor, a fatherly friend of Motley's, was so impressed by Göttingen University, that he was to reorganize Harvard on the Göttingen model.

Shortly after reaching Göttingen, Motley wrote to his parents (July 1, 1832): "I have found a few friends here whom I admire very much, and with whom I have already drunken *Brüderschaft*"—and Bismarck amongst them. The following year, Bismarck and Motley pursued their studies at Berlin, and lived in the same building at number 161, Friedrichstrasse. In June 1834, Motley left Berlin, and although the two were not to see each other for another 21 years, their friendship never faltered.

Before leaving Germany, Motley visited Weimar and met there with Goethe's daughter-in-law at the late poet's home. In 1842, returning from St. Petersburg, Motley called on her again, and wrote of Weimar: "Of that splendid army of genius, the coffins of Goethe and Schiller are all that remain."

Of Weimar, Bismarck was, for his part, to write in *Reflections and Recollections*: "Despite Goethe, Schiller and the other great men in the Elysian Fields of Weimar, this spiritually extraordinary town was nonetheless infected with the foolish conceit that has ever plagued our patriotic sentiment: namely that a Frenchman and above all an Englishman, through his nationality and birth, were somehow more of a proper man than a German, and that the acclaim of public opinion in Paris and London were better proof of one's worth than one's own conscience." That very attitude was embodied in Bismarck's arch-enemy Princess Augusta of Weimar, wife to the Prussian King (later German Kaiser) Wilhelm I; their son Frederick was to marry Queen Victoria's eldest daughter.

On leaving university, Bismarck entered the civil service, but threw himself into wild escapades most unsuited to the life of a Prussian official, and quit the service. He thereupon whiled away a few years on Kniphof, his Pomeranian estate, where he attempted to lead the life of a gentleman farmer, without, however, attaining any notable success. At the time, Motley was practicing as a lawyer, a profession with which he felt little affinity; he was elected for one term to the Massachusetts State Legislature, and wrote two novels.

Both for Bismarck and for Motley, the year 1851 was to be decisive: Motley moved permanently to Europe, and undertook his studies of Dutch history, while Bismarck became the Prussian delegate to the Federal Diet (Deutschen Bund) at Frankfurt-on-Main.

In July 1855, Bismarck and Motley met again at Frankfurt, for the first time in 21 years. Motley wrote to his wife: "I was received with open arms. I can't express to you how cordially he received me. If I had been his brother, instead of an old friend, he could not have shown more warmth and affectionate delight in seeing me. I find I like him even better than I thought I did, and you know how high an opinion I always expressed of his talents and disposition. He is a man of very noble character, and of very great powers of mind. The prominent place which he now occupies as a statesman sought him. He did not seek it, or any other office. . . . Of course my politics are very different from him, although not so antipodal as you might suppose, but I can talk with him as frankly as I could with you."

Three years later, in May 1858, Motley visited Bismarck again at Frankfurt. "I went to the Bismarcks' and received as affectionate a welcome from them both as I knew I should, and like them if possible better than ever. . . . I have dined there every day, and spent most of my time with them."

Motley then travelled on to London, writing to his wife on May 28, 1858: "In the evening I dined at Thackeray's. . . . One of the company I discovered to be . . . the Secretary of the English Legation at Frankfurt. He knew Bismarck, of course, and said there was no doubt he was the cleverest man in Germany, and that everybody hated him in consequence, and was afraid of him."

### Motley on Bismarck's 'Great Plan'

In October 1858, Motley left England to return to his family in Switzerland, stopping to spend, as he put it in a letter to his mother, "a couple of very agreeable days at Frankfurt with one of the most intimate friends I have in the world, Mr. de Bismarck, now Prussian Ambassador at the Diet, and formerly a companion of my youth."

Some idea of what he discussed with Bismarck can be gathered from another letter from Motley to his mother, penned on June 5, 1859:

"If there were a young, vigorous, intellectual sovereign in Prussia at this moment, a man like Frederic the Great or Peter the Great, he would see that the time has arrived for Prussia to secure at last the object of its ambition, the imperial crown of Germany. If the House of Brandenburg which governs the powerful, wholly German, and progressive Prussia, could become Emperors of Germany, to the utter annihilation of a fictitious, artificial sham, which [was] got up at the Congress of Vienna fifty years ago, and baptized the Empire of Austria, in which there are only about seven million Germans, shaken up pell-mell in a great bag with 30 millions of Slavonians, Magyars, Italians, Croats, and Greeks, and the Lord knows

## The North German Federation and the German Empire, 1866-71



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*Bismarck finally succeeded in unifying Germany in 1871.*

what hodge podge, which has never had any vitality except in defiance of all laws, divine or human—if such a result could take place, then there might be a real Germany, and a handsome solution to the present European question.”

What Motley relates here is Bismarck’s plan for “Prussia’s German future”: German unity under Prussian leadership. As Bismarck wrote in *Reflections and Recollections*, while Bismarck was at Frankfurt, he pondered a strategy that would enable the German people “to realize its claim to an existence under international law, as one of the great European nations.” During the forthcoming decade, that plan was to be implemented, but as Motley wrote the lines above, Bismarck was simply a Prussian diplomat, being appointed Minister President of Prussia only in 1862.

There were three major stages along the way to the realization of Bismarck’s “Great Plan” for German unity under Prussian leadership, and three wars: the Prusso-Danish War of 1864, the Austro-Prussian *Blitzkrieg* of Summer 1866, and the Franco-Prussian War of 1870-71. Does that make of Bismarck a “war-monger” who forced through a united, but reactionary-militaristic Germany? Hardly—these were *not* “wars of aggression” provoked and launched by Bismarck, and they were, in all cases, contained. The same can be said of the Franco-Prussian War, as the U.S. Civil War general Philip Henry Sheridan remarked to Prussian Chief of Staff von Moltke. But, in truth, all three wars were “willed” by Bismarck: He saw them not only as inevitable, but necessary.

At the Congress of Vienna in 1815, German unity had been deliberately thwarted. The Diet, or Deutsche Bund of 30 allegedly “sovereign” states, was an impotent construct, in which the two main powers, Prussia and Austria, succeeded only in stifling one another—precisely what the other European powers wanted. In the aftermath of the 1848 Revolution, German unity slipped through the net yet again, owing to the lack of any great leader, whether on the “reactionary,” or the “revolutionary” side, a leader able and willing to seize the great historical opportunity. Bismarck was well aware that German unity would not be attained “through speeches, associations, majority vote,” nor through “parliamentary votes, newspapers or rifle-club get-togethers,” just as he knew that

Germany was ringed about by foreign powers which intended to keep her split into as many tiny “sovereign” statelets as possible, forever.

The Austro-Prussian *Blitzkrieg* in the Summer of 1866 ended with peace terms that were mild for Austria—Bismarck insisted on that. Those terms did, however, revolve about one central aspect: Austria, a multi-national state, was compelled to quit the German Diet. Under Prussian leadership, the North German Confederation (Norddeutscher Bund) was established, and by 1867 Germany was unified within her territories north of the Main River. Then, as an outcome of the War of 1870-71, France, which had systematically obstructed German unity since the Peace of Westphalia, was obliged to acknowledge that unity, and that it included Bavaria, Württemberg, and Baden in the south.

## The U.S. War of Secession

From his conversations with Motley, who was utterly opposed to slavery and to the Southern states’ “Great Conspiracy,” as he put it, Bismarck knew that the Gordian Knot within the United States would have to be cut, somehow, and that compromise, “peaceful co-existence” within the Union was out of the question. When the Confederacy declared secession from the Union in 1861, the United States could not just walk away and accept it. It was the Civil War that made the South bow to the principles of the *Great Republic*, in Motley’s words.

In the War of Secession, England and France were the “interested third parties.” They encouraged the Confederacy to secede, and pursued plans for it to ally with Mexico, which, thanks to the puppet Emperor Maximilian, had become a de facto Anglo-French colony. Bismarck well knew that the foreign policy concerns of England and France were largely absorbed by the gigantic shake-up on the American continent, so Germany had maneuvering room that it would not have had otherwise.

As the American crisis escalated in 1860, Motley left Europe for the United States, where he remained until he was appointed Ambassador to Austria in late 1861. “As to going abroad and immersing myself again in the 16th century, it is simply an impossibility. I can think of nothing but American affairs, and should be almost ashamed if it were otherwise.” On several occasions, Motley met with the newly elected President Abraham Lincoln and his Secretary of State William Seward. “Mr. Lincoln embodies singularly well the healthy American mind,” he wrote. In Massachusetts, Motley was surrounded by his Bostonian circle of friends, which included George Ticknor, Edward Everett, Oliver Wendell Holmes, and John Quincy Adams’ son.

On July 22, 1861 Motley wrote to his wife: “The existence of this government consists in its unity. Once admit the principle of secession, and it has ceased to be, there is no authority then left, either to prevent the extension of slavery, or to protect the life or property of a single individual on our share of the continent. Permit the destruction of the great law which has been supreme ever since we were a nation, and any other law may be violated at will. . . . In short, we had our choice to submit at once to the dismemberment and national extinction at the command of the slavery oligarchy which has governed us for forty years, or fight for our life. The war, forced upon us by the slaveholders, has at last been accepted, and it is amazing to me that its inevitable character and the absolute justice of our cause does not carry conviction to every unprejudiced mind.”

In Autumn 1861, Motley took up his ambassadorial post in Vienna, stopping in England, where his letter to the *Times* of London, titled “The Causes of the Civil War” attracted much attention. The semi-official *Times* strongly supported the Confederacy, and indeed in 1861-62, there was a very real possibility of a military intervention by England in support of the Confederacy. Motley met with Lord Grey, Lord John Russell, Lord Palmerston, Queen Victoria, and Prince Albert. His essential message—and warning—was clear: “I tell everybody here that the great Republic will rise from the conflict stronger than ever, and will live to plague them many a long year.”

Motley journeyed on to Paris, where he met French Foreign Minister Thouvenel. “Of course, France hates us as much as England does, and Louis Napoleon is capable of playing us a trick at any moment. . . . I say, then, our great danger comes from foreign interference. What will prevent that? Our

utterly defeating the Confederates.”

When Lincoln was re-elected in 1864, and the military tide turned in favor of the Union, Motley wrote to his daughter Lily: “*Oh Grosser Gott, im Staube danke ich Dir* [Oh Great God, I thank thee from the dust]. . . . Throughout the great War of Principle I have been sustained by one great faith, my belief in democracy. The American people have never known a feudal superior, in perfect good faith and simplicity has always felt itself to be sovereign over its whole territory, and because for a long period [it] allowed itself to be led by the nose, without observing it, by a kind of sham aristocracy, which had developed itself out of the slave-trading system of the South, it was thought to have lost all its virtue, all its energy, and all its valour. . . . But when the object of the great conspiracy was finally revealed, I suppose that no despotic monarch that ever lived, not Charles V, nor Louis XIV, nor the Czar Nicholas was ever more thoroughly imbued with the necessity of putting down the insurrection of serfs or subjects than was the American Demos. . . . I don’t say it is pretty or gentle or jolly. But it has a reason for existing, and it is a fact in America, and is founded on the immutable principle of reason and justice.”

## The Prussian Wars of 1864 and 1866

On April 17, 1863 Bismarck wrote to Motley: “I was overjoyed to read your letter of the 9th, and should be most grateful, were you to stick to your word and write oftener and longer. I hate politics, but as you so rightly say, like the grocer hating figs, I must nevertheless ceaselessly bend my thoughts on those figs. At the very moment that I pen these words, my ears ring with politics. I have got to sit through thoroughly vulgar speeches from the lips of thoroughly infantile and excitable politicians. . . . Never for a moment had I expected to spend my adult years plying so undignified a trade as that of Parliamentary Minister. . . . Your battles [in the Civil War] are bloody, ours are babbly; these babblers cannot govern Prussia, I must stand up against them, for they’ve scant wit but much self-satisfaction, bone-stupid and brash as they are. . . . Your faithful old friend V. Bismarck.”<sup>2</sup>

Bismarck’s letter relates to his own extremely precarious situation as Minister President of Prussia between 1862 and 1866. Conflict had broken out between King Wilhelm I and Bismarck on the one side, and the liberal bourgeoisie on the other. The latter controlled the Prussian Parliament, and rejected the call for increased military expenditure. Matters escalated, and Bismarck had to govern without a budget approved by Parliament. This tense situation ended—to Bismarck’s advantage—thanks to the *Blitzsieg*—quick victory—against Austria in the Summer of 1866. On May 31, 1863, Motley wrote to Lady Russell: “I am just now very interested in watching the set-to between Crown and Parliament in Berlin. By the way, Bismarck-Schönhausen is one of

2. Bismarck’s letter was penned half in German, half in English.

my oldest and most intimate friends.”

The transatlantic factor was critical in the war with Denmark of 1864, where Bismarck moved to prevent Denmark from annexing Schleswig-Holstein. In the end, Schleswig-Holstein was annexed to Prussia. Bismarck took the risk of unleashing that war, because he knew that France and England were tied down in the American Civil War and their adventure with Emperor Maximilian in Mexico.

For his part, Motley considered the Danish War as a useful relief for the United States: “I presume if the Great Powers of Europe are drawn into a war on the Schleswig-Holstein question, we shall not be any longer taunted with urging war. . . . France would like to fight Prussia, and get the Rhine provinces, but England could not stand that, nor Austria either, much as she hates Prussia.”

As the war with Denmark raged, Bismarck wrote on May 23, 1864 to Motley: “Where the devil are you, and what do you do that you never write a line to me? . . . Let politics be hanged and come to see me. I promise that the Union flag shall wave over our house, and conversation and the best old hock shall pour damnation over the rebels. . . . Be so good as either to come, or to write to me. Thy V. Bismarck.”<sup>3</sup>

During the peace negotiations at Vienna after the war with Denmark, in July-August 1864, Bismarck visited Motley, who was there as Ambassador. Motley wrote to his mother: “He [Bismarck] dined with us yesterday en famille, asking me to have no one else except Werther, the Prussian Minister here. . . . Lily [Motley’s daughter] will tell you all about him politically. He is as sincere and resolute a monarchist and absolutist as I am a Republican. But that doesn’t interfere with our friendship.” Motley and Bismarck met twice more in Vienna, Motley noting that they were downing great quantities of wine. Bismarck presented Motley to the Prussian King Wilhelm I—“a tall, sturdy, goodhumoured-faced elderly man,” observed Motley.

As for Bismarck the “resolute absolutist,” here is what he wrote in *Reflections and Recollections*:

“Absolutism *would be* the ideal Constitution for European forms of statehood, were it not that the King and his officials belong to the race of men, and accordingly are in no position to rule with superhuman knowledge, discernment and justice. Even the ablest and most benevolent of absolute monarchs cannot but be affected with the foibles and imperfections of his fellow men, and by an inflated idea of his own discernment, as well as by the influence and eloquence of favorites, not to speak of the effeminate, whether legitimate or illegitimate, amongst them. The monarchy and the most ideal monarch, unless he is to become a public nuisance through his own idealism, must be open to criticism, the thorns of which will press him back onto the right path, whenever he is going astray. . . .

“Criticism can be expressed only through a free press

and through Parliament in the modern sense of the term. The usefulness of both those correctives may, however, be eaten away and even lost by misuse. Preventing this, is the task of constructive politics, which does involve fighting Parliament and the press. Gauging the limits within which that struggle must be contained, in order to allow the government to exercise control without, however, this turning to oppression, is a matter for political tact and sense of proportion. If the monarch be possessed of such a sense of proportion, then happy his nation, admittedly a transient happiness like all that pertains to man. . . . To the degree that human shortcomings so allow, that objective was more or less attained under the government of Wilhelm I.”

In 1866, as tension between Prussia and Austria escalated, a war very nearly broke out between the United States and France over Mexico. Shortly before the Austro-Prussian war Broke out, Motley wrote to his daughter Lily:

“But there is a future—a possible future of Prussia. It may one day become liberal as well as powerful. Intellectually and industrially it is by far the leading power in Germany. Constitutionally it may become free. It is now a military despotism. The hard-cutting instrument, which is now personified by my old friend Bismarck, may do its work by cutting away all obstacles and smoothing the path to Prussia’s great fortune. Bismarck is a man of great talent and iron will. Probably no man living knows him as intimately as I do. He too believes in his work as thoroughly as Mahomet or Charlemagne, or those types of tyranny, [as] our Puritan forefathers, ever believed in theirs.

“He represents what is the real tendency and instinct of the whole Prussian people, from King William to the most pacific *Spießbürger* [Philistine] of Potsdam. They all want a great Prussia. They all want to Borussifise [Prussianize] Germany. Only they want to do it pacifically, God save the mark. As if it were possible to make an omelette without breaking the egg. As if the electors and grand dukes and other little fish would put themselves of their own accord into the Prussian frying pan. Well then, suppose Prussia victorious, there is a great intellectual and powerful nation, which may become a free nation, in the heart of Europe able to counterbalance France. . . .”

After Prussia’s victory at Sadova on July 3, 1866, Motley spoke of “the most lightning campaign in all military history”:

“Germany has for centuries been tending towards unification. The people have been getting more and more restive under their three dozen independent sovereigns, great and small. The Congress of Westphalia recognized more than 300 of them. The Congress of Vienna, a century and a half later, stewed them down to 36. Prussia, whatever may nominally become of Saxony, Hanover, Hesse, and the like, is sovereign mistress of all Germany North of the River Main line. And already there are strong indications that the population of South-Western Germany will claim admission to the Northern Union. . . . Prussian military despotism, by the grace of

3. Written partly in German, partly in English.



God, is perhaps opening the way more rapidly for liberty in Europe than all that the Kossuths, Garibaldis and Mazzinis could effect in half a century. . . . The union of Italy and the union of Germany, to prevent which was the steady aim of Louis Napoleon, just as was his steady aim to assist Jeff. Davis in destroying the American Union, are in a fair way accomplishing themselves in spite of him.”

### Final Meeting Between Bismarck and Motley

Of his brief stint as U.S. Ambassador to London, Motley wrote:

“I have great doubts whether it would be worthwhile to get myself steeped again in the fascination of Albion. The cultivated luxury of these regions has poison in it, I fear. It is well to enjoy it once—twice—even thrice, as I have done. But, after all, one is an exotic here. . . . I am most sincere when I say that one should never wish America to be Anglicized, in the aristocratic sense. Much as I can appreciate and enjoy, aesthetically, sentimentally, and sensuously the infinite charm, refinement, and grace of English life, especially country life, yet I feel too keenly what a fearful price is paid by the English people. . . .”

On August 7, 1869 Bismarck wrote to Motley: “for three weeks, the sheets of writing-paper have lain there, waiting that I write to you in London, and ask whether you cannot spare a week or two for me . . . and pitch your wigwam in the Pomeranian forests [at Bismarck’s estate, Varzin]? I am so bent on that thought, that I shall fall ill if you refuse—think of the dreadful effect on political life that would have!”

Shortly thereafter, Bismarck wrote to Motley: “I’ve heard through sources at Paris that [U.S. Ambassador to Germany George Bancroft] is to be withdrawn, for having allegedly failed to properly represent America. No one here in Berlin shares that view. . . . I can scarcely believe that any friend of America and of Germany, anyone who delights in the brotherly ties between those two civilized nations, might possibly entangle himself in such intrigue. Bancroft is one of the most popular fellows in Berlin. . . . If you can, do act to prevent him from being sacrificed, as he’s far better than most of the Europeans who ply the trade that is his, yours and mine.”

One should note here that it was on account of intrigants, that Motley himself was withdrawn from his post in Vienna and then in London.

In late July 1872, Motley and his daughter Lily visited Bismarck at the Varzin estate. Following Prussia’s victory over France and the proclamation of the German Reich on January 18, 1871, Bismarck had been appointed Chancellor. Motley wrote:

“The manner of living is most unsophisticated, as you will think when I tell that we were marched straight from the carriage into the dining room, and made [to] sit down and go on with the dinner. . . . He [Bismarck] is talking all the time in the simplest, funniest, and most interesting manner about all sorts of things that had happened in these tremendous

years, but talking about them exactly as every-day people talk of every-day matters—without any affectation. . . . It has done me much good to be with Bismarck, so familiarly and pleasantly all the time. We had long, long talks about the great events in which he was the principal actor, and he goes on always so entirely *sans gêne* [unconstrained], and with so much frankness and simplicity. . . .”

Motley and his daughter stayed a week at Varzin, and were among the inner family circle that attended Bismarck’s silver wedding anniversary. On the journey back, Motley called on U.S. Ambassador Bancroft in Berlin. This was Motley’s last meeting with Bismarck. After his wife died in 1875, Motley’s health declined sharply, and he died on May 29, 1877. Bismarck survived Motley by 21 years, to die on July 30, 1898.

### Bismarck and the German Reich

In his years at the helm, Bismarck left a deep imprint on the newly established German Reich, in terms of its economy, as well as its labor and domestic policies. In 1879, protectionist tariffs were at long last introduced, “to defend the German labor force and German production,” as Bismarck put it. The railroads were nationalized, and a unified, excellent legal system was introduced.

The term *Kulturkampf* refers to Bismarck’s bitter struggle with the Catholic Church between 1870 and 1878: Shortly after the battle at Sedan on Sept. 1, 1870, Italian troops marched into the Papal States in central Italy. Through the French defeat at Sedan, Pope Pius IX, an ultra-reactionary, had lost both his mightiest protector, Louis Napoleon, and all temporal power in the Papal States, for which the Pope rightly held Bismarck responsible. With boundless energy, Pius IX threw the Catholic Church and her political allies in Germany, essentially the so-called Center Party, against Bismarck. The latter reacted by an out-and-out onslaught on what he called the “ultramontane” forces. On the election of the new Pope, Leo XIII in 1878, the *Kulturkampf* ended.

In that same year, with his “Socialist Laws,” Bismarck launched a confrontation with the Social Democratic workers’ movement. He saw the Social Democracy essentially as a British instrument deployed to destabilize Germany—run from London. “England has been occupied for quite some years now, in threatening foreign states with revolution,” wrote Bismarck in *Reflections and Recollections*. Between 1883 and 1889, it was Bismarck who pushed through his own “social security legislation,” which instituted a public system for health and accident insurance and pensions, jointly financed by workers and employers.

From a foreign policy standpoint, Germany was “saturated” from 1871 on, as Bismarck told Motley during their Varzin visit. His sole aim had been to head off a combination of Great Powers directed against Germany. While Bismarck was in power, it worked—and the same was true of German-American relations.

# How Carey and Bismarck Transformed Germany

by Anton Chaitkin

A stunning reversal in strategy in the late 1870s rapidly changed Germany into an industrial giant. Otto von Bismarck's military and political leadership had earlier formed a unified German nation out of smaller princely states, in the 1860s and early 1870s. But under British-directed "Free Trade," the country was relatively weak and backward—until Chancellor Bismarck adopted the protectionist outlook of the United States of America.

This German revolution was effected largely through the personal efforts of American economist Henry C. Carey, as Bismarck welcomed Carey's intervention to educate and help shape a German policymaking elite.

Carey was world renowned as intellectual leader of the forces backing Abraham Lincoln's agenda: government credit and high tariffs to build railroads, mills, and mines. With the political power and prestige of the Union's Civil War victory behind them, and the amazing success of U.S. industrialization under protectionism, Carey and his allies were taking this nationalist program out to Germany, Russia, Japan, and rest of the world.

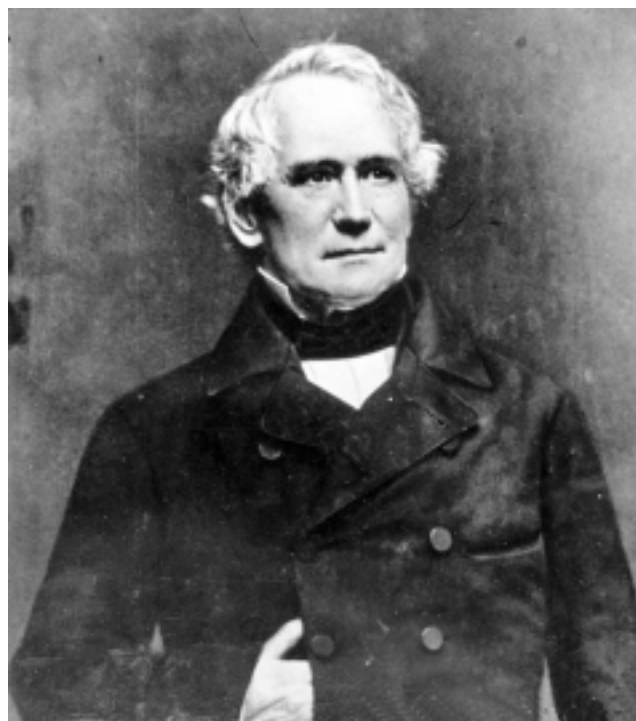
Henry Carey was born in 1793 in Philadelphia, son of Benjamin Franklin's protégé, Mathew Carey, the Irish revolutionary immigrant publisher and pamphleteer. Mathew Carey had reintroduced the state-interventionist economics of Alexander Hamilton to train a new generation of nationalist leaders, culminating in Lincoln.

For this initiative, the senior Carey sponsored the Philadelphia career of anti-imperial economist Friedrich List, an 1820s émigré from tyranny in Germany.\* As Mathew Carey's political partner, List returned to Europe in the 1830s to pro-

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\* Friedrich List had taught political economy in Tübingen University, and was a protégé and political colleague of the Tübingen publisher Johann Friedrich Cotta, who had earlier promoted Friedrich Schiller. In 1819, List was elected chairman of the new Handelsverein (association of industrialists). He and Cotta aimed to unify the German principalities under a single government which could industrialize backward Germany; this would make possible an alliance of Russia, Germany, France, and the United States, to break the power of the British Empire. The pro-British party and Austria's Prince Metternich procured List's imprisonment, then exile. The Marquis de Lafayette invited List, the honored convict, to accompany him to the United States in 1825.

List was commissioned by Mathew Carey's Pennsylvania Society for the Promotion of Manufacturing and Mechanical Arts, to prepare a book on economic theory, to attack Adam Smith and the British free trade doctrine. List's 1827 *Outlines of American Political Economy*, published by Carey's group, prefigured his 1841 *National System of Political Economy*, which made List a world spokesman for American System economics.



Library of Congress

*Economist Henry C. Carey was the intellectual leader of the forces backing President Lincoln's industrialization agenda. He emerged as the senior strategist among American military and intelligence leaders.*

mote the American System against British influence. List's *Zollverein* (tariff union) of small German states prepared the way for Bismarck's unification. But Bismarck did not go beyond political unity to the Carey-List program of economic nationalism until Mathew Carey's son Henry, in his old age, personally led the way.

Henry Carey emerged as the senior, global strategist among American military and intelligence leaders. Henry Carey published James Fenimore Cooper's novels, such as *The Bravo* and *The Heidenmauer*, with their keen insights into the enemy Venetian and German oligarchs. The Carey firm worked in tandem with the Cotta family, the German publishers of humanist poet Friedrich Schiller. Henry Carey saw government-promoted industrialization as the key to national sovereignty, and to Germany's and other countries' potential as U.S. allies against the financier oligarchy and British empire sabotage of economic progress.

## Carey in Europe

Carey travelled to Europe in 1825, when Fenimore Cooper and other young Americans were forging alliances with European republicans.

Carey returned to Europe twice more, in 1857 and in 1859, after studying the German language for the first time when he was past the age of 60. As the American crisis of secession was building to a climax, Carey was solidifying the international ties that would aid national survival and development

on both sides of the Atlantic. He met with Germany's top strategist of science, the pro-American Alexander von Humboldt. He conferred with and greatly encouraged Germany's Justus Liebig, the pioneer of biochemical science. He strategized with Count Camillo Cavour, then leading the struggle for Italian national unification against the intrigues of the British, the Austrian Hapsburgs, and France's Napoleon III.

Carey's activities in Europe were highly confidential; from his surviving correspondence (at the Pennsylvania Historical Society), we know only a few of his German contacts of the 1850s, and nothing of his time in Russia.

But he built a foundation for the nationalist movement in America, that transformed the world. Germany and Russia both supported the Union during the Civil War; and both later acted to adopt American System economics through the influence of Henry Carey.

President Lincoln, after starting the U.S. Agriculture Department, used Justus Liebig's students as America's main agricultural science teaching cadres.

Throughout the Civil War (1861-65), and continually until Carey's death in 1879, Carey's nationalist works were being translated into German, and distributed by his associates among leading and politically active circles in Germany.

The U.S. Ambassador in Berlin, George Bancroft, notified Carey in an 1873 letter, that he had put into Bismarck's hands Carey's book (perhaps *The Unity of Law*, published 1872), after explaining to the Chancellor Carey's "high position."

In late 1875, Bismarck met with industrialist Wilhelm von Kardorff, head of the party whose members were followers of Carey in Germany, and who were spreading Carey's works there. (Kardorff was the neighbor and friend of General Helmut von Moltke, Bismarck's military chief of staff.) Bismarck invited Kardorff to proceed with organizing industrialists, agricultural interests, and others.

A series of 1876 letters from Baron Kardorff and other Careyites describe their intense push for a German policy change, as they guide the development of a parliamentary majority supporting protectionism. Their main weapon was Carey's devastating new 1876 pamphlet, "Commerce, Christianity, and Civilization versus British Free Trade: Letters in Reply to the *London Times*," which arraigns the Empire's arrogance for lecturing the world on Liberal economics while slaughtering the colored races and running the global opium trade.

Meanwhile Bismarck had sent the German machine builders' representatives to Philadelphia to participate in the massive 1876 U.S. Centennial celebration. The head of the delegation, professor Franz Reuleaux, spent three months studying the startling recent U.S. engineering accomplishments, and conferring with the entire Carey faction of industrial and scientific leadership. Reuleaux's reports from Philadelphia, printed in the German newspapers with a profound public impact, demanded a sharp upgrading of German indus-

try along the lines of the American protectionist system, for high wages and superior productivity.

## The Policy Shift

Beginning in 1878, Germany under Bismarck effected a top-down change in its political-economic strategy, ending conformance with British free trade policy that had been hegemonic since the London-Paris "Cobden" treaty of 1860, and ending the financial speculation and looting that had crippled Germany. In 1879, Bismarck conferred over the ongoing programmatic shift with the visiting Congressman William D. "Pig-Iron" Kelley of Philadelphia, Henry Carey's most faithful adherent within the U.S. government.

A protective tariff, particularly for iron and steel manufacturing, was adopted as a permanent German national policy. This was seen as a return to the full national idea of Friedrich List.

A system of state welfare protection for workers was enacted, with unemployment compensation and pensions.

Industries were cartelized for greater productivity, as in the pooling of laboratory facilities. Large banks, interlocking with the state-sponsored cartels, were created to finance national (and international) development programs.

The government intensified state sponsorship of education, and of physical infrastructure—railroads, canals, ports, merchant ships, and a modern navy.

In the resulting leap of productivity, Germany's cities and industries were electrified. The nation's machine tool capability, that was enhanced by this combined policy program, was supported by the newly great electrical, chemical, and metallurgical industries.

Although Germany's princely oligarchy was not crushed, and remained a pivot for future disaster, Bismarck and the Carey-led American faction had created a new pro-nationalist ruling elite structure, with a lasting commitment to technological progress strikingly similar to that of the Americans.

As the U.S.A. vaulted past Britain to world industrial leadership, Germany was suddenly rushing past Britain towards number-two rank.

The British lords, the Hapsburgs, and other imperial leaders panicked as they saw America's nationalist upsurge spreading and threatening the utter route of oligarchism.

Britain's intrigues led to world war and the political catastrophes that broke up America's international alliances. But Britain's permanent hysteria over the post-Civil War U.S. outreach is shown by its complete purging of Lincoln-Carey politics from historical accounts of the period.

Yet, one can still see the shadow of these events in the so-called "Austrian School" of economics, concocted by the British and the Hapsburgs in the 1880s, in reaction to Germany's radical policy reversal. In this ultra-free market dogma—the doctrine of Friedrich von Hayek and of today's neo-conservatives—Otto von Bismarck and Abraham Lincoln are made into the twin bogeymen of modern history, the supposed originators of despotism and communism!

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## Book Reviews

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# Abraham Lincoln's Presidency: Leadership at the Highest Level

by Nancy Spannaus and Stuart Rosenblatt

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### **Team of Rivals: The Political Genius of Abraham Lincoln**

by Doris Kearns Goodwin  
New York: Simon & Schuster, 2005  
915 pages, hardcover, \$35.00

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### **Lincoln's War: The Untold Story of America's Greatest President as Commander-in-Chief**

by Geoffrey Perret  
New York: Random House, 2004  
470 pages, hardcover, \$35.00

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Contrary to the pseudo-psychiatric drivel which often passes for Lincoln scholarship these days, these two books make a significant contribution to elaborating the kind of leadership President Abraham Lincoln provided to our nation. We recommend them both to those looking to understand the qualities, and the mission, of our nation's greatest President, and especially to those elected to leadership in the U.S. Congress.

In an article published in *EIR* shortly after his death, in August 2003, historian H. Graham Lowry set a standard for defining the principle of leadership which Lincoln represented, not just for the United States, but for the world as a whole.<sup>1</sup> Lincoln was a leader, Lowry wrote, who not only represented a commitment to the mission of defending the only republic in the history of the world: a constitutional republic, that had as its principle, the sacred creative potential of each individual citizen, but one who was capable of inspiring his fellow citizens to find the resources in themselves to fight for that same mission. Lincoln was willing to give his

life to fulfill that mission, because he knew that the very future of both his nation, and mankind as a whole, depended upon its success.

Lowry substantiated his thesis by recounting episodes from Lincoln's life which gave the reader sensuous insight into Lincoln's mind, allowing the reader to relive or participate in his process of thought. While surely he would have provided further elaboration to this article, if he had lived to complete it himself, the point is effectively made, especially in Lowry's recounting of Lincoln's relations with the army.

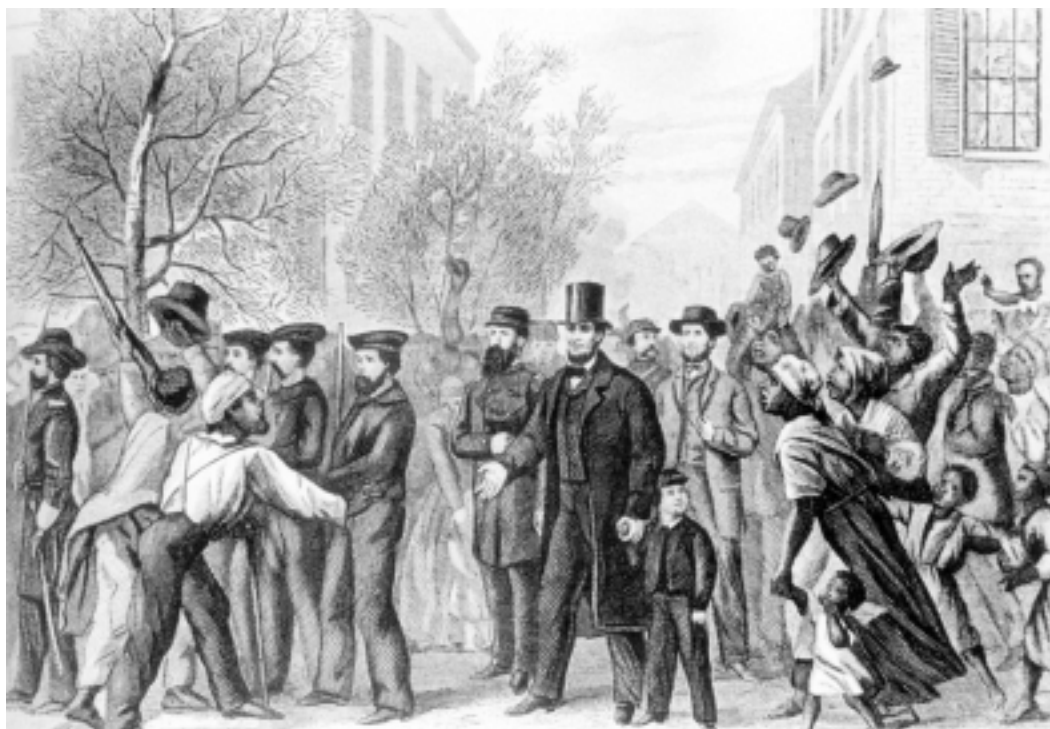
### **Team of Rivals**

When read with Lowry's thesis in mind, the well-documented tome by Doris Kearns Goodwin is a very effective presentation of Lincoln's ascent to the Presidency, and his operation of a government dominated by those who had been his rivals for that post. Specifically, Goodwin had compiled the letters and histories of William Seward, Salmon Chase, and Edward Bates, all of whom Lincoln had brought into his government, as Secretary of State, Secretary of the Treasury, and Attorney General, respectively. She thus chronicles Lincoln's fight for the Presidency, and to save the Union, from the standpoint of how he is distinguished from these men, and how he chooses to deal with them for the benefit of the nation.

Why Lincoln became President, instead of his much more celebrated and politically established rivals, is the first question which Goodwin tackles. Without saying so in so many words, she establishes without a doubt that Lincoln was the only candidate who did not attempt to radically change his political "image," in order to win the nomination. Not that Lincoln was not ambitious; he surely was. And a more thorough ward-heeler style of politician, knowing every section of his district like the back of his hand, and how to get its voters to the polls, could hardly be found. But Lincoln had a strength of character, and an ability to read and work with the character of others, without egoism and without compromising principle, that helped him build a machine for victory.

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1. H. Graham Lowry, "Re-creating the Republic: How Abraham Lincoln Organized Victory for the Union," *EIR*, Aug. 29, 2003.



National Archives

*In the process of searching for generals who could, and would, fight, Lincoln became a keen military commander himself. Instead of suicidally fixating on taking Richmond, Lincoln implemented a classic flanking attack, cutting the Confederacy in two. Here, Lincoln and his son Tad are shown walking through Richmond, on April 4, 1865, five days before the South surrendered.*

Even more engrossing is Goodwin's discussion of how Lincoln handled the Presidency, in the face of the worst crisis which the young republic had ever faced. Unlike all too many biographers of Lincoln today, she refuses to get caught up in this or that statement which Lincoln made about slavery, but instead, chronicles his strategic approach to the issue from the standpoint which he had maintained throughout his entire life: that slavery was an abomination to human freedom, and had ultimately to be eliminated. It is particularly useful to see her juxtaposing the judgments of Frederick Douglass—in the end, one of the President's greatest defenders—to the actions which Lincoln took, or refused to take, on this defining issue. Douglass's judgment stands the test of time: Lincoln may not always do what you want him to do, or take the most courageous action when you want it to be done, but he will stand by his word, and he eventually came through.

And, he will treat you like a worthwhile human being. This quality of Lincoln's comes through again and again through the story of his Presidency, not only in his well-known gentle handling of supplicants to the White House, but, less well known, in his handling of his Cabinet. Lincoln found himself embroiled in constant brawls, on both policy and personal conflicts, with his disparate Cabinet members. In some cases, he would find himself totally outnumbered, in terms of a strategic decision on the war. But, Goodwin shows that Lincoln not only took responsibility for making the final decisions himself (and for mastering the body of knowledge required to do so), but for making his Cabinet argue the issue through, and understand his reasoning. On one occasion, Lin-

coln presided over an all-night meeting, after which a consensus on his original judgment was finally reached.

Ultimately, what is great about this book, is the fact that it provides such a live picture of the sublime Lincoln himself. Goodwin does not attempt to provide the history of the American System economic tradition from which Lincoln comes—a definite weakness.<sup>2</sup> But by presenting the fullness of his Presidency, Goodwin does include the relevant economic measures which he took, and certainly his commitment to the core principles of the Declaration of Independence and Constitution, which he—as did the leading Founding Fathers—understood as *one unit*. And Lincoln's character, as a leader with empathy, humor, humility, anguish, and great intellectual and moral strength, comes shining through.

### Lincoln as Commander-in-Chief

Perret's book is more narrowly defined, as it addresses Lincoln's role as commander of the Civil War, and specifically the way in which he expanded Presidential power during the course of that war. This focus makes the book particularly timely, if not a hot potato, since the current Bush Administration is attempting to mis-use Lincoln's war leadership as a model for its actions today. Anyone who pays close attention

2. See Nancy Spannaus and Christopher White, eds., *The Political Economy of the American Revolution*, second edition (Washington, D.C.: EIR News Service, 1996); W. Allen Salisbury, *The Civil War and the American System: America's Battle with Britain, 1860-1876* second edition (Washington, D.C.: EIR News Service, 1992).

to Perret's argument, however, would have to dismiss the Bush-Cheney assertion as the sophistry it is.

Like Goodwin, Perret fails to identify the American System tradition as the source of Lincoln's outlook. But he does show how Lincoln changed over the course of his Presidency, making one breakthrough after another, in comprehending and executing military strategy; in waging the legal and political battles necessary to getting the war powers he needed; in deepening his understanding of the central role of emancipation in the struggle; and in his self-conscious appreciation of his own identity as a willful actor in history.

Perret concentrates on six command decisions which Lincoln made: his controversial suspension of the writ of habeas corpus; his banning of all literature sympathetic to the Rebels; the blockade against Southern ports; the Emancipation Proclamation; the issuance of Greenbacks, and the military draft. Every change was initiated by Lincoln under his expanded conception of the war powers embedded in Article II of the Constitution, and most were ultimately ratified by Federal courts or the U.S. Congress.

## Habeas Corpus

From April to July of 1861, with Congress out of session, the rebellion broke out at Fort Sumter, and Lincoln was forced to act. Lincoln carried out a series of emergency actions to preserve the Union, that would be authorized during the Summer by the Congress. He deployed 40,000 men for the Army and Navy; summoned up 42,000 three-year volunteers; appropriated money to purchase weapons; instituted a blockade of all Southern ports; and suspended the writ of habeas corpus.

According to the Constitution, the power to suspend the writ lies in the hands of Congress, but in the emergency, with Congress out of session, Lincoln argued that the President has the power to take this action. This provoked howls of protest throughout the war. The writ was suspended several times, and ultimately up to 30,000 individuals were incarcerated.

Despite various legal cases, Lincoln felt compelled to publicly defend his action, and did so in his "Letter to Erastus Corning and Others," in June of 1863. Lincoln developed his reasoning, highlighting the difference between constitutional protections afforded the citizens under conditions of rebellion, and those during peacetime. Lincoln sharply differentiated between those two circumstances, expounded at length on the plottings that had been going on to overthrow the Union prior to the outbreak of insurrection, and concluded that he had probably made too few arrests, not too many!

In the course of the letter, the President also addressed his very controversial jailing of Ohio Congressman Clement Vallandigham, who was openly agitating against prosecution of the war. As Perret tells it:

"He [Lincoln] argued that the Constitution's barrier to arbitrary arrests was a danger 'if arrests shall never be made until defined crimes have been committed.' What people no-

ticed most in this lengthy reply was a single, cleverly crafted sentence: 'Must I shoot a simple-minded soldier boy who deserts, while I must not touch a hair of a wiley agitator who induces him to desert?' "

The suspension of habeas corpus did become an issue for the courts, with Chief Justice Rober Taney ruling against the President's action. Later, however, the Congress and the nation supported Lincoln's imposition of martial law with passage of the Habeas Corpus Act of March 3, 1863.

## Emancipation

Lincoln was always opposed to slavery, but his approach to emancipation went through several changes, from compensation to colonization, and eventually to some undeveloped notion of integration. The legal/constitutional issues involved were enormous, viz., the right to property (i.e., slaves), and the incorporation of slavery itself into the Constitution, which made simple emancipation initially out of the question.

As Lincoln neared his decision to issue the Emancipation Proclamation, he utilized the legal thesis developed by War Department legal counsel, William Whiting, who expounded on the " 'hitherto unused' powers of the Constitution." Whiting developed the legal justification for what would become military emancipation, and allowed Lincoln to carry out one of the boldest moves of his Presidency.<sup>3</sup> For Lincoln, this fell within the expanded powers of the President to wage war, and in this case, as a war measure to suppress the rebellion.

Perret points out that, in Lincoln's mind, emancipating the slaves would allow him to "cheat death," by accomplishing something immortal. Lincoln acknowledged that, "We must free the slaves or be ourselves subdued." Lincoln also stated that military emancipation would have to be followed by a constitutional amendment, which was passed by Congress, in the weeks before his death.

## Lincoln as Military Commander

As for Lincoln's prosecution of the war, Perret is quite good on several areas that have not been fully explored previously.

His appreciation of the impact of the original war plan developed by the aged Lt. Gen. Winfield Scott at the outset of hostilities, certainly stands out. Most Civil War historians and Lincoln scholars have identified Scott's Anaconda Plan as quite passive, a squeezing of the Confederacy from the outside. Not so Perret, who dug up very useful studies of the plan, and realized that Scott intended his original outline to be an aggressive, classical, flanking maneuver against the

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3. In fact, none other than anti-slavery warrior John Quincy Adams had presaged this mode of eliminating slavery in a House floor debate in 1836, arguing that under the war powers, slavery could be constitutionally interfered with, even in the original slave-states. (See William Lee Miller, *Arguing about Slavery: The Great Battle in the United States Congress*; Vintage Press, 1998.)

nascent Confederacy. Scott realized the treacherous terrain between Washington and Richmond would not be conducive to military operations, and he proposed to merely attack and pin down the enemy in the eastern theater. His main assaults would be waged in the western theater, where he called for deploying a large land army and water-borne armada to cut the Confederacy in two, and aggressively attack east from bases secured along the Mississippi.

That plan would eventually carry the day, and Perret's description provides a useful exposition of military strategy, which ran counter to the politically motivated "On to Richmond" battle cries that dominated the war.

Late in the war, after Gen. William Sherman had taken Atlanta, Perret points out the decisive battles fought by Gen. Phil Sheridan around Richmond and in the Shenandoah Valley cemented the Union victory in the south, and guaranteed Lincoln's re-election. Perret's observations are novel in pointing out the strategic import of Sheridan's campaign.

The author is also quite good on presenting Lincoln's absolutely crucial role in supplying arms and munitions for the army. Appreciating Lincoln's wonderful intellect and inventive capabilities, Perret sees the President as a man of ideas, and the driving force to bring technological innovations to the battlefield as quickly as possible.

"Lincoln was an aspiring inventor. He held patent number 6469 for a machine that would lift boats over shoals. The principle was sound, because large vessels were raised from the seabed more than a hundred years later in the manner Lincoln had anticipated. The only topic on which he ever gave a public lecture was 'Discoveries and Inventions,' shortly before he ran for president."

Lincoln was directly responsible for the production and employment of repeating rifles, ironclad vessels of all types, balloons utilized for intelligence gathering, and many other innovations. He replaced procurement officers repeatedly if they stood in the way of technological progress.

The President also spurred on the training and mass employment of cavalry divisions. The combined impact of superior rifles, rifled artillery, and cavalry units vastly improved Union firepower over the more poorly equipped enemy. Perret reports that, by March of 1865, the Union Army had 260 cavalry regiments armed with 250,000 repeating rifles and carbines, the equivalent of nearly 2 million muskets.

As the war escalated, Lincoln came to appreciate the role of logistics in depth, firepower, and manpower. Hence he scoured the countryside for manpower, moving from an all-volunteer army, to the draft, to the integration of black soldiers into the army and into combat.

Perret also chronicles Lincoln's maddening search for generals who could fight, and would fight, and offers some very insightful critiques of the rogues' gallery of early generals. The author's 1997 book on Grant (*Ulysses S. Grant: Soldier President*) is an indication of his appreciation for those generals who did rise to the occasion.

Perret also explores, with great insight, Lincoln's development as a military strategist. He traces the evolution of the President as a first-rate military thinker. Initially too deferential to the likes of the treacherous McClellan, Lincoln immerses himself in a thorough study of military works, engages in intense discussions with Stanton and others, and emerges as a keen military commander himself.

Lincoln detested maneuvers, of all types. As Perret repeatedly chronicles, Lincoln was only interested in crushing the armies of the Confederacy, though he grew to realize that creative application of massive force, as utilized by Grant, Sherman, and Sheridan was the preferred method.

## Lincoln's Immortality

Lincoln saw himself as both a tool for righting the accumulated wrongs of the past generations that had brought the nation to Civil War, and a mortal man who had to answer to a higher being for his own actions. His first obligation was to save the Union at all cost, regardless of consequences to himself.

Perret develops a fine example of Lincoln's selflessness when confronting the paradox of his own re-election in the Summer of 1864, and the need for a massive increase in troop strength to win the war. Union armies were stalled outside of Petersburg and Atlanta, and had already suffered enormous casualties in the Summer campaigning. Lincoln called upon Congress to raise an additional 500,000 troops.

Lincoln was told by his allies in Congress that the request would doom their own re-election chances, and those of the President as well. Lincoln responded, "I have thought that all over. My election is not necessary, but it is necessary for me to put down the rebellion. I must have five hundred thousand more men. You give me that law and I will put it down before my successor takes his seat."

This President was gripped by a sense of immortality unlike any other in American history. There are many statements Lincoln made that testify to this, but we choose to conclude with one he made to the 166th Ohio Infantry Regiment in August of 1864:

"It is not merely for today, but for all time to come that we should perpetuate for our children's children this great and free government, which we have enjoyed all our lives. I beg you to remember this, not merely for my sake, but for yours. I happen temporarily to occupy this big White House. I am a living witness that any one of your children may look to come here as my father's child has. It is in order that each of you may have, through this free government which we have enjoyed, an open field and a fair chance for your industry, enterprise, and intelligence; that you may all have equal privileges in the race of life, with all its desirable human aspirations. It is for this the struggle should be maintained, that we may not lose our birthright—not only for one, but for two or three years. The nation is worth fighting for, to secure such an inestimable jewel."

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## In Memoriam

### *Rabbi Arthur Hertzberg (1921-2006)* *Defender of the Defenseless*

Rabbi Arthur Hertzberg, who died April 17, was a rare combination of scholar, historian, teacher, religious leader, and political leader—a bold fighter for truth and human rights. What made him special in all his endeavors was his mission to “defend the defenseless,” a mission that he considered to be at the heart of Judaism.

Hertzberg was a man of principle, who did not cater to public opinion, and who had little regard for those who did. He had required of his suburban New Jersey congregation an independent pulpit, where he would not be bound to the interests (and prejudices) of a board of directors or monied patrons of the synagogue, and he used this independence well, speaking out for “unpopular” but righteous causes. His role as a rabbi was not as a decoration, he said, for the congregation, performing at life events and making people feel comfortable, but as a keeper of their conscience.

Over his long career, this conscience-keeping often led him into the center of political controversy. He marched with Martin Luther King in 1963, championed civil rights, and spoke up for Palestinian rights. He was a founding member of Peace Now.

Hertzberg was born in Poland into a Hasidic rabbinical family, where it was expected that he would continue the long tradition. He and his family came to America when he was five, eventually settling in Baltimore. Although he broke with fundamentalism, Hertzberg maintained the tradition of righteousness of his father, an Orthodox rabbi. The elder Hertzberg in 1931 had walked out on his Baltimore congregation when they objected to having a visiting black Rabbi lead the prayers; he walked out with his arm around the black visitor, telling the congregation that they had insulted a human being made in the image of God.

Hertzberg served as president of the American Jewish Policy Foundation and the American Jewish Congress, and vice president of the World Jewish Congress. He worked closely with Nahum Goldmann, and continued in Goldmann’s tradition, despite opposition from more pragmatic Jewish leaders.

Two years ago, Hertzberg intervened on the political situation with an interview in *EIR* in which he stated

bluntly: “Sharon and Bush will fry in hell” for what they had done to retard Mideast peace. When asked about Lyndon LaRouche’s policy of economic development for the Mideast, Hertzberg said: “It’s the only way. . . . We’ve got to create a situation or situations in which Jews and Arabs have a stake together; Israelis and Palestinians, in not tearing up Israel/Palestine. And the only way you’re going to do this, is not quickly by declarations, but slowly, by economic development.”

Hertzberg had often been under attack for his views, and this and a subsequent interview brought him under tremendous pressure from the neo-cons. The Cheney/Bush crowd couldn’t stand to have someone of his stature criticize them publicly, he explained, and so they sent their neo-con wolves against him.

Just before his last illness, the rabbi was organizing a “Committee To Defend the Constitution,” soliciting founders for the group from among his wide circle of acquaintances. He wrote in the organizing statement: “Many people in the United States are increasingly aware, and fearful that the Constitution is in danger. . . . At the very least, Vice President Cheney must be challenged for his attacks on the Constitution in the one forum which the Constitution has provided. He must face a trial of impeachment.”

Among Hertzberg’s legacy are more than a dozen books and scores of articles and commentaries on Jewish history and on contemporary affairs. The most riveting of his works is the story of his own life, *A Jew in America: My Life and a People’s Struggle for Identity*, published in 2002. For Jews and non-Jews alike, this memoir is an absorbing look at what shaped this remarkable man, and what it means to follow principle, and not the crowd. It brings alive the positive values of Hasidic and Orthodox Judaism (both of which are foreign to most assimilated Jews). He also makes clear the wrong-headedness of a Jewry that since the Six Day War has focussed its Jewish identity on the Holocaust, instead of religious values.

Rabbi Hertzberg concluded his Memoir with a traditional prayer whose words are appropriate to mark the end of his life: “The work is concluded, and may it add to peace. All praise to God, Creator of the world.”