

# EIR

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Time To Revive LaRouche's Economic Recovery Act  
Pakistan Is the Focal Point of Strategic Crisis  
American Roots of Germany's Industrial Revolution

**'Duck-Billed Platitudes,'  
But There Are No Candidates**



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# EIR

## From the Assistant Managing Editor

What better image to describe the current “down-under” state of the U.S. political system and the world economy, than Australia’s duck-billed platypus! As Lyndon LaRouche notes in our cover story this week, “the stated policies of the Presidential candidates are fairly described as ‘duck-billed platitudes, from ... ‘way down under.’”

Although the platypus has a certain appeal, as can be seen in our cover photo, it is, in fact, venomous (not to mention the fact that identifying its species had, for some time, puzzled biologists). Does this remind you, perhaps, of our putative Presidential and Vice Presidential candidates?

Up to this point, none of those candidates has indicated any recognition of the crises we face, much less, the solutions; at the same time, LaRouche points out that, given what is likely to hit over the two months between now and election day, *no one knows even who the candidates will be by that time!*

The world financial system is coming unglued at mach-speed: Look at the attempt to bail out the \$23 trillion Fannie Mae/Freddie Mac debt! There is no time to waste: LaRouche’s unparalleled leadership in economic policy must be called upon, now. For example: the auto industry. In 2006, LaRouche issued his Economic Recovery Act, which, if it had been adopted, would have sparked a science-driver recovery, by refitting the closing auto plants for machine-tool production. This week, we reproduce the Act, as a counter to foolish proposals by “mini-minds” to build “mini-cars” (see *Economics*).

The unraveling of its global financial system, is driving the Anglo-Dutch Liberal empire’s push for war and destabilization around the world. While all eyes were nervously watching Dick Cheney hurl himself into key hotspots around the globe, the Brits opened a new war-front in Pakistan, as that nuclear-armed nation was plunged into crisis, with the exit of President Musharraf from the political stage; this has already caused reverberations throughout the region (see Helga Zepp-LaRouche’s “A Rudderless World: Focal Point of the Global Crisis: Pakistan” [*International*]).

And, for a long-forgotten chapter in the history of the battle we are now waging, don’t miss Helga Zepp-LaRouche’s “The American Roots of Germany’s Industrial Revolution.”



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*Ornithorhynchus  
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**Correction:** The caption to last week's cover photo erred in saying that the Soyuz is now the only means of reaching the International Space Station. The U.S. Space Shuttle will continue to fly until 2010, at which point, unless funding policy changes, Soyuz will be the only vehicle available.

**LAROCHE'S ASSESSMENT**

# There Is Virtually No Candidate For the U.S. Presidency

by Nancy Spannaus

In two statements issued in light of the recent Democratic and Republican Presidential nominating conventions, Lyndon LaRouche has sought to shock the American electorate into confronting, and acting on, the stark reality it faces. "The inside information is, contrary to anything different that only foolish people might believe, that both putative Presidential candidates are now doing nothing as much as losing the general election," LaRouche wrote in a Sept. 2 statement he entitled "In Effect, There is Virtually No Candidate." "The voters are panicked by the state of the economy, on which neither of the two has a clue, or is likely to ever discover a clue."

Given Sen. Barack Obama's failure to address the needs of the Democratic Party constituency, and the mass of scandals about skeletons in his closet that can be expected to break imminently, and what LaRouche describes as "Senator McCain's virtual breakdown" in accepting the governor of Alaska as his running mate, LaRouche concludes that "it is probable that neither will be a standing candidate come November."

The only option the thinking citizen has, LaRouche noted in an Aug. 31 statement titled "Duck-Billed Platitudes," is to join his political action committee's fight to throw off the de facto treasonous control which British agent George Soros has over the Democratic Party, and to force through Congress the immediate emergency economic measures required to defend the

republic. "The stated policies of the Presidential candidates are fairly described as 'duck-billed platitudes,' cries worthy of strange creatures of the type to be expected from putative Beaverbrook heir Rupert Murdoch, from 'way down under,' wrote LaRouche.

One potential, LaRouche warns, is that Vice President Dick Cheney succeeds in detonating the World War III crisis which he has been doggedly pursuing for his entire term in office. Should he do that, "the election could be called off, while the nation operates under an unelected 'emergency government,' for the duration of the presently onrushing global, economic breakdown-crisis."

Far preferable is that the American population begin to act like patriots, and intervene to generate new options, that will prevent the headlong rush into disaster.

## **The Hard Truth**

LaRouche summed up the hard truth of the election in his Aug. 31 statement:

"The hollowest of the platitudes are come from the mouth of the Buppies-and-Boomers favorite, Presidential candidate Obama. . . . Senator John McCain is no rival of Obama in the pure 'b.s.' department, but John seems to plod along successfully in the shadow of the political con-man act played by thuggish George Soros' patsy, four-flushing Senator Obama. To be fair



to both, it must be said that neither campaign has been playing with a full deck, so far. . . .

“The danger to our republic, and to you personally, comes from the British Empire whose representatives include George Soros, and, in effect, Felix Rohatyn. Agents of the British Empire’s official institutions, such as Soros, are presently in top-down control of the Democratic Party machine. You have seen the near thermonuclear confrontation which the British staged in Georgia. The control from London-centered interests, is virtually treasonous in its effects on our nation, and on you. The Republican side is better only in the degree that it is not the howling Howard Dean’s Soros circus.

“The world is now gripped, not by a recession, but by what is known in relevant technical terms as an already onrushing ‘general breakdown-crisis’ of the present world financial system, like that which struck Europe during the Fourteenth Century ‘New Dark Age,’ when half the parishes of Europe vanished in a relatively global banking panic, and the population of Europe collapsed, during approximately a generation, by one-third. And, with all that, here you are, sitting, holding a certificate of virtual membership in the lower eighty percentile of family-income brackets, not a particularly safe place to sit idly.

“It is past time to begin fighting back; it is past time to begin acting like a mass of serious patriots.

“However, that is not the worst of it. We are also teetering on the edge of a possible general thermonuclear war. Vice-President Dick Cheney, operating, as usual, with guidance and backing from London, is off whipping up wars again, just as he did in cahoots with lying Prime Minister Tony Blair in the fraudulent launching of the still-simmering war in Iraq. Now, he is aiming at an impossible war with Iran, and, at the same time, the Bush Administration has backed the Saudis, who may be supplying another round of financial backing to the Bush family, while throwing nuclear-armed Pakistan into the cauldron of war in that entire region.

“The attempt to stage a thermonuclear bluff against Russia, China, and India, who are willing to cooperate on all legitimate economic issues, and on whose cooperation we of the U.S. now depend for our economic survival, is a demonstration of how evil London can be, and how stupid the present Bush Administration and the leaders of our Congress have been of late.

“Meanwhile, on all these and related issues, most

of you out there, have your heads stuck in the proverbial sand, hoping that what you refuse to see is not happening.”

## **The Pathway to ‘Change’**

The fundamental reality the citizen faces, LaRouche stressed, is that nothing is predictable over the next two months—except that the world is unpredictable. The U.S. and European economies, not to mention the rest of the world, are in a full-scale breakdown mode, and there will be no escaping a series of shocks to the collapsing system, with major political impact. Will the population utilize those shocks to throw over the chessboard, and fight for real solutions?

While it is clear that neither of the putative Presidential candidates are, or can, lead in dealing with this cataclysmic crisis, the situation is actually worse. LaRouche explained:

“The problem is not limited to the intellectual incompetence of the two Presidential candidates. In effect, letting the British (e.g., Rohatyn, Soros) steer muddleheaded Nancy Pelosi into virtually shutting down the U.S. Congress for most of the past two years, and eliminating the only leading pre-Presidential candidate who has shown the ability to think like an actual President [Hillary Clinton—ed.], the U.S.A. does not have the prospect of an actually functioning, properly elected President assuming office come January.

“It is the reigning Federal political system, in the Executive Branch, and the leadership of both branches of the Federal legislature, together with the leading press, which are responsible for the general breakdown of the Federal political system at this time.

“I am not proposing that that will be the situation come November election-day. In a situation like the present global financial and strategic crisis, the candidates nominated by the time the Republican convention ends, may not be candidates when election-day arrives. Past Labor Day, the fact of the incompetence of the present top leaders in the Congress, the candidates, and the major press, will have begun to kick in.

“You can nominate a zero, but no sane person would ever believe for long, that it was actually our President. So, [Hurricane] Gustav saved many leading Republicans from disgusting themselves by attending the Republican nominating convention. As things stand now, the name of the next President of the U.S.A. might turn out to have been ‘None of the Above.’”

## We Face a Dangerous, But Optimistic Time

*Harley Schlanger, the Western States Coordinator of the LaRouche Political Action Committee, was interviewed on Sept. 2, by Christine Schier, for Nouvelle Solidarité, the French-language newspaper of the LaRouche-associated Solidarity and Progress party, based in Paris. Here is an edited transcript*

**Nouvelle Solidarité:** Harley, you have been very active in the ongoing Presidential campaign, in particular, in the Democratic Party, organizing for a Franklin Roosevelt-style solution, both to the economic crisis and the strategic crisis. Now that Obama has been nominated, and McCain is about to be, how do you judge the situation?

**Harley Schlanger:** It's a disaster. Obama gained the nomination through the coordination of George Soros, on behalf of the City of London, and they steam-rolled it through the Democratic Party, breaking the rules and corrupting the process as a whole. As a result, the Party is very divided, and Obama has made no serious effort to win over the voters of Hillary Clinton. It should be noted that Clinton got more votes in primaries than Obama did, and he needs those voters if he's serious about winning. And between about June 8, when she suspended her campaign, and the day he got the nomination, he made no effort to speak to her major constituencies, which included Hispanics, a large number of women in the age group of 35 to about 55, and older people, urban workers, people who used to work in factories, but have lost their jobs. That's a very big constituency that he has thrown away.

On the other side, McCain has essentially the same economic policies as Bush, which have brought us to the edge of global financial disintegration.

I should add that, up to this point, neither campaign has understood the depth of the crisis that was caused by the Georgia invasion into South Ossetia. Neither Obama nor McCain are addressing any of the serious issues that confront the nation, and neither of them has any solutions to the problems that the majority of the population is facing.

**NS:** How do you explain that the Obama campaign is ready to throw away those votes of Clinton's, even if that means losing the election?

**Schlanger:** Well, what Lyndon LaRouche said months ago, is that the purpose of the Obama campaign was to defeat Hillary Clinton, and then he would go down in defeat. That was not Senator Obama's intention, but the intention of the people behind him, the Soros crowd, which controlled Howard Dean, who is the DNC [Democratic National Committee] chairman, and Nancy Pelosi, the Speaker of the House. Dean and Pelosi have been the enforcers of the violations of the rules that have given Obama the nomination.

Soros and his backers never intended for Obama to win. But the problem they had is that Hillary Clinton wouldn't quit: She was tenacious, she was resilient, and that actually endeared her to a whole section of the population that is suffering, and that saw someone who was fighting for them. So, Soros and others couldn't dump Obama before the convention; but now, they are in a situation where they can let him collapse. The people backing Obama never intended he become President, only that he prevent the Democratic Party from returning to a Franklin Roosevelt tradition.

### Soros's Fifth Column in the Democratic Party

**NS:** Our readers have followed the LaRouche PAC [LPAC] campaign to expose George Soros as an agent of London, out to destroy the Democratic Party; and the pamphlet you have mass-circulated is instrumental in eliminating his influence. I wanted to ask you about one aspect of the Soros apparatus, which is the apparent grassroots mobilization of the Obama campaign, and in particular, the role of ACORN, as this group has become a major target of our organizing. What is their importance? Why is LPAC going after them?

**Schlanger:** Well, Soros funded two operations in the Democratic Party. One was MoveOn.org, which was initially thought by everyone to be an anti-war movement, against the Iraq War of Bush and Cheney. It was through MoveOn that many people entered the blogosphere, because they got so-called progressives blogging non-stop about how Obama was the only one who was serious about stopping the war. Then, MoveOn got people to come to caucuses to vote and to register to vote for Obama, and things of that sort.

A lot of the legwork that was done was through ACORN [Association of Community Organizations for Reform Now]. ACORN was originally set up as a com-

munity organizing entity for purposes of helping people who couldn't afford to pay their utility bills and needed help. It was a typical local control community operation, that grew out of the Saul Alinsky/Chicago operation that Obama entered even before he went to law school.

ACORN is another one of these organizations that is supposedly helping poor people, while MoveOn was supposedly fighting the war, and both of them were funneling huge amounts of money—as it turns out now, in the case of ACORN, much of it was illegal—to provide the “boots on the street” operation, finding people who could flood the caucuses, and bringing students into the various districts to elect delegates for Obama.

In fact, one of our colleagues, Rachel Douglas, who has studied the Orange Revolution in Ukraine and the Rose revolution in Georgia, both of which were heavily funded and subsidized by Soros, said that the process by which the anti-Russian movement came to power in those two countries, is very similar to what was done to organize the Obama campaign in the United States. Here, ACORN and MoveOn were the two organizations used to do that.

## Rebuilding the Democratic Party

**NS:** What are the indications you have that organizations affiliated with the Democratic Party, but independent of the DNC, such as PUMA [a pro-Clinton group: Party Unity My Ass], are planning to mobilize for the coming elections?

**Schlanger:** I know for a fact that the PUMA organization—which is a broad umbrella group which sometimes goes by the name “Just Make No Deal,” or “18 Million Voices” (these are three somewhat coexisting groups)—has said it will not back Obama. The central reason for that, is that many of the people in these groups are women, including professionals, working-class mothers or housewives, who were attracted to Hillary Clinton's campaign, initially, just because she was speaking to their concerns about economics, in particular, as well as family issues such as home foreclosures, utility bills, and health care. People in the United States are hurting badly on all these fronts. You had a grouping attracted to Senator Clinton, and they became increasingly angry at the hostility directed towards her.

Most of them attributed that, first, to her being a woman. And a lot of that is justified, I have to say, without being a feminist. She was attacked for how she dressed, whether she laughed too loud, if she got tears in her eyes.

Is she strong enough to be President if she is so emotional? This made a lot of women extremely angry with the press, and then with the DNC for not attacking the media, and then with Obama, for not saying anything.

But, as some of them looked more deeply, they realized there were other issues involved, in particular, the economic issue, and secondly, the question of experience. It was clear that Obama had never run anything except a campaign for office. He went from being a U.S. Senator in 2004, to launching the Presidential campaign.

These groups grew up mainly after Hillary Clinton suspended her campaign, on June 8, and by the middle of the Summer, had reached an agreement that if she did not get the nomination, they would not support Obama. Now, had Obama made some overtures to them, in other words, had he been a real person instead of a front for these wrecking operation against the Democratic Party, maybe they would have listened—but he didn't. They then decided they would continue to fight up to the last minute, to see if Clinton could get the nomination. Because she was very close in votes, in delegates; it was a very close election.

But the Obama crowd made a mistake, they said they would not allow a roll call vote at the Convention, and that led to a more intense mobilization; it sort of stiffened the spine of former President Clinton and Senator Clinton, and their supporters. At the Convention, when it became clear that Obama had enough votes, because of the way the process had been rigged, they both made concession speeches, supporting Obama. But the people in PUMA and Make No Deal are not going to support him.

They are talking about two things. One: electing a filibuster-proof Democratic Senate and House, which means picking up about five or six seats in the Senate, and about 20 more in the House, which is possible. Secondly, some of them are thinking about voting for McCain, and I think that's why he nominated this wild Governor of Alaska, Sarah Palin, to try and appeal to women. I don't think that will work, ultimately. But most of them say, whatever your choice in the Presidential race, we have to stick with the Democratic Party and build it.

Our intervention into this, is to talk to these groupings in the population about going beyond what Senator Clinton was talking about in her campaign, to adopt a full, principled program, based on FDR/LaRouche economic policies. And there is a lot of openness for that. PUMA said it would try to set up a policy issue-oriented wing of the Party, to fight for the policies that brought them into politics: taking care of the people in the lower 80% of family-



income brackets. This is a hopeful and positive sign, but it definitely needs leadership, that we can provide.

### **Christian Fundies in the GOP**

**NS:** You mentioned the choice of Sarah Palin as the Republican Vice Presidential candidate, which brings up a question that often baffles people here in Europe. What is the actual importance of Christian fundamentalism in the American population?

**Schlanger:** Well, it is a relatively significant force in the Republican party. It may be as much as a third of the voters—Karl Rove claims it's up to 50% of the voters, which I think is an overestimate. But it does represent the more activist side of the right wing of the Republican Party. This was the base that George W. Bush appealed to in his two election campaigns—and I won't say victories, because I'm not convinced he won either time. This is his base in Ohio, in Indiana, throughout the Midwest, and the Southern states.

The irony is that, instead of moving to address the causes of the economic crisis, they support candidates like Bush and Cheney whose economic policies hurt them more. Some of the leaders of these groups, like the late Reverend Falwell or Pat Robertson, were promoters of privatizing Social Security, which would have badly hurt the little bit of the pensions which those who consider themselves Christian fundamentalists would get. Their policies would hurt these people, yet they support them on the issues of abortion, guns, or homosexuality.

### **The Real Issue in the Presidential Campaign**

**NS:** To conclude, could you give us an idea of our organizing perspectives for the LPAC? It's a long time until November, and I know the LYM is working on some ambitious projects.

**Schlanger:** There are two aspects to it. First, getting the reality of the strategic crisis across. As Lyndon LaRouche has been emphasizing, there is a whole section of the U.S. population that is moving from being angry, to really hurting. They're facing serious decisions: Do we stop paying our pharmaceuticals, in order to pay our utilities? Do we cut back on food to pay for rent? On these kinds of questions, we have to give leadership, both to show them historically how FDR got us out of the Great Depression in the 20th Century, and how our policies present a solution, especially Lyndon LaRouche's "Three Point Program," which includes the HBPA [Homeowners and Bank Protection Act], the Two-Tier Credit System, and the Four-Power Agree-

ment to get a new Bretton Woods.

We will be organizing on principle and issues, forcing a recognition in the population that neither of these candidates are addressing the financial disintegration, nor the strategic crisis, that is being provoked by the British, who want to use the financial crisis, in a sense, to destroy, once and for all, the notion of national economic sovereignty. We will be intervening into that.

Specifically, as people can see by going to the LaRouche PAC website, we have a series of videos that teach this history: The "1932" video; and the "Firewall" video on hyperinflation in Weimar Germany, how that occurred and why it's relevant today, given the bubble economy. We have two "1989" videos, one showing the fight launched by the LaRouche movement in the 1980s, where the remarkable occurred: Out of nowhere, Ronald Reagan backed Lyndon LaRouche's Strategic Defense Initiative. In part two, after 1989, we have the initiatives [for a Eurasian Land-Bridge] directed by Helga Zepp-LaRouche, which created the basis, that we see today in the Russia, India, and China orientation toward the Four-Power outlook of Lyndon LaRouche.

It's on those issues, questions of principle in science, history, of real physical economy that the LaRouche Youth Movement will be intervening. And in that process, recruiting the patriots on the Republican Party side, and those in the Democratic Party who supported Senator Clinton, as well as a whole section of the African-American population, that has concluded that Obama is more about him, than them, and that they have no representation in him. This is occurring, especially with older African-Americans, who remember Martin Luther King, Jr., and not just the promises, but the fights of the Civil Rights movement. They see none of that coming out of Obama. He's sort of a beneficiary and he feels entitled to this, but he has done nothing to engage them in a fight for continuing the work of Dr. King and the Civil Rights movement.

We will bring this history and this real process back into the political mainstream. These next couple of months will bring very uncertain times. This campaign, as portrayed on television, will be nothing but a circus, with a lot of psychological warfare, and nasty advertisements attacking the character of especially the two Presidential candidates. And that is designed to keep substance out. We are going to have to bring real substance, in the form of scientific principle, into the campaign.

It's going to be a dangerous period, yet one in which there is still reason to be optimistic.

# George Soros, Britain's Imperial Torpedo

by Scott Thompson, John Hoefle, and Michele Steinberg

George Soros is an agent of the British oligarchy, and calling him an American because he lives in New York, is like calling the British troops that resided in Washington during the War of 1812, when they burned down the White House, “American.” His nest of hedge funds, led by Quantum Fund N.V. and the Soros Fund, are registered in British and Dutch off-shore entities, and no American is allowed to be an investor, because Soros is afraid of *any* scrutiny by U.S. government regulatory agencies (after run-ins with the Securities and Exchange Commission, and the U.S. Congress), and he needs the banking secrecy to function as one of Britain's “imperial torpedos” against nation-states. In addition, since at least 1986, Soros has had an intimate imperial relationship with Mark Malloch Brown (now a British Lord, and Minister of State for Africa, Asia and the United Nations for the British Foreign Office), in their joint campaign to destroy nation-states, and create puppet regimes for the British Empire.

From the outset of his career, Soros has been seconded by British imperial financiers, from the Rothschild interests, to reportedly having members of the British Royal Family as investors. One of the original contributors to the creation of the Quantum Fund N.V. was financier George Karlweiss, who was then with Edmond de Rothschild's Banque Privée.

The following 1993 “snapshot” of the Board members of Soros's Quantum Fund provides a glimpse of Soros's oligarchic ties:

**Richard Katz**, member, Executive Committee of the Board: at the time he had been a managing director of Rothschild Italia S.p.A., Milan, since April 1989, and a director of N.M. Rothschild & Sons Limited, London. N.M. Rothschild is headed by Evelyn de Rothschild, who recently took over the Rothschild's bank in Zurich from Baron Elie de Rothschild, after a series of irregularities, including dealings with financier Marc Rich and a large capital flight operation from Italy.

**Isidoro Albertini**, a principal of the stock brokerage firm Albertini & C., Milan, Italy.

**Alberto Foglia**, chairman of the Quantum Executive Committee and chief executive officer of Banca del Ceresio, Lugano, Switzerland.

**L. Amédée de Moustier**, chairman of Ifabanque S.A., Paris and of Worms & Co. Inc.

**Beat Notz**, member of the Quantum Executive Committee, and principal of the investment banking firm of Notz, Stucki & Cie, Geneva.

**Edgar D. de Picciotto**, chief executive officer of CBI-TDB Union Bancaire Privée, Geneva.

**Claudio Segré**, an investment banker based in Geneva.

**Nils O. Taube**, chief executive officer of St. James Place Capital, U.K.

The Managing Director/Principal Office of the Quantum Fund in 1993 was Curaçao Corporation Company N.V. in The Netherlands Antilles.

Legal Counsellors include Coudert Brothers, and the Principal Custodians were Arnhold and S. Bleichroeder, Inc. and Citibank, N.A. Arnhold and S. Bleichroeder is no obscure enterprise; Prince Metternich chose the firm in the early 19th Century, rather than the Rothschilds.

## The Oligarchy's Money

Soros is largely a creature of the British-run oil spot market scheme, and got his start as a currency speculator, a role which would not have been possible had not President Richard Nixon, under the sway of British agent George Shultz, ended FDR's Bretton Woods system of fixed currency rates in 1971. As a fund manager, Soros depends upon the money of others, and that money comes largely from networks around the Rothschild banking apparatus and, according to our sources, the British Royal Family. Far from being a self-made man, he is a façade, a face behind which the imperial dirty-money specialists can operate out of the public eye.

Soros displayed his character defects as a young man in Nazi-occupied Hungary, when, a Jew himself, he helped the fascists confiscate the estates of wealthy Jews. He moved to Britain in 1947 to escape the Soviets, and, during the early 1950s, studied at the London School of Economics, where he was molded into an imperial stooge, studying under Austrian-born Sir Karl Popper, author of *The Open Society and Its Enemies*. Ultimately, Soros named his major operation against

nation-states the Open Society Institute (there have been as many as 20 separate OSIs in different nations since the 1990s).

After an apprenticeship at the City of London merchant bank Singer & Friedlander, Soros moved to the United States and became an arbitrager and analyst on Wall Street; he then spent a decade at Arnhold and S. Bleichroeder, where, in 1969, he headed his first fund. Thus trained, he left Bleichroeder and created his own Quantum Fund, in 1973.

The timing of this move is indicative of the way Soros's career has been shaped by his controllers, as 1973 was also the year of the first great oil hoax, and the creation of the spot market in crude oil. The spot market was designed to allow financial speculation in oil prices, and resulted in huge amounts of "petrodollars" piling up in the banks of the City of London and other banking centers. A portion of those petrodollars, along with narcodollars and other hot money, was directed into the coffers of Soros Fund Management.

Soros's big break came in 1992, when he bet heavily against the British pound and won, making a reported \$1 billion when the pound fell and was taken out of the European Community's Exchange Rate Mechanism (ERM). Soros was lionized as "the man who broke the Bank of England," but the operation was actually run by the Bank of England, the Federal Reserve, and several big—and quite bankrupt—banks. The operation served the Brits by pulling the pound out of the ERM, and the profits from this market manipulation helped bail out the bankrupt banks.

But most of all, his accounts fattened by over \$1 billion, courtesy of the British, Soros promptly directed about \$100 million of it to operations in Moscow, in December 1992, through the Soros Foundation and the Open Society Institute. From the Moscow base, working with Malloch Brown, Soros imposed the brutal "free market" economics that looted Russia. He parceled out tranches of \$25 million, or \$50 million in renewable loans, and grants to Macedonia and Bosnia, setting up the conditions for permanent ethnic wars and destabilizations. Ultimately, Soros was kicked out of Russia, Croatia, Belarus, and other former East Bloc countries, for his dirty operations.

### **Soros and the Foreign Office**

In 2006, Lord Mark Malloch Brown returned to his British mother, after decades of being sheep-dipped in

international institutions: the World Bank, the UN, and before that, a somewhat notorious public relations company, Sawyer Miller in New York.

Today, Malloch Brown's position in the Foreign Office, has led to criticism that he has "lorded it over" Foreign Secretary David Miliband and received far higher perks than his boss, such as a residence worth about £7 million. To take the job, Malloch Brown had to leave his highly lucrative position as vice president of the Quantum Fund!

Soros and Malloch Brown have been at it—destabilizing countries and installing British operatives—since at least 1986, according to the book *Alpha Dogs*, by London *Times* Editor James Harding. Harding describes how Malloch Brown boasts of having overthrown Philippines President Ferdinand Marcos, by representing Corazon Aquino for President. After that, Malloch Brown decided to try the same tactics in Chile—but with George Soros's money.

"Through the summer of 1986, Mark Malloch Brown was in discussions with George Soros, the hedge fund manager who was just getting known for his support of insurgent democracy movements around the world," writes Harding, about Soros's financing of a weak, squabbling grouping of Chilean opposition figures.

In 1993, Soros hired Malloch Brown to handle an initial \$50 million grant to Bosnia, the country that had been torn to shreds in the British-run war of the early 1990s.

But the Soros-Malloch Brown duo grabbed the crown jewel in 2003-04, when they put the money up to install Mikhail Saakashvili as "democratic" dictator of Georgia, even providing millions of dollars to pay the salaries of Saakashvili, his Cabinet, security officers, and police!

Now, after British puppet Saakashvili's invasion of South Ossetia, Malloch Brown is at the center of the British drive to sanction Russia for responding to Saakashvili's invasion, which the Empire approved.

In assessing Soros, it is useful to keep in mind that corruption and chaos within nation-states serve the goals of the British Empire. This is emphatically the case with one major track of Soros's activity, legalizing drugs—a subject too extensive for this short review, but which will be a feature of follow-up articles. The British policy is genocide, and Soros is a great practitioner of the policy.

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## Book Review

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# The FDR Jobs Program That Saved the Nation

by Stuart Rosenblatt

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### **American-Made: The Enduring Legacy of the WPA—When FDR Put the Nation To Work**

by Nick Taylor

New York: Bantam, 2008

630 pages, hardcover, \$27.00

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Author Nick Taylor puts forward a timely and inspiring testament to one of the keystones of Franklin Roosevelt's New Deal, the Works Progress Administration (WPA). The release of Taylor's book, during the 75th anniversary of the New Deal, is welcome, as the debate over Roosevelt's recovery programs grips the nation and the Democratic Party. Exemplary of this, is the wide circulation of LyndonLaRouche's Roosevelt-styled policies and the posting of the LaRouche PAC DVD "1932" on assorted Democratic Party and Clinton delegate websites (see [www.la-rouchepac.com](http://www.la-rouchepac.com)).

While *American-Made* is not an in-depth study of the WPA, it does present a vivid picture of a crucial application of American System principles to address the nightmare of the failed economy.

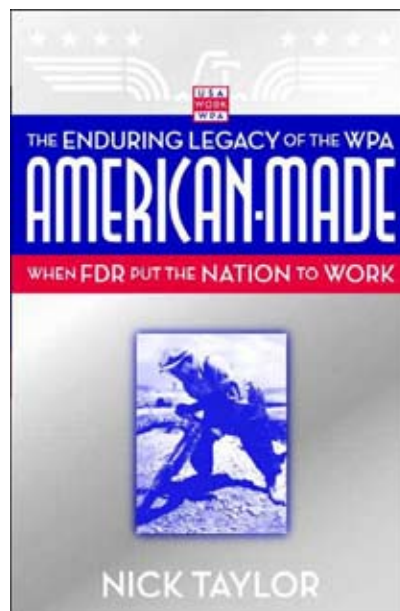
The WPA was born in 1935, as the continuation of the highly successful Federal Emergency Relief Administration (FERA) and its successor Civil Works Administration (CWA), launched by FDR during his First 100 Days. They, along with the Civilian Conservation Corps (CCC), Public Works Administration (PWA), and other employment programs, formed the

engine of the infrastructure-directed economic recovery that led the nation out of the Great Depression. The WPA, during its eight-year life, employed eight and a half million Americans, spent \$11 billion, and radically transformed the landscape of the nation.

The breadth of WPA public works and social programs was enormous: It built 650,000 miles of roads, 78,000 bridges, 125,000 civilian and military buildings, 800 airports (built or improved), and 700 miles of airport runways. It also served almost 900 million hot lunches to school children, and operated 1,500 nursery schools. It presented 225,000 concerts to audiences totaling 150 million people, performed plays and circuses before another 30 million, and created 475,000 works of art.

Popular landmarks of WPA dot the country: LaGuardia Airport in New York, River Walk in San Antonio, and Vulcan Park in Birmingham. It was responsible for Camp David in Maryland and the Cow Palace in San Francisco.

WPA's primary mission was to repair the nation's roads and mid-sized infrastructure. In so doing, it linked rural America with the cities, and refurbished everything from military bases to educational facilities. But it would also be no exaggeration to say that without the WPA, the U.S. could not have carried out a successful war mobilization. On top of the infrastructure it built, on the eve of World War II, only WPA had a comprehensive overview of the skills needed to construct the facilities and train the personnel who would see the nation to victory in a global conflict. Its final assignment was as a major defense agency.



### **A Nation Gripped by Tragedy**

In the opening chapters of his book, Taylor captures the feeling of cultural and political despair that hung over the nation under the Presidency of Herbert Hoover. Under the thumb of the Morgan-Mellon financial interests who ran his administration's economic policy, Hoover refused to take the broad government actions that were required.

When Franklin Roosevelt was elected President in 1932, some 3,600 banks had failed, industry was shut



down, over 25% of the workforce was unemployed: 30% in Detroit, 40% in Chicago, and 50% in Colorado. The country was punctuated by strikes, marches, the specter of Hoovervilles, starvation, and cultural demoralization.

Taylor develops with great enthusiasm and insight the change in moral and political direction of the nation that took place under FDR. In his inaugural address, Roosevelt declared war on the Depression, challenging the nation to overcome its fears. He also moved to immediately put people back to work: “This nation asks for action, and action now. Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of a war, but at the same time . . . accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.”

FDR’s program included bankruptcy reorganization, banking regulation, farm and housing foreclosure protection, and massive job creation. In the first several months of his administration, the President used the FERA, headed by Harry Hopkins, to put 2 million Americans back to work in short-term construction and infrastructure jobs. The President also launched the CCC to employ a million unemployed, as long-term PWA programs began their development.

When FERA expired after several months, Roosevelt retained Hopkins, and created the Civil Works Administration. Together they unleashed a mammoth, but again, short-term public works program, that put over 4 million unemployed to work in four months.

Those lugheads in Congress or the Democratic leadership today who balk at Lyndon LaRouche’s three-part recovery program, would do well to study the amazing achievements of Roosevelt in the dark days of the Depression.

CWA spent \$1 billion, and its workforce built or improved over 500,000 miles of roads, and built or repaired 40,000 schools and 3,700 playgrounds. It restored all the city parks in New York; CWA laid 12 million feet of sewer pipe, and built 250,000 privies, while starting or upgrading 1,000 airports across the country—all in four months!

However, progress stalled in 1934, and the Depression reasserted itself, so, in 1935, Roosevelt launched the Works Progress Administration and, again, placed Hopkins at the helm.

## The Credit System at Work

While Taylor identifies some of the Federal funding mechanisms used to propel the WPA’s projects, he does not explain the process of credit generation FDR used. As LaRouche has underscored, the United States is a credit system, not a monetary or usury system. The Federal government is empowered to generate credit for urgently needed infrastructure programs, like WPA. In a March 2006 study for *EIR*, Richard Freeman developed the critical role of government funding and credit generation as initiated by the Reconstruction Finance Corporation (RFC). This provided the money to enable WPA and the other New Deal jobs programs to succeed.

In summary, what FDR did was to complement direct government funding, with credit from the RFC, which functioned as a quasi-national bank.

RFC was a government-owned institution, that was wielded by FDR to generate credit for infrastructure, as soon as he took office in March 1933. It was capitalized with a bonding capacity to issue and revolve \$500 million in bonds; over the period of its 12-year existence, RFC loaned out \$33 billion, the equivalent of over \$1 trillion today, to an array of infrastructure programs, including those of the WPA.

In June 1933, a direct government appropriation for public works, totalling \$3.3 billion, went, in part, into FERA and CWA. In 1935, Congress appropriated \$5 billion directly for WPA. The RFC collaborated on both ventures. In 1933, RFC issued \$500 million to FERA. In 1935, RFC provided the newly minted WPA with \$1 billion, to begin work immediately, even while the government money was being legislated. Overall, the RFC channeled over \$2 billion into the WPA and PWA programs.

Did this break the bank? By no means. In fact, the investment increased the productivity of the economy as a whole, and therefore yielded more “payback” to the economy, including through taxes, than it took.

This method of direct government intervention for the general welfare is precisely the opposite of the ubiquitous Public Private Partnership (PPP) programs being trumpeted today by the likes of Michael Bloomberg and Felix Rohatyn.

## WPA: In Peace and War

The work in rebuilding the infrastructure of the nation during the 1930s undertaken by WPA and the other New Deal agencies, prepared the country for the fast-approaching world war. In the years leading up to World



War II, the far-sighted Harry Hopkins began restoring military bases.

In 1937, he deployed cadres of WPA workers to the Picatinny Arsenal in New Jersey, and restored the complex to wartime readiness. Picatinny, the nation's premier munitions research center, had been partially destroyed in a freak thunderstorm in 1926. Hopkins sent 1,300 workers to the center, and had it totally rebuilt. Many other war projects were revamped during this time period.

As the *Army and Navy Register* reported in 1942, "In the years 1935 to 1939, when regular appropriations for the armed forces were so meager, it was the WPA workers who saved many Army posts and Naval stations from literal obsolescence."

Not only did WPA refurbish military installations, it also developed the labor pool capable of being deployed to conduct the war buildup. As Deputy WPA Commissioner Howard Hunter stated in August 1939, "We have a very good index of the people on the WPA as to their training and qualifications, and if any group of industries or any particular industry were in need of either skilled or unskilled workers, I think we could get our people off the rolls into those jobs."

When the war mobilization began in earnest in 1940, WPA was at the forefront of domestic preparations. WPA had already built 85% of all new airports in the country and its work on other military sites, had contributed to national defense. When the first military contracts were handed out, WPA, now a de facto defense contractor, with 400,000 workers deployed to military projects, was at the top of the list. It was ordered to build or refurbish airports on both coasts, and in Texas, Colorado, and elsewhere.

Further, it was ordered to build 75,000 miles of federally aided highways, and construct housing at military bases around the nation. WPA eventually put 700,000 people to work in military construction.

However, once the war was on, and defense contractors began hiring into the private sector, WPA employees were funneled rapidly into civilian work. Countless others joined the military, and the need for



National Archives

*The WPA's Federal Music Project funded programs like this class in New York City. Its director Nikolai Sokoloff fought to bring Classical music into the lives of Americans during the Depression.*

the WPA, forged in the depths of depression, was no more. On Dec. 4, 1942, WPA, renamed Works Projects Administration during the war buildup, was dismantled on orders of the President.

To quote Roosevelt in his letter ending the program:

"By building airports, schools, highways and parks; by making huge quantities of clothing for the unfortunate; by serving millions of lunches to school children; by almost immeasurable kinds and quantities of services the Work Projects Administration has reached a creative hand into every county in this nation. It has added to the national wealth, has repaired the wastage of depression and has strengthened the country to bear the burden of war. By employing eight millions of Americans, with thirty millions of dependents, it has brought to these people renewed hope and courage. It has maintained and increased their working skills; and it has enabled them once more to take their rightful places in public or in private employment...."

"With the satisfaction of a job well done and with a high sense of integrity, the Work Projects Administration has asked for and earned an honorable discharge."

A RUDDERLESS WORLD

## Focal Point of the Global Crisis: Pakistan

by Helga Zepp-LaRouche

*This article was translated from German.*

Seldom has a tour been more closely watched, by so many political observers worldwide, than Vice President Dick Cheney's just-concluded round of visits which took him to Azerbaijan, Georgia, Ukraine, and Italy. A prominent foreign policy expert in the Russian parliament, Sergei Markov, recently stated that it was Cheney who had "issued the order" for the Georgian attack on South Ossetia. Meanwhile, there have been growing indications that U.S. military advisors, along with 127 U.S. troops, had been involved in the hostilities on the Georgian side, while advisors to the Organization for Security and Cooperation in Europe have now admitted, belatedly, that Georgia was definitely the aggressor. And so, it's not surprising that Cheney's trip has been the subject of hundreds of articles in the Russian media alone.

Cheney's intent, is, of course, to lend weight to Anglo-American interests, in the tradition of the British "Great Game." One major focus was the Nabucco natural gas pipeline, which the United States and the European Union have been backing as an alternative to the South Stream pipeline which begins in Russia and goes through Bulgaria to Austria and Italy. Cheney also promised Georgia that it would soon be admitted into NATO; and he brought them a \$1 billion gift. Another situation heading for confrontation, is the fact that the flagship of the U.S. Mediterranean fleet, the

*USS Mount Whitney*, docked at the Georgian port city of Poti, in order, so the United States claims, to deliver humanitarian aid—aid which could have been easily shipped on more spacious freighters. And, yet one more feature of the strategy of encirclement against Russia, will doubtless be the Sept. 15 visit to Tbilisi by a delegation from the 26 NATO member states, whose ostensible mission is to assess the damage resulting from Russia's military counterstrike.

### The Indian Subcontinent

But precisely because the eyes of the world are focussed on Cheney's trip, this is not, in fact, the most important strategic theater. As Lyndon LaRouche has commented, Pakistan is now the primary target of British destabilization policy, and this is having an enormous effect on Afghanistan, on India's security, and, in the medium term, on Iran. The resignation of Pakistani President Pervez Musharraf, at British and Saudi instigation, which then received Bush Administration blessing, has enormously heightened that country's instability.

Pakistani Prime Minister Yousaf Raza Gillani has just survived an armed attack on his auto convoy. At least 20 civilians, including women and children, were killed in a Sept. 3 attack on the Pakistani province of Waziristan, near the Afghan border, carried out by U.S. International Assistance Force (ISAF) troops. Pakistan's government, parliament, and military issued ex-

tremely harsh condemnations of this encroachment, terming it a violation of the nation's sovereignty, its territorial integrity, and of the UN Charter. There had been no evidence of al-Qaeda activities or presence in the region. Further attacks have meanwhile been launched by airborne drones, resulting in yet more deaths and injuries.

Maj. Gen. Athar Abbas, spokesman for the Pakistani Army, condemned these attacks as totally counterproductive. Nothing could be less useful than provoking uprisings by tribes in the region, he said, thereby making the fight against terrorism even more difficult, and endangering NATO supply lines from Pakistan into Afghanistan. And that is indeed a serious charge, given the out-of-control situation in Afghanistan, because when you consider that Russia has made further cooperation with, and supplies for NATO, contingent upon the West's behavior toward Georgia, the question nags ever more insistently: What was the real intent behind this attack?

The exacerbation of the situation in Afghanistan and Pakistan impinges upon India's and China's national security interests. Support for the Kashmir rebels coming from Pakistan-based terrorist networks; the recent terror attacks in India, which Indian authorities are investigating for suspected British and American string-pullers; ties between certain Uigurs in Xinjiang and networks in Pakistan—all this is part of a destabilization of what British intelligence hand Bernard Lewis has called the “Arc of Crisis,” stretching from the Horn of Africa and the Mideast, to the Indian Subcontinent.

India, which has been the target of attacks by Western financial locusts on a scale comparable to Russia's situation during the Yeltsin era, is now being shaken by yet another scandal: The U.S.-Indian nuclear deal, which Indian scientists have long considered to be a sellout of Indian strategic interests, is now in danger of totally breaking down. Prime Minister Manmohan Singh, who just barely survived a no-confidence vote, which he had been forced to call because of his closeness to Bush, now faces an even more dramatic crisis.

Since Aug. 13, 2007, Singh has been assuring the Indian parliament that, as part of the agreement, the United States would guarantee India a supply of nuclear fuel. The White House had issued a muzzle edict, forbidding the release to Congress of any details of the agreement. But now U.S. Rep. Howard Berman (D-Calif.) has released a 26-page document, in which the

Administration responds to questions from Congress, which totally contradicts Prime Minister Singh's utterances.

The document specifies that following the agreement's adoption, India will not be permitted to conduct further nuclear tests, nor will it be permitted to stockpile strategic reserves of nuclear material. India—a nation with over 1 billion people, with a civilization which is one of the cradles of humanity, and with its own nuclear weapons—will see this as an unacceptable undermining of its sovereignty and status as an emergent world power. It is not inconceivable that this scandal will sweep the Prime Minister out of office.

### **Expect the Unexpected**

One thing we can count on: The next two months, leading up to the U.S. Presidential elections, have in store a whole slew of escalations in the worsening strategic situation. No one can say today who the next U.S. President will be. But John McCain has admitted that economic policy is not his strong suit, while Barack Obama has not said a single word about the systemic crisis of the financial system. Over these two months, the escalation of the financial crisis will shatter all previous assumptions.

For some time, the fear has spread, that before the Bush Administration leaves office, it will launch a military attack against Iran. And given the situation in the Caucasus, Eastern Europe, the Mideast, and Western Asia, it doesn't take much imagination to see what the consequences of that would be.

Fortunately, so-called “old Europe”—Italy, France, and Germany—has made clear that it does not intend to go along with the policy of the British and their American stooges for confrontation against Russia. But that notwithstanding, the vacuum of leadership in this strategic situation is truly terrifying.

The only hope, is to find a combination of nations which is prepared to eliminate the causes of the current crisis, before it is too late, and to replace the hopelessly bankrupt world financial system with a New Bretton Woods system. Fortunately, there is a growing debate on this very subject in Italy, France, and Russia. Only if a sufficiently powerful combination of nations is prepared to actively oppose the British policy of tension, balance of power, geopolitics, guerrilla warfare, etc., can we find a way out of this already far-gone situation.

And for this, the programs proposed by Lyndon LaRouche are indispensable.

# British Empire Tool To Recolonize Malaysia

by Mike Billington

In most countries around the world, among the many which are now being subjected to political destabilization by the British and their asset George Soros, the guiding hand and the financing of the British Foreign Office is hidden behind the facade of “democratic” opposition forces demanding regime change over local issues, diverting attention from the global financial collapse and the danger of world war sweeping across the globe. Not so in Malaysia, the former British colony, where a self-confessed agent of the economic and strategic policies of the new British Empire, and its leading agents in the U.S. neoconservative and green-fascist movements, is openly declaring himself to be the new savior of Malaysia.

This satanic savior, well-financed after several years of lucrative positions in Washington and London neocon think tanks, universities, and cushy World Bank positions, has declared his intention to buy off (“persuade”) enough Members of Parliament to join his opposition coalition and take over the majority, making himself Prime Minister. He even won a byelection last month in Penang, making himself the official leader of the opposition in the Parliament.

Meet Anwar Ibrahim, known to readers of *EIR* as a spokesman for:

**1. George Soros:** When Soros led the speculative assault on Malaysia and its neighbors in 1997, then-Prime Minister Dr. Mahathir Mohamad, alone in Asia, stood up to the hedge funds, and the IMF and World Bank, by imposing currency controls against the speculators, thus saving his population from the devastation which crushed his neighbors in Asia. Anwar, who served as Deputy Prime Minister and Finance Minister to Dr. Mahathir at the time, had demanded that the speculators be given free rein, and imposed “IMF conditions without the IMF,” until Mahathir fired him and

imposed currency controls. Anwar defended the speculators, admitting that he had circulated Soros’s papers to policymakers in Malaysia, and defended Soros when Mahathir called Soros a thief and a moron. Soros went on a tirade against Mahathir, threatening that “the country will be destroyed,” and insisting that Mahathir “needs to be removed from office.” Anwar led anarchist demonstrations against Mahathir, calling him corrupt and undemocratic.

**2. Paul Wolfowitz:** The arch-neocon, and a leading architect of the illegal and insane war on Iraq on behalf of Britain’s Tony Blair and Dick Cheney, has been an outspoken defender of his friend Anwar, providing numerous employment opportunities for him in the United States, when he was released from prison in 2004, after serving six years on corruption and sodomy charges. In 2005, when Wolfowitz was appointed to head the World Bank by George W. Bush, Anwar praised him as a man who “passionately believes in freedom, and understands the issues of poverty, environment degradation, living conditions and health issues which are very much a World Bank agenda.” At the World Bank, Wolfowitz set about cutting off funding for nations which refused to accept Anglo-American dictates, perhaps killing even more people than he had through his job at the U.S. Defense Department.

**3. Al Gore:** Even before his genocidal campaign to shut down Third World development under the war-cry of the fraudulent “global warming” hoax, Gore travelled to Malaysia in November 1998, two months after Dr. Mahathir took his stand against the IMF and the speculators, to speak at an APEC (Asia-Pacific Economic Cooperation) meeting. Anwar was leading violent mobs on the streets of Kuala Lumpur, while Gore, speaking before Prime Minister Mahathir and leaders from across Asia and the Pacific, praised the anarchists on the streets as “the brave people of Malaysia” demanding “reform”—which to Gore and Anwar meant following IMF conditionalities, and allowing unrestrained foreign control of the economy. Malaysian Trade Minister Rafidah Aziz called it “the most disgusting speech I’ve heard in my life,” while Mahathir said, “We should fry him.”

## Anwar’s Money

Now, let’s look at some of Anwar’s employment in the years after his release from prison, on his first sodomy charge in 2005-7:



**1. Johns Hopkins School for Advanced International Studies (SAIS)**, where his pal Wolfowitz had previously been the dean.

**2. Georgetown University** in Washington, D.C.

**3. St. Anthony's College, Oxford**, where he met often with Al Gore, who was running a hedge fund in London, profiting from the fraudulent "carbon swaps" created by the global warming hoax.

**4. Consultant to the World Bank**, hired by Bank Director Paul Wolfowitz.

**5. AccountAbility**, London, Honorary President.

**6. International Crisis Group**, a leading Soros-financed NGO (Non-Government Organization).

**7. Foundation for the Future**, set up by Dick Cheney and his daughter Liz, to promote regime change in Southwest Asia. Anwar allowed Wolfowitz to put his girlfriend on the Foundation's payroll, a bit of corruption which ultimately cost Wolfowitz his job at the World Bank.

As one Malaysian official told this writer upon hearing of Anwar's numerous positions in Washington and London: "Ah, so this is how they plan to finance Anwar's subversion of Malaysia!"

## Anwar's Policies

Anwar makes no effort to hide his intention to stop industrial and infrastructural development in Malaysia, and throughout the developing sector generally. Immediately after being ousted in 1998, Anwar told the *Asian Wall Street Journal* that developing countries should stop "pointing a finger at speculators and put their houses in order first," by ending their "ambitious plans for outlandish projects."

In response to a public question from this writer in 2005, Anwar defended his effort to impose IMF austerity and free-trade dictates on Malaysia, despite the fact that such policies subsequently destroyed the economies of Malaysia's neighbors. The IMF policies were "beneficial," he said, in trying to stop the major infrastructure projects of the Mahathir government,

especially the Bakun Dam in Sarawak, which were only meant to enrich Mahathir's "cronies." "Yes, the growth was robust," he said, "the people escaped poverty—but that was all on the surface. Underneath, there was corruption, no transparency, authoritarian leaders, and no free media." He also told *The Age* of Australia that the 1997-98 IMF/hedge fund looting and destruction of the Southeast Asian economies was "a gale of creative destruction that shook the complacency of Asian societies and governments."

So why is this British imperial agent still tolerated in Malaysia? The world financial system is collapsing, with speculation-driven hyperinflation driving up oil, raw materials, and food prices, beyond the control of any local government. The current government in Malaysia, lead by Mahathir's former deputy Abdullah Badawi, was at first unwilling to acknowledge that Malaysia would be crushed without taking emergency measures to protect against the impending crash. When fuel and food prices skyrocketed, popular discontent was aimed at the government,

which allowed Anwar's fascist diatribes to appeal to an angry population.

In the last few months, however, the Abdullah government has acknowledged the impact of the global crisis on his country, and adopted emergency measures to double food production, encouraged the first moves toward a serious nuclear power program, and coordinated with the other Southeast Asian countries on working with China and India on regional development projects and joint financial defense. These measures are necessary, but not adequate, to meet the crisis, but it is all too obvious what would happen if the British were to get their boy Anwar into power.

*For an analysis of Anwar's philosophical dedication to the ideology of the British Empire, see "Anwar Ibrahim Defends Asia's Colonial Master" by this writer, at [http://www.larouchepub.com/eiw/public/2005/2005\\_10-19/2005\\_10-19/2005-17/pdf/62-66\\_17\\_int.pdf](http://www.larouchepub.com/eiw/public/2005/2005_10-19/2005_10-19/2005-17/pdf/62-66_17_int.pdf)*



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Malaysia's "Satanic Savior" Anwar Ibrahim.



# Actual Production, Not Parasites, Is the Solution

by John Hoefle

When the world's largest bond speculator and the British Empire's Royal Institution of Chartered Surveyors both feel compelled to call for the governments to bail out the financial markets, you know things are not going well. PIMCO, the bond fund, is warning of a "financial tsunami" unless the U.S. government begins widespread buying of financial assets, while RICS, the surveyors, wants the British government to issue mortgage-backed securities guaranteed by the Bank of England.

These hare-brained proposals reflect the growing panic in the financial markets, as the vaporization of financial assets relentlessly destroys the balance sheets, not only of banks and funds, but also of households and entire sectors of the economy. These market parasites may not yet be willing to admit what Lyndon LaRouche saw last Summer, namely that the financial system is dead and cannot recover, but they are beginning to see the writing on the wall. But, whether they understand it or not, their game is over.

## Save the Debt?

PIMCO, based in California, is the world's largest bond fund, managing some \$830 billion in assets. It is owned by Allianz, one of the world's largest insurance companies and a key player in the global insurance/reinsurance cartel. Insurance companies like Allianz and its Venetian competitor Assicurazioni Generali are tightly connected to the *fondi*, the family funds of the ancient European financial aristocracy. These families

have, for centuries, used debt to control governments, businesses, and people, and their view that the debt is sacred and must be paid, no matter what the cost to nations and their populations, is a cornerstone of the Anglo-Dutch Liberal system.

RICS, the royal surveyors, modestly describes itself as "the pre-eminent organization of its kind in the world. As such, it represents everything that is good in the property profession." RICS also brags that "our members offer the very best advice," a claim that is demolished by their idiotic call for a government bailout. Its pomposity notwithstanding, RICS is merely a mouthpiece for the financiers of the City of London, who are far more pompous, and in decidedly more trouble.

The claim made repeatedly is that governments must bail out the financial markets because the consequences of not doing so are too dire to contemplate. At least in public, the attempt is made to pretend that the bailout is necessary to save the "little people" and their homes; but what the plans are really designed to do is save the big mortgages those little people owe, and the mountain of speculative debt piled upon those mortgages.

What is being protected is the ability of the financier oligarchy to collect its debt payments, by transferring private debts to governments, and thereby to the taxpayers, with governments serving as the debt collectors. It is a perversion of the proper role of government.

PIMCO's Bill Gross, in his September 2008 *Investment Outlook*, argues that the global financial system is

undergoing a “systematic debt liquidation,” and that what is needed is “the entrance of new balance sheets, and a new source of liquidity willing to support asset prices.” While some will complain about “bailouts for Wall Street and the rich, common sense can lead to no other conclusion: if we are to prevent a continuing asset and debt liquidation of near historic proportions, we will require policies that open up the balance sheet of the U.S. Treasury—not only to Freddie and Fannie but to Mom and Pop on Main Street U.S.A., via subsidized home loans issued by the FHA and other government institutions.”

### **Common Sense**

Gross’s argument is a self-serving fraud, especially the part about Mom and Pop. Gross is essentially a bond trader, whose world revolves around collecting on debt, and few traders—and bankers—understand much about economics. Common sense will tell you, if you think about it, that a closed system cannot bail itself out, that any effective intervention must come from the outside.

The U.S. economy is suffering from two main problems. First, our industrial and manufacturing base has eroded to the point where we operate below breakeven, unable to produce what we need to survive. Second, we have compensated for this shortfall by going deeply into debt on every level, from government to business to household. We turned our economy into a house of cards that has now collapsed. What the speculators would have us do is to bail out that mountain of debt by creating an even bigger mountain, which itself would ultimately require a bailout, in what amounts to an infinite bailout.

Furthermore, the attempt to run this infinite bailout is highly hyperinflationary, as the money pumped into the system in such a scheme adds nothing to the productive capacity of the economy, just more money to support more fictitious assets. It is but more of the same poison which has already killed us.

The solution, the only solution, is to admit that the existing debt is unpayable, that not only can it not be paid, but that the attempt to do so only does more damage to the economy and the nation. This is step one, and until enough people accept it, there is no possibility of recovery. It may be painful, but it is reality, and accepting reality is always less painful than the alternative, in the long run.

Once you accept that it can’t be paid, then the obvious next step is to write it off, in a manner equivalent to

a bankruptcy proceeding. The premise of a bankruptcy proceeding is that what is viable is saved, and what is not is written off, in such a way that the person, or business, can get back on his feet. In this case we’re talking about putting the U.S. financial/economic system through bankruptcy, using the powers given to the United States government by the Declaration of Independence, which establishes the general framework, and the Constitution, which provides the mechanism. Paramount is the protection of the General Welfare: The protection of the people’s right to life, liberty, and the pursuit of happiness is the essence of the American System, and the essence of American law.

### **Build Our Way Out**

Since speed is of the essence in solving this crisis, we cannot wait until the Gordian Knot of global finance is untied and all claims evaluated. That process will take years, perhaps decades, so the solution is to freeze the entire mess while we concentrate on the priorities: Home foreclosures would be halted while things are sorted out; essential goods and services would continue to flow. Grocery stores would have food, hospitals would stay open, water and sewer systems would continue to operate, schools would stay open.

At the same time, the U.S. government, using its Constitutional powers, would begin to issue low-interest credit for these and other essential activities, and to rebuild our moribund productive base and depleted infrastructure. The idea is to restore productivity as quickly as possible, using the best available technology, so that we again become a producer of wealth, rather than a mere consumer. Nuclear power, magnetically levitated (maglev) trains, hydrogen-powered cars, and a host of other new technologies which already exist or which would flow from these developments, would transform our economy into one far more powerful than we had before we so foolishly destroyed it.

This is common sense, and it is also the philosophic and scientific essence of what made America great. We are not a nation of parasites, like the British Empire, but a free nation devoted to lifting the world out of the empire-dominated medieval feudalism and colonial looting which prevailed before we took the stage. We have lost much of this, but we can, and must, return to what we can be. The time is short, the challenge is great, but we can do it.

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# Revive LaRouche’s Economic Recovery Act

by Paul Gallagher

The Lyndon LaRouche Political Action Committee (LPAC) has relaunched its mobilization for the Economic Recovery Act (ERA) of 2006, an emergency measure for employing the now devastated machine-tool capacity of the United States in a crash-effort to rebuild the economy.

In contrast to the “save auto jobs” approach now being taken by those who sabotaged LaRouche’s 2005 initiative, LaRouche’s approach demands the establishment of a new Federal corporation which will salvage the remaining labor and plant capacity, to turn out the machine-tool products required to rebuild the nation’s infrastructure. The auto industry cannot and should not be saved, LaRouche has emphasized. Three and a half years later, Congress must recognize its errors and adopt the mission the ERA lays out.

LaRouche’s Economic Recovery Act (see below), backed in a mobilization by local union leaders and activists, was blocked by the hold on the Democratic Party leadership by fascist banker Felix Rohatyn, and British financier agents George Soros and Al Gore. Blocked with the help of some of the same auto executives now asking for \$50 billion in Federal “retooling” credits to save their companies.

LaRouche’s strategic principle of taking the nation’s major machine-tool capability, and reorienting it to the nation’s most urgent economic need—new, high-technology infrastructure—is the only workable recovery policy from the depression collapse. Schemes being proposed by the automakers to convert their plants with Federal loans to make more small cars, or electric minicars, are a cross-breed of bailout and bad joke.

Also involved, is the crucial issue of defeating the “PPP policy”—public-private partnerships—the strategy pushed by Rohatyn in the Democratic Party, of selling off public infrastructure to private financial groups, instead of building new infrastructure with Federal

credits, FDR style. If the auto industry is converted into the business of building serious infrastructural-grade components for a nationwide economic recovery, “the fascist PPP program gets crushed,” LaRouche emphasized.

## Federal Action Urgently Needed

*EIR*’s March 11, 2005 issue first reported LaRouche’s prophetic warning, that without broad Federal action, the automakers were doomed to near-term bankruptcy by the immense consumer-debt bubbles they were carrying, in a global banking/financial system headed for a crash. The auto markets were historically oversold and headed nowhere but down (from a 17 million U.S. annual rate when he made the 2005 forecast, to 13-14 million in 2008).

LaRouche did not propose to bail out the generally incompetent automakers’ managements. Here is his public description of the machine-tool principle of his Economic Recovery Act, on Nov. 26, 2005:

“If we allow the U.S. auto manufacturing industry to be destroyed, the U.S.A. becomes a virtual “Third World” nation overnight. The nation’s machine-tool design capability, most of which is tied up in the U.S. auto-manufacturing firms, is lost.

“The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of employees out of jobs, with no other place to go.

“The loss of auto plants means an economic disaster, approaching ghost-town proportions, for what are already highly vulnerable entire towns, counties, and cities, even states of the union throughout many parts of the country. This could set off a chain-reaction collapse much, much worse than President Herbert Hoover’s foolish reaction to the 1929 crash. . .

“Cutting back on automobile manufacturers’ plants and payrolls is not a sane alternative. . . . The answer is to diversify the product line. The key to any sane approach is to accept the reduction in the number of automobiles produced by U.S. automakers, but to replace that work immediately with a switch to other categories of technologically very high-grade products which the auto industry’s machine-tool capacity is uniquely qualified to design and produce. Members of the U.S. Congress are already focussing attention on urgently needed mass-transit systems, power-generation and distribution systems, and other urgent needs of the nation. These would not be make-work projects, but are the



EIRNS/Brian McAndrews

*The LaRouche Youth Movement organizing in Washington, D.C., in May 2005, for emergency legislation to retool the auto industry.*

new production needed to prevent the United States from continuing to collapse physically into Third-World conditions throughout most of the nation.

“Action, by the U.S. Federal government and others, is urgently needed, to prevent an across-the-board collapse of not only the U.S. auto industry, but the counties, towns, cities, and states, and their people, which would be pulled under by failing to act now with the reforms needed to save the industry by switching to a new combination of high technology machine-tool-design products.”

That urgently needed action was and is the Economic Recovery Act of 2006. LaRouche proposed to the Congress, unions, and auto managements to “give auto a new mission” by a Federal corporation on the model of the World War II Reconstruction Finance Agency and Defense Plants Corporation which mobilized the “Arsenal of Democracy.” This time, the mission would be rebuilding America’s neglected and collapsed economic infrastructure.

The mission is a large one: trillions of dollars of investment in new high-speed electrified rail corridors; third- and fourth-generation nuclear power plants and transmission systems; high-energy-density water desalination and hydrogen fuel production; water management and treatment; replacing ancient river naviga-

tion systems with modern ones; repairing thousands of upstream dams, and thousands of bridges; building components of NASA launch vehicles and satellites.

Not only unused and underutilized auto/machine-tool capacity, but the capacity of the aerospace industry, partly shut down since 1990, can be expanded by such Federal corporations, in cooperation with the Army Corps of Engineers. Along with production of the factory components of new infrastructure, goes construction-site employment of semi-skilled and unskilled workers on a large scale.

### Small-Minded Substitutes

Through Congressional inaction and Administration incompetence in the face of a global financial crash, the U.S. physical economy’s condition is significantly worse than in the Spring of 2005, when LaRouche’s ERA was already urgent. Despite claims of export boom from a fallen dollar, the American skilled manufacturing sector is contracting at the rate of three-quarter million jobs a year. Hurricanes Katrina and Rita exposed the broken-down condition of economic infrastructure; and the much milder hurricane hitting on their third anniversary, showed that electric power infrastructure in the Southeast, for example, is in worse shape now than then. We face, soon, the inability to launch to the International Space Station, much less to the Moon, as we once could.

Some in Congress, and both Presidential candidates, are now backing “mini” caricatures of LaRouche’s plan—Federal loans/guarantees of anywhere from \$6 billion to \$50 billion to convert what auto capacity isn’t shut down, to build small cars. These plans go in the wrong direction. Fuel-efficient mini-cars, even if they could be sold to households with collapsing incomes and unpayable debts, do not substitute for American infrastructural productivity and industrial capacity. Do we need small electric cars or new electric power plants and transmission capacity? Louisianians, after Hurricane Gustav, have cars, but no electric power in wide areas of the state a week after the storm; the regional power company, Entergy, went into bankruptcy after Katrina, when it failed to get a \$1 billion Federal loan to reconstruct its power grid.

Employment, infrastructure, and financial crisis are where the November election will be decided. Expanding and applying machine-tool capability to construction of new infrastructure, is where the survival of the nation’s economy will be decided.



# For Economists, Legislators, and Labor: Emergency Legislation, Now!

by Lyndon H. LaRouche, Jr.

*This statement was released in a mass-circulation LaRouche PAC pamphlet, entitled, "The U.S. Economic Recovery Act of 2006," in May 2006.*

The purpose of the following communication is to prompt the immediate crafting of urgently needed emergency Federal legislation: Legislation to prevent the threatened immediate collapse of the U.S. national automobile industry from becoming the beginning of a virtually irreversible chain-reaction of destruction of approximately the entirety of the present physical economy of the U.S.A.

This communication has two sets of elements.

The first part, which is presented immediately below, is the proposal which summarizes the nature of the proposed emergency legislation.

The second part, the attached documentation, is a sample of the relevant facts assembled in raw form from discussions and related researches compiled, to date, since a meeting of automobile industry figures and others convened in Washington, D.C. during the evening of April 27, 2006.

Much work needs to be done, urgently, to refine the kinds of data identified in the appended, second portion of this transmission. The purpose of presenting that latter collation here, is to sketch the general proportions and characteristics of the challenge to be met if our nation is to meet the challenge of this national emergency. Despite the need for refinement respecting details, the legislative intention required for this crisis is already clear as a matter of principle.

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## The Policy

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### 1. The Threat To Be Defeated

For a little less than two generations, about forty-two years, the presently leading circles of government

and private enterprise in our national economy have been persuaded to adopt the delusion that a so-called "post-industrial" orientation for our nation's economy is both an available, and even an inevitable long-term option. Under influence of what has been this increasingly popular delusion, the independent agriculture, manufacturing, health-care systems, and our republic's basic economic infrastructure generally, have been collapsing, per capita and per square kilometer, throughout virtually all of our national territory.

The best illustration of these effects is the case of what had been the Midwest heartland on which our victory in World War II had largely depended. We are now faced with the presently accelerating, cumulative collapse of the once eminently powerful agro-industrial potential, per capita and per square kilometer, of an area including the western portions of the states of New York and Pennsylvania, and the entire states of Ohio, Michigan, and Indiana. This region is otherwise identified as including the heart of the U.S. national automotive industry.

Over these recent decades, as the leadership of our economy shifted into the hands of the white-collar generation of the so-called "68ers," the emerging leadership of our economy, including the leaders in the institutions of government, became accustomed to the spectrum of special ideologies associated with "post-industrial society," "outsourcing," and "globalization." As a result of this cultural-paradigm-shift over the intervening decades, most of the people who have come to occupy relevant positions of leadership in industry and government, lack any instinctive appreciation of the effect of a collapse of the U.S. automotive manufacturing industry as now combined with the currently accelerating, hyperinflationary rocketing of the prices of primary materials globally.

This pattern is illustrated by the contrast between the strong political reaction to the obvious impact of





Ford Motor Co.

*This Windsor, Ontario Ford engine assembly complex, with its modern production facilities, still employed 2,200 workers in 2006. It was shut down in the Fall of 2007, despite recent heavy capital investment, of hundreds of millions of dollars, into its machine-tool and flexible production capabilities.*

soaring petroleum prices, and the contrasting, more or less negligent reaction to the even more rapidly accelerating hyperinflation in other categories of primary materials. Thus, whereas our more kindly souls among those in leading positions of power and influence, are concerned with the need for measures to ameliorate the effects of sudden mass unemployment and pension cancellations in the five-state region to which I have pointed here, and relevant other locations, they have shown virtually no grasp of the threats to the very continued existence of our nation in the combined effects of an early disintegration of the U.S.-owned national automotive industry and the currently hyperbolic rate of global hyperinflation in prices of primary materials.

In other words, the ideology which came to the surface as the “post-industrial” outlook among the university-bred “68ers,” produced a politically influential generation of today, which has become conditioned to think of economy in terms of money as such, rather than in terms of the production and distribution of the essential products on which human life depends for its phys-

ical perpetuation. In these layers, there is virtually no comprehension of the actual role of technological progress as such in the process of design and production of the physical means of human existence.

Usually, influential circles in these indicated strata of leading influence, have rarely exhibited a comprehension of those features of our economy which defend us against an increasing threat of being thrown back now, suddenly, into something which would be considered by most people, as being dumped virtually into a relatively stone-age existence. It is not understood that, in light of the degree of concentration of the entire machine-tool-design capability in the aircraft and automobile industries, the immediately threatened collapse of Ford, General Motors, et al., would mean a threatened collapse in the direction of what would suggest “stone-

age” conditions for nearly us all.

The object of appropriate forms of Federal legislation now, should be to prevent such a colossal national tragedy, while we still have a true national automotive industry to defend.

## 2. The Urgent First Step

As the appended facts illustrate, the U.S. is now faced with the apparent inevitability of the more or less immediate junking of a majority of the productive capacity of the present roster of U.S. national capacity for the production of automobiles and related elements.

Apart from the physical facilities of the relevant, threatened plants, these plants represent not only a current, but also a much larger labor-force, representing those either now, or recently associated with production in these plants. These plants represent not only employment of the labor associated with production there; entire communities, including many business organizations, hospitals, schools, and so forth, depend upon those plants’ continued operation for their life. Taking the list of what are known to be the immediately threat-

ened plants already identified in the attachment to this report, we must recognize that a large part of the entirety of the indicated, five-state, core area depends as a whole on the contributing part these plants have represented.

In considering the options for employment of the sections of the labor-force associated with those listed plants, we should divide the principal body of operatives associated with the plants, into two major categories: Those associated with production of the product issued from such premises, and those associated with the design of the product and machine-tools on which the required quality of production by the larger portion of the labor-force depends. It is the combination of these two interdependent components of the productive labor-force which will be required for the urgent missions indicated in this report. It is that two-faceted feature of those combined, assorted places of employment, which ought to occupy the center of the attention to these matters by the U.S. Congress and others.

As Walter Reuther and others emphasized at the verge of the war against Adolf Hitler, these plants can produce many other things of national importance besides automobiles. Railroad systems, power plants, essential elements for rebuilding the port and inland-waterway systems, are only typical of the work for which these industries are as well suited as production of automobiles as such.

From our national experience of the past, including the important example of the Kennedy Moon-Landing mission's net benefit to our national economy, we know that the kinds of projects needed for repair of our currently decadent, and other collapsing national basic economic infrastructure, in water, power, mass-transit, and other essentials, are best suited to the work to be done by government at the Federal, state, and local level. The inevitable employment of private contractors in furthering the success of these government projects in public infrastructure, is the natural stimulant, under our constitutional system of government, for the promotion of rapid recovery in the private sector.

As we should have learned from the way in which the Reconstruction Finance Corporation operated under President Franklin Roosevelt, when labor employed in such public works is employed efficiently, the increase in the net income of the nation per capita and per square kilometer is greater, per annum, than the rate of annual amortization of the investment.

For example: The continued increase of the average

productive power of labor in the U.S. from the beginning of recovery measures launched under Harry Hopkins' mission, until the 1964 beginning of the official U.S. war in Indo-China, was a period of the highest rate of net physical growth during the Twentieth Century as a whole, and the greatest rate of improvement of the U.S. standard of living.

The net gain to the nation as a whole, from publicly sponsored programs such as the Tennessee Valley project and the space program, is not measured in profit as private entrepreneurship is usually measured, but, rather in the net physical gain to national or regional productivity as a whole from the installation of relevant public works.

However, especially since the 1977 advent of deregulation, the net physical income of the lower eighty percentile of our population has been consistently declining over about three decades; the current, net effect of that cumulative decline, is now imminently catastrophic. When the unpaid costs of production represented by neglected basic economic infrastructure are taken into account, for most of our population, the years since 1977 have been a frightening saga of decline toward the brink of what is presently a threatened global economic breakdown-crisis for sometime in the relatively near future. The cumulative physical effects show that the official arguments which deny such physical reality of recent U.S. economic history, are simply a reflection of wildly fraudulent, willful, and often hysterical forms of so-called "marginal-utilitarian" miscalculations of the rate of inflation, over about a quarter-century to date.

What is needed, therefore, is the creation of a Federal Public Corporation, by Act of Congress. This action should adopt the elements of the automotive industry which are being discarded by the automobile corporations, and which fit the characteristics which I have identified broadly in this present report.

### **3. The Superiority of the U.S. System**

The ability of the U.S. Federal government to launch a general economic recovery of this type, for the sectors and also the whole of the U.S. economy, is implicitly defined, as a matter of principle of government, in Treasury Secretary Alexander Hamilton's Reports to the U.S. Congress.

That, our nation's constitutional system, reflects our founders' attention to the lessons of the practice of the pre-1689 Massachusetts Bay Colony and the proposals

respecting paper money by Benjamin Franklin.

Our constitutional form of government and economy, unlike the typical economies of Europe, defines a credit-system, rather than a European style of monetary system. This is expressed by the monopoly over the utterance of and regulation of the circulation of money created by the Federal government. This contrasts with the typical European government, whose economic policies are subject to control by monetary systems which are dominated by private, often also predatory financier interests which have been expressed as central banking systems. Under our Constitution, our banking system is subject to regulation by the Federal government through those instrumentalities of national banking which rely on the lawful monetary credit created by the Federal government, rather than the inferior mechanisms associated with the prevalent practice of European states.

The issue and circulation of our republic's lawful money serves us not only to promote the circulation of commodities, but as credit invested in the creation and maintenance of long-term capital improvements in both the public and private sectors.

For example, the most important categories of investment have a physical life-span of between one and two generations, a span of longer than approximately twenty-five to fifty years. The Tennessee Valley development is a useful illustration of the point. Or, as post-war Germany's emulation of our President Roosevelt's investment of public credit in promoting both public infrastructure and private entrepreneurship illustrates, the growth of the economy as a whole is accelerated not only by the initial outlay of public credit, but, additionally, by the circulation of progressive chunks of repayments which serve as additional increase of the total financial capital in circulation for investment in the economy as a whole.

Take the case of the impact of the operations of the Kreditanstalt für Wiederaufbau in post-war Germany, a program which Deutsche Bank's Hermann Abs promoted as a way of capturing the method of President Franklin Roosevelt's use of the RFC for such effects. Under the protection of the post-war, fixed-exchange-rate system established by the initiative of President Franklin Roosevelt's U.S.A., during the period into about the mid-1960s, the monetary depreciation of medium- to long-term investments was protected by a U.S.-dollar-denominated fixed-exchange-rate world system. It was only when that system was disrupted,

chiefly by the combined actions of the first Harold Wilson government of the United Kingdom and the prolonged effects of U.S. government policies under the ruinous conditions of the prolonged U.S. war in Indo-China, that the Bretton Woods system was wrecked by the growing influences of policies contrary to the discipline of Franklin Roosevelt's fixed-exchange-rate system.

The following summary point of explanation is required at this point.

This important distinction was implicit in President John F. Kennedy's investment tax-credit program. A fixed-exchange-rate system is implicitly a "fair trade" system, rather than a "free trade" system.

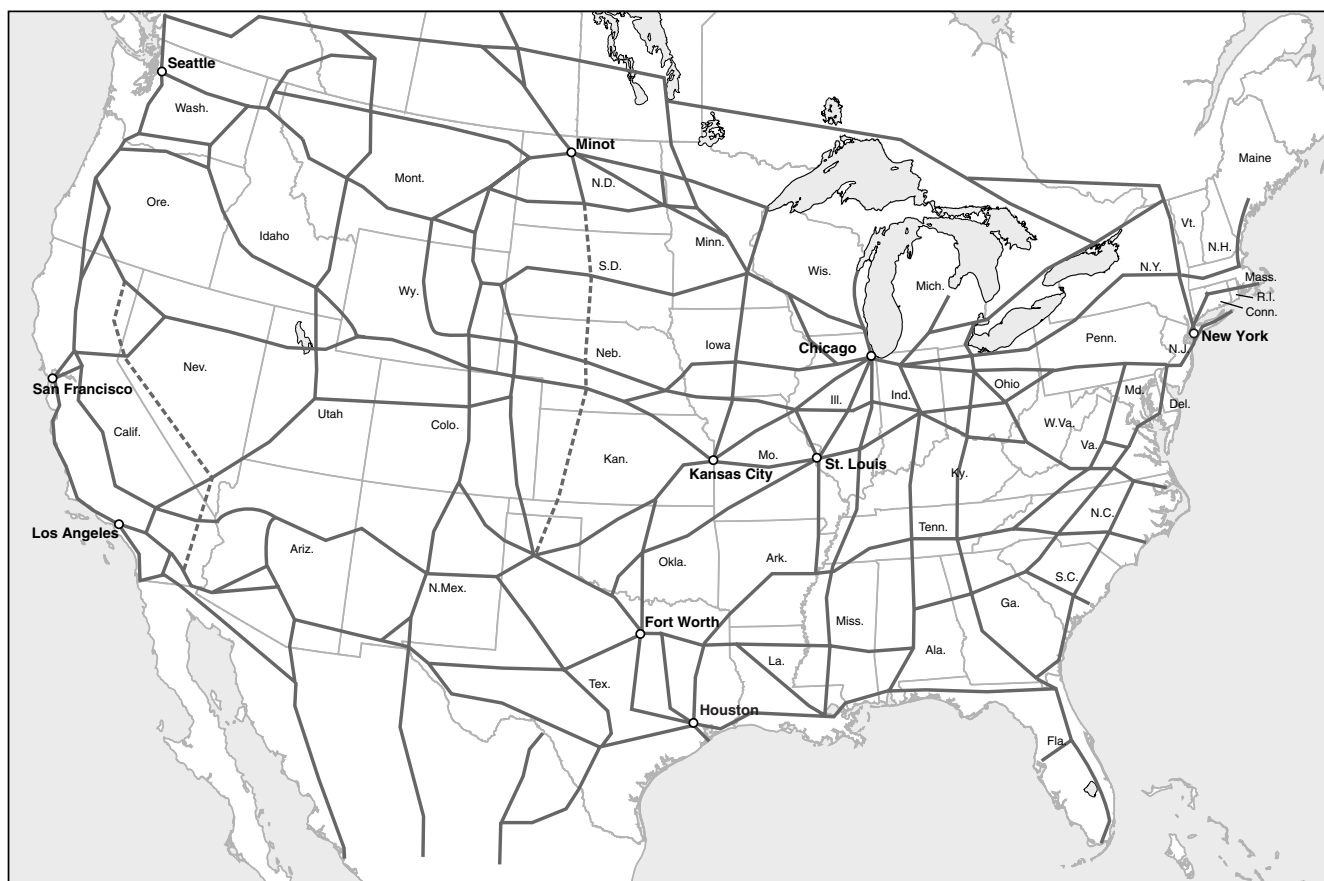
The "free trade" system of the post-1763 British East India Company and later British Empire, the "free trade" system praised by London-educated Karl Marx, is a product of a modern, Anglo-Dutch Liberal outgrowth of a medieval system, the Venice-directed Lombard banking system, which had crashed during Europe's Fourteenth-Century New Dark Age. Indeed, the presently onrushing crash of the revised system of financial-derivatives bubbles unleashed by former U.S. Federal Reserve Chairman Alan Greenspan during the 1987-2006 interval, is essentially a reflection of the same follies seen in the collapse of the medieval Lombard League and the John Law bubbles of the early Eighteenth Century.

In contrast to such European models of liberal financial systems under the boot of independent central banking systems, the American System's constitutional design was premised on the vigorous defense of the integrity of public credit.

In general, although the Federal government must mobilize credit for any purpose where this is urgently required in the public interest, the objective of a competent U.S. Federal administration is to capture the relatively greatest portion of issue of monetized and other public credit in the form of long-term physical investments in productive improvement of basic economic infrastructure, private industry, the improvement of the productive powers of labor, and in the development of those individual creative mental potentials on which all forms of human progress ultimately depend.

Wise U.S. policy measures progress today in intervals of approximately twenty-five years, a quarter-century, the span of development of new individuals from birth through intellectually developed maturity for the work and life of a contemporary truly modern, produc-

FIGURE 1

**Proposed 42,000-Mile-Long Network of National Electrified Rail**

Source: Hal Cooper

*This intercity route network of electrified rail would transport freight and passengers, largely on upgraded existing rail lines. A new high-speed maglev network will be constructed along the existing interstate highway system.*

tive society. In accord with that concern, rather than strewing utterances of credit as money along the streets, we tie up the utterance of new credit, as much as possible, in long-term investments, with emphasis on investments which have a foreseeable, useful physical life of one or more generations.

To secure the inherent fungibility of such utterances of credit, we require the governing instruments of a fixed-exchange-rate, "fair trade" policy.

Thus, as long as there is a net improvement in the expression of the productive powers of labor year by year, the ability of society to invest in combined public and private capital improvements is limited chiefly by the limits of opportunity for successful such added investments.

Flooding money virtually into the streets of wild-eyed real-estate and other forms of gambling, as mis-

guided Kemp-Roth was such a piece of folly, and as "M3" was flooded under Chairman Greenspan, and still today, is what must be curbed in the interest of fiscal responsibility. The chief effect of the utterance of Federal issue of public credit must be tied up in, predominantly, long-term and inherently productive investments in basic economic infrastructure and technological progress in increasing the physical quality and productivity of accumulated investment in private entrepreneurship. This rule of prudence is the indispensable key to the measures by the U.S. government required to address and conquer the problem typified by the presently onrushing collapse of the U.S.'s machine-tool-design sector.

Government can efficiently utter vast floods of credit as capital for improvements, on the condition that this capital is directed to, and tied up within suitable



long-term investments in public improvements and efficient private entrepreneurship. Investments in financial instruments for purely financial speculative purposes or conspicuous consumption of the relatively financially privileged, should be very highly taxed, relatively, whereas investments for physical increases in the quantity and productivity of the economy, are to be treated preferentially. The rule is not “soak the rich,” but give preference to prudence.

It must be taken fully into account, that the present world monetary and financial system has entered the end-phase of a global economic breakdown crisis, a phenomenon absolutely more serious than any mere general economic depression of the type experienced during the relevant part of the 1930s.

The economies of western and central Europe, like that of the U.S.A. presently, are currently operating at levels far below sustainable breakeven. These economies are, in turn, the essential market on which the economies of all Asia depend, a dependency of such degree that a collapse of the U.S. dollar would set off a chain-reaction which would bring down every part of the world system, such as India and China, which attempted to continue to operate within the bounds of the present IMF system. The present hyperinflationary spiral of financier speculation in primary materials such as metals and petroleum, has no other cause than the fact that leading financial circles are rushing into such holdings in their recognition of the imminent collapse of the entire world’s present financial-monetary system.

At present, regard for safe policy requires that we must estimate the threatened collapse to be no more than months distant, unless a drastic reform were to prevent that collapse. What is being proposed in this report is such an urgently needed immediate reform. Any government which would not make such a change, must either be reformed, or events will reform it in the most unpleasant manner conceivable.

#### 4. The Concrete Action Required

The listed and other comparable elements of the automotive industry scheduled for discard must be taken over immediately by the U.S. Federal government. Their essential productive personnel and present facilities must be promptly assigned to suitable categories of work consonant with the special capabilities of a modern, machine-tool-design-driven engineering and manufacturing function.

TABLE 1

#### Large-Volume Components for a New Advanced Nuclear Plant (1200-1500 MW range)

Equipment	Number (Range)	Comments
Pumps, large	71-100	
Pumps, small	80-484	
Tanks	49-150	from 600-150,000 pounds
Heat exchangers	47-104	All sizes, types, material 2,100-250,000 pounds
Compressors, vacuum pumps	12-26	
Fans	61-123	600-45,000 pounds
Damper/louvers	730-1,170	
Cranes and hoists	25-50	
Diesel generators	2	10 MWe
Prefabricated equipment modules	64-133	Preassembled packages including mechanical equipment, piping, valves, instruments, wiring, etc.
Instruments of all kinds	1,852-3,440	
Valves of all kinds	9,633-17,891	

Source: *U.S. Job Creation Due to Nuclear Power Resurgence in the United States*, Volume 2, page A-125, November 2004, Idaho National Engineering and Environmental Laboratory.

The following list is exemplary:

1. **Ocean ports and inland waterways of transportation.** This indicates an associated role of these adopted industrial capacities, and the U.S. Corps of Engineers.

The enlargement of the U.S. Corps of military engineers, together with its complements in the National Guard organizations of the states, should be a leading, greatly expanded element of the proposed reforms. This should anticipate the needed role of organizations paralleling the intention of the CCC program of the 1930s, for the cooption of youth who may be taken out of tracks of social desperation into educational and related programs of development leading them toward a fruitful future as citizens with prospects of healthy families of their own.

The depletion and other wrecking of the engineering and other national-security functions of our military services redouble the importance of the natural civilian functions of a military Corps of Engineers in today’s world, at home, and at large.



The prime example is the complex of river systems feeding, chiefly, into the Mississippi, between the Rocky and Allegheny mountains, from the Canadian border to the Gulf of Mexico.

2. **Reversing the depletion of national aquifers, by aid of nuclear-power application to desalination and related water purification programs**, but integrated with the sundry programs complementing development of ocean ports and waterways.
3. **Aggressive development of power from sources of high energy-flux density, such as nuclear fission**, and a quarter-century mission to bring functioning thermonuclear fusion applications on line.

This element of the program takes into account the fact that the growth of human requirements has tended to deplete the relatively richest concentrations of essential raw materials found within the sediments of the Earth's Biosphere. The foreseeable problem for the two generations immediately ahead, is not a set of absolute limits, excepting the case of depletion of fossil freshwater resources. Rather, the threat is, that without an early and rapid increase in the energy-flux-density of relevant processes, the increase of cost of production, as measured in per-capita terms, would soon produce a critical world situation. To cope with the rising cost of employment of such resources, the world must now undertake some dramatic shifts in economic perspectives.

The first step of reform, must feature the use of high-temperature, gas-cooled nuclear-fission reactors, for not only desalination and related tasks, but the production of synthetic, hydrogen-based fuels, to replace the present degree of reliance on the transport and combustion of petroleum and natural gas, and to shift the use of those latter resources toward their better role as chemical feedstocks for production of needed products. This is also to be viewed as a mission of cleaning up the messes which cling stubbornly to current practices.

This means the immediate development of generally usable prototypes in production and use of such synthetic fuels.

The longer-range mission must be the management of mineral resources generally, to reverse the present trend of rapidly increasing the per-capita cost of production of refined primary commodities.

#### 4. **Reorganization and Development of Mass Transportation.**

From the late Seventeenth Century onward, the process of colonization of North America was focussed on the development of roads, developed waterways, and, later, railroads. This was associated with a clearer conception, established during John Quincy Adams' tenure as Secretary of State, of an integrated territory of a continental nation, from Atlantic to Pacific, limited only by a northern border with Canada and a southern border with Mexico. The integration of the U.S. by transcontinental railway systems, as under John Quincy Adams' one-time protégé, President Abraham Lincoln, established the U.S. as a continental power too powerful to be conquered by foreign military attack.

During the course of the post-1968 shift to a "post-industrial utopia," this integrity of the U.S.A. within its own territory has been ruined, and almost destroyed.

This degeneration of the U.S. has been marked by coinciding relative abandonment of large, formerly developed agro-industrial regions of the nation, and a congestion of flimsy structures, often of Hollywood-set-style construction in areas of suburban sprawl, and skyrocketing urban prices of housing and other tenancy.

This functional degeneration of the internal physical organization should remind us of the ills of Mexico City, Cairo, Alexandria, and generally comparable, bloated and mass-poverty-stricken regions of the world's developing sector.

There is a desirable setting of limits on the size of functioning urban areas, and similar sorts of functionally defined limits on efficient suburban sprawl around cities.

Much of this decadence and its concomitant disorder, has been a by-product of the campaign of radical deregulation launched, during 1977-1981, under the auspices of the Trilateral Commission. The addition of deregulation to the growing 1968-1976 post-industrial orientation, was continued after 1981 as a generation-long degeneration of land occupancy and use throughout the U.S. territory considered as a whole.

This process of decadence, extended now over more than a quarter-century—i.e., more than a generation of the lives of our citizens—has too many people losing much of their lives in inherently wasteful lapsed-time for daily commuting, and similar waste of lives in travel associated with daily routines. Residence, regular com-

munity functions, and work should be accomplished within incurred lapses of times not in excess of that during the days when the typical resident could walk to a number of available options for employment, to shop, to school, and so on. The development of the whole area of the U.S.A. should, once again, emphasize decentralized, economical scales of daily life's routine, distributed rationally over the territory of our nation.

This means a complementary return to proper emphasis on mass transport of people and goods. This means a relative deemphasis on long-haul highway transport of freight, and greatly increased emphasis on a functionally integrated, rational configuration of water, rail, and air transport. This means, inclusively, the use of maglev trunk-routes for high-density transport of people, and also of freight. It means high-speed rail for intermediate connections among urban and suburban areas. It means rationalized organization of air transport, relative to these improvements in rail. It means, inclusively, cutting back on the vast waste of human life caused by what should be considered unjustified time lost in commuting by highway and other means.

Under this same general heading of economic mission-orientations, we must take into account the presently inevitable, now onrushing general collapse of the nation's great real-estate bubbles. As suburban areas around Washington, D.C. exemplify an important aspect of this anomaly, most of the development so-called is of poor, sometimes unspeakably poor quality, and situated in areas in which necessary infrastructure is not supplied, or is vastly inadequate relative to any reasonable standard of urban and suburban planning. The inevitable collapse of the leading real-estate bubbles of this and related areas, defines imperatives for distributing economic functions of the nation widely, thus reversing the trends of the recent quarter-century.

Moving people into rationally designed communities of a relatively decentralized character, around the nation, means a shift of places of employment and so forth, to the effect of a health-promoting decompression of congested localities, and the need for a highly efficient national transport system, which shifts the daily costs and lost time of commuting downward, in favor of highly efficient modes of mass transport among population centers.

This needed change means shifts in the distribution of power plants, shifts in the development and management of fresh-water supplies, and promotion of the de-

velopment of green in presently decadent and arid regions of the national territory. This is also required to prepare us to meet the growth of population we must reasonably expect for the coming two generations.

##### **5. In principle, the relevant portions of the present automotive sector have an already established overlap with our space and general aeronautics programs.**

So far, the accomplishments of our space program have implied less and less emphasis in fact on exploring other planets, than on exploring the common systemic nature of the Solar System which we share with the other regions of our Solar System as a whole. As the demand for scientific progress grows relative to life on even this, our immediate planet, the distinction between life and physical chemistry on Earth and the physical chemistry of the Solar System generally will tend to vanish. There are processes in the Solar System and even beyond which represent the power to control crucial aspects of the conditions for our existence on Earth itself; we must go out to explore and meet those processes. The natural commonality of space-oriented aeronautics and the work and products of the machine-tool sector back here on Earth will naturally meld as the name for physical science becomes, quite naturally, applied astrophysical science.

The immediate practical implication of that same point, is that the current requirement for mastering the Biosphere in depth, is a requirement which includes the need to raise the qualitative level of production in Asian society and Africa, for example. This means that those more developed regions presently in places such as Europe and the Americas, must emphasize mobilization of their own efforts in the direction of science-intensive approaches to the needs of the planet and its populations as a whole.

On this account, it is to be stressed that the same machine-tool-design principle which marks the driver of a successful automotive and aeronautic industry, is the principled feature of experimental designs of test of principle in fundamental scientific work. The challenge of industry during coming decades, will be to upgrade the natural potential of all machine-tool-design work to the level of the refined use of those skills in fundamental scientific discovery. This is work to be carried forth in ways which echo the mobilization of the automobile industry for victory against Hitler's warfare.

perinflationary commodity price bubble, as desperate financial firms tried to keep alive by speculation.

# CFTC Oil Data Confirm LaRouche Forecast

by Paul Gallagher

Under intense Congressional pressure since late May, the Bush Administration Commodity Futures Trading Commission (CFTC) has apparently been doing its job—investigating the commodities futures markets, and even attempting to get information on the “completely dark” over-the-counter futures trading. The results are getting extremely interesting.

Especially interesting, the results of interrogating the British Financial Services Agency about the Intercontinental Commodities Exchange (ICE) in Atlanta, which, incredibly, the CFTC had been allowing the British to “regulate” until \$4/gallon gasoline got Members of Congress screaming.

According to anonymous reports from officials familiar with the CFTC investigations, the data are revealing that the oil futures price markets went through a hyperspeculative phase change at the end of July 2007. Speculation became dominant over commercial uses of these markets, along with illegal hoarding, and manipulation of the sort made notorious in the British-run “oil hoaxes” of the 1970s. The oil price, then, more than doubled in 11 months, and the prices of wheat, rice, corn, and other vital food commodities exploded, triggering global famine threats.

The timing is notable: July 25, 2007 was marked by economist Lyndon LaRouche’s webcast announcement that the international banking system was in collapse. LaRouche said consequences would follow: mass home foreclosures (within a month he introduced his Homeowners and Bank Protection Act [HBPA] as the “fire-wall” against the mortgage bubble meltdown); and—if central banks reacted to the banking collapse with bailouts—hyperinflation. Massive central bank money-printing would allow banks, investment houses, and hedge funds to bail out of some of their worthless securities, and pour their own and their clients’ funds into a new commodities futures bubble.

The CFTC is unintentionally revealing that the banking collapse LaRouche announced, triggered a hy-

## The Phase Change

On July 18, this year, the CFTC revealed that data it had gathered showed that 81% of all ICE, and 48% of all NYMEX oil futures trading, was speculation in “paper barrels”—not a function of production, distribution, or use of energy commodities. This was exactly the opposite of what CFTC chairman Walter Lukken, and New York Mercantile Exchange CEO James Newsome had been telling Congress at hearings during June.

And most of this speculation was being run, the CFTC found, by a few very large speculative corporate, hedge fund, and bank operations. Names that leaked out, were the Swiss-based Vitol oil-trading firm, and the Morgan Stanley investment bank.

Then, on Sept. 4, the *Wall Street Journal* learned that CFTC investigators are finding that big speculative operators engaged in market manipulations of the type made notorious in the 1970s’ “oil hoaxes”: keeping “floating inventories” at sea; falsely reporting inventories in tank farms, etc. The *Journal* was told that the CFTC is “examining ... a rapid shift in the structure of oil markets at the end of July 2007. Price relationships [between short- and long-term futures] flipped in a way that was extremely profitable for traders.... Suddenly, oil for immediate delivery became much more expensive when a glut of oil at a key hub in Cushing, Okla. rapidly drained.”

The oil futures price, then at \$70, took off, and did not stop until it reached nearly \$150 in June 2008.

The CFTC’s forced new level of investigative activity, from late May onward, may have been a significant factor in the temporary breaking of the speculative commodity bubble, with prices sliding in June and July.

Some of the biggest hedge funds most prominent in these markets have, in the process, been ruined—most notably the \$4 billion Ospraie Capital Partners, which had to liquidate on Sept. 2; and the Rothschild-run \$20 billion hedge fund Atticus Partner, which reportedly has lost 30% of its capital. This is an ironic form of proof of the dominance of speculation in the commodities bubble.

A further irony: The CFTC has also discredited itself. Democratic Senators have jumped on the fact that the CFTC is revealing that its testimony to Congress in June was completely false, at the height of demands for reregulation—which the CFTC opposed.



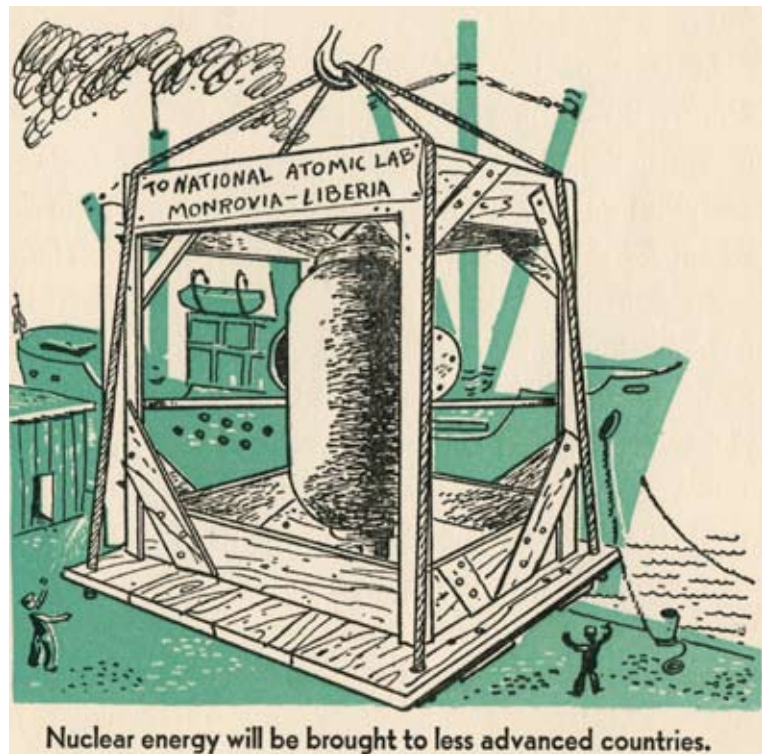
# Producing More and Better Food with Nuclear Isotopes

by Marjorie Mazel Hecht

In the early days of the U.S. Atoms for Peace program, scientists realized that the nuclear fission process could be used for more than just producing electricity and heat. They planned to harness radiation for all sorts of beneficial applications: desalinating water; sterilizing medical supplies and equipment; cancer diagnosis and treatment; space travel; industrial radiography (as diagnostic tracers or for detecting flaws in welds, for example); breeding stronger, more versatile seeds and plants; monitoring agriculture and livestock; controlling insect pests by sterilizing male insects; and disinfecting food crops and extending their shelf life.

For the Atoms for Peace visionaries, the benefits of radiation had no limits! For this reason, the Malthusian oligarchic forces intervened to squelch this optimism, institutionalize scientific pessimism, and to make radiation into a scary word.<sup>1</sup> What the Malthusians feared was that full use of the benefits of radiation would make it possible for all nations to ensure a decent standard of living for their *growing* populations, and that the citizens of nuclear economies would become smart enough to continue to develop technological innovations to support a growing world.

Today, there is no way that our world's 6.7 billion people can survive and thrive, unless we go nuclear, as those pioneers of the 1950s and 1960s intended. This means building 6,000 nuclear plants by the year 2050, simply to keep up with the expected



*This illustration by George Wilde from the 1955 children's book, All About the Atom, by Ira M. Freeman (Random House), captures the Atoms for Peace spirit of that time. As the text states about the less advanced countries: "The main reason for the slow development of many of these lands is the shortage of power." Nuclear energy could make "the neglected parts of the world flourish. In just a few years, they could make more progress than in many centuries before."*

demand for electricity.<sup>2</sup> It means reindustrializing the post-industrial economies by mobilizing around vast infrastructure projects, like the Eurasian Land-Bridge, using the methods that succeeded in the Roosevelt-era

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1. See Marsha Freeman, "Who Killed U.S. Nuclear Power," *21st Century Science & Technology*, Spring 2001 [www.21stcenturysciencetech.com/articles/spring01/nuclear\\_power.html](http://www.21stcenturysciencetech.com/articles/spring01/nuclear_power.html); and Marjorie Mazel Hecht, "The Neo-cons Not Carter Killed Nuclear Energy," *21st Century*, Spring-Summer 2006.

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2. James Muckerheide, "How to Build 6,000 Nuclear Plants," *21st Century Science & Technology*, Summer 2005, [www.21stcenturysciencetech.com/Articles%202005/Nuclear2050.pdf](http://www.21stcenturysciencetech.com/Articles%202005/Nuclear2050.pdf)



Tennessee Valley Authority (TVA). It also means a vast expansion of the known and well-tested nuclear technologies for increasing the food supply—insect control, plant and animal breeding, and food irradiation.

### Proliferating Technological Benefits

The main agency that has sponsored nuclear technologies in the developing sector is the International Atomic Energy Agency (IAEA), which turned 50 in 2007. The IAEA's Technical Cooperation Program, with a budget of \$76.8 million, placed about 4,400 trainees in 2006 throughout the world, working in nuclear-related areas. When you consider that we need to double world food production to eliminate hunger, this level of funding and staff is but a drop in the bucket. Imagine what could be done in Africa, for instance, if the projects briefly outlined here were multiplied to exist in every country on the continent.

**Plant breeding** is one of the IAEA's major Technical Cooperation projects, using controlled mutation induction. This technology, based on the natural mutation of plants, uses radiation techniques to induce genetic changes, from which the favorable characteristics are selected and used to breed new plants. In this way, plants can be made saline resistant, drought resistant, sturdier, or higher yielding.

At a mid-August International Symposium on Induced Mutations in Plants at the IAEA, the head of the agency's Department of Nuclear Sciences and Applications, Werner Burkart, told 600 plant scientists in his opening address: "Since mutation induction in plants began over 80 years ago, nearly 3,000 varieties from more than 170 different plant species have been introduced, resulting in higher nutritional content, more successful agricultural output, and positive economic impact. Among the many successes of induced mutation is production of wheat in drought-prone parts of Africa, growing of barley in the high Andes mountains of Peru, and boosting of rice production in Vietnam."

Kenya's research program, in cooperation with the IAEA, is one of the success stories in plant breeding. The Kenya Agricultural Research Institute (KARI) has developed a high-yield, drought-resistant wheat seed, using radiation-breeding techniques. The new wheat seed, Njoro-BW1, was developed over the past decade



H. Agbogbe/IAEA

*Prof. Miriam Kinyua (left), former chief plant breeder and director of Kenya Agricultural Research Institute (KARI), led the drive to produce new varieties of crops in Kenya, including Njoro-BW1 wheat. Here, she is walking with farmers and KARI staff in fields seeded with the new drought-resistant wheat.*

with mutation plant breeding, under the direction of Prof. Miriam Kinyua, former chief plant breeder and director of KARI. Njoro-BW1 was bred to use limited rainfall efficiently, and it also has only a moderate susceptibility to wheat rust, high yields, and good quality grains for bread baking. With this new seed, farmers have greened the hot and barren dry lands of Kenya, making use of land that was formerly considered unfit for crops.

Wheat is the second most important cereal crop in Kenya, after maize, but the country currently imports two-thirds of its wheat, at skyrocketing prices. Thus the new wheat is vital for Kenya's food security. A second wheat variety, DH4, is expected to be released soon. This shares the qualities of Njoro-BW1, and is also hard and red, with high protein and good bread-baking qualities.

In the past five years, in Africa alone, six new varieties of crops using radiation breeding have been released, including sesame in Egypt, cassava in Ghana, wheat in Kenya, banana in Sudan, and finger millet and cotton in Zambia. Such techniques have also been used to develop crops that can tolerate saline soil.

A joint IAEA/UN Food and Agriculture Organization program, which maintains a plant breeding laboratory in Seibersdorf, Austria, has established a network of promising genotypes of selected crops, providing them to farmers. This included in 2006: soybean (in



Lloyd E. Brownell, *Radiation Uses in Industry and Science* (Washington, D.C.: U.S. Atomic Energy Commission, 1961), p. 342.

*The screwworm is the larva of the fly shown in the inset, which is about three times the size of a common housefly. Screwworms can kill a steer in ten days if untreated. The female lays eggs—about 200 at a time—in any cut or wound in cattle. The eggs hatch to maggots (screwworms), which then destroy healthy tissue, producing oozing wounds that attract more flies. Irradiating male flies to make them sterile has eradicated screwworms, including in the United States, in 1960.*

India, Indonesia, and Thailand), peanut (in Bangladesh), mung bean (in China and Pakistan), and sesame (in the Republic of Korea).

Another success story is in Morocco, where saline tolerant plants are beginning to green the otherwise barren saltlands, where the soil has one-third as much salt in it as the ocean. The IAEA estimates that there are more than 80 million hectares of saline soil worldwide that could be greened, in what are called biosaline nurseries. Egypt, Jordan, Syria, Pakistan, Iran, Tunisia, and the United Arab Emirates are now involved in this project.

Radioactive isotopes are used in the saline project not just for breeding, but also for screening plants to determine their salt tolerance. This involves finding out the relationship between salt tolerance and the ratios of two isotopes of carbon in plants—carbon-12 and carbon-13. Pakistan, which has 6 million hectares of saltlands, is working with Morocco on this project.

**Insect sterilization.** The Sterile Insect Technique is the only example I know of a good population control program! Male insects are laboratory reared and then sterilized with gamma irradiation. When released into the field, their mating with female insects will produce

no offspring. The technique has been used for 50 years as a means of controlling insect populations, usually in conjunction with other methods, such as chemical pesticides. (This is because the insects still bite.)

Insect sterilization has been successfully used on six continents for several different pests: the fruit fly; Mediterranean fruit fly (medfly) in Chile, Mexico, California, and Southwest Asia; varieties of moth; the melon fly in Japan; and the screwworm in the United States, Central America, and Libya. These pests have caused billions of dollars of damage to food crops and livestock. There are now ten insectaries—sterile fly breeding factories—the two largest being in Guatemala and Mexico.

The most dramatic success story is the eradication of the tsetse fly from Zanzibar. Tsetse flies attack both humans and livestock, transmitting the sleeping sickness disease (Trypanosomosis), which kills off herds of cattle and debilitates or kills its human victims. In sub-Saharan Africa, there are 22 species of tsetse fly endemic, over 10 million square kilometers (3.86 million square miles). Widespread pesticide-spraying programs in Zanzibar had failed to eradicate the tsetse.

The model program in Zanzibar began in 1994, releasing 72,000 sterile male flies per week by airplane (in biodegradable containers). The flies were mass-bred in insectaries in Tanzania. The sterile flies were marked with a fluorescent dye, so that the ratio of sterile to non-sterile flies could be monitored in traps set across the island to catch the flies.

The last wild fly was captured at the beginning of September 1996! (It was entombed in a lucite cube and sent to the then head of the IAEA, Hans Blix.)

Another success story is in Southwest Asia, where farmers from Israel, Jordan, and the Palestinian Authority are collaborating to let loose millions of sterile male medflies in the Arava Valley, where this destructive pest turns citrus and other fruit to mush. The flies are released between the Red Sea and the Dead Sea in a two-hour flight.

**Livestock breeding.** The gains in livestock productivity come from the use of isotopes in monitoring animal nutrition. Radioactive trace elements track digestive processes to help scientists evaluate changes in the animal feed, and design feed that enables the animals to produce better quality milk and meat. The

IAEA/FAO program developed an easily digested urea-molasses additive (known as UMB) to animal fodder, for example, that fosters growth, milk production, and reproduction. The UMB is locally produced, and has increased milk production by 10-25%.

Radioimmunoassay techniques, using radioactive iodine to label and track a hormone, have also advanced animal breeding in developing countries, upping milk production and improving reproduction capabilities.

**Agricultural efficiency.** Radioactive tracers are used to track nutrients in soil and provide information for more efficient use of mineral fertilizers. Better soil and crop management as a result of this information has allowed farmers in Africa and Asia to increase yields, under the IAEA/FAO technical cooperation programs.

The same is true for the efficiency of water use. Neutron moisture gauges, for example, can accurately measure the moisture in soil. When used with new irrigation methods—mini-sprayers and drippers—the technology has allowed farmers to increase yields with less water, applied in specific stages.

## The TVA Method

All of the isotope-based technologies have the potential to increase the quality and quantity of the food supply, as they have already demonstrated for years. But the results are still small-scale compared to the need. The IAEA/FAO program described here was funded at about \$76 million a year in 2006. Most of the projects are aimed at improving the lot of the small farmers who make up the majority of the developing sector's agriculture. Imagine the results of gearing up the program in every nation, on the scale of the TVA.<sup>3</sup>

In the 1930s, the Tennessee Valley Authority catapulted a vast area of the U.S. Southeast into the 20th Century, from poverty and backwardness. The Federal TVA project, initiated by FDR, planned a large-scale operation to dam the Tennessee River and its tributaries at 49 points, so that rural communities would no longer be at the mercy of nature's whims—floods and droughts.

The building of the dams was essential, but so was the transformation of the people in the area. The TVA recruited farmers into using new methods—contour farming, fertilizers, and new machinery such as trac-

tors. Thirty-thousand farmers were recruited, and their farms served as teaching projects for their neighbors, bringing up the level of farming in the area.

Schools, hospitals, and roads were built. Children could see a future for themselves, a way out of the traditional Appalachian poverty. The TVA brought hope to a forgotten region of the country in a time of Depression. Today we need similar methods to save the lives of millions who are without adequate food to sustain them and to build the infrastructure necessary to eliminate poverty and hunger.

This infrastructure development is crucial in order to make full use of another important tool in increasing the food supply: food irradiation. This technology was envisioned at the dawn of the nuclear age as a lifesaver. Its research was pursued with passion by pioneers, who saw it as a way to provide combat troops with good nutrition, to provide safe food for those who were immune-compromised, and to ensure the safety of the food supply by killing microorganisms. Yet, more than other food-related nuclear technology, its development has been suppressed, or used only for the specific benefit of the food cartels.

This non-development of food irradiation is a real crime, at a time when 25-50% (and often more!) of the food produced in the developing sector is lost to rot or insect and rodent contamination.

## The Promise of Food Irradiation

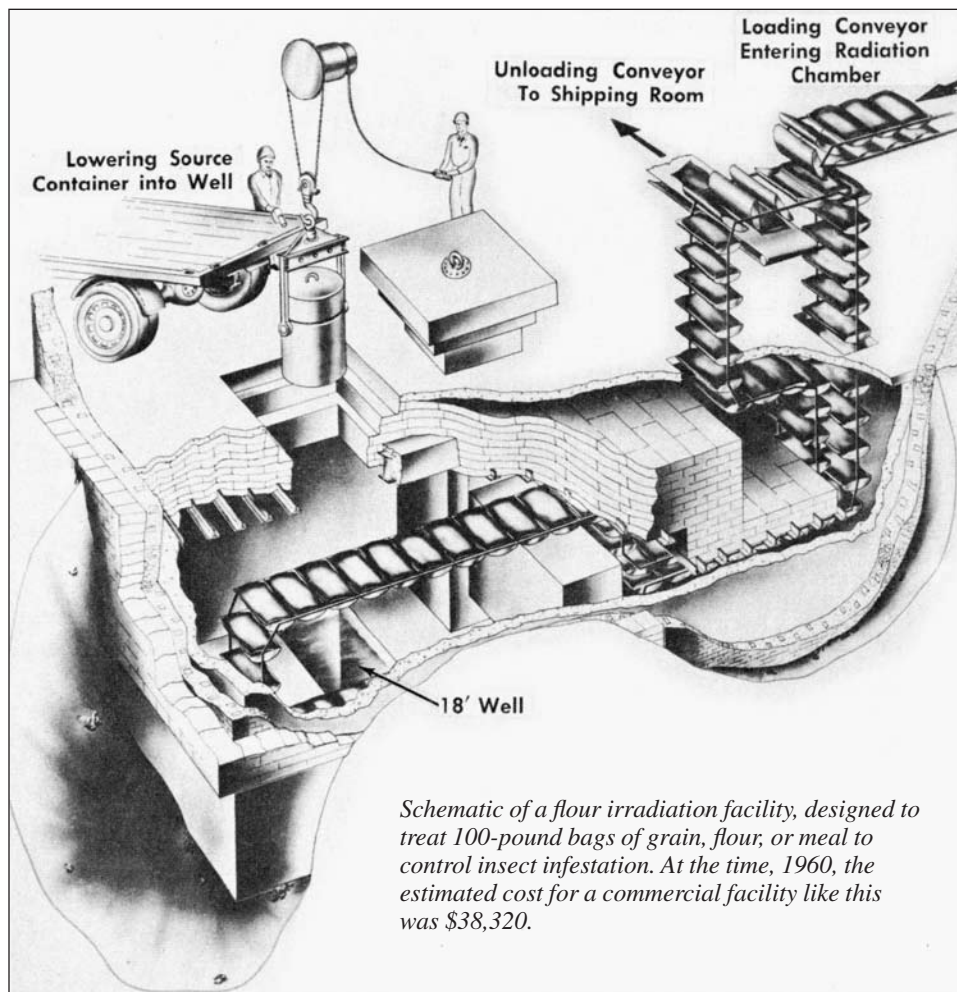
The use of nuclear isotopes from cobalt-60 or cesium, or radiation produced by electron beams, to preserve and disinfest foodstuffs has been researched since World War II. It is safe, relatively cheap, and extremely effective in disinfesting fruits and vegetables; preventing sprouting in onions and potatoes; preserving grains and other stored crops intact for human use, without loss to insects, rodents, and other pests; and eliminating food-borne disease. The taste, texture, and nutrition of the food are preserved.

The radiation process exposes food to low levels of ionizing energy, which can come from three sources: gamma rays (using cobalt-60 or cesium), machine-generated electrons, or X-rays.

The very-short-wavelength radiation penetrates solid particles and kills microorganisms by breaking down the cell walls or destroying metabolic pathways, so that the cell dies. The ionizing energy passes through the food (and its packaging) and kills microbes, bacteria, insects, insect eggs or larvae, parasites, and molds.

3. See the 1945 TVA film, "Valley of the Tennessee," at [www.larouchepac.com/news/2008/07/15/full-versions-documentary-footage-used-film.html](http://www.larouchepac.com/news/2008/07/15/full-versions-documentary-footage-used-film.html)





Lloyd E. Brownell, *Radiation Uses in Industry and Science*, p. 355

Higher-level irradiation can be used to sterilize food, so that no refrigeration is needed. Astronauts, for example, have eaten irradiation-sterilized meals, to prevent foodborne illnesses in space. Cancer patients and others with compromised immune systems also benefit from radiation-sterilized food.

As U.S. public health expert Dr. Michael Osterholm has stressed, there are three pillars of public health that have made the increase of lifespan possible over the last century: pasteurization, immunization, and chlorination. The fourth pillar, he insists, is food irradiation, about which he comments, “I can find very, very few issues in the area of medicine and public health that have unanimous agreement and support of every major public health, medical, and scientific organization in the world.”

Food irradiation has recently been in the news, because the U.S. Food and Drug Administration gave the

approval for low-level irradiation of iceberg lettuce and spinach to kill the *e.coli* bacteria responsible for widespread illnesses and several deaths. Many products are approved for irradiation in the United States, including spices, grains, fruits and vegetables, poultry, chopped meat, eggs, animal feed and pet treats, and shellfish. Probably most readers have had the benefit of irradiated spices—free from critters and microorganisms—even without knowing it. An estimated 175,000,000 pounds of spices were irradiated in the United States in 2005. In the same year, 18 million pounds of meat and 2 million pounds of fruits and vegetables were irradiated. Other products are available for consumers on a limited basis.

The recent U.S. press coverage has brought out the familiar chorus of fearful naysayers, who have been

raising the same, often ignorant or lying objections to irradiation for the last 30 years. From my experience, the purveyors of such irrational or ideological objections have no intention of correcting their misinformation. For more on this topic, readers are referred to other available sources.<sup>4</sup> Instead, the focus here will be on food irradiation in the developing sector.

Food irradiation has been approved in 52 countries for more than 30 products. There were 150 irradiation facilities in 40 countries, as of 2005, and 20 more irradiators were in construction. From the early days of Atoms for Peace, the IAEA has been concerned with bringing the benefits of irradiation to the places that

4. For more information on food irradiation, see [www.21stcenturysciencetech.com/steele.html](http://www.21stcenturysciencetech.com/steele.html) and [www.21stcenturysciencetech.com/hecht\\_irra.html](http://www.21stcenturysciencetech.com/hecht_irra.html). The Food Irradiation Processing Alliance also has a useful compendium of frequently asked questions on its website, [www.FIPA.US](http://www.FIPA.US).



need it most in the developing sector. The IAEA has researched irradiation technology since the 1950s, testing to find the optimal irradiation conditions for various products. What is the lowest radiation dose, for instance, that will delay sprouting in onions and potatoes, thus making these staples available for consumption for longer periods? All of the IAEA results were made available for use by developing countries, through its Food Preservation Section.

The IAEA teamed up with the FAO to offer assistance to governments for specialist training for food irradiation, feasibility studies, and economic development. In the early 1990s, four countries were selected for economic feasibility studies for large-scale commercial irradiators—Chile, China, Mexico, and Morocco.

Some nations began their irradiation program decades ago. Thailand, for example, began irradiated onions (to delay sprouting) in 1971. This was followed by the irradiation of fermented pork sausage, *nam*, a popular Thai food, which has high consumer ratings. Now, Thailand irradiates many foods, including wheat and wheat products, spices, shrimp, strawberries, and rice. Also in 1971, South Africa began irradiating potatoes, onion, fruits, spices, meat, fish, and chicken. Japan began marketing irradiated potatoes in 1974. Israel approved the irradiation of animal feed in 1973. Russia began irradiation of fruits, vegetables, spices, cereals, meats and poultry starting in 1959; Ukraine began irradiating bulbs, roots, and tubers, as well as poultry and meat in the early 1960s.

China began irradiating spices, vegetable seasonings, sausage, and garlic in Chengdu in 1978. A larger facility in Shanghai began in 1986 to irradiate apples, potatoes, onions, garlic, and dehydrated vegetables. The Shanghai facility aimed at processing about 45% of the city's annual supply of vegetables.

Consumer acceptance in China was high: A marketing test in 1985 of 25 tons of apples labeled "irradiated" sold out in less than two days, which surprised the project leadership, because the apples were treated to hold for months in storage. Another survey showed that 10-20% of vegetables spoiled every year, at an estimated cost of tens of millions of yuan (minimally \$3 million), while fruit loss was estimated at 28,000 tons, valued at 12 million yuan.

Based on the IAEA feasibility study, the Chinese government allocated about \$1.1 million to design and construct a commercial irradiator in Beijing to process

rice, garlic, and other items for the domestic market. China planned a system of commercial plants, building them near major transportation centers or important agricultural areas.<sup>5</sup>

## Commercialization and Globalization

Despite all this activity, commercial food irradiation did not scale up to meet its promise in the 1980s, and certainly not in those countries most in need. The interest was widespread in the developing sector, but development was suppressed largely because of the technology suppression in the United States. Although the U.S. Army and many other laboratories had researched every aspect of irradiation and the specifications for each type of product (and although astronauts were routinely fed irradiated meals to make sure that they did not get food-borne illnesses in space), the commercial powers in the poultry, meat, fish, and produce industries were not interested in the technology. A crushing deterrent was the paradigm-shift to a post-industrial, anti-science culture, with its well-funded Malthusian green groups who opposed any technology that would allow population growth.

This situation changed in the "globalization" and cartelization era of the 1990s, for two reasons.

First, as Europe and the United States outsourced more of their food supplies, imported fruits and vegetables had to be disinfested before importation. Tropical fruits like mangos and papayas, and citrus fruits, for example, could harbor fruit flies that if imported would devastate domestic crops. A frequent disinfestation method (after traditional pesticides were banned) is to pick the fruit green and submerge it in a hot water bath. (This accounts for the tasteless, wooden quality of many long-distance-shipped fruits.) Irradiation provides a solution: Fruit can be picked fully ripe, then irradiated and exported, arriving in a much tastier state at its destination.

When the United States approved irradiation for disinfestation of mangos and papayas, India, which is famous for its mangos, and is the world's largest mango producer, geared up its food irradiation program for the export market. Although India had approved radiation for food preservation in 1955, and moved ahead with products for domestic use, the mango export market spurred major development in pursuit of this high-cash

5. Lothar H. Wedekind, "China's Move to Food Irradiation," *Fusion* magazine, November-December 1986.

**There are more than 150 irradiation facilities in over 40 countries**



**Food irradiation has been approved in 52 countries for more than 30 products.**

Source: Courtesy of Ron Eustice, Minnesota Beef Council.

*One billion pounds of food are now irradiated per year for preservation and disinfection—a tiny amount compared with the percentage of post-harvest food lost to spoilage in areas where people are going hungry.*

market. An agreement was signed with the U.S. Department of Agriculture in 2006 for India to export irradiated mangos on a commercial scale, under U.S. supervision. As of June 2007, according to Ron Eustice, executive director of the Minnesota Beef Council, and an expert on food irradiation, 75,000 boxes of mangos had arrived in the United States—about 225-250 tons.

Thailand is also approved for the export of mangos and other tropical fruit to the United States. Peru is considering irradiation for asparagus, of which it is the world's largest producer and exporter. The traditional pesticide for asparagus disinfestations, methyl bromide, is being phased out because of the ozone hoax and its Montreal Protocol.

And so, as hundreds of thousands of people face hunger and starvation, one of the tools for producing and preserving more food in the developing sector has been diverted into globalization's high-cash crops. When I asked one food irradiation expert about this, he commented that it was true, but that the revenue generated in those exporting countries would help their domestic situations. This is the typical "free-trade" argument that the Anglo-Dutch empire has been pushing for centuries—as the poor in their former colonies continue to get poorer.

The second reason for the food irradiation gear-up has to do with the highly publicized U.S. outbreaks of food-borne illness—*e coli* in chopped meat, spinach, and other vegetables—leading to severe illnesses and several deaths. For many large food producers and cartels, now food irradiation is seen as a profitable and necessary business measure.

## The Isotope Economy

How do we get from the present situation—the food crisis, the vast underdevelopment of our world, and the imminent global financial collapse that threatens to obliterate civilization as we know it—to the isotope economy, where we will make full use of the known beneficial technologies of the nuclear isotopes and research those not yet known? To do this, we need to revive the spirit of Atoms for Peace today, and institute a crash program to build food irradiation plants and the infrastructure necessary—for har-

vesting, transportation, and packaging—to the countries that need it most. There are companies that can build a facility to irradiate 50 million pounds of food per year, for \$1.6 million, delivered in six months, according to one U.S. expert. With mass production of facilities, the cost and delivery time could be accelerated.

In the Atoms for Peace days in the 1950s and 1960s, food irradiation was seen as so promising that the U.S. Atomic Energy Commission shipped irradiation units to Ghana and Nigeria, for example, for research in this then-nascent technology. There were even plans for small mobile irradiators that could be trucked or taken by rail to harvest sites. What's required now is the political will.

Food irradiation and the other nuclear technologies briefly described here (as well as non-nuclear biotechnologies) are not a "magic bullet" to solve the ongoing food crisis. But they are essential "weapons" in the battle against hunger and disease that are now vastly underused. Any serious campaign to feed the world must expand these technologies—and fully fund the scientific research to discover new beneficial uses of nuclear isotopes. It's time to bring the 21st-Century world into "the isotope economy"!

# The American Roots of Germany's Industrial Revolution

by Helga Zepp-LaRouche

*Mrs. Zepp-LaRouche, chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany, gave this presentation on July 4, 2008, to a seminar of the LaRouche Youth Movement (LYM) near Nordhausen, Germany. It has been translated from German; footnotes and sub-heads have been supplied by the editors.*

This evening I would like to say something about the conflict that is dominating the present world strategic situation. This is a conflict that one will certainly not read anything about in the German media, since it is not the politically correct view. Furthermore, long-forgotten knowledge of history has been kept hidden—history in general, and especially the history of the 19th Century, which almost nobody in Germany knows anything about—an unacceptable phenomenon.

The main conflict, without which nothing of what is happening today can be understood, is that between the British System and the American System of economics. I will deal with this in my presentation, since it is no academic subject which only pertains to past history, but rather has the most urgent significance today.

For example, let's briefly look at those who, at the FAO conference in Rome in June, represented British free-trade policies. They want the so-called Doha Round of the WTO [World Trade Organization] to finally come to an end, i.e., to get rid of all trade barriers and protective tariffs.

What does free trade really mean? It means that the speculators who are responsible for the current rise in oil and food prices, would be given free rein. That is the position of the EU [European Union], that is the posi-

tion of the U.S.A., that is the position of the IMF [International Monetary Fund], the World Bank, etc.; these are now clashing directly with the position of most developing countries, which are faced with the food catastrophe and say: "No, we don't need free trade any more; what we need is food security. Every country must produce enough to feed itself. We need the exact opposite of free trade; we need protectionism and protective tariffs, to protect the weaker economies, in particular, from the flood of cheap imports."

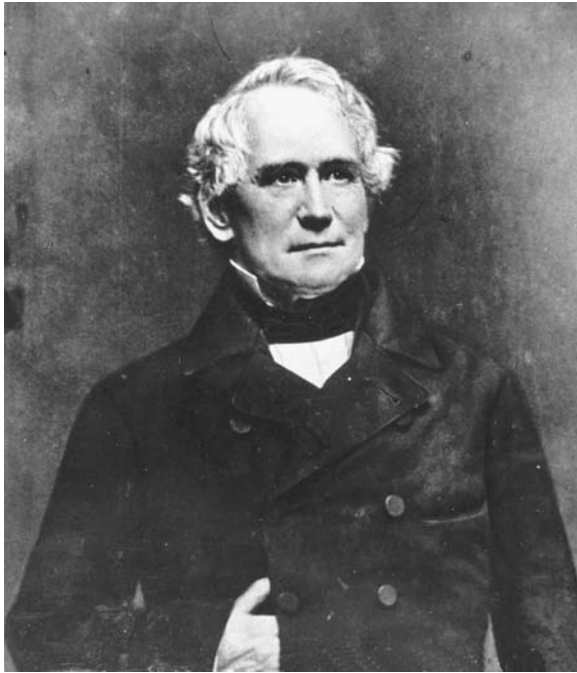
That is, in reality, also the principal contradiction between the catastrophic Lisbon Treaty, which was cemented by neoliberal policies, and all the forces that are speaking out, worldwide, for a New Deal, for a New Bretton Woods, for a policy in the tradition of Franklin Delano Roosevelt. Already in the 1930s, Dr. Wilhelm Lautenbach<sup>1</sup> in Germany made proposals similar to Roosevelt's. The famous WTB Plan<sup>2</sup> (of Woytinsky, Tarnow, Baade), proposed by the German Confederation

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1. Dr. Wilhelm Lautenbach was a senior advisor in the German Economics Ministry during the government of Chancellor Heinrich Brüning, before Hitler came to power. In 1931, he presented a paper to a secret meeting of the Friedrich List Society, attended by about 30 prominent economists, bankers, and politicians. His paper, titled "The Possibilities of Boosting Economic Activity by Means of Investment and Expansion of Credit," which included a 1.5 billion reichsmark job-creation program, was rejected by the group. Had it been adopted, Hitler's takeover could have been prevented. See "Wilhelm Lautenbach's Concept of Productive Credit Creation," *EIR*, April 18, 2003.

2. Wladimir Woytinsky, Fritz Tarnow, and Fritz Baade were German trade unionists and/or Social Democrats, who, on Dec. 23, 1931 presented their "Theses on Combatting the Economic Crisis," which called for international job-creation through "public works on a grand scale."





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*Chancellor Otto von Bismarck (right) rejected British free-trade policy in 1879, in favor of the protectionist model of American economist Henry Carey (above). He was advised by industrialist Wilhelm von Kardorff, who wrote, “Carey’s felicitous writings, whose study I cannot recommend highly enough, treat questions that, in my view, are matters of life and death for the German Reich.”*



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of Trade Unions (ADGB), also went in the direction of state credit creation and state investment programs.

These two opposing positions are colliding today, and the outcome of this conflict will determine whether the world plunges into a nightmare of hunger and catastrophic famines, such as we are now already experiencing, or whether we succeed in time to defeat free-trade theory, and to conduct a policy oriented toward the common good.

### **The Birth of the Republic**

This battle has lasted a very long time; at least 2,500 years, one might say. It is not the class struggle that defines history, not “dia-mat” [dialectical materialism] or “histo-mat” [historical materialism], but the struggle between republican and oligarchical tendencies.

Friedrich Schiller wrote about this clash in his essay, “The Legislation of Lycurgus and Solon”—how the aim of Solon’s wise laws was the progress of all citizens, whereas in Sparta, everything was sacrificed to

the state, and thereby to a small elite, and that Man was of no importance.

One can truly say that such imperial, oligarchical forms of government ruled the entire world up until the 15th Century. I’ll just mention here that at one of our conferences in Bad Schwalbach, I gave a presentation about the development of the nation-state, and cited [Friedrich August Freiherr] von der Heydte’s work “The Birth of the Sovereign State.” I recommend that you all study this essay, since today, this question evokes the greatest misconceptions and errors: that the nation-state is bad, it only brings about wars; that nation-states were to blame for both World Wars, etc. That is of course complete nonsense, since the two World Wars were the result of the collision of empires—the Austro-Hungarian, the Russian, the British, and the German. These were not nation-states, but imperial entities, fighting for domination in an imperial order.

Von der Heydte describes the emergence of the nation-state (I don’t want to develop this point here) as





*Prussia's Friedrich Wilhelm von Steuben drills the Continental Army at Valley Forge in 1777, during the American Revolutionary War. Prussia, in 1780, joined the League of Armed Neutrality, which permitted non-belligerent powers to deliver goods to America during the Revolution: in fact, an alliance against Britain.*

a terribly difficult process, from Empire and papacy to, finally, the idea of national sovereignty, and thus to the orientation of governments to the common good. It took a total of 1,500 years or more since the emergence of Christianity for this to come about.

It was Nicolaus of Cusa who, in his *Concordantia Catholica* (especially in the third book), formulated very clearly for the first time, that human rights as a principle could only be protected by a representative system; i.e., the citizens would choose representatives, and these representatives would stand in a reciprocal legal relationship, in which they would, on the one hand, represent the interests of the citizens, while on the other, the interests of the government.

That was a very important idea. Plato and also Thucydides had already realized that democracy was nothing but the flip-side of oligarchy and tyranny. It may be quite reasonable to conduct public referenda on certain specific points, but to try to practice pure grassroots democracy is completely absurd. Consulting the people about such things as how many streetlights there should be in the capital, or how many bridges should be built, would just drive one from pillar to post, accomplishing nothing. What would happen is just what happened in Athens, in the so-called democracy of Pericles: Pericles was the first man in the state, but also de facto a dictator.

Built upon many prior steps, Cusa's formulation was actually the foundation of the modern sovereign state. Joan of Arc's struggle made possible the development of the nation-state in France as well, such that in Louis XI's 20-year reign, the living standards of the population doubled.

Thus did the idea come about, that government has the duty to act for the common good of the population; furthermore, the recognition emerged that only in urban environments could this occur, i.e., when an ever larger portion of the population shifts from a purely agricultural economy to urban life, with science, technology, and overall development. The three phases—from Nicolaus of Cusa, through Louis XI, through the Italian Renaissance—signified the beginning of modern times. Before that was the Middle Ages.

## The American Revolution

Naturally, when governments suddenly cut back the privileges of the oligarchy, the nobility, and the gentry, this immediately elicited opposition from Venice, which, at that time, laid claim to world domination of the sea trade. Finally, the battle between the nation-state and the oligarchical structures had its first resounding victory, with the American Revolution.

The American Revolution is, of course, inconceivable without Columbus, since if Columbus had not discovered America, the Revolution would never have occurred—and in this, Nicolaus of Cusa played a great role. He was already dead in 1492, but one of Cusa's friends was the great geographer and mathematician Toscanelli, who made the map, on the basis of Cusan ideas, that Columbus used in his voyages of discovery.

The idea that man would have to build a New World, preferably far from the control of the European oligarchy, had its origin at this time, and had its first success with the American Revolution.

The American Revolution had nothing to do with

some kind of wild cowboys moving westward, as Hollywood's Wild West films would have us believe. It was a project begun by Cotton Mather in the Massachusetts Bay Colony, and worked out by Benjamin Franklin, who was in contact with the best humanist circles in Europe—with Abraham Kästner, with the circles around Gotthold Ephraim Lessing and Moses Mendelssohn—so that the American Revolution was truly *the* project of all the humanists and republicans of Europe, who were overjoyed by it.

In Friedrich Schiller's *Don Carlos*, there is a fantastic scene between the Marquis of Posa and King Philip, in which Posa champions the ideas of human dignity and freedom of thought, and demands: "Be the King of millions of kings!" That was the republican principle.

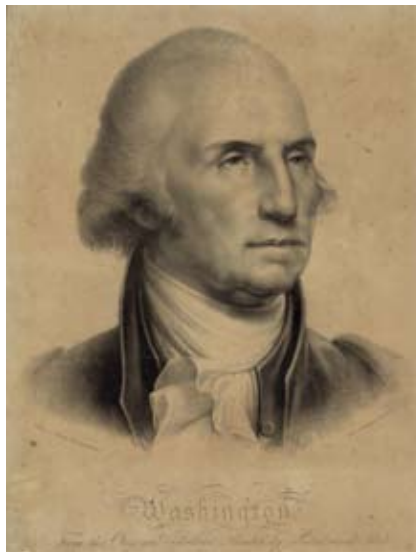
Equality does not come about by chopping off everyone's head equally with the guillotine, as the Jacobins did in the French Revolution; rather it is achieved when all are uplifted, and thus become essentially like kings. "Be the King of millions of kings!" is quite a different principle of equality.

Schiller in his *Letters on Don Carlos*, writes that this drama originated in a century in which the favorite topic of discussion was "the greatest possible freedom of the *individual*, together with the highest flourishing of the state." In what decade was *Don Carlos* written? It was during the 1780s, and clearly referred to America. For a while, Schiller actually wanted to emigrate to America; he said he wanted to make some big leaps, which he ended up not doing—and it's probably not a bad thing for us that he didn't!

## Prussia and America

The 18th-Century humanist circles' orientation to what was going on in America occurred at all levels—not only on the level of governments, but also that of poets and humanists—so that it was no surprise that Prussia, in 1780—thus, still during the Liberation War—joined the League of Armed Neutrality and thereby, in fact, an alliance against England. That was very, very important for the outcome of that war.

In the same spirit, Frederick the Great in 1785 con-



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*The first diplomatic treaty concluded by the United States was the 1785 Friendship and Trade Treaty with Prussia. Chancellor Bismarck, a century later, recalled the friendship between President George Washington and King Frederick the Great (shown here).*

cluded the Friendship and Trade Treaty between Prussia and the U.S.A.—the young republic's first diplomatic treaty. That led to an even greater rise in Prussia's reputation in the U.S.A. It was already quite high because of Frederick the Great's role in the Seven Years War,<sup>3</sup> since his battles in Europe left America's hands free, while at the same time France lost Canada, so that Frederick was considered a real hero. Many taverns in Pennsylvania at that time were given names like "Zum Grossen Fritz."

Twenty years later, Friedrich Wilhelm von Steuben went to America—the von Steuben who would first bring military discipline to the American soldiers at Valley Forge and other military locations during the Revolutionary War. Frederick the Great was then still exceptionally famous.

At the same time, a great many Germans fought in the American militia; although, sad to say, they also fought on the other side, since the oligarchs sold their subjects to the British (for example, from Hesse), as Schiller immortalized in his play *Kabale und Liebe* (*Intrigue and Love*). I urge you to read it for yourself.

Today, if one talks about the "American System,"

3. The Seven Years War (1756-63), whose American front was known as the French and Indian War, began with Frederick the Great's invasion of Saxony. All the major European powers were drawn in to this first war in history to be fought globally. It ended with France losing most of its possessions in North America, and forfeiting to Britain its position as the leading power in Europe. The British East India Company also gained a firm foothold in India.

most people think, “Argh! Bush!!” and go into wild convulsions. It is simply well established, however, that the history of America and Germany is closely intertwined, and there is, on both sides, an extremely positive and important tradition, which is also truly the reason that we should not completely give up on Germany.

This tradition has been somewhat buried, but as I will try to present this evening, it is nevertheless extensive, and offers many very interesting leads for investigation.

An example: The son of the second U.S. President John Adams, John Quincy Adams, was the American envoy in Berlin from 1797 to 1801; that was the end phase of the French Revolution, which he personally witnessed. Then came the rise of Napoleon, and later the Congress of Vienna.

You have to consider European history from the standpoint of America of this time, since in Europe with Napoleon, unfortunately, the first fascist came to power—an emperor who crowned himself in the tradition of the Roman Empire, who conquered not only Egypt, but after the Russian campaign wanted to go on to India, having imperial plans for world power. And Europe under Metternich’s regime again took enormous steps backward, so that the U.S.A. was completely isolated. That is very important for American history, since only in this way can one understand why the Monroe Doctrine was promulgated later, under President James Monroe, and with the assistance of John Quincy Adams. Behind it lies the simple idea, that the Europeans should please keep out of the Americas. These circles—Italians, Spanish, French—all had colonial designs upon Latin America, as well as on part of North America, and the Monroe Doctrine was intended to bar their way. Metternich was totally indignant and said: “How dreadful, if such treaties were to spread further. . . .” Alexander von Humboldt, on the contrary, considered the Monroe Doctrine to be absolutely correct, and supported it.



*Friedrich List (1789-1846) was the father of the Customs Union, the first expression of the Hamiltonian “American System” in Germany. When political winds blew the other way, he was forced to leave, in 1825, to the United States. He later returned to Germany, as the American consul to Leipzig.*

## The Prussian Reformers

That was the period in the aftermath of the German Classic, which was dominated especially by Schiller, who was certainly the greatest of them all, but also by Wilhelm von Humboldt, who, along with Körner, was Schiller’s closest friend. Naturally, Wilhelm and Alexander von Humboldt were also part of this close cooperation. There were also some other fantastic statesmen, for example, Neidhardt von Gneisenau, Gerhard Scharnhorst, and vom Stein. Nobody today comes close to measuring up to their standard.

Vom Stein and von Humboldt were the greatest statesmen that Germany ever had. What they accomplished during the Liberation Wars against Napoleon was truly phenomenal.

For example, vom Stein and Wilhelm von Humboldt, still during the Russian campaign, wrote memorandums on behalf of German unity, which they wanted to present to the Congress of Vienna. This was prevented by machinations of the entire European oligarchy, so that the question of German unity as a constitutional state, which was posed by the national uprising and the victory in the Liberation Wars, was not even put on the agenda. The Congress of Vienna degenerated instead into endless balls and sleigh-rides, and every imaginable sort of entertainment.

Gneisenau wrote an essay during this period about the American Revolutionary War, while Schiller’s brother-in-law von Wohlzogen, who had studied Schiller’s *History of the Revolt of the Netherlands*, composed a White Paper on the basis of Schiller’s historical research, advocating the “war of attrition” against Napoleon in the Russian campaign—i.e., the idea that Napoleon’s mercenary army could only be conquered by luring it into the vast interior of Russia, first avoiding battles and then exposing it, in the Russian Winter, to the scorched earth on the way back.

Friedrich List, the father of the German Customs Union, belongs to the same circle. After the Restoration,



which brought new hardships with the Karlsbad Decrees of 1819 (under which, Schiller's work could only be passed secretly from student to student), he came under enormous pressure, and went to the U.S.A. in 1825. There he wrote a book describing with absolute clarity the differences between the American and British systems. In 1832, he returned to Leipzig as the American consul, and it is truly one of List's greatest achievements, that he placed German-American relations on a very solid foundation. It was also extremely important that he was in America with the Marquis de Lafayette.

At the same time, at the universities of Göttingen and Berlin, a kind of "powerhouse" began to develop, of intellectuals from both sides of the Atlantic. For example, the future American historian and diplomat George Bancroft studied at Göttingen at that time; he would play a very important role as American ambassador in Berlin from 1867 to 1874, and worked closely with Otto von Bismarck. Also John Lothrop Motley, a lifelong friend of Bismarck, studied with the latter, first in Göttingen, and then in Berlin.

### Humboldt's Significance

Alexander von Humboldt played another very important role in the overall situation: While studying at the Freiberg Mining Academy in Saxony, he got to know explorers from the U.S.A., Mexico, Peru, China, and many other countries. In 1799, Alexander von Humboldt made a voyage of exploration to the New World, to Latin America, where he made such fantastic discoveries, that in 1804, President Thomas Jefferson invited him to Washington, to report firsthand on his trip. Thus Alexander von Humboldt was also one of the key figures in German-American relations.

From 1804 to 1827, Alexander von Humboldt lived in Paris, which was then the center of scientific work in Europe. Later, when the political situation in France rapidly deteriorated, he helped Lazard Carnot, among others, come to Germany and continue their work.

In 1828, Alexander von Humboldt began to hold lectures at the Berliner Singakademie on his masterpiece, the famous *Cosmos*. One member of the audience reported: "Eight hundred men scarcely breathed, the better to hear one man. There is no more awesome impression than to see earthly power, the nobility as well as the King, pay homage to the human mind. And for that reason alone, Humboldt's current activities in Berlin are among the most uplifting phenomena of our time."

I would like to read you a short quotation from his



*Alexander von Humboldt (1769-1859) was a world-renowned naturalist, explorer, statesman, and friend of the United States. After his voyage of exploration to Ibero-America, President Thomas Jefferson invited him to Washington to discuss his findings.*

*Cosmos*, a work which will certainly reward a closer look. It may perhaps not be on the same conceptual level as Kepler, but it is a wonderful work, and I will read a passage aloud so that you can get a sense of it:

Nature, however, is the domain of freedom. Whoever contemplates what is revealed through investigation into natural science, not for the specific stages of education or the individual requirements of social life, but for its boundless relationship to mankind as a whole, is offered the most delectable fruit through insight into the coherence of phenomena that increases and ennobles our delight in nature.

The idea therefore, that nature in its totality is wholly coherent.





*Alexander von Humboldt in his library, near the end of his life. One of Germany's most beloved and world-historical individuals, he also influenced the Prussian royal family to support the United States.*

Such ennoblement is the work of observation, the intellect, and the moment of history in which all the impulses of man's intellectual powers are reflected. History will reveal itself to whoever will trace the efforts through the millennia of the human race to track our ancient knowledge deep down through the layers of prehistory, to the very roots, to find in the world's continuous changes the form of its invariant laws, and gradually conquer the world through the power of his intellect. To seek answers from man's antiquity, means to trace the secret course of ideas until one arrives at the same image that had early shimmered before the inner sense as an harmonically ordered whole, a Cosmos, which finally reveals itself as the fruit of long and arduous research.

Two kinds of joy are mirrored in the contemplation of the world in each of these epochs, in the first awakening of a people's consciousness, and then the simultaneous development of all branches of culture; the former is awakened in man's receptive and childlike senses by his entrance into the natural world and by the vague feeling of harmony which rules the eternal change of its silent motion. The other joy derives from the highest level of the education of the

human species, and the reflection of this education in the individual. It springs from insight into the order of the universe and the combined action of physical forces.

So, as man now creates the organs to examine nature [Humboldt means here scientific instruments—HZZ] and to transcend the narrow confines of his ephemeral existence, no longer content to merely observe, he has learned under specific conditions to evoke phenomena, thus natural philosophy stands unveiled bereft of her ancient, poetic garb and adopts the earnest character of self-conscious observation of the act of observation, where clear knowledge and its limits have replaced vague intuitions and incomplete induction. For self-conscious reflection nature is unity in multiplicity, the intermeshing of the manifold in form and composition, the quintessence of natural things and natural powers as one living whole.

From this, it is very clear that Alexander von Humboldt, like Kepler, specifically referenced the work of Nicolaus of Cusa, and one can definitely recognize a similar way of thinking.

After his stay in America and in France, Alexander von Humboldt lived, as I said, in Berlin. He always

maintained that the American Constitution was the real model for Germany. One of his closest supporters was Friedrich von Gerold, who later, for 24 years, was the Prussian envoy in Washington.

Alexander von Humboldt had a very good relationship with the Prussian royal family, to Friedrich Wilhelm IV, and also to his successor, King Wilhelm I, the later Emperor Wilhelm I. And through Alexander von Humboldt's influence, both of these kings had a very positive attitude toward the U.S.A.

Alexander von Humboldt always had visitors in his home. All the Americans who came to Berlin sought him out; he had many correspondents, and deliberately supported American politicians who were fighting against slavery in America.

Friedrich von Gerold had participated in the Liberation Wars as a 17-year-old, and while he was ambassador to Washington, 1.5 million Germans migrated to America—4 million in the 19th Century as a whole. Von Gerold wrote from America that Prussia should never lose sight of the fact that what was occurring in the U.S.A. was “a development of power, population, and material welfare unparalleled in world history.”

When a severe economic crisis developed in America in 1857, the pressure grew to establish a protective tariff, and the contingent of those who were drawn toward Alexander Hamilton and List became stronger.

## **Prussia and the American Civil War**

The real breakthrough was achieved with the victory of the Republican Party in 1860 and the Presidency of Abraham Lincoln. In 1858, Henry C. Carey wrote *Principles of Social Science*, which explicitly supported protectionist policy. Just five years later, in 1863, a German edition of that work appeared, which considerably strengthened the Listian tradition.

When the Civil War broke out, England was quite clearly on the side of the Confederacy, and opined that English legal thought, which supposedly advocated state sovereignty, was asserted in the Confederacy, and that the Civil War was to be considered there as a continuation of the separation of the American colonies from the British Empire that began in 1776. Baron von Gerold, ambassador since the beginning of the 1840s, was convinced that unity of the Union with the South must be restored, and his diplomatic reports had great influence, especially on politics in Prussia. Von Gerold consolidated mutual ties in Washington, so that there was a very strong view there, that Prussia was a close friend.

In the middle of the Civil War, a certain Robert J. Walker was sent on a special mission to Europe. Later, in a letter of Nov. 30, 1867, Walker mentioned the importance of American bonds being accepted in Germany. He indicated that the marketing of these American bonds was what had made it possible for the Union to continue the war. He came out in favor of issuing more bonds, not in France and England, but in Germany. He further reported that the big German banks asked Bismarck whether giving loans to the Union were in German interests. Bismarck replied that they should give as much as possible.

The same thing comes out of the talks that Richard Barthold, an American Congressman from St. Louis, Missouri, held in 1895 with Bismarck at the latter's home, Friedrichsruh. Returning to America, Barthold said that Lincoln would not have been able to continue the war, had Germany not helped financially—a remarkable judgment for a Congressman.

According to his biography, he asked Bismarck, “Was monarchist sentiment then no obstacle to supporting a republic?”—since Bismarck was considered a monarchist, and America naturally was a republic. The Prince—Bismarck—shook his head with a laugh. “Certainly not,” he replied. “The domestic affairs of other countries are a sealed book, when it comes to diplomacy. The main goal of the state leadership is, or should be, to make the people happy and prosperous, and to give them peace and plenty. Various forms of government can compete with one another to achieve this great purpose. We have nothing to fear from comparisons.”

So much for the question of whether Bismarck was a monarchist or not.

Nicolaus of Cusa, when he developed the representative system, had already said, in fact, that it would not matter whether a monarchy or another form of government rules. The important thing is that it lead to the happiness of the people.

It was absolutely not clear at the beginning, whether the American bonds were a secure investment. But, later, it turned out to have been a very good deal, which generated a considerable profit that proved to be very useful when Germany was at war with France.

In a letter dated Oct. 10, 1864, the government of the Southern states was clearly very upset at the German financing of the Union. (If anyone needs evidence of the importance of the matter, this underlines it.)

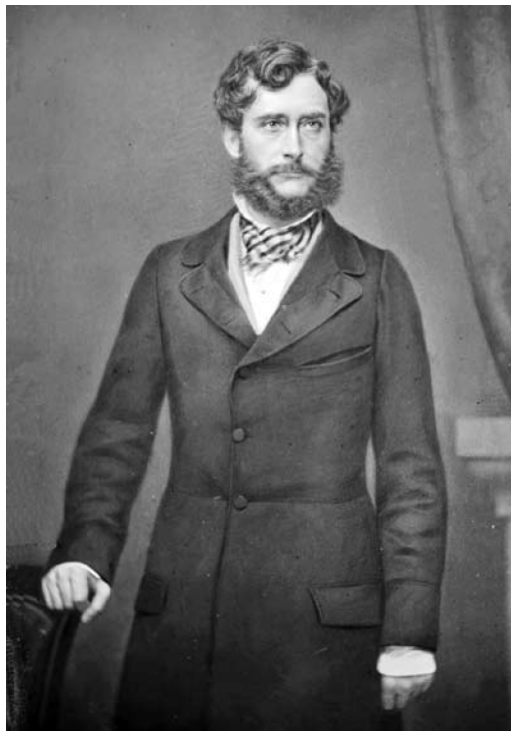
Bismarck himself, later, in a Reichstag speech on March 13, 1884, indicated that Prussian policy had con-

tributed considerably to preventing the interference of other powers, including England, in this war. And von Gerold assured Bismarck on Feb. 20, 1865, that the American government was more confident of the friendship of the Prussian government than of that of any other government. He constantly received compliments and greetings from the President, members of the government, and Congress.

John Lothrop Motley, Bismarck's youthful friend, was also an important influence in this development, winning Bismarck completely over to the cause of the American Union. From the beginning of the war, Motley was the American envoy in Vienna, and at regular intervals he bolstered Bismarck's confidence that the Civil War would be won by the Union.

The effects of the American Civil War on Europe were enormous, although old Europe was initially skeptical about whether the American experiment would work. But after the Union victory, people could see that this Union possessed a surprising inner strength. For the first time in history, a great, successful republic had come into existence, which, for all supporters of republican ideas in Europe, was an incredible affirmation. And then, the attempts by Emperor Maximilian to set up an empire in Mexico, ended with his execution. George Bancroft, who later was the ambassador in Berlin, on the first anniversary of Lincoln's assassination, called Maximilian an adventurer, before both houses of Congress and the diplomatic corps. Thus was the idea of a monarchy even further discredited in America.

The same was also true for Germany. The young German labor organizations welcomed the victory of the Union. They had seen this war from the start as one on behalf of free labor, and wrote a letter of condolence on May 4 [1865], after Lincoln's assassination: "We have followed with great interest this struggle which the North of America has waged on behalf of freedom, free labor, and so we hereby express our deep sympathy



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*John Lothrop Motley (1814-77), a lifelong friend of Bismarck, was the American envoy in Vienna during the U.S. Civil War, and boosted Bismarck's confidence in the Union cause.*

for the death of President Abraham Lincoln." And the Berlin Senior Journeymen, another trade union, wrote: "We hope that it may be possible to bring the great principles of human rights to full realization, and thereby to oust your opponents in Europe—who are the same as ours—from the destructive influence they have had up to now."

From other letters by Bancroft, it was clear that the influence of the U.S.A. was continually rising, and whereas 20 years before, not many believed that America would remain united, now there was a general trust in the ability of the American people to deal with any difficulty that might arise. Prussia was also the first European power to recognize the republican government in Mexico, by resuming diplomatic relations.

## Bismarck and America

Bismarck, when he was a student at Göttingen, already took part every year in the American Fourth of July Independence Day celebrations, and through his friendship with Bancroft and Motley, the tie was never broken.

Motley was born in Boston in 1814. His teacher was Bancroft, who introduced him to the German language and literature. Motley translated poems by Goethe, which Goethe's wife loved and treasured. After a separation of several decades between him and Bismarck, in 1861, Motley came to Vienna as an envoy, and their relationship was reaffirmed. Bismarck always referred to the Americans as friends—but never said such a thing about a single Englishman. He also said that the United States had always fascinated him. Its brisk economic development impressed him, and he repeatedly cited the example of America, in his speeches in defense of protectionist policies. When he was asked, "Yes, but America is a republic?" he replied, "'Conservative' just means that something has occurred before in history, and therefore the American republic is a conservative



form.” That’s another way of interpreting it.

Bismarck’s foreign policy can be summed up as follows: He strove to make relations with America as positive as possible.

Carl Schurz, who was a famous fighter against slavery, admired Bismarck as a great statesman. Schurz spoke of Bismarck “as the most important of all the statesmen of our time, whose far-sighted view, whose formidable energy and ingenious boldness snatched the old Fatherland away from internal discord and worse impotence.” Schurz remained in contact with Bismarck, and Bismarck, for his part, was proud of Schurz and said, “As a German I am proud of this German native son, this revolutionary, who emigrated to the U.S.A.”

On March 4, 1869, Bismarck was Bancroft’s guest on the occasion of the inaugural celebration for President Ulysses S. Grant. Bismarck gave a toast, saying that it was a fact, that the friendly relationship that was established between Washington and Frederick the Great had never suffered the slightest upset. Not only was there never any difficulty between the two countries, but nothing ever happened to require even an explanatory statement.

Intellectual ties between the two countries were also very intensive. The German language was spreading more and more in America, and the German educational system also suddenly attracted a great deal of interest, since the Prussian school system was the world’s best, due to the impact of Wilhelm von Humboldt’s reforms. At German universities, research and learning were unified, and more and more Americans came to Germany to study. At the end of the 19th Century, there was not a single professor in America who had not either studied in Germany or was the student of somebody who had. Johns Hopkins University and several other universities were founded in the 1870s, as deliberate replications of German universities.

Americans appreciated the Germans for their aptitude for great, methodical thought, and that they valued the search for truth for its own sake. The German educational ideal seemed exemplary to them. When Bancroft came to Berlin in 1867 as ambassador, he did a great deal to cultivate German-American friendship. His house at Berlin’s Tiergarten was the center of social life; the historians Mommsen, Ranke, and Droysen were friends who came by regularly; Bismarck visited him often, as did von Moltke, who was Bancroft’s close friend.

Bancroft was thrilled to experience the process of Germany’s unification, and especially the formation of the North German Confederation, which excluded Aus-

tria. He was proud that in the Constitution of the North German Confederation—a precursor of German unity—the influence of the American Constitution was extremely strong. Writings of Benjamin Franklin also served as guidelines in the process of drafting the Constitution. Bancroft stressed that both Constitutions were based on the same fundamental principles. In any case, the process of unification of the German people seemed to Bancroft so much based on natural law, that he considered any attempt to thwart it as immoral. Carl Schurz also said in 1855 that the United States and Germany should work together for an international legal system for the world, since they agreed on important positions.

Bismarck’s new economic policy began in 1879; that is, the shift from free trade to protectionism, directly as a result of American influence. Bismarck repeatedly explained what was driving his policy, by citing America as an example. Ask anybody on the street today in Germany about this: Nobody knows anything about it.

The German economy was still in bad shape. When Reich Commissioner Franz Reuleux visited the World’s Fair in Philadelphia in 1876, his judgment of the German exhibition was: “Cheap, but bad.” When Bismarck finally introduced the change in German economic policy, the Americans were very happy and appreciative, whereas the English free traders saw themselves as severely damaged. After that, trade between America and Germany increased, and in 1879, the same year that Bismarck introduced his policy shift, William D. Kelley came to Berlin, a man known as “Pig Iron Kelley” for his role as the principal spokesman in Congress for Pennsylvania’s iron interests.

## Free Trade vs. Protectionism

Now I come to the heart of the matter. Everything up to now was an introduction.

Bismarck’s reforms were clearly stimulated by the protectionist policies in America. The key figure in Germany in this respect was Wilhelm von Kardorff, a member of the German Reichstag who was close to Gerson von Bleichröder, Bismarck’s economic advisor and private banker. Kardorff was the chairman of the board of Vereinigten Königs- und Laurahütte AG, participated in the founding of the Posen-Kreuzburg Railroad, and founded, along with von Bleichröder, the Prussian Hypothekbank [mortgage bank].

Here is how all this came about: In the first decade of his term in office (1871-90), Bismarck relied on the sup-



port of the National Liberal Party, which was wholeheartedly in favor of free trade. After the unification of Germany in 1871, he invested French reparations payments in industrial development, and established a Reich Railroad Bureau, since he wanted to nationalize the railroad as quickly as possible—which he then proceeded to do.

As a result of free-trade policies, the so-called “Gründerkrach” [a large

stock market crash] occurred, allowing Kardorff and his circle to push through a change toward protectionism.

Also, at that time, Pope Pius IV died—he had been very negative, ultraconservative, and Bismarck’s *Kulturkampf* had been directed against him. The ultramontane circles had instigated the Catholic Center Party against Bismarck, denying him the party’s loyalty and allegiance. The moment that Leo XIII became Pope, the dispute ended, allowing Bismarck to put together a new coalition. Furthermore, industrialists from the Rhineland and Bavaria supported the protectionist policy.

The circumstances were such, that cheap grain imports from Russia, for example, were creating a major problem for the Junkers east of the Elbe River. So Bismarck gave von Kardorff a free hand to put a protectionist policy in place. In 1876, Kardorff founded the Confederation of German Industry and became its first president. After intensive discussions with him, Bismarck decided to shift toward protectionism. In 1875, Bismarck announced a gold standard for the currency of the entire Reich, and established the Reichsbank as the central institution for finances and printing of currency. Support for protectionism spread throughout the country.

In May 1879, Bismarck presented his new economic program, announcing to the Reichstag: “Our previous open-door policies made us a dumping ground for the excess production of other countries. In my view, this drove prices in Germany through the floor. That prevented the growth of our industries and the development of our economic life. We must close this door, and erect a higher barrier. And what I propose now, is that we create the same market for German industry which previously, out of the goodness of our hearts, we al-



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*A chemical factory at Ludwigshafen on the Rhine, around 1890. Bismarck’s adoption of American System economic policies caused German industry to flourish.*

lowed foreigners to exploit. If the danger of protectionism were as great as the advocates of free trade claim, then France would long ago have become impoverished, since it has adhered to this theory since the times of Colbert. I am not the slightest bit interested in abstract scientific doctrines about this matter. I base my view on present experience.”

With the new coalition in the Reichstag, Bismarck could introduce this program on July 12, 1879. Moreover, he created a Prussian Ministry for Public Affairs, whose assignment was to expand and to nationalize the Prussian railroad system. Between 1883 and 1889, Bismarck enacted his social legislation, which was a trailblazer for the whole world; it surpassed the U.S.A. with respect to social safeguards, health insurance, accident insurance, and social security for the elderly.

Bismarck’s pro-industry policy and social measures were the main reason that Germany became one of the leading industrial nations. Germany had no raw materials, was backward, and the Junkers and the oligarchs mostly called the shots. But within a very short time, Bismarck’s policy transformed Germany into an industrial nation.

This really has to be understood, because today it is precisely these things that are being dismantled: health insurance, the health-care system, pensions—all those achievements of the past are now on the chopping block.

### **Kardorff Rejects Free Trade**

I’ve had a closer look now at one of Wilhelm von Kardorff’s political essays, and ask you to bear with me while I quote from it. After all, it was written by someone who today would be Germany’s top industrialist.

Kardorff's book is titled *Against the Current: A Critique of the Trade Policy of the German Reich from the Standpoint of Carey's Researches*, and it appeared in 1875, in Berlin. In it, Kardorff writes that if you look at British free-trade theories, for example the book by a certain Henry Thomas Buckle about the alleged *History of Civilization in England*, you find such typical English arguments as: "Only through the accumulation of wealth is the formation of a nation's intellectual class possible. Because"—so the logic goes—"the wealthy, if they have enough money so as not to have to produce for their own needs, but rather consume what others produce, thereby gain the leisure required for the acquisition of the knowledge upon which the steady development of all progress of human society principally depends. Thus, without wealth there can be no leisure, and without leisure there can be no knowledge."<sup>4</sup>

Kardorff states that this cannot be true, since so many scientific achievements have been made by people who had to earn their livelihood by working every day. And he continues: "To me, [Henry] Carey's argument makes much more sense." Citing Carey, he says that "only with better tools, that is, only by means of accumulated capital, does man's increased power over the gratuitous services of nature become possible." Thus, by technological and scientific progress, man's power over nature is increased. He says: "If one sticks to these ideas, and realizes that for the achievement of this goal we need the most intensive, enduring power of the nation, and that this in turn has as its precondition the constant strengthening and ennoblement of moral character, then one will hardly view the striving for national wealth as a danger for a modern state."

And further: "The wealth of the ancient world, which became the ruin of the states, was only apparent, deceptive, and transient, since it brought with it at any moment the mass expansion of slavery, and with that, indolence and demoralization on the part of the ruling peoples."

The debate also turned on whether it is economically useful to have slaves. Von Kardorff completely rejected that idea. He said: "On the contrary, in modern, civilized states, the increase in prosperity is regularly a consequence of the increase in industriousness and freedom."

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4. This is von Kardorff's paraphrase of a passage from Buckle's book. The original text of *The History of Civilization in England* (1913 reprint of 1857 edition) is available at [books.google.com](http://books.google.com), and the cited section is on p. 31.

If anyone wants to remember what I say today, it's this: Industriousness!

Kardorff continues:

But national wealth is also today a prerequisite of national power. Let nations that do not feel called upon to leave their mark on the fate of the civilized world, which are protected by their geographical location from interference by powerful neighbors, renounce the acquisition of national wealth. For a nation such as that of the Germans, situated in the middle of Europe and with many neighbors, to remain backward with respect to national prosperity is synonymous with abdication of its current position of power, which it acquired with enormous efforts in the most heated and bloody combat. It would mean the restoration of the disastrous influence which foreign countries were able to exert on the development of our fatherland for centuries.

Then Kardorff writes:

I too was once very naive, when I was still in university studying Adam Smith, Ricardo and Stuart Mill; when answering exam questions, I thought I knew which financial and trade policies a state should pursue, to enable its members to achieve, to an outstanding degree, that mastery over the gratuitous forces of nature on which national wealth relies. At that time I was a Manchester man of the first water. I was convinced that it was free trade that gave England its superior wealth. That was my rock-hard opinion. There was a simple rule: Buy as cheaply as you can, no matter where and from whom, and sell as dearly as possible, no matter where and to whom. That seemed to me a foolproof means by which to promote peaceful competition among peoples in the production of goods, allowing each country to flourish in a way that is particularly suited to its geographical position, its climate, its land and soil conditions. I saw any abolition of tariffs as a sign of cultural progress in general and a sure source of enrichment. Tariffs seemed to me to be harmful barriers, that give unfair advantage to certain industries, as unnecessary paternalism with respect to the free development of the national forces.

Horror of horrors, when I got to know an ed-

educated American in the sauna at the spa, who explained to me that Manchester free-trade theories were the biggest swindle that had ever been concocted, to deceive mankind. We were talking about the American Civil War. Naturally I had no sympathy for slavery, but I did think that if the North were to win, this would mean the victory of protectionism over free-trade policy, and that this would be bad. To which that American replied, that he would not wish for Germany ever to experience what the practical implementation of radical free trade would mean. Then he asked whether I had read Carey's writings. Carey? A little later I met Mr. Ziegler from the German Progress Party, who asked me the same question: 'Are you familiar with Carey?'

Then a friend made the following argument: If free-trade theory were correct, then all protectionist countries would be poor and all free-trade countries would be rich. A precise examination of the situation in all countries throughout the world shows that just the opposite is the case. The free-trade countries are becoming impoverished, all protectionist countries are flourishing—so there must be a miscalculation in the model of free-trade theory.

Then he goes into the nature of this miscalculation:

The whole system of the Manchester School is based on the fiction that all peoples of the Earth are a common family and have a common interest. A fiction quite similar to the theory of a universal, eternal peace. And it is striking, that the apostles of the Manchester School are also supporters of the International League, or also of Kant's Perpetual Peace, which is based on the same idea.

Who would really want to consider dismantling an army, renouncing the country's military power, in the hope that other states would be induced to copy such a policy? Practical proposals to give up our military training, in order to induce Russia, France, Austria to take similar measures, would just be laughed at by even the biggest idealists and utopians among our statesmen. A ridiculous doctrine, that the implementation of free trade in Germany would impel Austria, Russia, and France to adopt the same trade

policy. Adam Smith himself said that it is not foreign trade, but domestic commerce, that is the main source of a country's wealth.

Then Kardorff describes how in fact, rising productivity is the source of wealth:

That the close association of men, which is the precondition for the improvement of their dominion over nature, and which is only guaranteed by the flourishing of domestic works—commerce—can only be achieved by the emergence of many small centers, which, however, would be killed by any arbitrary disruption of the natural market and the centralization of commerce into large trading enterprises. The colossal waste of power and energy, and the costs of moving about, the transport costs that are caused by the radical free-trade principle, must be borne by someone.

Just look at the situation today! Since Lidl and Aldi [grocery chains] ship food from the Third World in a free-trade system, somebody has to pay the costs.

Misjudgment of the significance of overemphasizing the textile and iron industries, which England acquired in artificial and unnatural ways, by ruthless exploitation of its colonies. Disadvantages for all countries that accept free trade, because England practices a protectionist policy for *its own* products, which other countries produce cheaper and better. Incorrect interpretation and application of the fundamental maxim: Buy cheap and sell dear! Because what seems to be the cheaper purchase can really be much more expensive, depending on the circumstances. Underestimation of the impact that the potential diversity of a nation's production has on its intellectual development. If a nation only practices farming and production of raw materials, it is placed at a disadvantage compared to nations where diverse industries are flourishing.

Lyndon LaRouche always makes this argument against exclusive emphasis on tourism, or monoculture. An extensive division of labor improves the intellectual abilities of the population and raises productivity.

It only took a few years of a vigorous protec-

tive tariff, for American agricultural machines and railroads to spread throughout the entire world. The same is true for France. It only took a few years of a protective tariff for France to develop its export capacity and production to the height that we currently envy—quite rightly.

Then Kardorff writes ironically:

All of this is evidence that the Manchester Theory is absolutely false.

Another argument used by the free-traders, is on the question of cheap wages. [Also very relevant today!—HZL] In Baden-Württemberg,

## Carey on Germany and The American System

At the end of the American Civil War, the world was faced with a truly remarkable phenomenon. The United States, which had just concluded the costliest war in its history in terms of casualties, with over 600,000 Americans lost on both sides, emerged as the greatest industrial power in the world. The Lincoln government rapidly developed its industrial power in order to meet the needs of the war mobilization. Most importantly, the departure of the Southern states' delegates from Congress allowed the legislature to return to the successful protectionist tariff policy of the early days of the republic. The introduction of the Morrill Tariff in 1861 revived the dwindling industrial capabilities of the Union as no other measure could have done.

These facts were underscored by economist and Lincoln advisor Henry C. Carey, in an 1867 introduction to the publication in German of his 1857-58 work, *Principles of Social Science*, which he published separately as a pamphlet under the title "Review of the Decade, 1857-67,"

"To that law [the Morrill Tariff]," Carey wrote, "aided as it was by the admirable action of the Treasury in supplying machinery of circulation, does the world stand now indebted for the fact that the people of America, in the short space of five years, and at a cost of thousands of millions of dollars, were enabled to retrieve the downward steps of more than twenty years; to establish freedom throughout the land; and to save from destruction a nation of more than 30,000,000 that, by long practice on the pernicious doctrine of *laissez faire*, had been brought so near the verge of ruin that its escape therefrom constitutes now the most remarkable event in the history of the world."

Carey indicates the potential of the new situation in Germany, under the influence of Friedrich List's Customs Union (*Zollverein*), where "an empire has been created embracing a population little short of 40,000,000, among whom education is universal; with a system of communications not excelled by that of any other country, with the exception of those provided for the very dense populations and limited territories of England and of Belgium; with an internal commerce as perfectly organized as any in the world, and growing from day to day with extraordinary rapidity; with a market on the land for nearly all its products, and, as a necessary consequence, with an agricultural population that grows daily in both intelligence and power; with a mercantile marine that now numbers more than 10,000 vessels; with a public treasury so well provided that not only has the loan authorized at the close of the late war [Austro-Prussian War of 1866] remained unused, but that it has been at once enabled to make large additions to the provision for public education; and with private treasuries so well supplied as to enable her people not only their own means to build their own furnaces and factories and construct their own roads, but also to furnish hundreds of millions to the improvident people of America, to be by them applied to the making of roads in a country the abundance of whose natural resources should long since have placed it in the position of money lender, rather than that now occupied of general money borrower."

Carey concludes, "The decade whose history has above been sketched is of all recorded in the world's annals the most remarkable, yet are the changes there exhibited but preparation for new and greater in the future; such changes as must not only greatly affect the relative positions of the communities that have been named, but also the future of all mankind."

—William Jones



Saxony, Westphalia, and on the Rhine, we saw high wages and a picture of widespread prosperity, flourishing businesses, rich earnings from agriculture, while the industries of the eastern provinces of Prussia, with low wages, present the same picture of poverty and disrepair as countries such as Ireland, India, and Mexico, which have the lowest wages in the world.

The same is true today.

Hence the general clamor of the Manchester School to drive wages down, leaves out of account the fact that the worker is not only the biggest producer, but also the biggest consumer in the country; that lowering his wages also means reducing his consumption.

Furthermore, the representatives of the Manchester School uphold the “right of the workers to strike.” On this, Kardorff says:

That simply means that we would end up with class struggle, by means of which workers are driven into the hands of unscrupulous agitators, so they can routinely, as events in England clearly show, become the involuntary slaves of capital.

To this he counterposes:

How much calmer and more peaceful the domestic development of a country turns out to be, the greater is the certainty that the worker can progressively participate more and more in the benefits of civilization, and that his wage rates will keep pace with the growing necessities of life.

He continues:

The battle cry of the Social Democrats is: Highest possible wages, least possible work! The battle cry of the Manchester School is: Lowest possible wages, most possible work! But the solution is: Highest possible wages and most possible work. This is the only way to ensure national prosperity, and the policy that does this is the only right one.

And further:

The argument of the Manchester School is that industry can only gain an enduring export capability, when it has a secure domestic market.

He says all you have to do is look at England, to see where this argument leads.

Every day we see in England the growing gap between those who have large capital holdings and those who have no property at all. We see the complete disappearance of the land holdings of the *Mittelstand* [small and medium-sized businesses]; we see how many hundreds of acres of fertile land every year are turned into hunting grounds and parks.

Just like today.

Therefore we do England a service, if we protect ourselves from becoming victims of this trade policy, which has made England itself so very ill, and instead conduct a trade policy suited to our own requirements, so that we can take care of ourselves. Carey’s felicitous writings, whose study I cannot recommend highly enough, treat questions that, in my view, are matters of life and death for the German Reich.

## Historical Examples

Kardorff also studied the effects of free trade and the protectionist system using the example of various countries such as Turkey, Portugal, and Ireland. “These [countries] have deteriorated enormously because of free trade. Ireland, for example, has the cheapest wages, the greatest misery of the lower classes, general poverty, depletion of the land and soil.”

The contrast can best be seen in America, “since there the different systems, the protectionist and the free-trade system, have alternated, and many factories and manufactures that existed in 1812, at the beginning of the war against England, went under, when peace was signed and English imports resumed. The results were declining wages and devaluation of land and soil, until a semi-protectionist tariff system was introduced in 1824, and a full one in 1828. Immediately, domestic commerce flourished, wages rose, the value of land and soil rose, and the currency calamity stopped. Then the free-traders from the Southern states regained the upper hand, and achieved a compromise in 1833. The protec-

tive tariff was repealed, disappearing completely in 1842, and immediately, the old emergencies resumed: a trade deficit, declining wages, shortage of money, devaluation of land and soil. And indeed so abruptly that a policy reversal and return to the protective tariff system followed—which in 1846 was once again abandoned. Since the end of the War of Secession, it now seems that the protectionist system has permanently gained the upper hand. And Carey—who in earlier periods said that the same dismal consequences come from free trade every time it is applied, while immediately upon return to the protectionist system, the country recovers as if by magic—would now be proud to point out that the United States, after several years of the protectionist system, is exporting not only raw materials, but also vast quantities of manufactured goods.

Further evidence of the worth of the Manchester School's prediction that the protective tariff would destroy a country's ability to export: "Because of this protectionist policy, the United States was able to 1) repay the huge war debt; 2) raise wages and the value of land and soil; 3) agricultural production grew at an incredible rate; and 4) sufficient credit and cash were available."

Then Kardorff describes another country where exactly the same thing happened, namely France:

But the most brilliant example of the validity of Carey's doctrines is shown by the new economic development in France. One of the greatest statesmen who ever led the economic life of a nation, Minister Colbert, had specified the principles of his trade policy in a famous report to Louis XIV: that export tariffs for all domestic products would be lowered, along with import tariffs for raw materials, but foreign manufactured goods would be kept out by means of a rise in the tariff.

That is why France at that time was in the best situation. As for Germany, he indicates that as long as its neighbors all practiced free trade, things were somehow tolerable. But when markets in North America, Russia, and France were closed by protectionist measures, things changed. Now, "free trade is seen as a chronic disease that slowly eats away at the marrow of the people."

In this context, Kardorff praises Bismarck's wisdom and energy, and calls for a serious examination of these two systems, so as to arrive at the right conclusions.

Let me emphasize here: The fact that Wilhelm von Kardorff, the principal founder of German industrial-

ization of this period, refers explicitly to Carey, has been completely erased from modern history books.

## List, Carey, and the Irish Resistance

In conclusion, I have one more treat: I would like to talk about Ireland. You know what Ireland did for defense of democracy in Europe, by voting "No" in the EU referendum.<sup>5</sup> It is no coincidence that this happened specifically in Ireland. I would like to give a very brief overview of Irish history.

Daniel O'Connell (1775-1847) was an important founder of the Irish resistance in the first half of the 19th Century, who was also the spokesman for Irish national consciousness against the British Empire. O'Connell in 1798 was a lawyer in Dublin; in 1828 he was elected to the British Parliament, since Ireland was then still in a Union with Great Britain. He was the leading spokesman for the so-called "Repeal," that is, the revocation of the Act of Union between England and Ireland. When the Tories were overthrown in 1835, and a Whig Cabinet came to power under Prime Minister William Melbourne, a law was passed on behalf of the poor, and interest rates fell. But that was far too little, and very soon the population also turned against this government. It too was toppled, and O'Connell became the first Catholic mayor of Dublin. Then in October 1843, there was a mass meeting, which the English government attacked with armed force. O'Connell was sentenced to a year in prison and fined, but because of an error in the court order, the sentence was not enforced.

List was active in Germany at the same time, and was often compared with Ireland's great agitator, and dubbed "the O'Connell of the German manufacturers."

On Dec. 6, 1921, Ireland won its Independence Treaty, which it had struggled for a thousand years to attain. Before that it had suffered under total economic and political subjugation, since it was really an English colony. For example, six-sevenths of the estates there

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5. The European Union's "reform" process began in 2001 and resulted in a European Constitution, which was defeated when France and Denmark rejected it in popular referenda. The "reform" would have stripped nations of what remnants of sovereignty they still have, imposing a supranational, unelected bureaucracy as the rulers of Europe, with authority over defense as well as economic policy. The Constitution's advocates resubmitted it, with minor changes, calling it a Treaty rather than a Constitution, and it was signed by heads of state in December 2007 in Lisbon. All member nations were expected to ratify it by the end of 2008, but this plan was derailed by the Irish "No" vote in a June 2008 referendum. Since ratification must be unanimous by all EU members, the Treaty is stalled.

belonged to English landed gentry, who demanded constantly rising rent payments. The so-called “dwarf economy” developed, in which even the tiniest parcel of farmland was subdivided still further, and among more and more people.

The suffering of the lower classes was discussed by Friedrich List in an 1839 essay on the railroads in Ireland. There he wrote:

The suffering of these people is beyond all imagination. Every resident is a proprietor, every proprietor a beggar. Bread is a rarity there, milk a luxury beverage, meat unknown. They live only on potatoes, and only those of the most miserable kind, such as were once despised as food for pigs, but which are preferred now to the better varieties, since they yield more and fill the stomach better. The adults go about in rags; the children are naked. Their huts are built of dung, without windows and doors, without a chimney, almost without a roof, and without a proper floor. Their bedding is made of half-rotten straw and leaves. Aside from a few pots, there is no household crockery to be seen. People and pigs live in close proximity. The latter are more attentively cared for than the children are, since they supply the means by which the rent is paid. Half of the workers have no work, and are always idle. This is the source of all the unrest and crimes that have increased so frightfully. Yet it is surprising to see with what strength of character the majority of these creatures endure their misery. In glaring contrast, the prosperity of the great landowners and tenants, the manufacturers, and so forth, has increased as a result of the Union with England, steamship travel, and modern improvements.

O’Connell described the decline of the economy in his defense allocution during his trial, which Friedrich List analyzed in a commentary for the newspaper of the Customs Union. List wrote about O’Connell’s speech:

The towns reduced to beggary, the suburbs transformed into stone cairns, all factories ruined, the workers driven into the open fields, where they survive on potatoes without salt. Such happiness will be the lot of us Germans, if we keep up our free-trade fantasies.

Were there any spark of truth in this theory, happiness due to free commerce with England would increase, the closer one gets to the wealthy island. But the exact opposite can be seen in the experience of Ireland. Because of steamship travel, the Irish Sea has been turned into a mere stream. You can go across and back for one shilling. The free movement between the two islands, however, has caused even more widespread suffering and crime, and Ireland’s experience brings starkly to light the fact that no country can prosper only on the basis of farming, without a thriving manufacturing sector. As we have said before: Love for the rich and powerful Britannia is like the love of Semeles for the all-powerful Jupiter. According to Greek mythology, Semele is the daughter of Kadmos, who falls in love with Zeus. At the instigation of the jealous Hera, Semele expressed the desire to see Zeus in his full majesty, and so was struck by his lightning bolt. Thus, anyone who embraces it [Britannia], is consumed by fire.

Certainly Irish agricultural law is also a major reason for the misery of the Irish. English trade sophistry rejects this reason, solely on the basis of the claim that foreign consumption of Irish land rent did not cause the slightest harm to the prosperity of Ireland. Never has such an outright sophism been palmed off as practical wisdom, with greater insolence, onto a credulous guild of scholars. And whoever still doubts that the English theory of free trade is simply tailored to England’s needs, must realize the truth of the argument that can only be translated as: The consumption of Irish land rent by England is profitable for Old England. *Ergo*: This is “justified” by the founding principles of national economy and state wisdom.

That is all very clear.

The next great Listian in Ireland was Arthur Griffith. He was born on March 31, 1871 in Dublin, and, in 1905, founded a political party, the Sinn Féin, which means “We Ourselves.” Griffith at first did not want full autonomy, and definitely rejected violence. However, there was an uprising in 1916, and the Republic of Ireland was proclaimed—to which the English government reacted very harshly. Ninety Irishmen were sentenced under martial law and 15 were exe-

cuted. These executions brought about a complete change in the mood of the population, which immediately demanded independence.

From January to August 1922, Griffith was the first Prime Minister of the free state of Ireland. He directly invoked Friedrich List and his National System. In a speech before the first meeting of the National Assembly on Nov. 28, 1905, he had identified himself publicly for the first time as a supporter of Friedrich List. He also published a series of articles about List's ideas, including a very important article about List and Carey.

It states<sup>6</sup>:

Until 1824, when the trading class and the agricultural population of England were split into hostile camps, England practiced the most rigid protectionism of any country in the world, prohibiting commodity imports from the continent with the most stringent tariffs, and strictly banning food imports. By the end of the Napoleonic wars, English law required foreign goods to be transported only on British ships, or only on ships of the countries where the goods were manufactured. And trade with the English colonies was exclusively reserved for English ships. Export goods from England could only be transported on British ships....

Adam Smith's doctrines were vigorously promoted by England to the European continent, while England itself closed its ports. The English secret service—not stingy in the least—distributed money to journalists and theoreticians, to persuade them to become advocates for opening the ports of the continent to English goods. While French policy opposed this, professors and progressive journalists were massively



*Arthur Griffith (1871-1922), the Irish republican leader, was a vigorous supporter of Friedrich List and Henry Carey, against British free trade. He attributed Germany's astonishing industrial growth to Bismarck's support for their ideas.*

worked over to get them to favor the English economy.

If you look at much of the media today, then it seems that this practice of the English secret service has not changed very much.

Griffith writes further, that Friedrich List was slandered in Germany by a certain Dr. John Bowring, who was paid by the British government to discredit him. Because of these slanders, List was badly misunderstood in Germany. This is also somehow familiar to us today.

Griffith concludes that modern Germany and modern America have become England's political rivals, thanks to the work of Friedrich List

and Carey. Bismarck had finally completed the marvel of transforming Germany from nothing into a great power in 20 years, with the help of these theories.

It is quite significant that this absolutely correct assessment of the roots of the industrial revolution in Germany, which Griffith identifies, and the close dependence of Bismarck's reforms on the American System of economy, are given almost no mention in any of the numerous biographies of Bismarck. Right now, recollection of this would be extremely important. Because the systemic crisis that was triggered, although not caused, last year by the American mortgage crisis, is entering its final phase, and the free-trade theory that lies at the foundation of globalization is discredited. Both the outsourcing of production and jobs to cheap-production countries, and the weakening of the German domestic market as a result of the European Monetary Union, demonstrate the validity of Kardorff's arguments and Bismarck's policies for us today. If Germany is to survive the coming storms as an industrial nation, then we should make sure that we learn this history. And although the manager class of today's "shareholder values society" has generally fallen into disrepute, we may find here and there patriotic industrialists, who represent Kardorff's legacy, and want to learn from Bismarck.

6. Quotes are back-translated from German.



### *‘Tantamount to Treason’*

The Bush Administration and the Federal Reserve are moving to put mortgage-lending giants Fannie Mae and Freddie Mac under Federal control, according to press leaks Sept. 5. This is a move economist Lyndon LaRouche bluntly described as “tantamount to treason.” The government’s claim that this is being done to protect housing is a fraud—this is bailout of the banking system, pure and simple.

Fannie Mae was created by President Franklin D. Roosevelt in 1938, as a government agency to buy mortgages from lenders, as a way of funding the purchase of homes in the Great Depression. In more recent years, Fannie Mae and its sibling Freddie Mac, were taken over by what FDR attacked as the “economic royalists,” and turned into vehicles for derivatives speculation. Under the great Greenspan bubble, Fannie and Freddie were turned into money machines to feed the run-up in real estate values to provide assets—in the form of mortgage debt—as fuel to the derivatives markets. This scheme was bound to fail, as it spectacularly has, leaving Fannie and Freddie, and the U.S. banking system, utterly bankrupt.

However, Fannie and Freddie are at the heart of Treasury Secretary Henry Paulson’s and Federal Reserve chairman Ben Bernanke’s insane scheme to bail out the banks by dumping all their bad mortgage paper into the two government-sponsored enterprises, effectively transferring the banks’ losses to the government, and ultimately to the taxpayer. The government is not really bailing out Fannie and Freddie, but merely funding their conversion into the largest toxic waste dumps in history. Far from being saved, Fannie Mae and Freddie Mac are being destroyed.

The government has already spent trillions of dollars in the attempt to save the banks, in schemes ranging from the economic stimulus program to the ongoing and accelerating loan programs to the banks from the Federal Reserve. None of this has worked, and it cannot.

Not only is this scheme insane, LaRouche stressed, but it is “tantamount to treason” in that it puts an attempt to save the parasitic financial system ahead of the welfare of the nation and its people. What is required, instead, is the immediate passage of LaRouche’s economic national-defense package, beginning with a hike in the U.S. discount interest rate to 4%, to halt the outflow of capital from the country and from the dollar, followed by the enactment of the Homeowners and Bank Protection Act (HBPA), to protect the population while we put the financial system through bankruptcy, and begin the process of rebuilding what these parasites have destroyed. This process will be financed through a two-tiered credit system, in which government credit is issued at low interest rates of 1-2% to fund specific, priority classes of infrastructure development projects, while other borrowing occurs at the higher-tier rate. Having taken these steps, we could then work with other nations, notably Russia, China, India, and Brazil, to implement such a system worldwide, defeating the parasites of the Liberal system, and leading the world into a new era of freedom and prosperity.

We cannot bail out the dead system, and we should not try. What we must do instead, is build our way out of this mess by returning to the principles of the American System of political-economy. To do otherwise is not only insane, it is fatal.

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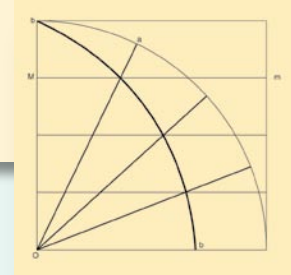
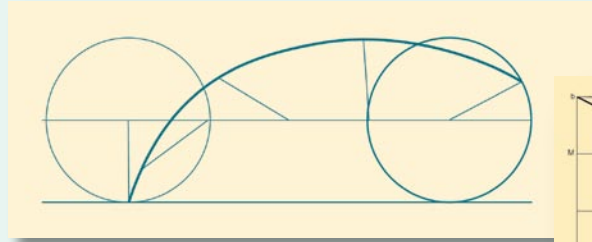
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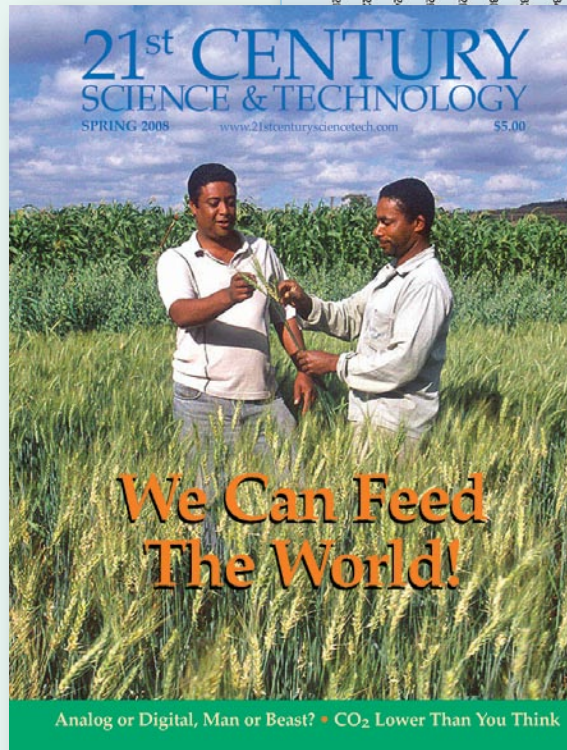
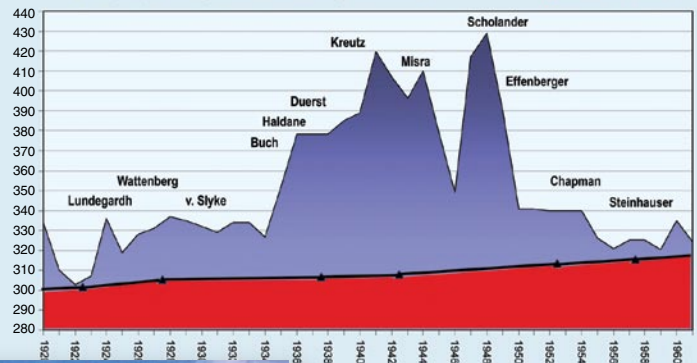
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