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*EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and the last week of December, by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 3rd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451, or toll-free, 888-EIR-3258.*

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

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

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

## From the Associate Editor

**T**he painting of George Washington crossing the Delaware, which we have chosen to illustrate Lyndon LaRouche's article "Continue The American Revolution!" is a striking metaphor for the situation we face today. With his audacious decision to cross the freezing river on Christmas night in 1776, to wipe out the Hessian garrison at Trenton, Washington exhibited the qualities of leadership that made it possible for the American republic to come into existence, as something completely new on the planet, "dedicated to the proposition that all men are created equal."

What is there so precious about that Revolution, about the United States, that is worth dying for? Take it from the words of Abraham Lincoln on Feb. 21, 1861, en route to Washington, D.C. for his inauguration. He stopped in Trenton, where he spoke to the New Jersey Senate, referencing his vivid recollection of a biography of General Washington that he had read as a child. Here is what he said:

"I remember all the accounts there given of the battle fields and struggles for the liberties of the country, and none fixed themselves upon my imagination so deeply as the struggle here at Trenton, New Jersey. The crossing of the river; the contest with the Hessians; the great hardships endured at that time, all fixed themselves on my memory more than any single Revolutionary event; and you all know, for you have all been boys, how these early impressions last longer than any others. I recollect thinking then, boy even though I was, that there must have been something more than common that those men struggled for. I am exceedingly anxious that that thing which they struggled for; that something even more than national independence; that something that held out a great promise to all the people of the world to all time to come—I am exceedingly anxious that this Union, the Constitution, and the liberties of the people shall be perpetuated in accordance with the original idea for which that struggle was made, and I shall be most happy indeed if I shall be a humble instrument in the hands of the Almighty, and of this, his almost chosen people, for perpetuating the object of that great struggle."

LaRouche today offers the leadership to continue that "great struggle," in a time of even greater global crisis. You can join him for his international webcast teleconference on Jan. 24, from 1:00 to 5:00 EST, at [www.larouchepub.com](http://www.larouchepub.com) and [www.larouchein2004.com](http://www.larouchein2004.com).

*Susan Welsh*

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Delaware,” by  
Emanuel Leutz.*



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By Lyndon H. LaRouche, Jr. A Jan. 24 webcast “will be devoted to an open intellectual and moral challenge to the governments, leading political parties, and prospective heads of state and government of the world’s leading nations, especially my own. The focus of that challenge will be the crisis which now confronts each and all nations and their incumbent and prospective heads of state and government.”

**Photo and graphics credits:** Cover, [www.arttoday.com](http://www.arttoday.com). Page 13, AEI website. Page 14, Japan Bank for International Cooperation. Page 17, Prime Minister Berlusconi’s website. Pages 19, 45 (Bailly), 48, 51, 54, 56, [www.arttoday.com](http://www.arttoday.com). Pages 23 (Franklin, Roosevelt), 25, 26, Library of Congress. Pages 24, 27, EIRNS/Stuart Lewis. Page 29, *Jerusalem Post* website. Page 31 (Kurtzer), U.S. Embassy in Israel. Page 33 (Sharon), Dept. of Defense. Page 33, Israeli Defense Forces photo. Page 35, Bundesbildstelle. Page 41, Central Intelligence Agency. Page 42, Courtesy Dr. Fung Hu-hsiang. Page 64, *Detroit News*.

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**Correction:** In last week’s issue, two paragraphs and two words were omitted from Mr. LaRouche’s article, “Zbigniew Brzezinski And September 11th,” due to an editorial error (p. 47, just above the subhead). Our apologies to the author. The full text can be found at [www.larouche.com/site/lar/2002/2901zbig\\_sept11.html](http://www.larouche.com/site/lar/2002/2901zbig_sept11.html).

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## Sharp American Import Drop Accelerates Global Breakdown

by Richard Freeman

During the last several months, there has been an accelerated disintegration of the internal workings of the United States' role as the world's "importer of last resort." The unfolding of this process will shatter the U.S. dollar, and thus, the last vestiges of the dollar-centered world financial system, providing the trigger for the biggest financial-economic breakdown in 500 years.

The world monetary system is now in convulsion, marked by debt and financial crises that spread from Poland to Turkey to the European economies, and punctuated by the Dec. 23 decision by Argentina's then-President Adolfo Rodríguez Saá to declare a debt moratorium on Argentina's foreign debt and other obligations of \$228 billion. The bankrupt Japanese banking system, the second largest in the world, with over \$1.5 trillion in non-performing loans, teeters on the edge. This has intersected the November 2001 collapse in Japanese industrial production, bringing it to the lowest level of output since 1977.

Each of these crises is a subsumed feature of the world financial system's disintegration. Yet as powerful as each of these incidents is, they cannot match the explosive force of the breakdown of the completely speculative U.S. financial bubble. The unravelling of the "importer of last resort" role of the United States, is a prime trigger for this imminent explosion.

### Double Dependence On The Import Cancer

The relationship is two-sided. On the physical side, the United States has consumed ever more gargantuan amounts of physical goods imports, as its physical economy could no longer produce these goods itself, and it used the imports to survive. This reached the point in 2001, that the United States now imports between 20 and 75% of the consumer- and producer-goods that it consumes for its existence. Simultaneously, leading industrial and Third World exporting econo-

mies became highly dependent on the U.S. market, exporting between 20% and 90% of their annual physical goods exports to the United States. Since many of these nations' economies are geared toward producing exports, they cannot function if their level of exports falls, which is, however, exactly what is happening.

But there is a second, financial side to this relationship. The United States imports far more than it exports, which has built up a monstrous trade deficit; in turn, the trade deficit has driven up a huge current account deficit (85% of which is the trade deficit). To cover the current account deficit, Wall Street and the City of London have rigged the world financial system so that large flows of foreign-held dollars are attracted back into paper investment inside the United States. What the United States pays out in dollars for its physical goods and other items that make up the current account deficit, and more, is brought back into the United States.

This process depends on the U.S. speculative financial bubble. Foreigners will only bring their dollars into the United States to invest in U.S. financial instruments—such as Treasury bonds, stocks, corporate bonds, derivatives—if the rate of return on these instruments is higher than that on financial instruments in other countries. Thus, the existing U.S. speculative bubble was inflated higher and higher, in part, to keep an increasing flow of foreign money coming in.

This entire unstable process is not sustainable. Already, in the third quarter of 2001, there was a noticeable fall-off in the level of foreign funds invested in the United States. This could lead to an actual disinvestment, where investors yank their money out of the United States and dollar-denominated investments.

This withdrawal of funds would kick the prop out from under the dollar bubble, which would send the value of the over-valued U.S. dollar—which is dependent on that bubble—down by 40 to 60%. Immediately, that would cause a

de-leveraging and shattering of the U.S. financial system.

In parallel, the effect of the deepening contraction of physical goods trade between the United States and the rest of the world, will be non-linear. In the midst of the financial disintegration of the past decade, for many nations in Asia and Ibero-America, exports to the U.S. represent all that allows them to keep certain factories open. The removal of this trade forces shutdowns of large chunks of manufacturing in their economies, impacting their non-export domestic economies. The sharp contraction of goods trade between the United States and the rest of the world will accelerate a production collapse, creating a worldwide interacting downward spiral, also affecting Europe. A U.S. production collapse has occurred in the second half of 2001 in particular, and led to a cutback in imports and thus trade between America and other nations, a further cutback in production, and in turn, a further cutback in trade, etc.

Let us look first at the origin and relentless buildup of the “importer of last resort” relationship since the mid-1970s, to the point that this governs the relationships of world trade and financial flows. This will provide the backdrop so that when the evidence is presented, of the steep drop-off in trade between the United States and most of the world’s nations, it can be seen why this will lead to a sudden unravelling of the world economic-financial system.

### Back To A 1960s Policy-Shift

In the aftermath of World War II, the U.S. exported a significant portion of the world’s physical goods. In particular, it exported technologically-advanced capital goods, such as machine tools, electrical generating equipment, tractors, cranes, etc. The purpose of this emission of exports was to reconstruct war-torn Europe, and to develop the Third World economically, bringing it out of backwardness. With capital goods exports leading the way, the United States ran trade surpluses.

Both to stop America’s positive role of capital goods exportation, and to destroy its agricultural, manufacturing, and infrastructure base—upon which the production of the export flow depended—the Anglo-American financiers imposed in the mid-1960s, a “post-industrial society” policy, which effected a decisive, negative paradigm shift.

From this shift arose most of the glaring problems of today. Under this policy, the financiers closed down manufacturing, agriculture, and infrastructure, and built up non-productive services and a large speculative bubble, which sucked the underlying economy dry. Over the years, successive phases of this policy were instituted, each more ruinous than the preceding one.

In 1971, then-President Richard Nixon took the U.S. dollar off the gold reserve standard. This divorced financial flows from productive flows, and set the basis for the buildup of the speculative Eurodollar market.

In October 1979, under the Administration of Jimmy Carter, then-Federal Reserve Board Chairman Paul Volcker insti-

tuted a policy that he explicitly called “the controlled disintegration of the economy,” as an extreme variant of the post-industrial society. Volcker sent interest rates charged by commercial banks to 21.5% by November 1980; and for the five years through the end of 1984, interest rates were held at double-digit rates. A large layer of the U.S. manufacturing base was killed off, shutting companies partially or completely by the thousands. In order to replace the manufacturing capacity America had lost, U.S. imports surged, laying the basis for the world’s “importer of last resort.”

During the decade of the 1990s, one version of the post-industrial society which was heavily pushed, was that of “globalization,” one of whose key features is that manufacturing reduces its production of goods and outsources that production to some of the poorest countries. Goods are produced where workers—frequently children—are paid from 10 cents up to \$2 per hour. The 1993 passage of the North American Free Trade Agreement (NAFTA), with its slave-labor *maquiladora* system, was an intended impetus to that system, not only in Mexico and Canada, but throughout the world. During the 1990s, this resulted in a second surge of American imports.

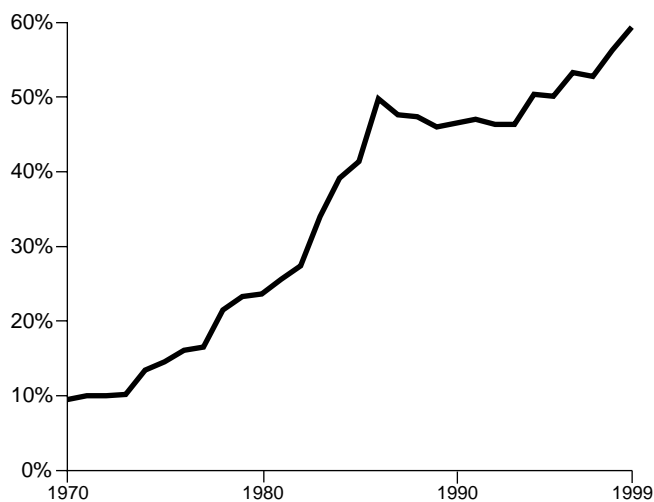
### Production Collapses Preceded Import Surges

How this process produced an import dependency can be seen most clearly in the case of the machine-tool industry, which forcefully proves a general point that applies to most industries: The primary reason that America imports most goods, including machine tools, is that the corrosive post-industrial-society policy had destroyed America’s internal production capacity first. The flood of imports only came second.

Machine tools are machines that incorporate, physically impress, and transmit the most advanced scientific ideas throughout the economy. Volcker’s “controlled disintegration” interest-rate policy crushed all manufacturing, but is best exemplified by machine-tool production. The Midwest and New England are America’s two main regions for machine-tool production. Between 1977 and 1992, the number of operating machine-tool plants in the Midwest fell 44%, from 567 to 317; the number of machine-tool plants in New England fell 58%, from 275 to 155. Most of these closings occurred by 1984, and most of those plants remain closed. Today, America enjoys only half the machine-tool production of 1979, both in number of units produced and in dollar value.

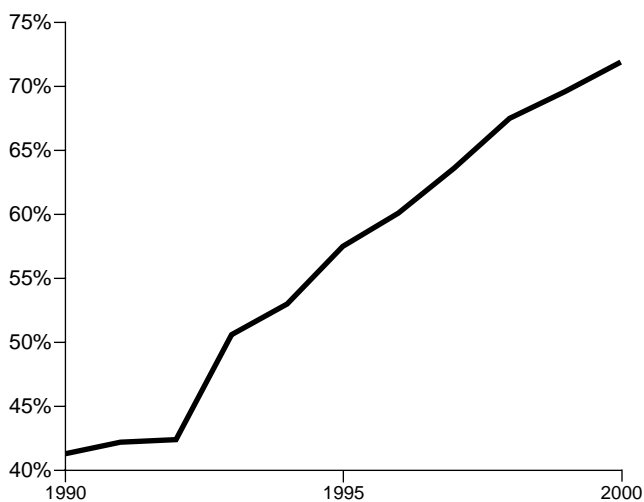
America compensated for the loss of productive capacity by importing; it was not the level of imports that caused the loss of production. **Figure 1** shows that in 1970, some 9.5% of all machine tools that America consumed, was imported. Even by 1979, the year that Volcker imposed his interest-rate action, only 23.3% of all machine tools consumed were imported. But by 1986, as a consequence of Volcker’s action, the imported portion of all machine tools consumed shot up to 49.8%. Today’s import figure is 59.4% of all machine tools used.

FIGURE 1  
**Machine Tools: Imports As A Percent Of Total U.S. Consumption**



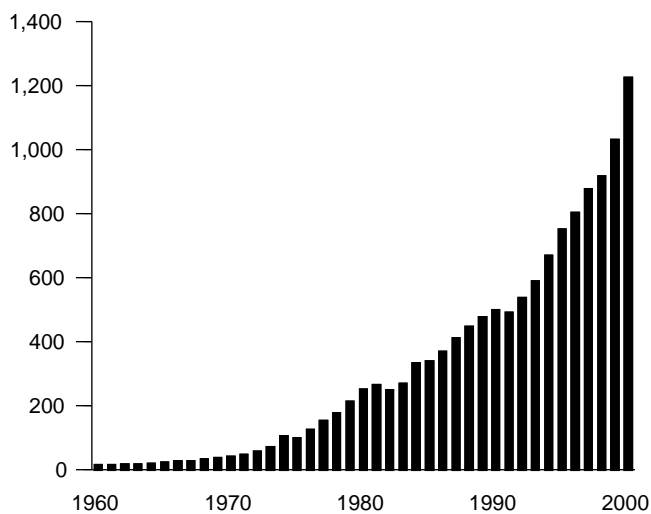
Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 2  
**Men's/Boys' Shirts: Imports As A Percent Of Total U.S. Consumption**



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 3  
**U.S. Physical Goods Imports, 1960-2000**  
 (Billions \$)



Source: U.S. Department of Commerce.

America's dependence on physical goods imports extends to a wide array of goods. Some examples make the case; of the total American consumption of these goods, the following percentage is supplied by imports:

**Consumer goods:** 71.9% of all men's and boys' shirts (see **Figure 2**); 52.5% of all women's and girls' outerwear

garments; 35.3% of all household cooking equipment; 44.5% of all electric housewares and fans; 34.2% of all cars.

**Intermediate goods:** 61.8% of all ceramic tiles; 22.5% of all steel; 22.2% of all industrial fasteners.

**Capital goods:** 25.1% of all electrical equipment (which includes specialty transformers; steam, gas and hydraulic turbines; etc.); 59.4% of all machine tools.

Only through the rigged arrangement of importing vast quantities of goods from around the world, has the U.S. economy been able to avoid total collapse, although it has functioned at progressively reduced rates of production, and lower living standards over a three-decade period.

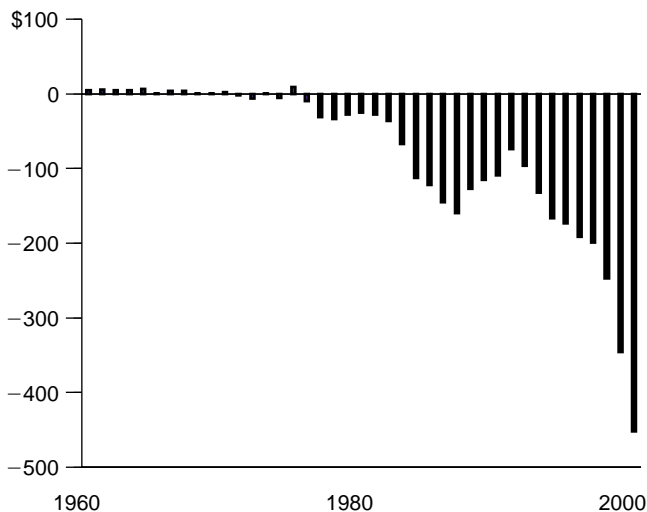
**Figure 3** shows the effect of this heavy level of importation, as total U.S. physical goods imports leapt from \$498 billion in 1990, to \$1.224 trillion in 2000.

**Figure 4** shows that the surge in imports pushed forward the U.S. trade deficit in physical goods. In 1995, the U.S. physical-goods trade deficit had already reached a record \$173.6 billion, but by 2000, it had skyrocketed to \$452.2 billion, growing more than 2.5 times in only five years. (The physical-goods trade deficit pushed the U.S. current account deficit to \$444.7 billion in 2000. The current account deficit consists of three elements, of which the trade deficit is, by far, the largest.)

### Dependence On U.S.

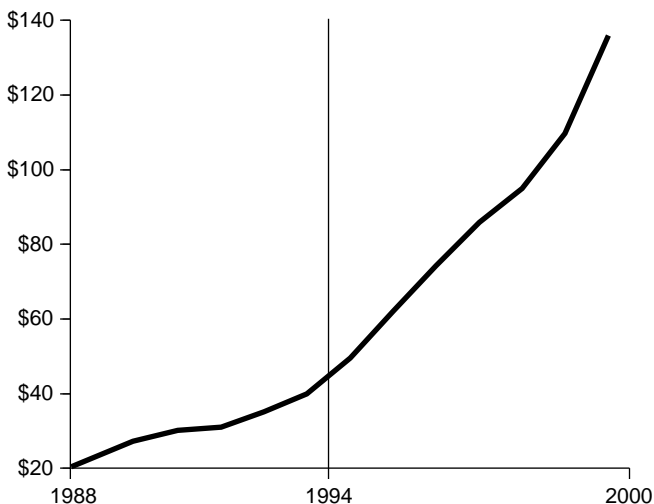
During the same period, many of the major exporting nations in the world built up a tremendous dependence upon the U.S. market as the destination for their exports; this makes them very vulnerable. Many Third World countries restructured their internal economies to shift a greater percentage of

FIGURE 4  
**U.S. Physical Goods Trade Deficit, 1960-2000**  
 (Billions \$)



Source: U.S. Department of Commerce.

FIGURE 5  
**Flow Of Mexico's Physical Goods To United States Explodes, Following Adoption Of NAFTA**  
 (Billions \$)



Source: U.S. Department of Commerce.

their total internal production to the production of exports, and within that, to explicitly target their exports to the United States.

The restructuring can be seen in the case of Mexico. For the whole of the 20th Century, Mexico always sent a significant amount of its exports to the United States. But even within that relationship, there was a profound change following the 1993 adoption of NAFTA. That agreement sanctioned and expanded the existence of an arrangement by which goods could be partially assembled in the United States, shipped across the border to Mexico for final assembly, then shipped back to the United States, with no duties or taxes to be paid when the goods entered or left either of the two countries. Thus the *maquiladora* system was established, whereby assembly plants were set up in Mexico, mostly along its northern border, and Mexicans worked under slave-labor conditions. Wages were one-fifteenth those that would have been paid to American workers in American factories doing virtually the same work; plus, many Mexican *maquiladora* workers were housed in shacks, with little or no plumbing, etc.

Figure 5 shows Mexican exports to the United States in dollar terms. Between 1988 and 1993, Mexico's annual export of physical goods to the United States rose from \$23.2 billion to \$39.9 billion, a rate of increase of only \$3 billion per year. But following passage of NAFTA, between 1993 and 2000, Mexico's physical-goods exports to the United States erupted, from \$39.9 billion to \$135.9 billion, an annual rate of increase more than four times that of the 1988-93 interval. Figures supplied by the U.S. Department of Commerce state that Mexico now ships 81.7% of its physical goods

exports to the United States; official Mexican figures say 90% of its physical-goods exports go to America.

NAFTA set a ceiling: Other nations in Ibero-America had to pay wages no more than, and in most cases, considerably less than, those paid in Mexico's *maquiladoras*, in order to compete with the *maquiladora* export system. Others followed the Mexican precedent and increased their American exports. Figure 6 documents a rising trajectory, so that by 2000, the rest of Ibero-America, excluding Mexico, was sending the United States 38.1% of its physical-goods exports.

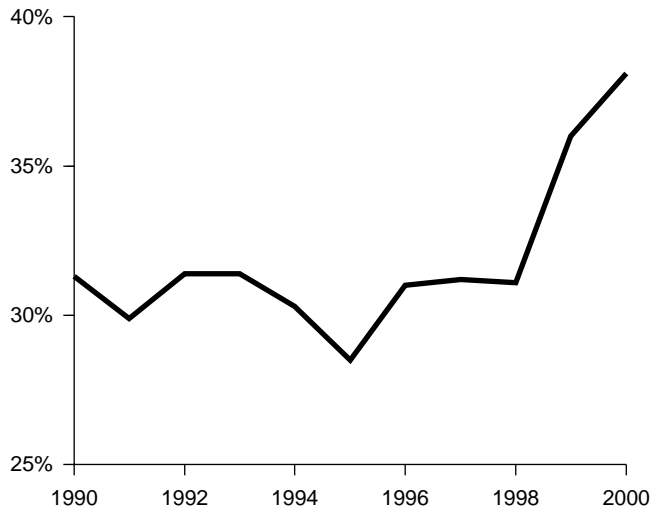
Tables 1 and 2 show, for selected exporting nations which have not already been discussed, the percentage of their total physical-goods exports shipped to the United States. For those nations listed in Table 1, the portion of their total physical-goods exports to the United States fell, between 1990 and 2000. For those nations listed in Table 2, as for most nations in the world, the percentage rose between 1990 and 2000. However, any time a nation sends 20% or more of its exports to any other nation, as all the nations shown do to the United States, that is a very significant relationship. Any time that a nation sends 30% of its exports to another nation, as do several of the nations in the Tables, that is a highly concentrated dependency relationship.

Table 3 shows that both Mexico and Canada ship more than four-fifths of their total exports to the United States, as part of the NAFTA agreement.

Thus, the Tables give evidence that individually, many nations are vulnerable, and the sudden collapse of the "im-

FIGURE 6

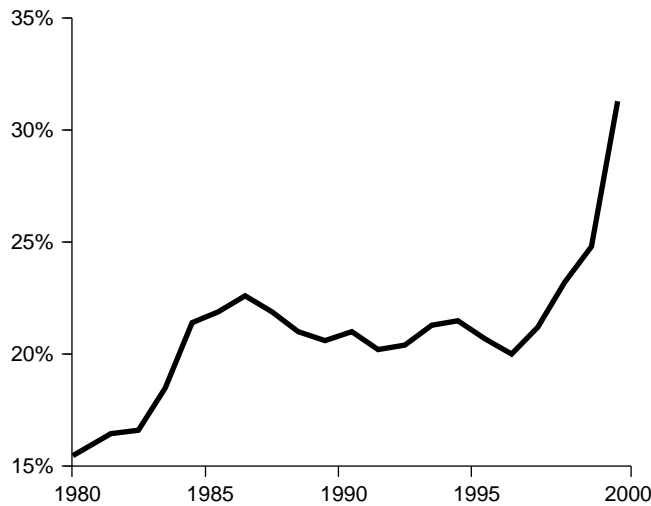
**Percent Of Ibero-American Physical Goods Exports, Exclusive Of Mexican Trade, That Go To United States**



Sources: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 7

**Percent Of World Physical Goods Exports, Exclusive Of Intra-European Trade, That Go To United States**



Sources: U.S. Department of Commerce; World Trade Organization; *EIR*.

porter of last resort” hits many individual nations. However, the process should also be looked at as a whole. Keep in mind that for the major nations of Europe, approximately 50% of their trade stays within Europe, since Europe has fostered a

TABLE 1

**Percentage Of Total Physical Goods Exports That Go To The United States**

	Philippines	S. Korea	Taiwan	Japan
1990	41.9	28.4	33.8	34.2
1995	40.0	19.3	25.9	27.9
2000	35.0	23.4	27.3	30.6

Sources: U.S. Department of Commerce; World Trade Organization; *EIR*.

TABLE 2

**Percentage Of Total Physical Goods Exports That Go To The United States**

	China	Indonesia	Thailand	Malaysia	Nigeria
1990	24.2	13.0	22.9	17.9	43.8
1995	30.6	16.4	20.1	23.8	42.0
2000	40.1	16.7	23.7	26.0	52.4

Sources: U.S. Department of Commerce; World Trade Organization; *EIR*.

TABLE 3

**Percentage Of Total Physical Goods Exports That Go To The United States**

	Canada	Mexico
1990	71.6	74.1
1995	75.1	78.1
2000	83.4	81.7

Sources: U.S. Department of Commerce; World Trade Organization; *EIR*.

significant degree of trade integration. **Figure 7** depicts the fact that whereas in 1980, 15.8% of all the world’s physical-goods trade, excluding only intra-European trade, was exported to the United States, today that has risen to 31.6%. This is a doubling in 20 years. Setting aside intra-European trade, one out of every three dollars’ worth of goods exports anywhere in the world is sucked into America.

**A Deepening Crash**

Propelled by the strong dollar, the “importer of last resort” relationship reached untenable heights.

The U.S. physical economy entered a further serious downturn starting the Summer of 2000. This can be seen in manufacturing worker unemployment, which started growing in July 2000 (**Figure 8**). The imports had kept the U.S. economy from plunging straight downward, as they substituted for the goods America could no longer produce. However, once the level of contraction increased, the U.S. economy could no longer absorb and process—nor thus import—as many physical goods.

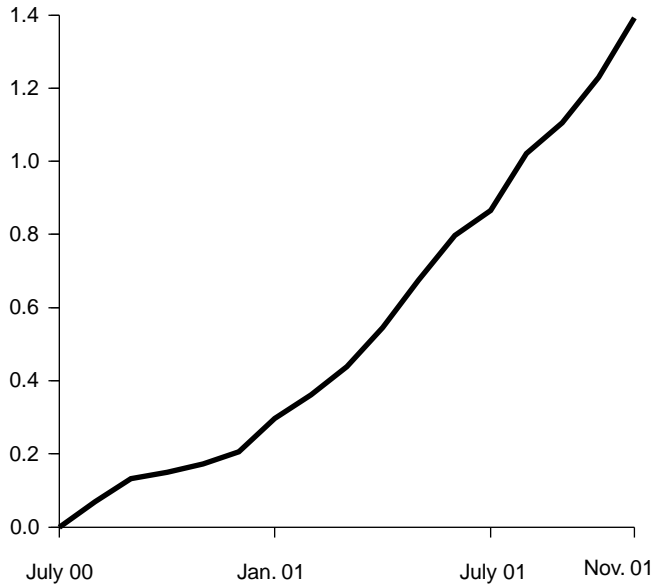
Already, as **Figure 9** shows, by September 2000, the level



FIGURE 8

### Cumulative Elimination Of U.S. Manufacturing Workers' Jobs Since July 2001

(Millions)



Source: Department of Labor, Bureau of Labor.

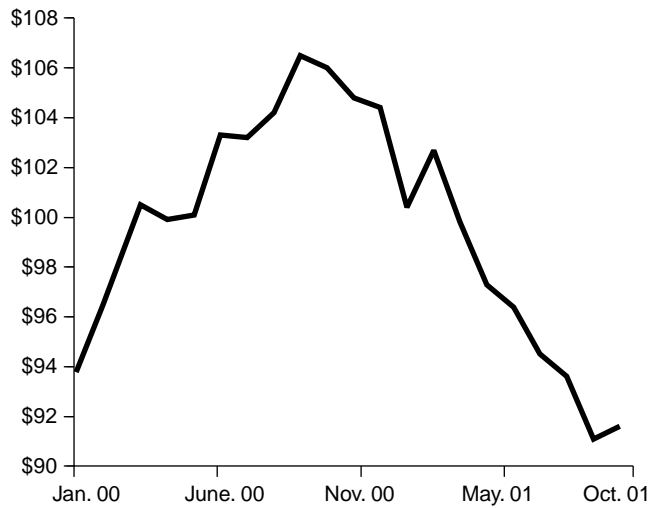
of U.S. physical-goods imports—reciprocally, other nations' exports to the U.S.—had peaked at \$106.5 billion. Over the next months, the level fell somewhat, but was still at \$103.9 billion in December 2000. Then, during 2001, the monthly level of physical-goods exports started to crater. This fall was deepened by the fact the U.S. physical economy entered a sharp phase-shift downward in the period between August and November 2001, dramatically lowering the level of functioning of the economy. By October 2001 (the last month for which data are available), physical-goods imports had fallen to \$91.6 billion, a plunge of 14% from the September 2000 level.

**Figure 10** documents that the downturn in U.S. imports struck hardest many of those nations that have the largest percentage of exports to the United States. For select countries, it shows the level of their physical-goods exports to the United States for the period August through October 2001 (the latest three-month period for which data are available), compared to the same period of 2000. According to official U.S. government figures, comparing the period of August-October 2001 to the same period of 2000, Mexico's physical goods exports to the United States fell by 8.8%. *EIR* considers the official U.S. government data to understate the real level of fall; nonetheless, given Mexico's overwhelming dependence on these exports, that is already a considerable downturn. For countries such as Japan, South Korea, and Taiwan, during this period, the fall of their physical-goods exports to the

FIGURE 9

### United States Is No Longer Able To Take In World's Goods: Monthly Level Of U.S. Physical Goods Imports

(Billions \$)

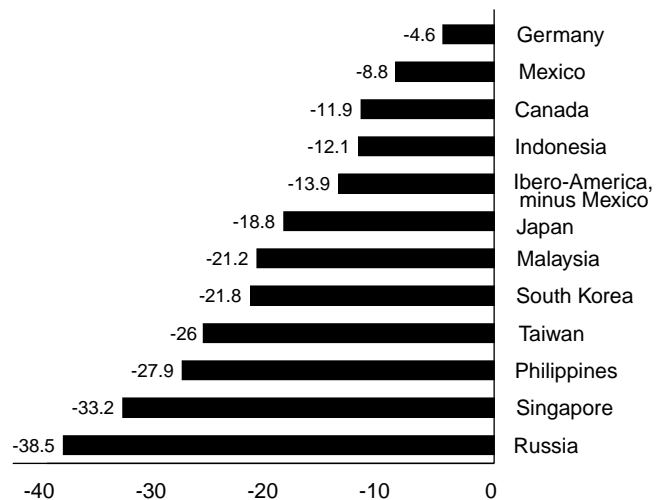


Source: U.S. Department of Commerce.

FIGURE 10

### Leading Nations' Physical Goods Exports To United States Plunge

(Aug-Oct, 2001 Compared to Aug-Oct, 2000)



Sources: U.S. Department of Commerce; *EIR*.

United States has been 18.8%, 21.8%, and 26.0%, respectively, which is driving forward these three nations' physical-economic contraction.

But, the unstable financial foundation upon which the

“importer of last resort” arrangement rests—depending upon foreign-held dollars being invested in the U.S. financial bubble and used to pay for imported goods—also appears to be blowing up. The U.S. Department of Commerce reports on a quarterly basis, the level of net foreign funds that flow into the United States, called the “financial account.” The Commerce Department data may grossly understate the level of foreign inflows. Still, even the limited Commerce Department data indicate something very dramatic happened during the third quarter of 2001.

According to those data, during the first quarter of 2001, foreign-owned assets in the United States increased by a net of \$346.6 billion (the term “net” means that the amount of American stocks, bonds, derivatives, and companies that foreigners bought, relative to the amount that they sold, during

the first quarter, increased by \$346.6 billion). During the second quarter of 2001, foreign-owned assets in the U.S. increased by \$226.6 billion, a fall-off of \$100 billion from the first quarter’s level. But in the third quarter (the latest for which information is available), foreign-owned assets in the United States increased by only \$52.1 billion, not much above zero growth.

A net level of \$52.1 billion of foreign purchases in the United States cannot finance the level of imports of physical goods from abroad, that America was taking in, in the past. Further, in the current circumstances, Japan cannot continue sending volumes of funds into the U.S. financial bubble, propping it up. Japan has been disinvesting from investments inside the United States, and various European nations may soon do the same.

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## SE Asia: Deportation Is The End Of Globalization

by Martin Chew Wooi Keat

In early December 2001, more than 2,000 illegal immigrants at a temporary detention center in Malaysia rioted, and four buildings that were being used to house them were set on fire and completely destroyed. The illegal immigrants were mostly Indonesians, who were about to be sent home before the end of the Muslim holy month of Ramadan in mid-December. Many of those being detained, feared deportation primarily because they face an even bleaker prospect at home. The day after the riot, they were sent home.

Extrapolating from the old Marxist saw, that imperialism is the highest stage of capitalism, we may truthfully say that mass deportation is the highest stage of globalization, the New Economy’s model of the international division of labor. During the 1997-98 Anglo-American financial oligarchy-induced economic collapse in the Far East, at least 3 million foreign workers were deported across the region. Now, with the bursting of the “New Economy” bubble, the pattern has returned.

After the Second World War, the only viable major economy left in the world was the U.S. economy. The Bretton Woods system was created to facilitate long-term economic relations. Basically, all currencies were to be fixed in value with respect to the U.S. dollar, which was convertible to gold. The U.S. dollar was considered “as good as gold,” not because the United States had two-thirds of the world’s supply of gold, but because of the strength of the American *physical economy* at that time. Following the assassination of President John F. Kennedy in 1963, the development orientation of the Bretton

Woods system was increasingly undermined, leading to the disastrous decision by President Richard Nixon in 1971 to take the dollar off the gold-reserve standard, allowing the free float of most of the world’s currencies.

The Anglo-American financial oligarchy then engineered an “oil shock.” This created a vast outflow of dollars from countries that previously held substantial amounts of the currency, such as France, Germany, and Japan. As the physical economy of the developed countries contracted, demand for the raw materials of the Third World contracted as well. This, coupled with the artificial increase in the price of oil, drove many Third World nations into bankruptcy. Unable to repay their debts, Third World nations were forced to go to the International Monetary Fund.

To enable Third World countries to acquire U.S. dollars—to be used to pay debts, etc.—a so-called “new international division of labor” was formulated, to artificially prop up the global financial bubble (as well as the living standards of the United States, although its physical economy continued to contract).

### Exporting Electronics vs. Selling People

The key invention behind the New Economy model of an international division of labor is the specially designated export zones scattered throughout Southeast Asia, with their own special set of preferential labor and taxation laws. Similar to the *maquiladoras*—cheap-labor assembly plants—along the U.S. border in Mexico, these Asian zones have been called Free Industrial Parks, Free Industrial Zones, Free Trade Zones, Export Processing Zones, or Special Economic Zones, depending on the country in which they are located. However, they all have the same nature: They function as marketplaces, the product they market being people—or more specifically, cheap labor, preferably cheap *female* labor.

For example, Malaysia: In 1970, there were only 41 firms in “export zones,” employing 3,200 workers, of whom 99% of the production workforce was female. In 1985, the electronics and electrical assembly sector was the largest employer of

manufacturing workers, with 81,432 workers, and out of these, 74% were female. By 1990, there were 422 firms in export processing zones, employing a total of 216,528 workers, of whom 76% were female. Labor-intensive assembly-line production techniques require high levels of managerial control, in order to achieve high productivity rates. This employment pattern repeats itself throughout the export zones of Southeast Asia.

Strictly speaking, Southeast Asian countries do not export electronics—it is mainly American, European, and Japanese assembly plants in *Southeast Asia* which actually export electronics. Southeast Asia's cut comes from the cheap labor it supplies to these corporations, and from outsourcing contracts awarded by these so-called multinational corporations to local firms.

In order to remain "cost-effective," Southeast Asian countries promoted migrant labor. The countries importing the migrant laborers did so in order to maintain wages at a minimum, to remain attractive to foreign investors, while those countries which were exporting their population, did so in order to alleviate the poverty back home.

As a result of these policies, the number of registered foreign workers in Malaysia is 600-700,000. Including illegal immigrants, that figure is closer to 1 million, out of a population of about 20 million. In Singapore, there are more than 750,000 registered foreign workers among the island's 4 million population. In August 2001, Philippines Labor Secretary Patricia Santo Tomas told a local radio station that more than 2,000 Filipinos leave their country *every day* for overseas jobs, due to the lack of jobs at home.

However, with the bursting of the New Economy bubble, jobs are becoming scarce, at home as well as abroad. In Singapore, for the first nine months of 2001, more than 17,000 workers were laid off. This figure is expected to have hit 25,000 by the end of 2001. The Singapore government expects at least another 15,000 jobs to be lost in 2002. In July 2001, the president of the Malaysian Trade Union Congress, Zainal Rampak, said that in Malaysia, an average of 5-10,000 people lose their jobs *monthly*. The Thai Farmers Research Center forecast in May 2001, that 1.4 million Thais would leave the payrolls by the end of 2001. As a result, it is expected that for every five employed persons in Thailand, there will be four unemployed. Furthermore, in December 2001, the Thai Contractors Association warned that 400,000 Thai construction workers would be out of work in 2002, if the Thai government fails to introduce emergency measures to help the stagnant construction sector. As for the Philippines, it was estimated that there would be 8 million unemployed or underemployed, as of December 2001.

All of these figures are dwarfed by the situation in Indonesia. Out of a total population of 210 million, making it the fourth most populous country in the world, the number of unemployed is estimated at *36 million*, a number nearly twice the entire population of Australia. Indonesian President Megawati Sukarnoputri said in October 2001, that unless the

poverty-driven ethnic and religious conflicts in Indonesia are halted, this nation of 17,000 islands faces breaking up into a myriad of tiny, powerless states. "We will become the Balkans of the Eastern Hemisphere," she said, "that will not only never enjoy happiness among ourselves, but also will represent dangers for nations around us. We will become smaller nations with equally smaller states, which will be more susceptible to pressure from outside."

Overall, 2 million jobs are expected to be lost in Asia (excluding India and China) for the year 2001, according to figures compiled by the Singapore *Straits Times* from government officials throughout the Far East.

## Collapse Of Remittances

With exports to the U.S. "importer of last resort" collapsing throughout Southeast Asia, the Philippines is facing a corresponding collapse in remittances sent home by its millions of overseas contract workers. Ever since the overthrow of the Marcos government in 1986, Manila has been heavily dependent on remittances for foreign exchange, especially around Christmas and New Year. Foreign banks operating in the Philippines estimate that total remittances in 2001 will be in the range of only \$5.5 billion, way below the \$6-8 billion or more of previous years.

In Singapore, the opposition Singapore Democratic Alliance political coalition tried to whip up anti-foreigner hysteria, as a political gimmick in the midst of the island's collapsing economy. The SDA chairman was quoted as saying: "I think we should take care of our own family first," while insisting that Singaporeans be given preference over foreigners, and adding that locals would remain "loyal" in uncertain times, whereas foreigners would be the "first to scoot off."

In Malaysia, there are reports on plans to send about 300,000 more foreign workers home, in order to free up jobs for the local population, on top of the more than 100,000 deported as of November 2001. The Malaysian Trade Union Congress, which has more than a half-million members, called on the private sector to freeze the intake of foreign workers. Foreign workers in Malaysia repatriate about \$1.3 billion a year.

In Indonesia, there are plans for new laws to prevent poverty-stricken villagers from across the archipelago from moving into the capital, Jakarta. Each year, after the Ramadan holiday season, Jakarta receives up to 250,000 newcomers. According to the city's governor: "We all know that most of them come to Jakarta without anything, and then send their children to become beggars in the street."

However, the current approach of sending cheap laborers home, to free up fast-vanishing, barely decent jobs for locals, is another "solution" that solves nothing.

What was needed, was vast amounts of capital equipment, in order to increase the value of labor, rather than the free-market approach of finding ever-cheaper sources of manual labor, from countries with large populations such as Bangladesh or Indonesia.

# Wall Street Plays With Fire In Bank Blowout

by Kathy Wolfe

Japanese Prime Minister Junichiro Koizumi's economics czar Heizo Takenaka hurried to Washington on Jan. 7-8, trying to calm officials alarmed at recent protestations by Koizumi and his cabinet, that they "won't allow" a run on Japan's major banks (see *EIR*, Jan. 11, 2002). Takenaka, Minister of State for Economic and Fiscal Policy, briefed Treasury Secretary Paul O'Neill, White House Council of Economic Advisers Chairman Glenn Hubbard, Presidential economics adviser Larry Lindsey, U.S. Trade Representative Robert Zoellick, and Deputy Secretary of State Richard Armitage. He emerged to announce that the United States was behind Koizumi all the way, and would even support a bailout of Japan's banks using public funds for capital injections.

However, down the block from the White House, at the American Enterprise Institute (AEI), a self-styled chief think-tank for the Republican Party, a policy paper issued only days earlier appears to be an attempt to blow the Tokyo powder keg sky high. Japan has chosen "the road to default," and will soon see 1929-style runs on all major banks, a \$1 trillion bailout which will fail, a fire-sale of \$4 trillion in Japanese government bonds, and a collapse of the yen, writes John Makin in the January issue of AEI's *Economic Outlook*. "Japan's deflation and debt crisis now constitute systemic risk to the global economy," he states.

Much of the mess in Japan has been caused by Washington's demand that Tokyo act as the "firewall" for the dollar, by printing enormous amounts of yen to support the U.S. currency, as 2004 U.S. Presidential pre-candidate Lyndon LaRouche explains in "AEI's Makin Misses The Point" (see *Editorial*). Since Japan's financial system is the only barrier to a dollar crash, and since the collapse of major Japanese banks would presumably bring down half the banks in America, what kind of Washington think-tank would shout fire in such a theater? While this story is still developing, *EIR* cannot rule out that moves are afoot for some sort of global financial "end-game." Top AEI officials include Samuel Huntington, Richard Perle, Michael Ledeen, Michael Novak, Enron Chairman Kenneth Lay, and other promoters of the "Clash of Civilizations" thesis at the root of the Sept. 11 attempted coup d'état in the United States.

This much is clear: As Bank of Japan (BOJ) Governor Masaru Hayami warned on Jan. 1, Japan is on the edge "of a deflationary spiral"—Tokyo-speak for a 1929-style crash—

and a grouping on Wall Street and in Washington appears to be pushing it.

## Engineering A Crisis

The Japanese operations of Wall Street investment firm Goldman Sachs were suspended by the Japanese government's Financial Services Agency on Dec. 21, a Ministry of Finance source told *EIR* on Jan. 8, for "selling short" Japanese bank stocks—placing speculative bets that the stocks of major banks will soon collapse. So many Wall Street firms have placed such bets, that they are crashing the bank stock market, the official said. "Japanese bank stocks were down almost 40% in value last year. Almost half the drop was in December, when the U.S. hedge funds began short sales. This is targeting, just as [mega-speculator George] Soros was targeting the Thai baht in 1997," the source said. "This is why the Japanese government closed down the operations of Goldman Sachs in Tokyo. Goldman Sachs has been selling Japanese bank stocks short in a very nasty way, in violation of Japanese law. This is a warning to all the U.S. hedge funds to stop this irresponsible speculation."

Enron, Citibank, and related Wall Street outfits, on top of this, caused another enormous crisis in December, former Bank of Japan Executive Director Akira Nambara told *EIR* in a Jan. 9 interview (see below). Enron and Citibank, through its Tokyo partner Nikko Securities, had pushed large amounts of poorly audited, worthless paper in Japan, "issuing these huge amounts of debentures based on nothing," Nambara said. "They have swindled many investors in Japan. Japanese money market funds trusted the Arthur Andersen accounting firm, but they deceived the private investors. . . . S&P, Moody's, they stood by and never warned Japanese investors."

Tokyo money market funds, which held most of the Enron and Argentina paper in Japan, have already reportedly fallen \$25-35 billion during November-December. According to Nambara, however, the situation was so dangerous that the Bank of Japan had to conduct direct open market operations, purchasing large amounts of commercial paper from the money market funds and their banks to avoid a deflationary crash.

Such manipulations by the "Washington Consensus"—i.e., International Monetary Fund (IMF) policies—have occurred just as LaRouche warned, Nambara said. LaRouche's call for urgent financial crisis measures, along with these warnings, have been circulating in the Bank of Japan and the Prime Minister's office, and the message is starting to get through.

In fact, Nambara warned, there are those in the Bank of Japan who think the results of Washington and IMF policies forced on Japan are so bad, that they should just let it blow up. "They believe that there can be no more half-way measures, that all they can do now, is to demonstrate the failure of today's entire system. . . . They say: 'Fine, we will do as you demand and continue your insane policy—and let it all

blow up!' They now believe that only if there is a complete crash to the bottom, a crisis as bad as the end of World War II or the crisis which led to the Meiji Restoration, could we possibly wake up the politicians and the population."

### AEI's Trillion-Dollar Blowout

"Is Argentina's Present, Japan's Future?" the Jan. 5 *Japan Times* asked in an editorial, a report which was worrisome enough, considering that a Japan default would be orders of magnitude larger than that in Argentina. But the AEI paper calling for a total default in Japan is no mere "generalized allusion to Argentina," the Ministry of Finance source said. "This AEI report is a detailed, step-by-step scenario, from some very powerful people in Washington. This has been circulating for the last ten days. This was one of two reasons Prime Minister Koizumi called the emergency meeting on Dec. 27."

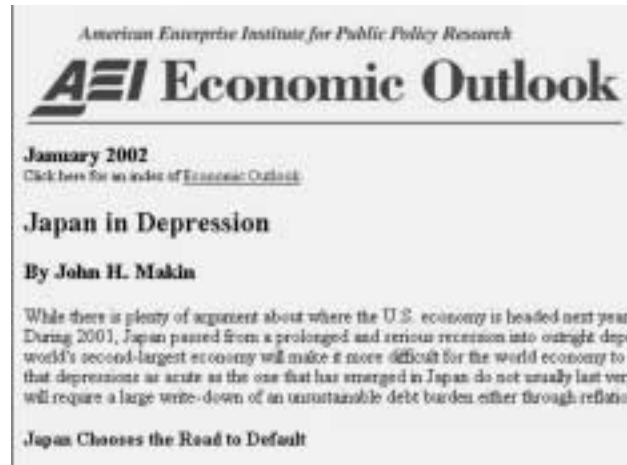
The Bank of Japan has failed to reflate Japan's economy because it has been "kicking a dead horse," Makin writes. "The dead horse is the Japanese banking system, which by virtue of its insolvency, is unable to act as a financial intermediary, borrowing from the central bank and lending to Japan's private sector." By pumping money into the banks, the BOJ has been doing nothing. "Rather, Japan's banks are borrowing from the central bank at zero interest rates and buying government securities."

Soon, "depositors, convinced that the liabilities of Japan's banks far exceed their assets, will continue to withdraw funds from the Japanese banking system. There will be a full-scale 'run' on the banks. Concern over this outcome is already evident in Japan's stock market, where bank stocks were down 44% on the year, against an overall stock market decline of 24%."

Once the bank run starts, Japan will have to print so many government bonds to bail them out, that there will next be a run on government bonds, Makin continues. "The negative net worth of the Japanese banking system is somewhere above the yen equivalent of \$1 trillion. When the banking system collapses . . . the Bank of Japan will need to inject at least \$1 trillion into the banks to protect depositors." This will require "a huge increase in government debt that is immediately monetized by the Bank of Japan. In order to acquire the funds to protect Japan's bank depositors, the government will issue \$1 trillion worth of securities. . . . Such steps will probably result in nationalization of Japan's banking system. . . ."

"Japan's public debt will jump immediately by about 15%. The resulting surge in liquidity, coupled with a huge increase in government debt with the prospect of still further increases, will cause Japan's currency and bonds to collapse." Japanese markets are already selling all kinds of insurance against just these possibilities, he adds. The current weakness in the yen is no mere 20¢ move to help exports, but rather "signals a prospective run out of Japan's last safe havens for Japanese investors—government bonds and cash."

"Whoever is doing this should realize that people who



*The American Enterprise Institute misses the point, by hyping up an oncoming "Japanese crash," when Japan is in fact being hit by global financial storms. Unlike AEI, the Bush Administration is not seeking a deflationary collapse in Japan.*

live in glass houses shouldn't throw stones," the Ministry of Finance source concluded about the AEI document, noting LaRouche's point that the dollar and the U.S. system are in the same boat as Japan. "That is what BOJ Governor Hayami was referencing in his New Year's interview, when he brought up the fact that the U.S. economy is vulnerable, too."

### Koizumi And Thatcher

Minister Takenaka, in two long talks in Washington on Jan. 7-8, meanwhile, made obvious another severe problem inside the Japanese government itself, the disease of Thatcherism, which is the last thing Japan needs at a time of deflation, as Nambara points out. In his Jan. 7 lecture at the Washington National Economists Club, Takenaka said that his program is modelled after the "Conservative Revolutions" of former British Prime Minister Margaret Thatcher and former U.S. President Ronald Reagan. He constantly speaks of the "supply-side" economics of the Reagan era, better known as "voodoo economics." Takenaka in particular has made a sacred cow out of the IMF phrase "structural reform," first used by Thatcher to shut down entire chunks of Britain's industry. The IMF then used the term as part of its "shock therapy" in Russia, to mean "shut down all the old industries, and hope somebody builds new ones"—which no one ever did.

The Harvard-trained Takenaka, who controls most of Hollywood figurehead Koizumi's economic policy, has, at least until recently, sold the gullible Japanese voters on "structural reform" as the only way to cure all of Japan's ills. Much as Eastern Europeans were sold on the "magic" of the IMF "free market" at the fall of communism, Japanese are told: Structural reform will be completely different from the traditional Japanese model, so it must be better.

As Takenaka has implemented the IMF policy, this has meant forcing the banks to shut down dozens of firms, to

deliberately throw people out of work, as the IMF has explicitly demanded. Japan has lost more than 1 million jobs in the last 12 months, and another 2 million jobs are slated to be lost by Summer, along with the closings of hundreds of workplaces. The more the layoffs rise, the worse the deflation gets, as consumers, fearing for their jobs, refuse to spend a thing, and companies refuse to invest. Yet, Takenaka and the IMF single-mindedly insist on their mantra of more structural reform.

“Structural reform” in Takenaka’s lexicon also means cutting the budget, or at least keeping it tight, while all this is going on—a sort of Japanese kamikaze version of former House Speaker Newt Gingrich’s (R-Ga.) infamous 1996 shut-down of the U.S. government under the banner of “Conservative Revolution” budget cutting. The Washington Consensus hand in all this, showed itself during Takenaka’s trip to the White House, when he was asked if he would relent and remove Koizumi’s current cap on this year’s budget, given the dire economic deflation. “Nonsense!” one of the Bush Administration officials reportedly proclaimed, according to Japanese press accounts, and Takenaka agreed.

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## Interview: Akira Nambara

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# ‘Washington Consensus’ Should Watch Its Step

*Mr. Akira Nambara served at the Bank of Japan (BOJ) from 1958, and was Executive Director from 1990-1994, then Deputy Governor of the Japan Export-Import Bank from 1994-98. He was interviewed for EIR from Tokyo on Jan. 9 by Kathy Wolfe.*

**EIR:** You told *EIR* last March that Finance Minister Kiichi Miyazawa was right to warn about Japan’s finances, and you warned that the Japanese political class must wake up, and get a sense of crisis (*EIR*, Mar. 23, 2001). Does Prime Minister Junichiro Koizumi’s emergency meeting Dec. 27 indicate that Japan’s leaders are finally waking up?

**Nambara:** It was good that Mr. Koizumi held the meeting; he needed to understand that this is a real crisis. The problem



was that his popularity is fantastically high, so Mr. Koizumi believed his program was on the right track. But it’s not, at all. Mr. Koizumi has always said that his plan for structural reform will cause pain, but he promised to cause the pain to the vested interests of pork-barrel politics, the “Iron Triangle” of politicians, bureaucrats, and interest groups. Unfortunately, however, Mr. Koizumi turned out to be a “NATO” man: “No Action, Talking Only.” And due to his “No Action,” he has given the pain instead to the entire Japanese economy as a whole.

He got away with it, until now, because most Japanese people have been enjoying “the Golden Recession.” They enjoy the world’s largest holdings of financial assets per capita, mostly owned by the elderly and business executives. Due to falling consumer prices, they enjoy increased real income and their children enjoy a parasite’s life. They do not have any sense of crisis, but the other side of this coin, is that those who borrowed from them, mostly through government lending institutions, are seeing their assets eroded day by day. So the population’s real assets, in a sense, are disappearing.

**EIR:** We heard that warnings from the BOJ that one of the Top Four Japanese bank groups is in severe danger, helped to trigger the emergency meetings in Tokyo—along with some very dangerous actions by U.S. hedge funds, banks, and think-tanks pushing to “sell Japan.”

**Nambara:** As I have been warning for over a year, Japan is in the midst of the most serious and dangerous deflation in the industrial economy in our history. Despite all the cash the BOJ is printing, the banks can’t use it, and most Japanese banks have now almost lost their function as financial intermediaries. They have simply stopped lending to many companies in the economy. This means that companies which could be the next Sony or Matsushita, are not being created, while increased corporate bankruptcies are eroding the banks’ assets.

I am now relieved that BOJ finally has made the correct diagnosis that the nation is endangered by a deflationary spiral like the 1930s.

**EIR:** Some BOJ officials say that the whole system is completely non-functional.

**Nambara:** Yes, in fact some of them are just too pessimistic. They believe that there can be no more half-way measures; that all they can do now, is to demonstrate the failure of today’s entire system. The BOJ has been pushed to expand the monetary base despite the fact that the banks cannot use the money, but the Washington Consensus and the Tokyo economists just demand that the BOJ print more money, without any thought of the result. Thus, many people at the Bank of Japan have given up, and they say: “Fine, we will do as you demand and continue your insane policy—and let it all blow up!” They now believe that only if there is a complete crash to the bottom, a crisis as bad as the end of World War II or

the crisis which led to the Meiji Restoration, could we possibly wake up the politicians and the population.

I don't agree with this extreme view, but it does show the total failure of the current policy. So, of course, we won't do this.

**EIR:** What about the American Enterprise Institute report that Japan's entire system is about to crash?

**Nambara:** I agree with some others you have interviewed, that while Japan is in big trouble, we don't need to pile on top of it, certain nasty manipulations to cause the markets to "sell Japan." I read the AEI report already some days ago. It's part of a pattern of things from the Washington Consensus.

**EIR:** Do you mean the mass sales of Japan bank stocks by U.S. hedge funds?

**Nambara:** Yes, this is outrageous. Did you know that in 1998, the Long Term Credit Bank was bankrupted when S.G. Warburg did huge short-selling of its stocks? One of the most important banks in Japan. Now the major U.S. hedge funds are doing it again, selling the Japanese bank stocks short. Fortunately, now the BOJ and Ministry of Finance understand that we can't tolerate this; that is why they froze the Goldman Sachs operations in Tokyo. So that's good news. And this is also thanks to the constant warnings from *EIR*.

Also, Kenneth Courtis and Deutsche Bank: Mr. Courtis used to be at Deutsche Bank, where he lost his job because he incorrectly forecast the appreciation of the yen. Now he's with Goldman Sachs, where he has been calling for a yen collapse for months. Goldman Sachs, again. And now the Deutsche Bank in London has issued a forecast for the yen to fall to 205 per dollar. Even if it's in four years, this is still too much.

**EIR:** What about the secret International Monetary Fund missions to Japan all this year?

**Nambara:** The IMF and the Federal Reserve diagnoses on Japan are terrible. They demand the immediate sell-off of all NPLs [non-performing loans] right now, which would just bring down many industrial companies. That way, Wall Street can purchase Japanese assets a dime on the dollar, while Japanese investors will be crippled. You remember, in 1998 some Wall Street investors were able to buy a large regional project in Miyazaki-ken at about 10% of the true, original value. The IMF also wants a total devaluation of the yen, as was done to Association of Southeast Asian Nations countries in 1997, as the IMF is now demanding in Argentina. If the yen drops dramatically, it means everything would become cheaper in Japan for the foreign buyouts. We can't tolerate that. . . .

But they should watch out because, as BOJ Governor Masaru Hayami mentioned in his New Year's interview, from the standpoint of economic fundamentals—and as Mr. LaRouche says—the U.S. economic fundamentals are actually much worse than those of Japan. For example: Look at the

behavior of Enron and Citibank and similar U.S. companies issuing these huge amounts of debentures based on nothing. They have swindled many investors in Japan. Japanese money market funds trusted the Arthur Andersen accounting firm, but they deceived the private investors in Japan. Citibank, which runs Nikko Securities, pushed Nikko to sell so many Enron debentures to Japanese investors. S&P, Moody's, they stood by and never warned Japanese investors of this, and we trusted them. Again, the "Washington Consensus": although the BOJ recognized the situation, and immediately purchased CPs [commercial paper] to avoid a deflationary spiral.

**EIR:** What about the rest of BOJ Governor Hayami's New Year's Day interview?

**Nambara:** He did a good job. He was correct to warn the situation is very serious, and as Mr. LaRouche mentioned, he understands the diagnosis, that simple money-printing by the BOJ is going nowhere, while the danger of a deflationary spiral increases rapidly. And he said, they would do everything they could to try to stop it. He clearly stated we shouldn't push the yen to be weaker, or it could become dangerous for Japan.

But as for the remedy, I'm afraid Mr. LaRouche is also right that Mr. Hayami does not have an effective remedy. One problem is both Prime Minister Koizumi and Mr. Hayami seem too committed to the idea that all the NPLs must be disposed of immediately. It could be similar to the pessimists' standpoint that nothing really can be done, except to let it all crash. Or it could also be similar, unfortunately, to the IMF standpoint. But to dissolve NPLs is not structural reform at all. The increased NPLs are the result of minus growth of Gross Domestic Product, in nominal terms, in the past four years. In every country, NPLs will increase when it becomes recession. The mere dissolution of NPLs at deflation time, will only exacerbate the deflation.

**EIR:** Mr. Koizumi's chief economic architect, Mr. Heizou Takenaka, unfortunately seems to have a similar, Margaret Thatcher-type of philosophy.

**Nambara:** I have always criticized Mr. Takenaka since he wrote the report of the Economic Strategic Conference in March 1999. . . . When Takenaka refers to "structural reform," his model is Margaret Thatcher, but Japan today is completely different from England 20 years ago. The lost competitive edge of British industry, and the Wilson government, brought inflation and stagnation. Here in Japan, stagnation, yes! But no inflation! On the contrary, we are in the midst of deflation. . . . In spite of the burst of the bubble, our economy had never recorded minus growth until mid-1997. It was the Hashimoto government and BOJ which brought deflation to Japan, like the United States early in 1930, because Mr. Hashimoto, and the previous main stream of the BOJ, never learned from history and accepted the "Washington Consensus."

# Italy's Foreign Minister Is First Euro Victim

by Claudio Celani

When the government of Silvio Berlusconi was inaugurated in Italy last Spring, *EIR* wrote that it had two conflicting souls, and sooner or later the conflict would explode. That explosion, timed with the European monetary reform and the Argentinian crisis, has now led to the resignation of Foreign Minister Renato Ruggiero, on Jan. 5.

Ruggiero's dismissal is the product of resistance against the destruction of the nation-state, a process which has many components, including the influence of Lyndon LaRouche's ideas on key factions of the Italian elite. The conflict exploded around the inauguration of the European single currency, the euro, on Jan. 1, and will soon extend to other members of the European Union (EU). A growing coalition of forces in Europe is becoming aware of how dangerous this process is, and is trying to put on the brakes—although without yet openly challenging the supranational monetary reform, thinking that it is irreversible. They have started a fight to prevent more national powers from being ceded to the European Commission, a supranational technocratic dictatorship, currently led by mega-speculator George Soros' friend Romano Prodi. As a staunch supporter of such a dictatorship, Ruggiero was the first victim of this fight.

Ruggiero, the former director of the World Trade Organization, was imposed upon Berlusconi last Spring, in a form which eloquently manifested the nature of the operation. First, Ruggiero's longtime mentor, FIAT magnate Gianni Agnelli, pushed his candidacy, while government coalition partners were negotiating the composition of the Cabinet, threatening Berlusconi that if he did not accept him, they would topple him as they did in 1994. In a show of force, the entire board of the Anglo-American Carlyle group, of which Ruggiero is a member, came to Rome for their annual meeting. Since Berlusconi still hesitated, Henry Kissinger personally showed up, and accompanied Ruggiero in a visit to Berlusconi, making Berlusconi "an offer he couldn't refuse," as the mafia puts it.

One of Ruggiero's first acts was to promote the "set-up" that took place at the Group of Eight (G-8) meeting in Genoa last June, through his insane decision to open a dialogue with the Genoa Social Forum, the organizers of the anti-G-8 riots. The step gave the status of official interlocutors, to those ultimately responsible for the street warfare which devastated the city, leaving one person dead and creating the image of the "fascist Italian police" abroad.

More generally, Ruggiero blocked any national foreign

policy initiative, as State Secretary Margherita Boniver told the daily *Il Giornale* on Jan. 10. "In the last two months, we have made no foreign policy," she said. "I'll explain it with two cases. After Silvio Berlusconi had proposed his Marshall Plan for Palestine, normally, a diplomatic process would have begun. Instead, nothing moved. Second case: How is it possible that a hyper-announced crisis like that in Argentina, was met by us with so much inertia? We should have joined forces with Spain, to assume European leadership of the management of the crisis. Instead, nothing."

Finally, the conflict between Ruggiero and the rest of the Cabinet blew up. Around the date of the introduction of the euro, three Cabinet members—Defense Minister Antonio Martino, Economic Minister Giulio Tremonti, and Reform Minister Umberto Bossi—publicly expressed their skepticism on the new currency. This provoked Ruggiero to ask for a clarification within the government. Prime Minister Berlusconi, Ruggiero said, should shut up the "euroskeptics" inside the government, in order not to lose "international credibility." Bossi replied with a de facto ultimatum to Ruggiero. The interesting thing is that Bossi introduced arguments in favor of the nation-state. This is quite remarkable for a man who started his career as a regional separatist; but it simply reflects orientations by broader government circles, possibly including Berlusconi himself.

"My Europe," Bossi said, "is a Europe of peoples, a democratic Europe which . . . bases itself on nation-states, . . . a Christian Europe. His [Ruggiero's] Europe is a Europe of bureaucrats, a despotic and tyrannical Europe, where all powers are concentrated in the hands of few non-elected, chosen ones, . . . a world in the service of financial circles. Ruggiero is one of them." Bossi ended his interview saying that he is against "a Europe where income is no longer connected to production and work, . . . where those who do not work make money and move enormous capital, with the purpose of exterminating the workers, the small and middle bourgeoisie, the small and middle-sized firms of Northern Italy."

Berlusconi responded by formally praising Ruggiero, but said that Italian foreign policy is anyhow made by the Prime Minister, since Ruggiero is "only a technician." This was a clear dismissal, and Ruggiero resigned.

After the resignation, Berlusconi announced that he would assume the Foreign Ministry portfolio personally, "for at least six months." In the meantime, the usual international media campaign has been unleashed against the Italian government, supported by some European technocrats like EU commissioner Mario Monti. Most serious, was a de facto threat against Berlusconi by Ruggiero's mentor Gianni Agnelli. In an interview with *La Repubblica* on Jan. 8, Agnelli said that Ruggiero's ousting "will hurt the government, well beyond what the government today thinks." He repeated: "I am afraid that they do not realize it yet, at least not fully. I wish it were not so, in the interest of the country, but I believe that they will realize it only afterward. . . . At that point, it will hurt."





*Italian Prime Minister Berlusconi (left) with Spanish Prime Minister José María Aznar on Jan. 11. Italian Foreign Minister Renato Ruggiero was sacked several days earlier; his blocking of a coordinated Italian-Spanish response to the Argentine debt moratorium, was an important reason.*

## The Conflict Beneath The Surface

One of the highest priorities of the Berlusconi government has been a policy of large-scale infrastructural investments to create jobs. The government succeeded in its first 100 days, as promised, to have Parliament approve a new bill establishing a fast track for a list of infrastructure projects considered as strategic for the country, including new highway and railway connections, Alpine tunnels, and the famous Messina Bridge between the Italian mainland and Sicily. But the EU's strict budget guidelines prevent the allocation of more than a few billion euros per year, making a national development policy impossible. Without productive credit expansion, and the creation of strong domestic demand, the whole government strategy is at risk, including another very important bill, which introduced a two-year tax reduction for companies that renew their production equipment.

Italy's efforts to convince its European partners to review the EU treaties in order to allow credit expansion have recently found some support, since the collapse of EU exports to the United States makes it harder for EU countries to meet their budget targets. But such efforts have so far been rejected, with the argument that such a shift would weaken the euro. This argument has been pushed by the supranational European Commission, the technocratic body which is supposed to become the European government, and by its allies in the national governments, such as Ruggiero in Italy. Unilateral deviation on the part of a member country from the EU's parameters would be punished with marginalization, and, ultimately, exclusion from the euro.

An editorial on Jan. 5 in *Il Giornale*, which is owned by the Berlusconi family, helps to locate such fights in a broader view of European affairs. The article was by Carlo Pelanda,

professor of international economics at a number of Italian universities, professor at the University of Atlanta, and an adviser to the Italian government. Instead of creating a "European super-nation," Pelanda wrote, it would be better "to go back to the sane and pragmatic principle of the former European Economic Community: We integrate in everything the economy needs; for the rest, we will decide case by case." The European Commission should not become a supranational government, but "a secretariat of the intergovernmental council," and the European Parliament "should be reconfigured as the place where representatives of all national parliaments meet on basic or exceptional questions."

In sum, it should be "a Europe clearly of nations, which supranationalizes the essential and leaves aside what is not essential."

Another issue of conflict, even if not spoken, between the Italian government and the international financial oligarchy represented

by Ruggiero, has been the question of privatization. The Berlusconi government has shown no hurry in completing the privatization of state-owned enterprises started by its predecessors, supposed to include the national oil company ENI and the national electricity company ENEL. Economic Minister Tremonti, said to be the strongman in the government after Berlusconi, has emphasized in the past that ENI, already partially privatized, is an instrument of Italian foreign policy, and therefore one should be cautious with further privatizations.

Berlusconi himself went further. In his year-end press conference, he declared: "With the problems we have in the energy field—we are the European country where energy costs the most—I do not believe that Italy could drop a major role in the supply of energy. Therefore I believe that no balanced person could think of privatizing such a fundamental entity in this sector, as ENI."

## Argentina: The Switch Factor?

An Italian intervention in the Argentinian crisis could be the factor that switches the strategic situation internationally. Argentina's connections to Italy are very strong. One-fourth of Argentina's population is of Italian origin (in Buenos Aires, up to 40%). About 600,000 citizens with an Italian passport live in Argentina. Many large and small Italian industrial firms, as well as banks, are involved in Argentina.

Such connections have prompted a reaction of solidarity, especially from certain Italian government circles that had already been fertilized with Lyndon LaRouche's analyses and his proposals for a New Bretton Woods global financial reorganization. Such circles are now calling for an Italian initiative in support of Argentina, putting the blame on neo-liberal

free-market policies for Argentina's bankruptcy.

Indications of such sentiment, have been a series of articles published in *Il Secolo d'Italia*, the official daily of the government party Alleanza Nazionale. For instance, on Dec. 21, an article was published entitled "Italy Has A Debt To Pay To Argentina," which said: "There is only one reason for the dramatic situation: the rigid, obsessive, maniacal application of liberal and monetarist recipes by outgoing Economics Minister Cavallo. . . . Do not think that our country can watch such a situation with indifference. . . . One thing we must not forget: There is a debt of gratitude that the Italians have contracted with Argentina, when Argentina in 1946 shifted toward Italy, on the order of General Peron, ships loaded with wheat and meat, to feed the Italian people after the war. The moment has come to return the brotherly help of half a century ago."

Another article, on Jan. 3, wrote that "no government in Buenos Aires alone can save Argentina from the pit. The international community must help it. Italy, in particular, due to its manifold and large historical connections, must promote a plan to that purpose."

Despite Ruggiero's obstructionism, the Italian government sent State Secretary Mario Baccini to Buenos Aires shortly before Christmas. Baccini came back calling for an initiative by the Italian Foreign Ministry in support of a moratorium on Argentina's debts to the International Monetary Fund (IMF). As concerns Argentinian debts to Italy, Baccini said that Italy could apply the policy of "debt conversion" already used experimentally with some highly indebted countries. In the meantime, the Italian government is helping Italo-Argentinian firms with a credit of 50 million euros (about \$45 million).

Italy is already applying a policy of debt cancellation or/and transformation, Baccini said, mentioning the cases of Peru, where \$127 million in debts have been converted, and Ecuador, where \$26 million have been converted. Conversion, Baccini explains, means "to act by reducing the debt and converting it to development projects, according to the scheme decided in Genoa [at the G-8 meeting]. Therefore, the debtor country invests in social works, environmental projects, and schooling, with control from the Italian government over the implementation of the programs. . . . Of course, this involves some cost, but it is also an investment for the new generations, besides representing an engine for the economy in those countries where Italian firms invest and work, as well as for the Italian economy. Our effort is to transform sympathy toward Italy into reliability, giving birth to a sort of permanent 'Marshall Plan' on the infrastructural and human level. It is, I believe, also a way to put in practice Pope John Paul II's exhortations on globalizing solidarity."

The first test for Berlusconi as his own Foreign Minister will be exactly such a challenge. Will Italy take the lead in a European initiative in support of Argentina, breaking with the IMF's murderous policies?

## Berlin Is Entering An 'Argentine' Future

by Rainer Apel

Ten weeks after the Oct. 21 elections for city-state parliament, the Social Democrats (SPD) and Democratic Socialists (PDS) of Berlin concluded their talks on Jan. 7 and decided to form a government coalition by Jan. 17. The two parties' intent to run Berlin by a "red-red" coalition has sparked intense controversy among many Social Democrats: The PDS is the successor to the communist Socialist Unity Party (SED), which was nominally dissolved after the collapse of the East German state in late 1989. Older Berlin citizens still remember the year 1946, when the communists of East Berlin forced the SPD into the newly formed SED, in a "unity" that was based on political suppression, mass arrests of SPD dissidents, and even assassination of many of them in camps established by the communists on the very sites of the Nazi concentration camps of 1933-45.

Prominent members of the SPD who have quit the party after decades of membership, include Willi Sickert, longtime leader of the labor unions in Berlin's non-communist west, and Klaus Hübner, longtime police chief of the city's western part. With them, the SPD will lose many of its core constituencies, which have been members and voters in the party for 30, 40, 50 or even more years. With the decision to take the PDS as a coalition partner, the SPD has crossed a Rubicon that had existed in Berlin for 56 post-war years.

But also younger members and voters of the SPD who do not have a personal memory of the first 20 or 30 years of communist rule in East Berlin, and are not shocked at the new "red-red" alliance, are certain to turn their backs on Berlin's SPD Mayor Klaus Wowereit. The obsession with budget cuts that has reigned over the birth of this new coalition is certain to cause a deep gulf soon, between the administration and the population. Even many members of the PDS will be driven away, by the transformation of their party into what angry Berliners have renamed from Partei Demokratischer Sozialisten (Party of Democratic Socialists) into Partei der Sparkommissare (Party of Budget-Slashing Commissars).

### Deeper And Deeper Austerity

The Berlin which the SPD-PDS alliance is going to run, will not have a regular budget, but will still operate on the basis of a total budget freeze, for the next few months. The freeze was imposed, after Wowereit and his Social Democrats ousted the government coalition of SPD and CDU (Christian



*Nearly all but Berlin's Brandenburg Gate has already been sold off. One of Europe's most celebrated cities is crushed under a burden of unpayable debt far larger, per capita, than that of Argentina. Unemployment is nearing one-fifth of the city-state's workforce!*

Democrats) by a no-confidence vote last June, and formed a transition government with the Green Party. Delayed by the campaign for early elections between late June and late October, and by weeks of coalition talks since then, a regular new budget for 2002 may not even be discussed and passed before the Summer break in July.

Berlin is currently run by an emergency financial regime that not only cuts deep into existing budget positions, but also bans all activities of the city-state administration and its district departments that might generate "expenses." Under this regime, Berlin is not to spend money, but has to respect the priority of paying its debt of 40 billion euros (almost \$36 billion).

One-quarter of the city-state's tax revenue is absorbed by servicing the debt. The entire revenue only supports 40% of the budget—the lacking 60% is funded (and increasingly, not funded) by bank loans and extra revenues from privatization of previously state-owned enterprises. With its 3.4 million inhabitants, Berlin has less than 10% of the population of Argentina, but its debt is 20% or more of Argentina's official public foreign debt *which is itself clearly seen to be unpayable*. Berlin's per-capita debt is among the highest in the world. More budget cuts provide no solution.

The city's budget-cutting policy implies, for example, that all those services that have been outsourced from the public sector, by previous administrations (health, gas and water supply, special job creation agencies, etc.) will not receive crucial payments, as programs remain frozen, over the coming weeks and months. As many of these outsourced firms are said to be in a considerable deficit already, many of them will not survive and see the date on which the next regular budget is passed by the Berlin city-state parliament.

Rumors have it that 50,000 jobs in those outsourced firms may get eliminated (16,000 in the 10 privatized former city hospitals alone, run by the newly formed Vivantes firm since Spring 2001). This would lay off almost 5% of the total Berlin workforce, which is at about 1.1 million, presently.

The city-state's unemployment, now at almost 300,000, will then be 350,000, or almost 25% of the entire Berlin population of working age.

The employment situation is even worse than these figures tell, as only 10% of the city's present total workforce (110,000 jobs) is employed in the productive industrial sector. Twelve years ago, when the two parts of Berlin overcame their post-war partition and were reunited after the fall of the Berlin Wall, industrial employment there was still at 400,000. With an advance of the service sector, and later on, the "new economy," with real estate speculation and other ominous activities, Berlin decided to get rid of its industrial base and turn into a "modern urban center."

One immediate consequence of that has been the collapse of the state-owned bank, Berliner Bankgesellschaft, because of an over-exposure of loans and hedge-fund operations in the real estate sector. In an emergency intervention, the Berlin city-state administration took extra loans of 1.9 billion euros (3.8 billion deutschemarks) from *other* banks, in Autumn 2001, to prevent a full default of the Bankgesellschaft. These 1.9 billion euros come on top of the city-state's "regular" debt of 40 billion euros.

Berliners hearing the most recent news on the Argentine situation, may (still) have a higher living standard than the citizens of Buenos Aires, but the crisis they are in is no less threatening—to them, to Europe, and to the global financial system.

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# Business Briefs

## Medicine

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### Drug-Resistant HIV Is On The Increase

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In the United States, 63% of human immunodeficiency virus (HIV)-positive patients treated with the triple medication cocktail fail to control the infection after three years, and show the presence of drug-resistant virus. In 2000, these drug-resistant HIV strains made up 20% of new infections in the United States.

Resistance to older drugs such as AZT in patients already under treatment is at 70%. Patients with HIV strains resistant to reverse-transcriptase inhibitors and protease inhibitors are basically untreatable, and their numbers are growing rapidly. In 1997, only about 3-5% of new HIV cases were resistant to at least one drug. Primary resistance to drugs used for treatment is a worldwide phenomenon, with some countries in Africa reporting 50% resistance, and some regions of Brazil with similar percentages.

This means that the current treatment regimen is quickly becoming ineffective, and without the development of new drugs or other treatments soon, the ability to control the infection in the majority of new cases may be lost in the near future.

## Transportation

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### Japanese Journal Covers Eurasian Land-Bridge

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The September 2001 issue of the Japan National Railroad's quarterly rail journal, *Railway And Transport Review*, gave significant coverage of the Eurasian Land-Bridge economic development program. Its feature, by a retired railway engineer, is entitled "Central Asia's Rail Network And The Eurasian Land-Bridge," and a companion feature, "Restoration Of The Silk Route," is about the TRACECA rail system in the Georgian Republic by two Georgian engineers (see *EIR*, Nov. 2, 2001). The articles promote the concept of a Land-Bridge in Japan, and attempt to garner public support for the Japanese government's several programs to pay

for upgrades and reconstruction of several rail lines.

The articles give a lot of maps and detail about how these lines are being built up, going over each city on each route, detailing where lines are missing and are required to be built, where gauges do not match, and where customs clearance needs to be improved between countries to get freight moving. The articles conclude that it would be greatly to Japan's advantage to use the China-based Land-Bridge, if the problems of gauge and customs changes between China, Central Asia, and Europe could be solved, and if the remaining lines in Iran and Turkey could be built to complete the land-bridge.

The magazine is published by the East Japan Railway Culture Foundation, set up by the government rail company for the purpose of "invigorating regional culture through railways; sponsoring research and studies on railway management and technology; and promoting railway-related international cultural exchanges." The foundation sponsors "research on railway management and technology, as well as future-oriented railway studies . . . to stimulate transport-related studies and to nurture young researchers."

## Public Health

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### South Africa Brings Back DDT To Save Lives

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South Africa, which returned to using the pesticide DDT, has drastically reduced the number of malaria cases. In the Zulu and northern KwaZulu Natal Province, doctors were overwhelmed with cases, with one doctor alone treating up to 130 patients a day. In one year, the number of malaria cases in this region has dropped by more than 70%, from 41,000 to less than 10,000, with 44 lives claimed this year, the Dec. 16 *Baltimore Sun* reported.

During World War II, the U.S. Army used DDT by the ton, dropping it in advance of landing Allied troops; after the war, farmers, health-care workers, and others were part of an international effort to make DDT the cornerstone of an ambitious program to eradicate malaria from all parts of the globe.

After traces of DDT were found in breast milk in the 1960s, and because of the lying by the fanatical environmentalists, most especially Rachel Carson in her book *Silent Spring*, more than 80 countries banned DDT use. South Africa had begun using DDT in 1948, banned it for agricultural use in 1976, but continued its use for malaria control until 1996. In the 1990s, South Africa ended its use of DDT in favor of "more environmentally benign insecticides," but these proved far less effective.

By 1999, South Africa faced a crisis when more than 62,000 became ill with malaria, resulting in more than 340 deaths. So, the government responsibly returned to the use of DDT. The World Health Organization estimates that 300 million people a year are afflicted with malaria and more than 1 million die from it. About 90% of the victims live in Africa, and most are young children.

As one official put it, by using DDT we are saving lives. The number of lives needlessly lost over the last 30 years by the banning of DDT were easily in the tens of millions.

An editorial in the Dec. 24 *Baltimore Sun* endorsed the use of DDT to fight malaria. "DDT is saving lives in South Africa and in two dozen other tropical countries ravaged by mosquito-borne malaria," it said.

"The pesticide, banned by most of the world as an environmental menace, is the most effective, economical weapon against the deadly disease that kills over 1 million people each year.

"Expensive alternative insecticides did not work; malaria cases and deaths soared until DDT spraying resumed.

"Mosquito eradication remains the primary control strategy. DDT will be the hard choice for tropical countries that have seen an enormous toll of death and suffering from malaria."

## Eastern Europe

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### ILO Says Health System At Sub-Saharan Levels

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A survey by the International Labor Organization (ILO) released in Geneva on Dec. 10, warned of a big threat to public health in the

countries of the former Soviet Union and Eastern/Southeastern Europe, as posed by the spread of diseases such as AIDS and tuberculosis.

Living conditions of the populations have fallen to the point that 88% of Ukrainians, and 82% of Romanians and Hungarians, are too poor to afford basic health care. In Moldova, almost no one can afford it.

In Romania, 40% of the people live on less than \$30 a month in income, which is less than even in Peru, where \$40 is the statistical minimum. Because of the collapse of the public-health system in Romania, which is the worst except for Moldova, the rate of TB infection, 65 per 100,000, is at the same level as in absolutely impoverished Sub-Saharan Africa.

In general, health-care personnel are paid so poorly (or months late), that they either depend on extra jobs to make a living and only appear at hospitals part-time, or they survive by being paid directly by the patients (whoever can afford it), as in Russia, where 40% of people's medical expenses are paid directly to doctors, nurses, and other providers, outside of the official health system channels. In Ukraine, 78% of medical personnel report earnings lower than the average for workers in general, who themselves depend on a second or third job to survive.

### **Privatization**

## **Czech Republic's Program Fizzles**

Instead of reaping \$7.1-8.5 billion through privatization of government-owned energy companies, the Czech government raised only some \$4 billion, through the sale of its national natural gas pipeline company, Transgas, and Unipetrol, a group of petrochemical companies.

The Czech failure comes as the trend toward privatization of public services, dating to the elections of British Prime Minister Margaret Thatcher and U.S. President Ronald Reagan in the early 1980s, is now stalling and shifting into reverse, according to an article in the Nov. 19 *Wall Street Journal* entitled "Now, Public Works Seem Too Pre-

vious For The Free Market."

Transgas (which brings Russian gas to the Czech Republic and Western Europe) was bought up by German energy giant RWE, for \$3.7 billion, while Unipetrol was sold for \$326 million to another Czech company, Agrofert. The privatization of the national electricity monopoly, CEZ, was put off, because the government was not satisfied by the bidder's (Italy's ENEL) offer. "We are not a banana republic," Prime Minister Milos Zeman was quoted in the media. "The Czech Republic is no pushover that can be given undervalue bids."

The failed sales will exacerbate the budget crisis, putting increased pressure on the government, and governments throughout Eastern European, to adopt sane economic policies.

### **Southeast Asia**

## **Thai Industry Backs Rail Projects To Stop Collapse**

A White Paper by Thailand's construction industry calls for building rail links to India and China to stop the economic collapse, Bangkok's *The Nation* reported on Dec. 19.

The construction sector has shrunk to one-third of its pre-crisis level, reducing its contribution to Gross Domestic Product to 3% last year, down from 7.5% in 1994-97. The number of employees in the sector has fallen from 2.6 million, or about 8% of the country's overall workforce in 1996, to 1.1 million, or less than 5%. About 6,200 construction companies have shut their doors, while more than 10,000 other contractors are stagnant, many saddled with non-performing loans. Another 400,000 construction workers are in danger of losing their jobs in 2002 if the government fails to introduce emergency measures to assist the long-stagnant sector, Poomson Rojlerjanya, secretary general of the Thai Contractors Association, warned.

The White Paper calls for reviving the Second Bangkok International Airport project, the proposed 234 kilometer loop railway around Bangkok, and the Metropolitan Rapid Transit Authority's subway project, as well as the rail links among East, Southeast, and South Asia.

## **Briefly**

**THE FIVE-NATION** economic cooperation proposal for Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTEC) is set to be finalized early in 2002 in India. The Thai proposal for an east-west corridor with India, through Myanmar, is the centerpiece.

**THE DEBT OF ELDERLY U.S.** households, age 65 years or older, is climbing dramatically. In 1992, just 34.5% of elderly households had debt obligations; but last year, 58.8% did, according to a study by SRI Consulting Business Intelligence. During this period, the average amount of debt owed nearly tripled from \$8,000 to \$23,000, and bankruptcies among the elderly increased from 23,890 in 1991 to 82,200 in 2001.

**THE GULF** Cooperation Council nations called for accelerating economic integration, at their summit on Dec. 30. The Council, created in 1981, includes Oman, Kuwait, Bahrain, Saudi Arabia, the United Arab Emirates, and Qatar. The summit approved a customs union that is to come into effect on Jan. 1, 2003.

**SOMALIA** is threatened with the death by starvation of more than 500,000 people if food assistance is not increased, the Kenyan daily *The Nation* reported on Dec. 30. Difficulties faced by Somali families have been exacerbated by the reduction of overseas remittance income with the closure in November of the main money transfer company, as part of the U.S. war on terrorism.

**THE INTERNET** has begun to shrink. The total number of websites is shrinking as domains registered during the late-1990s Internet boom are being dropped, according to web server information firm Netcraft.

In November, 36,458,394 sites were found, dropping to 36,276,252 in December. The number of domains not renewed, exceeded the number of new registrations. This is only the second decline recorded in Internet history (the other was caused by failures at hosting companies).

## Continue The American Revolution!

by Lyndon H. LaRouche, Jr.

January 6, 2002

As announced, on January 24th, a two-and-a-half-hour-long international webcast will be broadcast from a conference held at a Washington, D.C. hotel. It will begin with my opening, keynote address, with the title, "And Now, A Year Later," and will feature participation both from members of the audience assembled there, and also from participants calling in from among listeners in various parts of the world.

That address and discussion will be devoted to an open intellectual and moral challenge to the governments, leading political parties, and prospective heads of state and government of the world's leading nations, especially my own. The focus of that challenge will be the crisis which now confronts each and all nations and their incumbent and prospective heads of state and government.

My presentation and the ensuing discussion will be focused on today's four most urgent, interrelated topics:

1. The global implications of the way in which the presently accelerating breakdown of the world's present monetary-financial system, provides a unique confirmation of each and all of my published long-range economic forecasts and assessments, for both the U.S. economy and the international system. The world is gripped, at this moment, by what I had forecast as a generally accelerating collapse of most of the world's physical economy. This economic collapse expresses the terminal phase of that international, "floating-rate" monetary-financial system which was introduced in August 1971. Unless that bankrupt, present monetary-financial system is put through what I have prescribed as a reorganization-in-bankruptcy, conducted under the authority of

sovereign nation-states, the general economic and social situation will soon become a more or less hopeless one.

2. This economic collapse is accompanied by the threat of a global "clash of civilizations" war. That is the world war proposed by those often identified in the relevant professional literature as "utopian" strategists, who follow, still today, the doctrine set down in 1928, in H.G. Wells' *The Open Conspiracy*. These utopians are typified inside the United States by the Smith-Richardson, Olin, and Mellon-Scaife Foundations, and by the circles of Harvard's late Professor William Yandell Elliott. Those fanatics have taken increasing control of United States and other nations' military and foreign-policy doctrines, during a period of approximately fifty years to date. Their ideology, against which leading U.S. patriots, such as President Dwight Eisenhower, General Douglas MacArthur, and Senator William Fulbright, had warned, has pushed the planet to the brink of an immediate plunge into a world-wide, genocidal convulsion, akin to the more limited religious warfare which almost destroyed central Europe during the interval 1618-1648.
3. There are well-defined, proven precedents from modern history, which would provide a model for safe passage out of both of those two threats to civilization. This, however, defines a most crucial third problem. This combination of existential crises of civilization as a whole, catches western Europe and the Americas in an unfortunate posture. Today, most among the leading political parties and present governments, including the leading political parties of the U.S.A., exhibit a lack of the capacity to devise,



“How should we now assess the past, and possibly continuing role in world history, which the American Revolution of 1776-1789, and of Presidents Abraham Lincoln and Franklin Delano Roosevelt, continues to represent, even under the present conditions of threatened descent of the world into a new dark age of humanity?” Left to right: Benjamin Franklin, during the drafting of the Declaration of Independence; Lincoln; Roosevelt.

adopt, and implement the specific kinds of clearly defined measures, which are needed to free their nations from the monetary-financial policies which have brought the planet as a whole to the brink of chaos.

4. The fourth and most relevant issue of the present world crisis, is the matter of the role of the world’s most powerful nation, the U.S.A. How should we now assess the past, and possibly continuing role in world history, which the American Revolution of 1776-1789, and of Presidents Abraham Lincoln and Franklin Delano Roosevelt, continues to represent, even under the present conditions of threatened descent of the world into a new dark age of humanity? Is it likely, that the needed global economic and related reforms could be made in a timely fashion, unless the U.S.A. were to assume the role implicit in what Treasury Secretary Alexander Hamilton defined as the American System of political-economy, and unless it carried out that role in a manner consistent with the qualities of leadership of Benjamin Franklin, Abraham Lincoln, and Franklin Roosevelt, in great crises of the past?

Or, to restate the point, what role should other leading nations of the world wish the United States to adopt, in face of the three threats to global civilization which I have summarily identified here? Could civilization survive, were the United States to fail to adopt that role of *primus inter pares* within the community of nations?

I speak for that American intellectual tradition typified as the legacy of Franklin and Lincoln. That is also the legacy of

then Secretary of State John Quincy Adams’ definition of a community of principle among a multi-polar array of sovereign nation-state republics. I define what I mean by the phrase, “The Continuing American Revolution,” the thematic topic which unifies the continuing discussion of the four issues I have identified above.

I now turn your attention to two crucial lessons from the history of the United States, lessons which point to those issues which will, most probably, determine whether or not world civilization will escape the threatened collapse looming before us.

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## 1. The Roots Of The Revolution

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The past 1,100 years of what is now a globally extended European civilization, were dominated by a struggle of those reformers who sought to define what became the modern sovereign nation-state. This was a struggle against the imperial “globalizers” of that time. Then, as now, the would-be “globalizers” sought to subject many nations and peoples to an arbitrary imperial authority, which was chiefly modelled, then as now, upon the traditions of ancient imperial Rome. About 600 years ago, came the first significant, if qualified success for those reformers, in the Fifteenth-Century Renaissance’s attempt to establish the form of sovereign nation-state based upon that principle of natural law known variously by the names “the general welfare” or “common good.”

That principle of natural law signifies, that no government has the moral authority to reign, except as it is efficiently committed to promote the general welfare of all of its population and that population’s posterity. No government has the



*General George Washington was targetted by Samuel P. Huntington in his book *The Soldier and the State*, in an effort to rally contemporary utopians for a form of government, by beasts, reigning over hunted or herded human cattle.*

moral authority to lead other nations, unless it is as zealously devoted to the general welfare of the community of nations, as to its own. This quality of government, the general-welfare principle, which was adopted as the fundamental constitutional law of the U.S.A., in the Preamble of the Federal Constitution, defines the only moral form of government. This is a form of government which has repudiated such abominations as the Roman Empire; whereas, contemporary U.S. utopians, such as Zbigniew Brzezinski and Samuel P. Huntington, base their perverted model of soldier and state, on their intention to establish a form of government, by beasts, reigning over hunted or herded human cattle.

Typical of the qualified success of the Renaissance, was the leading role of Nicholas of Cusa in defining the need to establish a community of principle among sovereign nation-states (*Concordantia Catholica*), and Cusa's leading role (e.g., *De Docta Ignorantia*) in defining the principles of modern experimental physical science. The role of Cusa in launching that policy of trans-oceanic exploration, which resulted directly in Columbus using the knowledge supplied by Toscanelli to reach the Americas, and the great impetus to modern science given by Luca Pacioli and Leonardo da Vinci, are typical. Also typical, is the combined impact of the leadership shown by France's Jeanne d'Arc and Jacques Coeur, in making possible the creation of modern France, under Louis XI, and by the England of Henry VII and Thomas More.

However, the enemies of the Fifteenth-Century Renaissance, led by the hegemonic imperial maritime power of that time, Venice, struck back, plunging Europe into a series of devastating religious wars, during that 1511-1648 interval, which some historians have rightly defined as a "little new

dark age." It is that interval of evil, of Venice's policy, and that of its Habsburg accomplices, which is parodied by the present homicidal madness of the "clash of civilizations" policy of Professor Elliott's *Golems*, Samuel P. Huntington and Zbigniew Brzezinski.

The Europe which returned to sanity, under the peace established through the 1648 Treaty of Westphalia, turned to the European colonies in the Americas, especially the North American English colonies, as the only likely place in which to reestablish a new precedent for that principle of sovereign nation-state republicanism associated with Renaissance figures such as Louis XI and Henry VII. The leadership of the Massachusetts Bay Colony, under the Winthrops and Mathers of the Seventeenth and early Eighteenth Century, provided the seed-crystal around which the future United States was built. Europeans linked, directly or indirectly, to the leading influence of Gottfried Leibniz, played leading roles from early in the Eighteenth Century, in building up the foundations of what become the future United States, in colonies such as Pennsylvania and Virginia.

It is of crucial importance, today, that our U.S. citizens and their children understand the role which the greatest patriots of England, Ireland, Scotland, France, Germany, and elsewhere in Europe—such as Leibniz and the networks which he created—played, in acting to bring our North American republic into existence. Their conscious intent, as typified by the case of the Marquis de Lafayette, was to bring forth in our new republic what Lafayette described as "a temple of liberty and beacon of hope" for all mankind.

Our victory in 1782-1783, and our escape from chaos, with the Philadelphia draft Constitution of 1787, struck terror and rage in those enemies of humanity ensconced in the British monarchy's East India Company and the Habsburg-centered, imperial interest of the Central European princely powers. Thus, the Jacobin Terror was launched by London-directed agents of the British Foreign Office's Jeremy Bentham, to prevent the implementation of the Constitution adopted under the leadership of Bailly and Lafayette. Five years of Jacobin terror, the reign of Barras, and the first fascist tyranny, that of self-proclaimed "Caesar" Napoleon Bonaparte, eliminated the earlier role of that France which had been the crucial strategic supporter of the cause of our independence. France was thus transformed into our enemy for that time.

Metternich's Congress of Vienna established the domination of all Europe by two rivals, the British monarchy and the Metternich-led Holy Alliance, who were united in one cause: their hatred of, and determination to destroy both the image and actuality of the United States.

Under the strategic conditions associated with these developments of 1789-1815, the United States of the time of Presidents John Adams, Thomas Jefferson, and James Madison, became relatively culturally pessimistic and significantly corrupted. During the gloomy decades up to 1863, patriots such as the American Whigs, who were rallied around Clay,





*The American intellectual tradition: John Quincy Adams, as Secretary of State, defined the conception of a community of principle among a multi-polar array of sovereign nation-state republics.*

the Careys, Monroe, and John Quincy Adams, saved the U.S.A. from dismemberment; but, the expansion of slavery and the spread of the related forms of corruption typified by Martin Van Buren's and August Belmont's Democratic Party of Jackson, Polk, Pierce, Buchanan, and McClellan, were the principal political correlatives of the continued, combined moral and strategic weakness of the nation. This weakness prevailed up to the time of what has been justly called "The Second American Revolution," President Lincoln's great victory over the British monarchy's puppet, the Confederacy.

Despite the assassination of Lincoln, the victory over the Confederacy and the development of the U.S.A. as the world's leading nation in agricultural and industrial development, over the 1861-1876 interval, caused the spread of the intellectual influence of the American System of political-economy through much of the world. This was to be seen, in such exemplary cases as Germany in 1877, Czar Alexander II's and Mendeleev's Russia during the same period, in Meiji Restoration Japan, and throughout the Americas and, into the emergence of Sun Yat-Sen's leadership of China.

Thus, as the 1890s approached, France, Germany, Russia, and many other nations, were coming into cooperation around transcontinental railway developments, and related cooperation. This was inspired by the image of the achievements of the Franklin, Hamilton, Lincoln, Carey American System of political-economy, as the obvious alternative to the rival, parasitical, British system.

During the 1890s, the United States' enemies, centered around the Prince of Wales, the later Edward VII, launched a global operation which was called "geopolitics." This was a British scheme which was intended to end the cooperation among those nations, by putting France, Germany, Russia, Japan, and others at one another's throats. Such were the wars and similar disruptions which erupted over the interval 1894-1917.

The hoax of the Dreyfus indictment in France, the launching of Japan's wars against China, Korea, and Russia, during

1894-1905, and Fashoda in 1898, were parts of this process leading into what became known as World War I.

The most significant blow against civilization in general, was the successful assassination of U.S. President McKinley in 1901, which put into the U.S. Presidential mansion a Theodore Roosevelt who was, like Woodrow Wilson later, not only a whelp of the Confederacy, but, like his notorious mentor and uncle, a fanatical devotee of that specifically pro-Confederacy form of adoration of the British monarchy. Thus, during the sweep of the Twentieth Century, excepting the 1933-1945 role of President Franklin Roosevelt, the United States has been dominated, since the 1901 assassination of McKinley, by the influence of a commitment to shared Anglo-American imperial domination of the world at large. This has been accompanied, under Presidents Theodore Roosevelt, Wilson, Coolidge, Truman, Nixon, Carter, and also the influence of Eisenhower's unfortunate Arthur Burns, by efforts to uproot even the vestiges of the American System of political-economy, and to introduce radically irrational extremes of liberal ideology into our schools, universities, and mass media, ideologies which are inimical not only to the sturdy republicanism of our traditional patriot, but to the very idea of truthfulness.

That is not to suggest that the role of the United States became "all bad" under these variously failed or soiled Presidencies. The post-War economic reconstruction of the U.S.A. and Western Europe, for example, under the 1945-1963 Bretton Woods system, was a marked success, relative to the later decadence of approximately thirty-five years of the long wave of economic-self-destruction launched by Nixon and greatly accelerated by Carter.

Thus, as the U.S. economy now crumbles, the best features of the past history of our republic, and the related, best features of our past relations with Europe, the Far East, and within the Americas, beckon to us, telling us to return to the American intellectual tradition, which inspired Lincoln and Franklin Roosevelt during those memorable past moments, when that tradition was all that saved our republic from a threatened descent into oblivion. It is time to renew and continue the American Revolution.

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## 2. The Role Of Leadership

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The cases of Benjamin Franklin, John Quincy Adams, the Careys, Abraham Lincoln, and Franklin Roosevelt, illustrate a principle of decisive importance for any people whose nation is gripped by an existential crisis, such as that facing the world today. National leadership in time of great crisis, like leadership in fundamental scientific progress, is a quality which, in known history thus far, has been specific to the kind of exceptional individual personality who leads a people once again out of a recurring condition of habituated moral and intellectual mediocrity, the awful condition into which nations and their peoples have retreated, not inevitably, but repeatedly, as now.

On that account, the most deadly threat to our republic today, comes precisely from those who delude themselves into assuming that the weight of that mediocrity called variously “popular opinion” or “mediaocracy,” ought to be the governing principle of national leadership. No nation was ever in danger from within, unless its prevalent popular opinion had sponsored that crisis. No nation was ever self-destroyed, except by the persisting error of its ruling institutions, and by the acquiescence, if not the consent, of its own prevalent and decadent popular opinion.

Therefore, consider the figure of Socrates. Consider the person, like the ancient Solon of Athens, who shocks the conscience of his people into recognizing and abandoning those opinions which have misled them to the brink of destroying themselves. Thus, Franklin Roosevelt, in his election-campaign, and his first crucial acts as President, succeeded in inducing a majority of popular opinion to abandon the fickle fashions of the age of the “Flapper” and “The Charleston,” those popular fashions which had misled the foolish consent of the majority of the nation into the great economic catastrophe which Coolidge had bequeathed to his luckless successor.

Those qualities which distinguish a Solon, a Socrates, a Benjamin Franklin, a Lincoln, or a Franklin Roosevelt, are sometimes called “inner-directedness,” or simply “conscience.” Sometimes, but not always, this quality of leadership is associated with exceptional qualities of true intellectual genius; but, it always reflects a stubborn toughness of personal character, as we see in the case of the great post-War Chancellor of Germany, Konrad Adenauer. In all cases of an effective leader for a time of existential crisis, the difference which sets the true leader, genius or not, apart from the ordinary politician, is a sense of unshakeable devotion to the future, rather than the moral mediocrity’s customary sense of immediate interest in nothing but that pathetic state of intellectual and moral littleness, the littleness of blind devotion to the so-called harsh local realities of the here and now.

Indeed, it is precisely that moral weakness of most citizens today, the tendency to fear the risks of offending a popular opinion, which deprives their motives of the morally indispensable quality of truthfulness. This cowardly submission to fear of a mediocre popular opinion, has often deprived a people of its competence to discover and act in a necessary way. At a time of existential crisis, such as this one, a society would certainly destroy itself, if the only solution available to society were widely rejected merely because that solution is considered contrary to popular opinion.

So, the great poet and tragedian, Friedrich Schiller, looking at the horror of the Jacobin Terror in France, said of France, “a great moment has found a little people.” The narrowness and the short-sightedness of a popular opinion obsessed with what it perceives to be its most immediate and short-term interests, is that form of moral mediocrity which is the most frequent cause of the horrors which a nation may



*The most significant blow against civilization in general, was the assassination of President William McKinley (shown here) in 1901, which put Theodore Roosevelt into the Presidential mansion.*

bring upon itself. A similar rampage of mediocrity among our people, has become the greatest source of danger to our nations today.

Therefore, history reminds us: the necessary leader for a time of existential crisis, is always the person who challenges popular opinion: “We can escape this crisis, if you are willing to face up to the fact, that it was popular opinion which brought this nation into the present disaster!” The leader must be essentially correct in his criticism, but he or she must deliver it, and that forcefully, or, like Shakespeare’s Hamlet, prove worthless as a leader for that nation in its time of crisis.

For example, a terribly foolish U.S. popular opinion, praised that “new economy” which has now proven itself the lunacy it was all along. How many Americans who could ill-afford the loss, wasted their resources in investing in the “new economy” hoax?

How many Americans swallowed the fairy-tale, which said that shipping our work-places to cheap-labor markets abroad, would bring prosperity and security here, inside the U.S.A.?

How many swallowed the fairy-tale, which insisted that “free trade,” by lowering the prices of goods, “democratically,” below the physical cost of their production, would make life better?

How many believed, that the measure of national prosperity was the price of so-called “shareholder values” on financial

markets, even if those “values” were based on the predatory financier practices which have now led to chain-reactions of plant closures, loss of health-care and pensions, accelerating mass-firings from places of employment, and, now, the immediately ongoing threat of chain-reactions of national bankruptcies among nations?

The list of those follies goes on, and on, and on.

Keeping in mind what I have just written on the subject of leadership, look at the typical governments and leading political parties of today. Do you hear a murmur of foolish, often repeated slogans such as “You can’t put the toothpaste back in the tube”; “You can’t turn back the clock”? That kind of foolishness, is precisely the kind of habituated behavior to be seen in most leading political parties around the world.

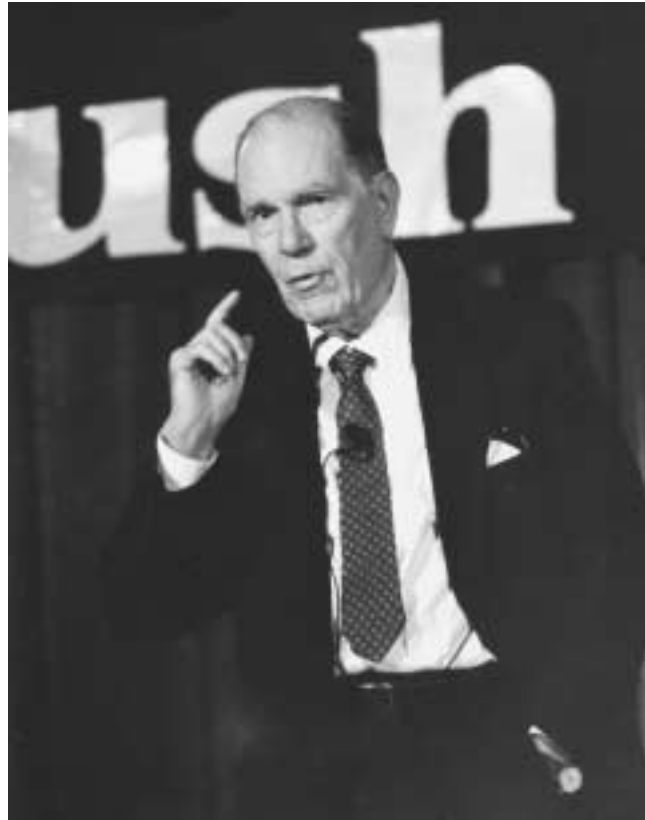
Does that not remind you of the fabled lemmings diving off the cliff *en masse*, each murmuring to the others, “We must go along, to get along; this is our way of life!” Should the performance of such party leaderships not remind you, often, of the story of the Pied Piper of Hamelin, who led the foolish children of that town, off to some place from which they never returned?

To save a civilization which, at this moment, is plunging toward the biggest depression in modern history, and the endless slaughter which religious wars unleash, we must inject a new factor of leadership into the political processes of our own U.S.A. and other nations, more or less as Franklin Roosevelt did in 1932-1933, or Lincoln before him.

Whether either the Republican or Democratic party, or both, could survive the present crisis, is uncertain. Those who have studied the history of parties under conditions of great crises similar to the one gripping us now, would estimate, from those parties’ recent behavior, that both parties are veering near to the brink of self-disintegration, if they cling to their presently ingrained habits.

My estimate is the following. It is possible, perhaps even probable, that both the Democratic and Republican parties will soon begin to disintegrate, because they have shown themselves stubbornly incapable of the kinds of reforms which must occur to make them useful once again. I do not know whether or not they will survive during the months ahead, and neither do any among you. It is notable, that similar conditions of decadence exist presently among parliamentary forms of government in most of the world.

We in the U.S.A. can be certain, if we understand the perils of anarchy, that we must organize the political process in the United States around its best traditions, traditions such as that of President Lincoln in his century, and Franklin Roosevelt during the century which has just expired. We must proceed as Mathew Carey’s *The Olive Branch* led the way to the emergence of the U.S. Whig Party, at a time when both leading parties existing at that moment were politically and morally bankrupt. We may be certain, that the only hope for the preservation of our Constitutional form of government, under these perilous conditions, will be a regrouping of exist-



Lyndon H. LaRouche, Jr.: “I am, at this moment, your Solon and your Socrates; help me to save you!”

ing political forces, as the Whig leaders did, and as Franklin Roosevelt made something good and necessary out of the Democratic Party he led.

Amid all the uncertainties of the U.S. republic’s presently decadent political-party processes, one thing is certain. For Democrats, in particular, the road we must travel, wherever that takes us, must bring the best of the Democratic Party back to the Franklin Roosevelt standard, and let the fight to bring about that change, become the way in which we sort out who stays, who goes, and who comes in from other quarters. For this effort, we must not think of a partisan electoral victory as a fight for “shareholder values,” but as a way of organizing the national dialogue through which we sort out the arrangements made to constitute a government of which future generations need not be ashamed.

In the United States right now, we must have at least one leading political party which is the servant of truth, rather than a continuation of the recent past’s decadent practice, of making mere popular opinion the instrument of party. We must have political leadership in the American intellectual tradition, a leadership which puts the truthful promotion of the general welfare of present and future generations, back into the saddle again. For that purpose, I am, at this moment, your Solon and your Socrates; *help me to save you!*

## Sharon Sinks Zinni, Will Economy Sink Him?

by Dean Andromidas

Israeli Prime Minister Ariel Sharon has once again succeeded in sinking an attempt by U.S. Middle East envoy Anthony Zinni, to implement a cease-fire and restart the Israeli-Palestinian diplomatic process. The orchestration of the Israeli capture of a ship allegedly transporting heavy weapons to the Gaza Strip, and a Hamas attack on an Israeli military post in Gaza, has been Sharon's excuse to put an end to any early implementation of the Mitchell report. Sharon and Israeli Defense Forces (IDF) chief Shaul Mofaz are continuing their war against the Palestinian Authority, and their determination to eliminate Palestinian President Yasser Arafat.

Nonetheless a major breach in Sharon's weak flank continues to widen: the collapse of the Israeli economy. In Israel, the fear of a dramatic Argentina-style economic crisis is beginning to overtake even the fear of a suicide bomber blowing himself up in a Tel Aviv shopping center. But can this reality shock stop a Middle East war?

### Zinni Mission Sunk With A Ship?

Sharon's continuing sabotage of Zinni's peace mission in the Jan. 3-6 period was transparent. Shortly after Christmas, U.S. Secretary of State Colin Powell announced that Zinni would be returning to the region to continue his mediation efforts. Unofficially, it was revealed that he was to deliver the message that sufficient calm had been achieved to allow the Mitchell plan, and its freeze on Israeli settlements, to be implemented.

Hours before General Zinni's arrival, six Palestinians were killed, three alleged gunmen and three unarmed teenagers whose crime was to walk past an Israeli tank in a "crouching manner," considered to be menacing by the Israeli tank commander who ordered them shot. Zinni arrived; a Hamas member was assassinated in the West Bank village of Tel,

with Israeli tanks taking positions within the Palestinian-controlled village. Despite these provocations, there were no major attacks by the Palestinians. The previous three weeks had seen a 70% decrease in violence and no major attack or serious Israeli casualties. Yet Israeli military operations, closures and sieges of major West Bank towns had continued throughout this period.

Then followed immediately the "media carnival" after the capture of the ship, the *Karine A*, in the Red Sea, carrying 50 tons of weapons allegedly heading for the Palestinian Authority. This was used, as one Israeli commentator wrote, "to create a national hard-on" in the Israeli public, in support of Sharon's war policy. The rest of the world saw a ploy. U.S. State Department spokesman Richard Boucher, when asked about Sharon's allegations, said, "We don't know who hired it, or who was the recipient. . . ." Only after the Hamas attack on the Israeli military outpost on Jan. 9 did Colin Powell formally ask Arafat for an official explanation for the ship.

But despite the best efforts by IDF Chief of Staff Mofaz, on the very day that Sharon staged his "spectacular" seaside press conference inspecting the seized weapons, Zinni continued with his planned meetings with top Palestinians, including the Speaker of the Palestinian legislature, Ahmed Korei (also known as Abu Ala), and Saeb Erekat, a senior Palestinian National Authority figure, who has been a key figure in peace negotiations since the 1993 Oslo Accords.

The reports that Zinni "did not focus" on the *Karine A* case angered Sharon's insiders, who had hoped that the Americans would recall Zinni immediately. Instead, Zinni presented a detailed plan, and timetable, called the Dahaniyeh Plan, which had been worked out by Israeli Foreign Minister Shimon Peres and President Arafat more than three months ago, before Sharon banned Peres from further talks with Arafat.

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### Arafat

By Janine Zacharia

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By Lamia Lahoud

(15:45) Compromise proposal mooted on Negev Law

(15:45) Sharon to resume budget push next week

(15:45) IDF captures three wanted terrorists

*The Jerusalem Post reflects the anger among Prime Minister Ariel Sharon's circles, that the United States is continuing to pursue implementation of the Mitchell plan for Mideast peace, despite all obstacles.*

The capture of the ship, which was being touted by General Mofaz as the most daring operation since the 1967 Arab-Israeli War and the 1976 freeing of Israeli hostages at Entebbe, Uganda, fell flat with the major international media.

A senior Israeli intelligence source said the obvious: "Why should it surprise anyone that the Palestinians are smuggling weapons, when the Israelis are hitting their people with F-16s, rockets, and tanks? They're simply trying to protect their people. It is sad, but with Sharon, what choice do they have?" Indeed in the last months Israel has been receiving the first of 50 new F-16 fighter-bombers it ordered last year from the United States.

Arafat himself said, "They are inventing a new issue every time. . . . I don't know why we should purchase weapons from outside, when the Israeli mafia has these weapons at a cheaper price."

In the end, Hamas, Sharon's ally in undermining Arafat's authority, had predictably come to Sharon's rescue, when two members of the Hamas military wing attacked an Israeli military outpost just outside the Gaza Strip. Senior Hamas leader Khaled Mishaal was quoted in the Israeli press, not only taking responsibility for the attack, but specifying that it was in retaliation for the capture of the *Karine A*.

## Israelis See Themselves, In Argentina

On Jan. 3—the day General Zinni arrived in Israel—another event took place at the Hebrew University in Jerusalem: a symposium on the economic crisis in Argentina. Those gathered for the event were experts on Ibero-America, but the discussion was rapidly transformed from an academic discourse on events "over there" to the possibility of an Argentina-style financial crisis hitting Israel.

"Can it happen here?" symposium participant Prof. Luis Roniger, an anthropologist, asked. "The interest that the crisis in Argentina has raised in Israel is not connected to concern for Argentine Jews, but rather to the fact that every Israeli today is asking himself this very question." He pointed out

the similarities between the two societies: "a widening social gap, deepening poverty, rising unemployment, lack of growth, a state education system which is being destroyed, lack of confidence in leaders. In light of these phenomena, it is appropriate to ask whether we should prepare ourselves for similar developments."

Roniger was seconded by Prof. Ra'anan Rein, who said, "The message of events in Argentina reaches beyond its borders. What failed in Argentina is the very same economic recipe proposed by all economists and among us as well. The crisis there raises interest in Israel, because we are also victims of this neo-liberal obsession, according to which all privatization serves both the market and the economy." Another professor, Morris Teubal, pointed out, "In short, they [Argentina's government] were doing something similar to what Yaakov Frenkel was doing here."

Frenkel, who left the governorship of the Israeli Central Bank over a year ago, is now a president of Merrill Lynch International, and for the past two years was chief adviser to the notorious former Argentine Finance Minister Domingo Cavallo, right up until Argentina's collapse. Teubal's fears are justified by Sharon's recent announcement that Frenkel has become one of his chief economic advisers!

All the signs that Israel is ripe for an Argentina-style crisis are there. Figures released by Israel's Central Bureau of Statistics (CBS) confirmed that 2001 proved to be the worst year for the Israeli economy, with Gross Domestic Product contracting by 0.5%: the first time since 1953 that the Israeli economy did not register growth. Per-capita GDP fell 2.9%. Business output fell by 2.1%, led by a 10.5% drop in Israel's high-tech sector, which has been devastated by the collapse of international telecommunications and the "new economy." Exports of commodities and services fell by 13.1%, industrial exports by 6.7%. Diamond exports, one of the top export earners, collapsed by 13.4%. Unemployment has reached 9% officially.

Sharon's strong-arming of the governor of the Bank of Israel into a sudden lowering of interest rates by 2% in Decem-

ber, led to a de facto 8% devaluation of the shekel as Israeli investors moved out of shekel holdings into the dollar, to the tune of \$2.5 billion within only two weeks.

Sharon has yet to be able to get the 2002 budget through the Knesset, because of opposition to his cutting 6.5 billion shekels from social programs. These cuts are being made when 2.5 billion shekels have been added to the defense budget to pay for Sharon's war against Arafat. And billions of shekels earmarked for the settlements, including hefty tax breaks, have not been touched, but in fact expanded. This issue has even been publicly noted by U.S. Ambassador to Israel Daniel Kurtzer.

Two major coalition partners have yet to agree to support the budget. The ultra-Orthodox Shas party has stated that it will not allow freezing the so-called "Large Families Law," which subsidizes families with five or more children. And the Labor Party refuses to support the freezing of the Negev Law, which gives tax breaks to residents of the Negev desert, one of the poorest regions in Israel, unless benefits to the Jewish settlements in the West Bank and Gaza Strip are cut as well.

Year 2001 was not only the economy's worst year, but the budget deficit was three times higher than forecast. The 21.3 billion shekel budget deficit was equivalent to 4.5% of the Gross Domestic Product. The primary cause for the ballooning deficit was the collapse of tax revenues. Israeli Accountant General Nir Gilad told *Ha'aretz*, "The global economic crisis, the high-tech crisis, the recession in the Israeli economy, and the Intifada all had a severe effect on the government expenditure, beyond the targets set by the government. The huge . . . deficit is entirely the result of a fall in revenues." Gilad added that the fall in revenues considerably worsened in the second half of 2001, thus indicating that the trend is for the worse. This mirrors Argentina's recent collapse exactly.

Already it is reported that Foreign Minister Peres will ask the United States to postpone this year's \$500 million debt-service payment by Israel.

Israeli political observers doubt the government will fall over the budget, because normally "Israeli politicians will do anything to continue to be able to keep their chairs warm in the government cabinet." But these are not normal times. Perhaps in the end, it will not be President George Bush or any other politician who will stop Sharon. Professor Roniger's warning about Argentina, that "it could happen here," will come true. Israelis may take a lesson from Argentines and take to the streets to send their "political class to hell."

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## Israeli Roots Of Hamas Are Being Exposed

by Dean Andromidas

Speaking in Jerusalem on Dec. 20, U.S. Ambassador to Israel Daniel Kurtzer made the connection between the growth of the Islamic fundamentalist groups Hamas and Islamic Jihad, and Israel's promotion of the Islamic movement as a counter to the Palestinian nationalist movement. Kurtzer's comments come very close to *EIR*'s own presentation of the evidence of Israel's instrumental role in establishing Hamas, and its ongoing control of that organization.

Kurtzer said that the growth of the Islamic movement in the Palestinian territories in recent decades—"with the tacit support of Israel"—was "not totally unrelated" to the emergence of Hamas and Islamic Jihad and their terrorist attacks against Israel. Kurtzer explained that during the 1980s, when the Islamic movement began to flourish in the West Bank and Gaza, "Israel perceived it to be better to have people turning toward religion rather than toward a nationalistic cause [the Palestine Liberation Organization]." It therefore did little to stop the flow of money to mosques and other religious institutions, rather than to schools.

According to the Dec. 21 Israeli daily *Ha'aretz*, Kurtzer made these extraordinary statements at a seminar on religion and politics sponsored by Oz V'Shalom-Netivot Shalom, a largely Anglo-American organization that promotes peace between Israelis and Palestinians. Rabbi Dr. Aharon Lichtenstein, the head of Har Etzion Yeshiva in Alon Shvut, who is an active advocate of a just regional peace, also spoke. Kurtzer said that as a result of the growth of Islam at the expense of education, there are now Palestinians who are "determined terrorists that use religious beliefs in a perverted way to appeal to the masses."

Kurtzer said that cultural and religious interaction is potentially a way to "build bridges." But instead, "the perverted use of religion in the region is today becoming one of the great challenges for the years ahead." He said that there is no "inherent component" in Islam that advocates violence. But one of the five principles of Islam, *jihad*—resistance—"in classic religious associations connotes religious belief and fervor, not violence." But extremists have distorted the meaning of *jihad*, so it now has a connotation of violence in the service of a religious purpose.

### The Enemy Of My Enemy Is My Friend

This statement is extraordinary given the fact that Kurtzer is a very senior diplomat, having held the post of Ambassador



*U.S. Ambassador to Israel Daniel Kurtzer pointed publicly to the connection of Israeli support, for Hamas activities.*

to Egypt just prior to going on to Tel Aviv. He is also an Orthodox Jew who is not shy of criticizing the extreme anti-Israeli and anti-Semitic views held by certain Arab circles. But Israeli Prime Minister Ariel Sharon rarely grants the United States' highest representative in Israel an official audience.

The ambassador's comments are an acknowledgment of what any serious Middle East observer knows: Hamas has always been seen as a tool by which Israel could undermine the nationalist movement led by Palestinian Authority President and Palestine Liberation Organization (PLO) Chairman Yasser Arafat. Similar statements by Arafat have been dismissed by Israel as "cranky" propaganda. In an interview with the Dec. 11 Italian daily *Corriere della Sera*, Arafat said, "We are doing everything to stop the violence. But Hamas is a creature of Israel which at the time of Prime Minister [Yitzhak] Shamir [the late 1980s, when Hamas arose], gave them money and more than 700 institutions, among them, schools, universities and mosques. Even [the late Israeli Prime Minister Yitzhak] Rabin ended up admitting it, when I charged him with it, in the presence of [Egyptian President Hosni] Mubarak."

To the Italian daily *L'Espresso*, Arafat laid out the reasons for this support. "Hamas was constituted with the support of Israel. The aim was to create an organization antagonistic to the PLO. They received financing and training from Israel. They have continued to benefit from permits and authorizations, while we have been limited, even to build a tomato factory. Rabin himself defined it as a fatal error. Some collaborationists of Israel are involved in these [terror] attacks," he said. "We have proof, and we are placing it at the disposal of the Italian government."

On one level, the support for Hamas is simply the application of the old saying, "The enemy of my enemy is my friend."

Indeed, in the minds of crude Israeli ultra-nationalists and fascists such as Sharon and his faction, this is indeed the case. Sharon is not interested in peace and therefore is not concerned that the violence and needless deaths of Israelis and Palestinians continue. In the Jan. 3 *Ha'aretz*, Yossi Sarid, chairman of the Meretz party, wrote, "What does frighten Sharon . . . is any prospect or sign of calm or moderation. If the situation were to calm down and stabilize, Sharon would have to return to the negotiating table and, in the wake of pressure from within and without, he would have to raise serious proposals for an agreement. This moment terrifies Sharon and he wants to put it off for as long as he possibly can." In contrast, Sarid said that Sharon understands "that the terrorists and those who give them asylum are not the real enemies. Instead, the real enemies are the moderates. . . . You fight terrorists—a pretty simple operation—but you must talk with moderates, and this is a very tricky, if not dangerous, business."

More important for the survival of not only the Palestinian people, but especially Israel itself, is the dangerous role of the puppetmasters outside the region, who are manipulating both sides of this deadly game as part of their own demonic plans

## Israeli Rightwinger Slurs U.S. Ambassador

At a parliamentary budget debate on Jan. 8, Israeli Member of the Knesset Zvi Hendel, from the ultra-rightwing National Union-Yisrael Beiteinu Party, called U.S. Ambassador Daniel Kurtzer a "little kike," because of Kurtzer's statement that money spent on Israeli settlements in the West Bank and Gaza Strip could be better spent on the disabled who have been demonstrating for higher stipends.

Hendel, a leader of settlers in the Gaza Strip, accused Kurtzer, a practicing Orthodox Jew, of trying to curry favor with the Palestinians. Though Hendel railed that when Kurtzer was Ambassador to Egypt, he never told the Egyptians to spend money on poor people, the real issue is Kurtzer's criticisms of the Israeli rightwing.

Knesset member Yossi Sarid, leader of the Meretz Party, attacked Hendel's slander, calling him an anti-Semite. Sarid said, "There is the feeling among a number of anti-Semites in this country that because the ambassador is Jewish, he must constantly dance to the tune of the Prime Minister or even the settlers." Sarid, who has known the ambassador for several years, said he was a "wonderful Jew" who "is a great supporter of Israel."—*Dean Andromidas*

to spread the policy of a “clash of civilizations.” In this regard, Sharon, and his “Greater Israel” policy, is just as much a puppet as the Palestinian, strapped with explosives, who blows himself up at an Israeli bus station.

## **Two Decades Of Undermining Arafat**

Given the level of control that the Israeli intelligence services such as the Shin Bet and Mossad have been able to exert over the Palestinian territories during the last 35 years of Israeli occupation, the capability to manipulate militant and violent organizations, such as those associated with Hamas, should not surprise anyone familiar with intelligence and even routine police operations. This should be obvious, considering that Israel has routinely recruited thousands of collaborators and provocateurs among the tens of thousands of Palestinians who have passed through Israeli prisons in over 35 years of its occupation of the West Bank and Gaza Strip.

Most convincing is a comparison of the development of Hamas, Islamic Jihad and their antecedents, and the growing national and international legitimacy of the PLO and its undisputed leader, Arafat.

Hamas is an acronym for Harafat al-Muqawama Al-Islamiyya, or Islamic Resistance Movement. Its spiritual leader is Sheikh Ahmed Yassin, who, despite his fiery anti-Israeli sermons, has had an unusual relationship with the Israeli authorities. In 1973, Yassin established the Islamic Association—at a time when it was Israeli policy to promote what Ambassador Kurtzer refers to as the “Islamic movement.”

One might ask: Why should Israel promote an Islamic movement which later turns around and attacks it? How could the Israeli secret services be taken in by a Yassin? They weren't. The simple fact is, that the stated policy of Hamas is simply the flip side of Sharon's “Greater Israel” policy that refuses to seek a territorial compromise. The Hamas charter in 1988 stated, “The land of Palestine has been an Islamic Waqf throughout the generations, and until the Day of Resurrection, no one can renounce it or part of it, or abandon it or part of it. . . . Peace initiatives, the so-called peace initiatives, are all contrary to the beliefs of Hamas, for renouncing any part of Palestine means renouncing part of the religion.” In this rhetoric there is no room for a state of Israel—as there is none for a state of Palestine in Sharon's “Greater Israel.”

Israel's relations with Hamas intensified after the Arab League, in 1974, decided to recognize Arafat and the PLO as the representatives of the Palestinian people—in effect, a government in exile. By 1979, Yassin acquired an official permit from the Israeli government of Prime Minister Menachem Begin. This coincided with the signing of the Camp David peace treaty between Israel and Egypt. That treaty embodied detailed clauses calling for the establishment of a Palestinian Authority in the Occupied Territories, which would be the precursor for the Israeli withdrawal and the establish-

ment of a Palestinian state. Gen. Ariel Sharon has been the chief proponent since this treaty was signed, of the policy of ensuring that these clauses would never be implemented. His chosen alternatives were war in Lebanon and the expansion of the Jewish settlements in the Occupied Territories. Sharon was helped by the assassination of Egyptian President Anwar Sadat by Anglo-American-controlled, Egypt-based Islamic terrorists.

## **‘Policy Of Strengthening Islamic Bodies’**

Israeli toleration, if not initial sponsorship of the Islamic movement, has been acknowledged and well documented in Israeli sources. In 1997, the Jaffee Center for Strategic Studies, at Tel Aviv University, published a study, “Hamas: Radical Islam In A National Struggle,” authored by Anat Kurz and Nahman Tal. It stated that the Islamic Association, “the platform of which contained no nationalist clauses, obtained a permit from the Israeli Civil Administration in 1979 to conduct its activities. The permit was apparently consistent with the Israeli policy of strengthening Islamic bodies as a counterweight to Palestinian nationalist groups.”

The rapid expansion of the Islamic Association led to clashes on the Palestinian university campuses in the Occupied Territories in the 1980s, between PLO-affiliated students and those associated with the Islamists. This expansion was aided by the 1982 Israeli invasion of Lebanon, where Sharon hoped to solve the “Palestinian problem” by militarily crushing the PLO—which was then based in Lebanon—and by carrying out genocide against the hundreds of thousands of Palestinians living in impoverished refugee camps in Lebanon. Despite his orchestration of the massacre of thousands of Palestinians, including women and children, at the Sabra and Chatila refugee camps, Sharon failed to eliminate Arafat. Nonetheless, Arafat and the PLO were exiled to Tunisia, their influence severely weakened.

Sheikh Yassin, along with other Hamas leaders, was arrested in 1984, after it was discovered that the Islamic Association had maintained arms caches. But the organization was not banned. In fact, Yassin was soon released as part of an unprecedented prisoner exchange between Israel and Ahmed Jibril's PFLP-General Command. This deal, made with one of the most violent of all anti-PLO Palestinian groups at the time, was made in a period when the Mossad was busy assassinating the most moderate of PLO leaders.

Then, in 1988, the Islamic Association created Hamas as a direct alternative to the PLO, which had launched the first Intifada the year before. Further, the PLO, at the 19th Conference of the Palestinian National Council in Algeria in 1988, accepted the United Nations Security Council resolution of 1947 calling for two states in Palestine. They also called for convening an international peace conference based on UN Resolutions 242 and 338, which established the land-for-peace concept. This was a de facto recognition of Israel by





*"The enemy of my enemy. . . ." Hamas bombings and military attacks, like this in September and the latest on Jan. 9, are uncannily timed to assist Sharon in stopping attempts by the United States and others to revive the peace process.*

the PLO and Arafat. By the end of 1988, the Reagan Administration extended official recognition to the PLO as the official representative of the Palestinian people.

When Palestinian leader Abu Jihad began negotiating with Hamas, in an attempt to win its mass base over to the new policy, he was promptly assassinated by the Mossad.

Yassin, as all senior leaders of Hamas, is a member of the Muslim Brotherhood, the far-flung international organization with operations throughout the Islamic world. In the past, Anglo-American factions have not hesitated to manipulate the Brotherhood's various factions to destabilize secular Arab regimes. When Zbigniew Brzezinski launched the Afghan war against the Soviets in the 1980s, many of the Arab mujahideen fighters were recruited through Muslim Brotherhood-linked networks. The Muslim Brotherhood story fills volumes; the crucial point here is that Hamas, one of its branches, has traditionally stood in opposition to the secular nationalism of Arafat, the PLO, and its supporting governments.

Hamas has a peculiar organizational structure which contrasts sharply with that of the PLO. While within the West Bank and Gaza, Hamas exists as a broad political movement, its militant wings, the Izza-Din Al Qassam and Islamic Jihad, split-offs from the organization, are administered totally separately. These latter organizations, which are responsible for the attacks, are under the control of leaders who operate from

abroad. Their offices are in London, where the group's magazine, *Falatin Al Muslimah*, is based; Jordan; Syria; and the United States, particularly in Virginia and Texas. Although Arafat has periodically tried to bring the popular base of Hamas into the Palestinian fold, the foreign-based military leadership has always opposed him.

This bifurcation dovetails with Sharon's strategy of launching brutal attacks against Hamas targets, in order to elicit the equally brutal response from Islamic Jihad and the Izza-Din Al Qassam. Thus Arafat, and diplomatic goals, are undermined, and the fires of civil war within the Occupied Territories are stoked.

### **The Anti-Oslo Terror Campaign Begins**

The Oslo Accords marked the first glimmer of hope for a resolution of the Middle East conflict. And, the first suicide terrorist attack aimed at destroying it was not launched by Hamas or Islamic Jihad or another Palestinian faction. The first suicide attack was launched on Feb. 25, 1994, by Israeli terrorist Baruch Goldstein, when he entered the mosque in Hebron and killed 50 Muslim worshippers as well as himself. Goldstein was a member of Kach, the terrorist organization founded by the late Meir Kahane, who also founded the Jewish Defense League in the 1960s in the United States. Kach, which is well connected to Sharon, is on the official U.S. State

Department list of terrorist organizations.

The unprecedented massacre was calculated to set the stage for a suicide bombing campaign by Hamas and its split-off, Islamic Jihad, over the next year. In fact, it set into motion the “cycle of violence” that has yet to end. The Goldstein attack came at precisely the point when Israeli Prime Minister Rabin and Arafat began the formal implementation of the Oslo agreement which envisioned the establishment of a Palestinian state by 1998. The first Hamas-linked suicide attacks did not start until two months later, in April 1994, when Rabin and Arafat signed the agreement for the establishment of the Palestinian National Authority. The agreement called for the conduct of free elections throughout the territories—which would eventually establish the international legitimacy of the Arafat-led government.

But despite this terror campaign, which lasted for months under a massive crackdown by Arafat’s security forces, the Rabin-Arafat alliance, although seriously weakened, was not broken. This alliance was finally broken with Rabin’s assassination by an Israeli, on Nov. 4, 1995.

The next phase of attacks followed the “targetted assassination” of Hamas bomb-maker Yahya Ayyash on Jan. 5, 1996. Although said to be “revenge attacks,” they were in fact part of Hamas’ campaign to get Benjamin Netanyahu elected Israeli prime minister. This was admitted by Ibrahim Ghawshah, Hamas’ official spokesman resident in Amman, Jordan. He said that it was part of their strategy to influence Israeli public opinion to bring down the entire Oslo process. The election of Netanyahu indeed fulfilled all their hopes, especially after he launched his own provocations, which not only brought about the pre-calculated Hamas response, but also brought the region several times to the brink of war.

This tit-for-tat campaign reached the height of insanity when Netanyahu, under the direction of Sharon, who was a member of his government at the time, launched a Mossad assassination attempt in 1997 against the Jordan-based Hamas official Khalid Mishaal. Not only did the attempt fail, but it led to Israel agreeing to release Hamas spiritual leader Sheikh Yassin from an Israeli jail, where he had been under arrest since 1989. Yassin was allowed to return to Gaza to rally Hamas against the Oslo process in general, and Arafat in particular.

This pattern has continued to this very day. Netanyahu’s downfall in 1999 led to the short-lived government of Ehud Barak, who despite much talking and negotiating, furthered the Oslo process not one iota. By the end of the Summer of 2000, the stage was set for Sharon’s ultimate provocation, his Sept. 28 march on to the Islamic holy site Al-Haram Al-Sharif/Temple Mount.

Since coming to power, Sharon has done everything to ensure the collapse of Arafat and the Palestinian Authority. If successful, it would either bring Hamas to power or lead to political chaos within the territories.

## Blair’s ‘New Empire’ Falls Off The Tracks

by Mark Burdman

Since Sept. 11, British Prime Minister Tony Blair has been operating on the delusion that he is the emperor of the world. Usually, those who think they are the reincarnation of Nero, Napoleon, Hitler, or Mussolini, end up in straitjackets, in carefully guarded psychiatric wards. Instead, Blair has spent perhaps one-quarter of his time in trips around the world, visiting some 25 countries. In early January, barely had he returned from his five-day misadventure in South Asia and Afghanistan, than the Prime Minister’s Office at 10 Downing Street announced that he would be visiting several countries in Africa in February, and then, in March, would be attending the Commonwealth summit in Brisbane, Australia, and the European leaders’ summit in Barcelona, Spain.

Why is Blair so desperate to hop around the globe? One strong motivation, is to implement a policy that his foreign-policy guru, Robert Cooper, has defined as the “New Empire,” or “New Imperialism.” At year’s end, the drumbeat for this intensified, in the Blair advisory circles.

But there is a second motivation. As more and more British commentators have asserted since Jan. 1, Blair obviously has an intense desire to avoid the “home front,” where a wave of protests and strikes is building, against the collapse of rail and related infrastructure. This is shaping up as Blair’s nemesis, and he could hardly solve it, by ordering the bombing of British cities, or sending in peacekeeping troops, as per Afghanistan, Kosovo, or Sierra Leone.

### ‘A New Age Of Empire’

Blair spent the first several days of 2002 in Bangladesh, India, and Pakistan. In Bangladesh, the first stopover, he was reportedly working out the modalities for that terribly impoverished nation to provide the leading Muslim contingent for the Afghanistan peacekeeping forces, the which will be under British command for the first three months of this year.

In India and Pakistan, nations with nuclear weapons which are on the brink of war for the first time since 1971, Blair, whose country was the imperial master of the Indian Subcontinent for over two centuries, tried to play down his role as a mediator over the hotly contested Kashmir issue, denied that he was nostalgic for the old days of empire, and claimed that he was intensively coordinating his activities

with U.S. President George W. Bush. However, all of this should be taken with several large grains of salt. When he told an audience of Indian businessmen that Britain would be a “pivotal” power in the world, because of its interconnections with the Commonwealth, European Union, the United States, and the United Nations, he was clearly enunciating the Cooper policy.

As *EIR* reported on Nov. 9, 2001, Cooper, who is the official foreign policy adviser at 10 Downing Street, wrote an article in the October edition of the British liberal establishment monthly *Prospect*, entitled, “The Next Empire,” in which he exclaimed that “the history of the world is the history of empire. . . . All the conditions seem to be there, for a new imperialism.” Cooper happily proclaimed the era of nation-states to be at an end, and pointed to “globalization,” and the policies of the International Monetary Fund, as exemplary, for what form this modern-day imperialism is taking.

After writing this, Cooper was seconded to the British Foreign Office, to become the government’s special envoy to Afghanistan. His piece provoked a rash of articles in the establishment press, promoting “the new imperialism,” and citing him as its guru.

In December, *Prospect* published comments by John Gray, an influential think-tanker in the Blair circles, who is now at the London School of Economics (LSE). Gray declared that “we are inching our way into a new age of empire, . . . once we have discarded the utopian world of nation-states.” Gray, who formerly portrayed himself as an outspoken critic of Cooper’s beloved “globalization,” has obviously made a complete about-face.

Gray proclaimed himself a co-thinker of Thomas Hobbes, the 17th-Century British imperial philosopher (and favorite of Henry Kissinger), reporting that in Hobbes’ *Leviathan*, he insists that the first necessity of life is “peace,” because man lives in a permanent condition of each against all, in which his life is “solitary, poor, nasty, brutish, and short.” Gray asserted: “Here Hobbes describes the condition of a large part of the human species at the start of the 21st Century. Today, hundreds of millions of people live in failed or failing states. If the basics of effective government are to exist in regions of the world where states have failed,” he advised, “a coalition” of powers will have to be created, that “will have to abandon nation-building in favor of something like the institution of empire.”

Gray’s comments are all the more menacing, since the LSE is, according to informed London sources, the “conceptual command center” of the Blair regime. Together with the Blair-created Foreign Policy Centre think-tank, it is devising the New Empire mythos. LSE’s dean, Anthony Giddens, is the guru behind Blair’s so-called “Third Way” policies.

### ‘Vanity, Detachment, Escapism’

But outside Blair’s circles, his New Empire antics are being greeted with a “thumbs down.” On Jan. 8, Bronwen



*Britain’s Tony Blair is facing a domestic revolt at his failed economic policies.*

Maddox, the Foreign Editor of the London *Times*, had only acerbic comments to make, about Blair’s South Asia trip. She began: “If only the emperor had no new clothes. The local costumes Blair has worn in South Asia are an embarrassment which has advertised the vanity and vacuity of his trip, where both the dress and the diplomacy have been patronizing and naive.” She charged that Blair’s desire to be the world “patron of peace,” coupled with his avoidance of an “intractable home front,” “is the best explanation for the air of wide-eyed detachment from real politics that has stripped the value from an always difficult trip. . . . Blair was chided in India for ‘colonial’ arrogance, but the real charge is escapism. In vocabulary worthy of an encounter group, he sidestepped engagement with the issues.”

As for the emperor’s new clothes: “There is no way politely to overlook the Blair dressing-up box. It tells us more than we want to know about the Blairs’ relationship, that Cherie could talk him into the black Nehru suit he wore for Friday’s state dinner, like some aging rocker who can’t come to terms with black tie. . . . It made Blair seem he was playing at the job. In trying to be in tune, it was patronizing, an attempt to say that ‘we understand you.’ ”

Maddox lambasted Blair for lack of a knowledge of history, including phraseology that effectively dismissed the importance of India’s struggle for independence from the British Empire. She accused him of showing no more competence in such attempted grand diplomacy, than he shows in dealing with the British rail crisis.

## Home Front to Blair: 'You Are Failing'

Other British media outlets were equally nasty. On Jan. 8, Reuters published a dispatch from London, entitled, "Globe-Trotting Blair Flies Into Flak Back Home," and began, "Fresh from the battlegrounds of Afghanistan and a tense standoff in South Asia, British Prime Minister Tony Blair flew into hostile territory Tuesday—the home front."

Reuters featured a devastating commentary, published the evening before, in the *Evening Standard* tabloid, by Prof. Tony Travers, entitled, "Tony, Could You Spare A Minute?" Travers is director of the Greater London research group, at the same London School of Economics where the Giddens-Gray duo operate.

Travers wrote: "Congratulations on your statesmanlike tour of Egypt, India, Pakistan, and Bangladesh. Now is it too much to ask, that you give five minutes' attention to the desperate plight of millions of your own people?"

"Sweeping in from the airport behind the motorcycle out-riders, have you even a smidgen of a clue what life is like for the commuters of this city? Today, as every day, Tube [subway] trains and rail stations will be jammed with bodies; squalor will rule the coaches, and services will be cancelled willy-nilly. . . . Every Prime Minister enjoys launching the SAS [Special Air Services] against international foes, undoing the Taliban and being fêted at the high tables of Washington. But the real test of your premiership will be whether you can save Britain's public services. So far, if you take a look down the platform, you will see why most Londoners think you are failing miserably. . . . Every *Evening Standard* reader knows that London passengers are treated worse than cattle—more like criminals."

Travers attacked Blair for trying to hide behind the neo-liberal economic policies of the Margaret Thatcher-John Major Conservative Party years, by claiming that they, not he, are to blame for today's problems. Travers charged that Blair's Labour Party government has provided less "average investment" in basic rail infrastructure, than did the hapless Major regime of 1990-97.

Travers was supported by the lead *Evening Standard* editorial, "Blame Labour For The Railways," which stated: "Today's cry of anguish by Professor Tony Travers will probably not reach Mr. Tony Blair, on the Indian Subcontinent in pursuit of his ambition to be accounted a world leader. But it will strike a chord with millions of rail commuters. . . . Mr. Blair must take the blame. He has presided over a sharper deterioration in Britain's public transport than any Prime Minister before him."

On Jan. 9, *Guardian* Economics Editor Larry Elliott, one of the more competent economic experts in the U.K., wrote, "Put bluntly, Britain has a railway system that was designed and constructed for the world as it was 150 years ago, not the world as it is now." The system suffers from "the legacy of half a century at least of relentless underfunding. . . . The proportion of GDP spent on public transport

has fallen from 2% to 1% in the past decade—a shameful record."

## 'A Winter Of Discontent'

By the middle of the week of Jan. 7, Britain was truly becoming "hostile territory" for the arrogant Blair.

The week had begun, with hundreds of thousands of commuters in central and southern England stranded, because of a strike by the Rail, Maritime and Transport (RMT) union, against Southwest Trains (SWT), in response to which SWT had cancelled 80% of the normal rail services.

As a result of the insane "rail privatization" policies begun under Major, and stepped up under Blair, Britain's formerly nationalized rail grid has been broken up, into several private regional firms, all managed by the incompetent, privatized Railtrack administration. SWT is the U.K.'s largest commuter operator.

The RMT organized strike actions against rail operators in northern England and Scotland, with potentially further actions in other regions planned.

Blair angrily denounced these strike actions as "totally unacceptable." But any hope he and his advisers may have had, of playing angry commuters against strikers, is backfiring. A coalition of rail passengers' groups was formed on Jan. 8, calling itself the Better Rail Advisory Group. It wants to stage a national one-day rail boycott, on March 1. The *Daily Telegraph* wrote Jan. 8, that this is an attempt to reanimate the sense of political-social-economic activism, that hit Britain with the national fuel protests of Summer 2000, the which practically shut the country down.

On Jan. 9, Peter Hain, the Cabinet minister responsible for Europe, lamented that Britain has "the worst transport system in Europe." Inside the Blair Cabinet, there is further turmoil. Transport Secretary Stephen Byers, already under fire for the collapsed state of transport infrastructure, is facing growing demands to resign, since, while the early-2002 troubles were erupting, he was away on vacation, in India.

On Jan. 9, other "fronts" of social ferment began to open up. Leaders of the postal workers' union announced that they were polling their membership, for probable strike action in February, and it is more than likely, that the entire mail system will close down, for some time, in February. Meanwhile, an informed British observer told *EIR* on Jan. 9, that the discontent over the woeful state of the health system, should not be underestimated. He stressed that the "anger and rage" among frustrated Britons is only exacerbated by Blair's obvious efforts "to avoid the situation," in constantly shuttling around the world.

Indeed, more and more British observers and political insiders, have begun to warn, that the U.K. is now, in earnest, entering a "winter of discontent." And unlike some of his evident forebears, this would-be world emperor can't even make the trains run on time.

# LaRouche's Ideas Are Setting The Agenda In Argentina

by Gretchen Small

Four days after Argentina's latest President, Eduardo Duhalde, was sworn in under emergency conditions on Jan. 1, U.S. Democratic Presidential pre-candidate Lyndon LaRouche issued a statement outlining how and why Argentina, if it is to survive as a nation, must reorganize its national banking system, in order to create a system protected from the international speculative bubble. Until it does so, LaRouche warned, "economic depression, chaos and ungovernability will continue to haunt the country."

A mere ten days since he took office, President Duhalde, racing to stay one step ahead of the continuing implosion of the national economy, has run head-on into exactly the dilemma LaRouche warned of: It is impossible to continue to keep the nation's currency and financial system chained to the international system, and simultaneously defend the continued existence of the country's population and productive capabilities.

International Monetary Fund officials have announced they cannot work with the Argentine government, should it insist on price controls, trade protectionism, or its plan for a two-tier currency regime. Under the latter, the government has said essential transactions will be carried out at a fixed rate of 1.4 pesos to the U.S. dollar, with the peso allowed to float only for non-essential purposes. International financiers publicly threatened speculative assaults on the peso, in order to break the fixed rate quickly. For their part, the privatized state utility companies, owned almost entirely by foreign interests (largely Spanish), threatened to simply walk out of the country, leaving the nation's electricity, gas, water, telephone, and other vital services hanging.

A generous "act of love" by the Brazilian government, as Argentine Foreign Minister Carlos Ruckauf put it, averted one looming health catastrophe, however: The Cardoso government sent over 12 tons of insulin to Argentina, on an emergency basis, saving the lives of Argentine diabetics who were unable to get medicine. Arrangements for additional donations and Brazilian government-guaranteed sales of anti-cancer and anti-AIDS drugs are under way.

## 'There Is A Solution'

The most dangerous trigger for a governmental collapse, remains the banking system, however. About 90% foreign

controlled, it has been utterly looted and bankrupted. The government cannot lift the freeze on bank deposits which Fernando de la Rúa government's imposed, because the money is no longer in those banks. That leaves 1.1 million smaller depositors bereft of their savings, in many cases without the means to live. As the cost of living zooms thanks to the 30% devaluation, these desperate people constitute an explosive social force.

Thus, LaRouche's statement of what must be done, has been seized upon by thinking people. On Jan. 5, as the Congress debated the government's Economic Emergency bill, Congresswoman Elisa Carrió told her fellow Congressmen that LaRouche's national banking proposals provide the only viable solution to the country's crisis. The debate was broadcast on national TV, and seen all over the country.

Carrió read from LaRouche's Jan. 2 statement, "No Stability In Argentina Until A National Banking System Is Created To Issue Directed Credit For Job Creation."

"Of course there is a solution, Mr. President [of the Congress]. The time has come to really create a national bank which issues credit. And it is not we who say this; the man who foresaw the Russian crisis, LaRouche, currently a Democratic candidate for the United States Presidency, argues exactly the same thing in the case of Argentina: 'The current national banking system—90% of which is controlled by foreign banks—is totally bankrupt, and has ground to a halt. The only way to get it back on its feet, and to return to Argentine citizens their savings now frozen in the banks, is to create a new, reorganized national banking system. The central government would then use this system to channel directed credit, issued in an inconvertible domestic currency, to fund the creation of one million new jobs in the right areas, which would start the recovery of the economy. This, along with the debt moratorium which has already been declared, are necessary policy steps.' "

Carrió continued: "It is also interesting to read that, earlier, [LaRouche] analyzed how the international financial system began to collapse, which we're going to see in the world over the coming year. He warns the governments of all countries, that if they apply the restrictions of the international financial agencies, and fail to resolve the problem of the looting of their banks, there will be a succession of governments,

finally resulting in total national disintegration. This is not an irrational matter, but it is totally unjust, if we fail to take advantage of this crisis to find the [correct] policies. If you want to see them, they are there; the problem is, that many times, we do not want to see them.”

Carrió is a former Radical Party leader, who today leads the Alternative for a Republic of Equals party (ARI). She is well known as an expert in Argentine financial matters, because of the ground-breaking investigation into money-laundering and other illegalities of the banks in Argentina, which she and a fellow Congressman began in the early 1990s, an investigation in which they had the later collaboration of the U.S. Senate Permanent Subcommittee on Investigations. In 2001, she and another ARI Congressman, Mario Cafiero, joined a lawsuit against the outrageous \$30 billion “me-gaswap” of Argentine bonds worked out by then-Economics Minister Domingo Cavallo, from which his foreign banking buddies collected \$200 million in “fees.”

In the Congressional debate, Carrió put the blame for the current banking deposit freeze squarely on the De la Rúa-Cavallo-private banks combination, which, she charged “stripped” the country of its resources. She described how the game worked: The top 10-15 debtors of the bankrupt banks are companies linked to the bank itself. These front companies then transferred the money out of the country to shell companies held in Uruguay, and from there, the money was transferred to the United States. Our billions can be found outside the country, in the foreign parent banks which own the “Argentine” banks, she charged. The money thus looted from Argentina, comprised of the deposits of decent people, who believed in the banking system and in the country, were then seized to save the banks from collapse. “Impoverished banks, rich bankers,” she noted.

### **The Politics Of The Common Good**

There may be powerful international pressures being brought to bear upon the Duhalde government, but broad social forces in Argentina are determined to defend the nation, and understand that for the country to survive, it must break with the usurious system. Indicative are the comments on the foreign debt issued Dec. 20 by the Archbishop of La Plata, Mons. Héctor Aguer, which follow this article.

Nor is Aguer a lone voice. Argentina played an active role in Pope John Paul II’s global Jubilee 2000 initiative to reduce or forgive the Third World’s debts, and Deputy Mario Cafiero headed the Argentine Jubilee 2000 committee. Dramatic 12-hour-long hearings on the debt were held by Argentina’s Bicameral Jubilee 2000 Commission in August 2000, at which numerous people (including then-Senator Duhalde) testified before an audience of 500. Monsignor Aguer’s testimony there, which he references at the opening of his Dec. 20 statement, was met with a standing ovation and the singing of the national anthem, one of several instances during the day when

the audience spontaneously sang the anthem, with its opening line, “Hear, O Mortals, the sacred cry: freedom, freedom, freedom.”

President Duhalde is acutely aware of the dangers his country faces. “If we take even one step backward, Argentina risks a bloodbath,” he told a group of business and trade union leaders on Jan. 4. The productive community must run the country, he told them. “We must put an end to the alliance that ruined the country, the alliance between the political power and the financial sector, and replace it with an alliance with the productive community. . . . Just because the world is globalized, there cannot exist only one economic model, but many, according to the necessities of the countries. Argentina, at this moment, needs the absolute defense of its national interests.”

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## **Monsignor Héctor Aguer**

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# **The Debt Explosion**

*This Open Letter on the Argentine foreign debt was released on Dec. 20, 2001 by Msgr. Héctor Aguer of La Plata, Argentina.*

There is little gratification in being proven right in forecasting calamities which end up turning into sad and harsh reality. Such is the case with those of us who warned in timely fashion of the dangers of a foreign debt which was permanently expanding, and which, worse still, was viewed as harmless and even healthy by influential layers among our economic and political leadership. A year and a half ago, we declared in the Senate: “A heavy gravestone threatens to fall on us and bury our purpose and our duty to effectively forge a free, just and sovereign Nation. One can guess the epitaph: ‘Here lies the Argentine Republic: It lived paying and died owing.’ ”

That the funereal metaphor is appropriate, is proven by the death throes in which we still find ourselves. To use another metaphor, we could say that we are now witnessing the explosion of the debt, since there is no other valid explanation for the great upheaval which has left us Argentines unable to access our money, and perhaps stripped of our full rights to our wages and property.

It proved impossible, from any standpoint, to coexist with a debt unjustly inflated to a size that astronomically exceeded our country’s ability to pay. The question should have been brought before the international courts. We should have negotiated with the creditors, firmly basing ourselves on legitimate arguments of national interest; the people should have been

told the truth about the spurious and usurious nature of the debt, with an eye to garnering sufficient political support so that our rulers could have effectively defended the Nation's cause under such critical circumstances. We accuse our leadership of failing to carry out these and other actions, certainly posing a responsibility weighing on the personal consciences of its members, before their fellow citizens and before God. . . .

In the first place, a cowardly attitude toward the creditors must be abandoned. In reality, they have not given us the hundreds of billions of dollars that they now demand of us, but much smaller loans, which have engendered fabulous amounts, through arbitrary and unilateral changes in interest rates and morally unacceptable fees. In fact, they have already collected their original loans, which were multiplied through financial alchemy and not through disbursement of real funds. There was no counterpart from the debtors' side, in the form of public works or any positive equivalent, but only murky accounting entries.

Thus, our current state of insolvency constitutes a negotiating strategy that will favor us, if we make use of it with intelligence and good faith. No one can be forced to pay what one cannot—less so when the attempt to do so compromises the survival of an entire nation; and even less so when, in strict justice, the debt has probably already been paid off.

Insisting on compliance with an agreement which exceeds a nation's ability to pay, would justify the latter's refusal to pay. No one can do the impossible. . . . Those who insist on [complying with] impossible clauses are ultimately encouraging a total repudiation of the debt! U.S. Treasury Secretary Andrew Mellon posed the question in 1929 in these same terms. . . .

As for the European debtors, the War Debts Commission [after WWII—ed.] offered something similar: "While the principle of the integrity of international obligations should be preserved, it is undeniable that nations can't be forced to pay other governments, amounts which exceed their ability to pay. . . . Neither can the principle be adopted [stating] that the foreign debtor should pay up to the limit of its current, and future, ability. It must be allowed to maintain and improve its economic situation, balance its budget, and provide a solid foundation to its finances and its currency, as well as to maintain and, as best as possible, to improve the living standards of its citizens. No agreement whose stipulations are too oppressive or which retard the recovery and development of a foreign debtor will be in the best interest of the United States or of Europe."<sup>1</sup>

. . . These statements not only express political farsightedness, but also historical experience. The United States is currently the world's largest debtor, although that situation is

1. Back-translation from the Monsignor's Spanish, not the original document—ed.

sweetened somewhat because its debts are contracted in its own currency (whose emission and value, the United States naturally controls), and because its political and military dominance puts it beyond any pressures from its creditors. . . .

In conclusion, it is necessary to invert the principle of "zero deficit," according to which the allocation of national budget resources for the general welfare is reduced, in order to maintain a flow of payments to our financial creditors (or usurers). The increasingly scarce revenues that can be extracted from suffering taxpayers should, first and foremost, be allocated to the nation's domestic needs, and whatever remains—if there be any—should be the subject of negotiation. While this might appear too stringent a demand on any government, the responsibilities of those who aspire to lead nations are grave, especially when the primacy of the moral imperative over the economic world must be imposed, to guarantee a just order.

Because, in the end, the key to the critical situation facing Argentines today is of a moral nature. Fundamental virtues, such as prudence, have been exiled from our soil during long years of insane indebtedness. We trust that the magnitude of the current crisis will facilitate its return, along with its sister virtue, fortitude, which, in our creole language, we call courage.

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# Taiwan Is Drawn Into Global Strategic, Dollar Crisis

by Leni Rubinstein

With China's economy growing, while that of Taiwan has plunged into contraction and financial crisis during the demise of the United States as "importer of last resort," a potential crisis of great seriousness is brewing in Taiwan's current policies. Taiwan is facing a potential near-term financial explosion like Japan—though its economy and banking system are smaller in impact. And the handling of the crisis by its pro-independence faction, which just held on to power in recent elections, is also causing a cultural crisis with China. *EIR's* accompanying interview with Taiwan legislator Fung Hsiang, leader of the pro-Chinese unification New Party, throws light on both these issues.

Over the years, Taiwan has been subjected to intense outside interference, intended to use the island as a key geopolitical player against mainland China. From 1987, since the death of President Chiang Ching-kuo, till 2000, Taiwan's President Lee Teng-hui was the main puppet of U.S.- and London-based geopolitical circles epitomized by Zbigniew Brzezinski, Richard Perle, Paul Wolfowitz, and related Congressional circles today. These covertly worked to foster Taiwan's independence, and maximize the potential for armed conflict across the Taiwan Strait between Taiwan and the mainland. With the help of dirty tricks initiated by puppet Lee Teng-hui, the candidate for the Democratic Progressive Party (DPP), Chen Shui-bian, who is outspokenly for independence, was elected in early 2000.

Since then, the cultural, economic, and financial situation in Taiwan has deteriorated rapidly, mainly due to the international financial crisis, and the collapse of U.S. imports of the so-called "high-tech" products, of which Taiwan has been a big supplier. Unemployment is the highest in decades, pessimism about the future among scholars and businessmen, as well as in the population at large, has been growing.

The outcome of the Dec. 1 elections to the Legislative Yuan (the parliament) and to county and town leadership, therefore took many by surprise. Despite the economic woes of the island, President Chen Shui-bian's party, the DPP, won 33.4% of the vote, and 87 of the 225 legislative seats, an increase of 17 seats. Taiwan Solidarity Union (TSU), created a few months before the elections by Lee Teng-hui, won 7.8% of the vote, and gained 13 seats in the Legislative Yuan. The opposition to the DPP, although still a majority in the Legislative Yuan, lost a total of 65 seats, with the Kuomintang

(KMT) getting 68 seats—down 55 from the last elections—and the outspokenly pro-unification New Party (NP) winning 46, in its first legislative election since its creation a year and a half ago. Dr. Fung explains these developments in the interview. Thousands of people discouraged with the developments in the last years, have left the island, and did not participate in the election altogether (see box).

For someone who has followed the developments in Taiwan over the last several years, the degree and speed with which the potential for the future is being destroyed, is shocking. Provincialism and materialism prevail. The quality of the news media has deteriorated to the level of that of the United States, and the influence of Hollywood is apparent. The Chinese version of the "Harry Potter" series was the best-selling product in Taiwan in 2001, with more than 2 million copies sold! The economic and financial crisis, which is going to accelerate, is not being addressed.

## Push For Independence Continues

Immediately following the legislative elections, a new think-tank, Taiwan Advocates (TA), was launched Dec. 3, with former President Lee Teng-hui as its chairman. At its founding, the chairman of TSU declared; "The TA is the second step in former President Lee Teng-hui's grand strategy. We, the TSU and the pro-Taiwan forces, will form a solid majority with DPP in the Legislative Yuan. Although the TA is designed to serve as the policy-making supplement to the TSU, it can also serve as a political bridgehead for the pro-Taiwan [independence] force."

President Chen Shui-bian had been invited as an honored guest, and gave a speech, in which he praised the launching of the TA, saying that the ideals of the TA corresponded to his recently proposed "National Stabilization Alliance." The President has called for the introduction of a new Presidential system before the next election, the which has been endorsed by Lee Teng-hui, and the latter has also proposed that the Constitution be changed—all initiatives which, according to local observers, are aimed at the future independence of Taiwan. The open embrace of puppet Lee Teng-hui, who for years hindered all collaboration across the Taiwan Strait, with the pro-independence DPP, in the context of the international strategic situation, are the ingredients for a great crisis in the future.



Several leaders from Taiwan, who had visited Beijing following the Dec. 1 elections, told *EIR*, that the authorities refuse to deal with the government of Chen Shui-bian, but will deal with unofficial channels. At a press conference on Dec. 5, the spokesman for Beijing's Central Office for Taiwan Affairs, Zhang Mingqing, said that the Chinese government will not deal with Chen Shui-bian, despite his party's recent gains, unless he recognizes Taiwan as a part of China. At the same press conference, Zhang ruled out the possibility of the two sides engaging in talks under the World Trade Organization framework, regarding opening direct cross-strait trade, postal and transportation links. According to Zhang, the issue of the so-called "three direct links" is an "internal matter," which should be discussed under the "one China" principle. "If necessary, the two sides can talk about direct links in a private manner, through discussions between companies and private parties," Zhang said.

### Blocking Cross-Strait Economic Cooperation

Despite the efforts from Lee Teng-hui, to hinder a natural collaboration across the Taiwan Strait with his "no haste, be patient" policy, and various restrictions regarding Taiwan businessmen investing in mainland China, many have found ways to circumvent the rules. These very rules, however, have forced a lot of people to abandon Taiwan altogether, and have, in many ways, created a disadvantage for businesses from Taiwan. For example, Taiwan has two mid-sized international airlines, China Airlines and Eva Airlines, cut off from Chinese airspace and thus, overly dependent on North American routes. In the first half of 2001, they both lost well over 20% in profits. As about 3 million cross-strait trips are made annually through Hong Kong and Macao, allowing the airlines to fly directly to China, would be their best, long-term hope.

The issue of cross-strait air travel flared again in October, when Legislator Fung Hu-hsiang led a group of six airline executives to Beijing. Chinese authorities said, that China Airlines and Eva Airlines were welcome to operate their Asia-Europe routes over China's western regions, to avoid the military conflicts in Afganistan, which would be a faster and cheaper detour, than flying the southerly course through Pakistan, Iran, and Turkey. But the picture of Taiwanese executives publicly engaging in private negotiations with Chinese officials ruffled feathers in Taipei. The companies quickly capitulated, saying no to saving \$10-15,000 per Europe-bound trip.

Overall, the statistics regarding cross-strait economic activity, is guesswork, as most Taiwanese money finds its way into China via third parties, such as Hong Kong. The sums, however are big. The official Chinese figure is \$52 billion, and some Taipei-based investment research houses estimate, that up to \$100 billion of capital from Taiwan has been contracted. Chunghua Institution for Economic Research estimates, that more than 64% of Taiwan's out-



*China and Taiwan. The abandonment by Taiwan's airlines, under Taiwan government pressure, of the right to fly over China's southern and western provinces, to avoid war zones and save tens of thousands of dollars per flight, is symptomatic of the geopolitical games helping to destroy Taiwan's economy, while China's grows. The rights were negotiated by Taiwan legislator Dr. Fung Hu-hsiang.*

bound investment in 2000 went to China (up from 43% the year before).

Most of the Taiwanese investment into China is in an area known as the Huadong Industrial Zone, which runs from the south of the Jiangsu province, up to the north of Zhejiang province. According to the Jiangsu provincial government, about \$20 billion has been invested in the province from Taiwan. More than half of this amount has gone into two places: Shanghai, with about \$6.3 billion, and \$5.4 billion into Kunshan, about an hour's ride away, earning it the nickname "Taiwan Town." It is estimated, that more than 300,000 Taiwanese live and work in greater Shanghai. This is more than the Korean and Japanese expatriate populations combined, and more than the total number of Americans and Europeans in the city, according to the Shanghai municipal government.

After the recent elections, a number of leading figures told *EIR*, that they think that even more people from Taiwan will "take the leap" and move permanently to mainland China.

## ‘Taiwan’s Economy Will Further Deteriorate’

*Dr. Fung is a legislator of the pro-unification New Party, and is the founder and president of Peoples Service Center Across the Taiwan Strait. He was interviewed by Leni Rubenstein on Dec. 21, 2001, in Taipei.*

**EIR:** What do you think is the reason for the outcome of the election Dec. 1?

**Dr. Fung:** The DPP won the election because of their skills, and not their policies.

**EIR:** What kind of skills do you mean?

**Dr. Fung:** . . .The DPP used a very successful strategy of propaganda of the media. They shifted the discussion away from the economic issue to other issues. Because, the economy now is very bad, and we have a very serious unemployment, but they used the media to shift the discussion, to whether we should have a National Stability Alliance after the elections, whether we should have a gathering between the governing party and the opposition. Empty words, but attractive for many newspapers and other media. They discussed this issue every day. No room was made to discuss the economic crisis.



**EIR:** Has the DPP gotten more control of the media?

**Dr. Fung:** Yes, definitely, of course, because they are the ruling party. As long as they are the ruling party, they can control most of the most influential media, most of the TV programs. Now, most of the TV stations are controlled by the government, using financial means to gain such control through the advertisement business. Like in my case, I was almost excluded during the last two to three months from participating in any TV program, because the ruling party said to many TV program hosts; “Do not invite Dr. Fung, because he represents the reunification policy. Adhere, or we will not give you advertisements.”

**EIR:** Did Lee Teng-hui’s maneuvers have anything to do with the election result as well?

**Dr. Fung:** Of course. Lee Teng-hui’s creation of the new

party, the Taiwan Solidarity Union, had, as its most important goal, to make sure that the candidates representing a reunification policy failed. Lee stated that publicly.

Those candidates that represent “One Country, Two Systems,” who support the “One China” policy did fail, most of them. That is why some wondered, whether some tricks had been played, like at the last election, where [independent candidate, James] Soong was the victim of such tricks. Some ballots were thrown away, some people did not go to vote, because the voting procedures were very complicated.

**EIR:** Your evaluations in the last years regarding the aim, the role, and the manipulations by Lee Teng-hui and Chen Shui-bian has been completely vindicated. Lee is very supportive of Chen Shui-bian.

**Dr. Fung:** Yes, of course. Even today, when you read the *United Daily News*, Lee Teng-hui claims, that Taiwan is the motherland, not China. Taiwan is Taiwan, China is China. He even said, that Taipei city is the bad result of foreign influence, and that people should go to the middle and southern Taiwan, so that they can recognize the mainstream opinion of Taiwan, where many people are for independence, because of lack of truthful information. . . .

**EIR:** The policies pursued by Lee Teng-hui and now Chen Shui-bian have resulted in many gifted people leaving Taiwan, and settling in Shanghai or America.

**Dr. Fung:** That’s right. A lot of people have been leaving. That is a fact. I think this kind of tendency even will accelerate in the coming years, because many facts prove, that the DPP are working to reinforce and strengthen a policy for Taiwan’s independence. For example, they are trying to change the name on the passport from Republic of China, adding Taiwan, to make Republic of China equivalent to Taiwan. This is another way of supporting Taiwan’s independence movement, so that Taiwan will be the name of the country, not R.O.C. They also removed the map of R.O.C. from the governmental spokesman’s office. Every time the chairman of the Government’s Information Office holds a press conference, the logo for R.O.C., depicting all of China, including mainland China and Taiwan, would be displayed, like the logo for the White House. This map has been removed, and I am sure, that sooner or later a map of only Taiwan will be displayed instead, which is the logo and flag of the DPP.

**EIR:** You just returned from Beijing. What is the evaluation and reaction in Beijing to the outcome of the election?

**Dr. Fung:** I think they are planning some actions. First of all, relatively speaking, they will not be in touch with the DPP government, unless they remove the policy for independence from their party platform. Secondly, Beijing still insists on a “One China” policy and the consensus of 1992. Otherwise they will not talk with the government of the DPP. And the

third point is, that Beijing will not collaborate through the official organizations for cross-strait negotiations as before, but will work through unofficial channels, like "Peace Across The Taiwan Strait," or my organization, "Peoples Service Center Across the Taiwan Strait," or some other channels, but not the official governmental channel; because there are so many people's affairs that need to be done, need to be solved every day, and they say, that they hope I can still function as a channel, and make more contributions regarding the affairs across the Taiwan Strait. . . .

**EIR:** Chen Shui-bian has proposed a new Presidential system, to be in place before the next election.

**Dr. Fung:** I think this is another action, they are trying to use to push the Taiwan independence movement, because they are trying to destroy the old constitutional system and order completely. Right now, after six changes of the constitution, it has been destroyed, although the framework is still left. Now they are trying to destroy the framework. They are using the so-called three-power framework to replace the five-power constitution, designed by Dr. Sun Yat-sen himself.

The Cabinet is the highest authority, not the President, because there is no institution to check and balance the President according to our constitution. They want to have a Presidential system with no check and balance, so that the President can do whatever he wants to. In this way, he will be able to push and promote Taiwan's independence very freely.

**EIR:** What actions can be taken in the current situation by good people in Taiwan regarding the financial crisis, the economic crisis, the relations across the Strait?

**Dr. Fung:** This is a very important question, which is on many people's mind. Many people just left, being very disappointed, and very sad. They felt hopeless for the future, especially the so-called mainlanders. They feel they have been discriminated against for a long time, and that this will be even worse in the future, not only in the army, in the government, but also in the schools and the big enterprises. The discrimination in connection with promotion is very clear, and very serious.

Those people who were born in mainland China cannot get a fair opportunity regarding promotion, although they are very capable, work very hard. They just do not get any chance. Especially in the government. The people that were born in mainland China, or who were second-generation born in Taiwan, therefore leave for mainland China or the United States. Some of them just do not care, they just do not want to talk about politics. They do not have a choice, they have no money, they do not want to move. But I think, that in the depth of their hearts, they still have a confidence of a better future. They are waiting for mainland China to push the reunification policy. The "One China" policy, from the international [Chinese] point of view, is mainstream, and the unification policy is also welcomed by most people across the Taiwan Strait. Of

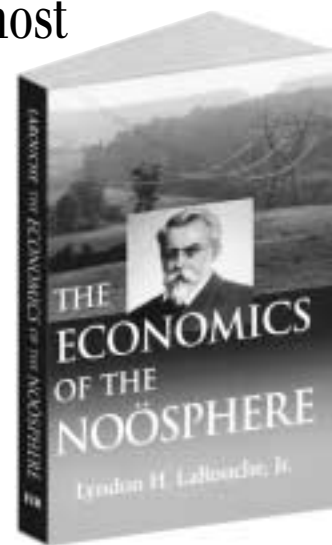
course, in mainland China, almost nobody is against unification. We do not want to be unified by force, but if the Taiwan independence movement pushes too far, maybe the final outcome will be that.

**EIR:** With the collapse of the financial system, the economic situation in Taiwan will worsen.

**Dr. Fung:** Yes, it is clear, that the economic situation in Taiwan will further deteriorate. China will insist on a "One China-Two Systems" policy. As long as we can have the right to interpret the content, One China meaning R.O.C., then we have our dignity, we have our constitutional standpoint. Although many people say, that in international affairs, R.O.C. will not play a role, but that does not matter, because in the dialogue across the Taiwan Strait, we have a consensus regarding one China, a concept. There is no other choice.

In the future we hope to name the country just China. That means, each side will go back one step. Mainland China does not use People's Republic of China (P.R.C.), and we do not use the Republic of China (R.O.C.). Both of us use China, which could be accepted by both sides then, without war, without force, without blood. We then could proceed towards reunification, through peaceful dialogue and peaceful cooperation. That would benefit the people on both sides.

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## Why France Did Not Have An American Revolution

by Pierre Beaudry

In January 2001, *EIR* published the author's report of the life of "the Benjamin Franklin of the French Revolution."<sup>1</sup> This was the extraordinary French patriot and scientist, Jean Sylvain Bailly (1736-1791), first president of the First National Assembly of France, and organizer of the Marquis de Lafayette's National Guard (see box for summary). During 1789, Bailly and Lafayette attempted to carry out a peaceful "American Revolution" in France, and establish an "American" representative and constitutional republic (though retaining a constitutional monarchy), in collaboration with Benjamin Franklin, George Washington, and then-Ambassador to France Thomas Jefferson.

Bailly, in 1789 both France's leading astronomer and her leading patriot, was a follower and historian of Gottfried Wilhelm Leibniz, from whose works the very idea of "the pursuit of happiness" in the American Declaration of Independence was traced (see Robert Trout, "Life, Liberty, and the Pursuit of Happiness," *Fidelio*, Spring 1997). Bailly and Lafayette's revolutionary "Society of 1789" was consciously based on that Leibnizian principle.

Our previous article made public, for the first time to English-speaking readers, the crucial moments that went into establishing the sovereign authority of the National Assembly of France. The true French Revolution accomplished by Bailly and Lafayette in the crucial actions around the Tennis Court Oath of June 20, 1789—which demonstrated the sovereignty of the National Assembly—specifically imitated the American Framers of the U.S. Constitution at their convention in Philadelphia two years earlier, in 1787. The sovereign act of constitution of the nation of France

was marked on that day, by the fact that the majority of the deputies present solemnly swore "not to separate, and to meet anywhere that circumstances will permit, until the constitution of the kingdom is established." It was from the sovereign decisions of the National Assembly, voted on June 17 to June 20, 1789, that a peaceful and republican French revolution was possible.

In the present historical study, the author will reveal, in light of crucial historical documents of the period, that the storming of the Bastille was a coup d'état whose date of occurrence had been chosen to coincide with the mass starvation, prepared by British policy, of the city of Paris. The storming of the Bastille of July 14 was an act of an anti-"American," counter-revolutionary coup, carried out by Finance Minister Jacques Necker, Louis "Philippe Egalité" Duke of Orléans, and the British controllers of Marat, Danton, and Robespierre—Lord Shelburne and British intelligence chief Jeremy Bentham.

The purpose of a starvation-driven insurrection was to bring down the King, the government, the National Assembly, and put in power a new Jacobin King, "Philippe Egalité," with Jacques Necker as Prime Minister of a French version of a British parliamentary monarchy. The following evidence provided by the French writer and witness to the Revolution Felix Louis Montjoie,<sup>2</sup> as well as the secret dispatches written by Antonio Capello, the Ambassador to Paris of the Doge of Venice, demonstrate that the British-dominated historical accounts about the French revolution have lied systematically about the true nature of the circumstances surrounding the coup d'état of the Bastille. They reveal the most despicable

1. Pierre Beaudry, "Jean Sylvain Bailly: The French Revolution's Benjamin Franklin," *EIR*, Jan. 26, 2001.

2. C.F.L. Montjoie, *Histoire de la Conjuration de Louis-Philippe-Joseph D'Orléans, surnommée Egalité* (Paris, 1796), Vol. I, pp. ij- iij.



Jean Sylvain Bailly led the fight for a peaceful American-style revolution in France, against the British-sponsored Duke of Orléans and the Jacobins. Had Bailly's conception of a "republican monarchy" not been sabotaged, the carnage that occurred, from the storming of the Bastille (shown here), through the Jacobin Terror, through the horrors of Napoleon's fascist rule, would never have happened.

nature and the conspiratorial role of the Duke of Orléans, with his British partners, against the "American" principle of the Revolution.

### A Secret In Plain Sight

Montjoie's work is the *Histoire de la Conjuraction de Louis-Philippe d'Orléans, surnommé Egalité*, published in 1796. In its introduction, Montjoie states, "No conspiracy has ever been more extraordinary, or given birth to more errors, more disorders, more depredations, more assassinations, and more calamities of all sorts, than the one that I am about to write the history of. From this terrible pile of follies, of heinous crimes, of misfortunes, must emerge a great lesson which, if it is understood properly, should make the future of nations wiser and happier. No other work, therefore, from this single vantage point, merits to be read with more interest, by all sorts of readers; no other work deserves more being meditated on by whoever is called upon to institute or to govern a people. . . . [T]here has to be someone with enough courage to describe to the future generations, the follies, and the crimes of our current generation. Woe betide whoever was an accomplice to those follies and to those crimes; but, if the revelation of this complicity is a fault, it is the fault of history, and not of the historian, because what I might have omitted to say, someone else might have the opportunity to reveal."

Historical truths are the most difficult to accept, because they come into conflict with social beliefs that are axiomatically based on the false assumptions of public opinion controlling a population. The case of the French Revolution is a powerful example of such an historical event that has been entirely fabricated and manipulated for public opinion's con-

sumption. The Jacobin French Revolution which was ultimately triggered by the Bastille Day coup, was not only unnecessary, but contained the seeds of Napoleonic fascism detrimental to the nation of France and the rest of the world, and should have been stopped by all means available at the time.

## Bailly vs. Necker In The French Revolution

Jean Sylvain Bailly, now reduced to the status of an historical footnote even in France, was at once founding president of the revolutionary National Assembly of France in 1789; first republican Mayor of Paris; first organizer of the Paris Guard, later Gen. Marquis de Lafayette's National Guard; and an astronomer and Leibnizian historian of science, the first to be elected to both French national academies of science. In contrast to today's anonymity of the political leader of the "American" tendency in the French Revolution, Bailly's British-Swiss adversary in the Summer of 1789, banker and minister Jacques Necker, is quite celebrated.

The famous storming of the Bastille on July 14, now France's national holiday, was done by collusion of the Swiss banker Necker, who was in process of being

*Continued on page 46*

The error was never remedied, because the conspiracy to create a national famine that led to Bastille Day, was never permitted to be revealed, even though it was widely known to the key players involved in the events of the time. Montjoie's devastating exposé has been buried in the Bibliothèque Nationale in Paris, and ignored by the French intelligentsia, ever since its 1796 publication.

The following will show that the storming of the Bastille was an irregular-warfare coup similar to that of the burning of the German Reichstag of February 1933, and similar to the American day of infamy of Sept. 11, 2001. The poisonous effect of those three different events, although occurring in three different places, and at three different times, is essentially the same. Their aim was to force populations to accept emergency measures under conditions of irregular warfare. In a broader strategic perspective, the Bastille coup was aimed at undoing the achievement of bringing the American Revolution to France, already accomplished by Bailly and Lafayette; and instead, at imposing on France a British-style parliamentary system, at the precise moment that the United States was

celebrating the adoption of its Constitution.

The Bailly-led actions of the National Assembly, had rendered the Jacobin Terror obsolete before it occurred, just as Lyndon LaRouche's New Bretton Woods policy renders obsolete today's Jacobin terrorist operations, sponsored by modern-day "Philippe Egalités" such as British financier Teddy Goldsmith, targetting International Monetary Fund and World Bank policies of the current period.<sup>3</sup>

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## 1. The French Paradox: Why In 1789, France Should Have Become A Republican Monarchy

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During a dinner held at the home of Marshal de Beauvais, on Dec. 29, 1786, three years before the Estates General were

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3. On Goldsmith, see "Teddy Goldsmith: The 'Jeremy Bentham' Behind New Terrorism," *EIR*, Aug. 24, 2001.

*Continued from page 45*

dismissed by King Louis XVI as his First Minister; and the King's cousin and would-be usurper, Louis Philippe Duc D'Orléans, known as "Philippe Egalité" among the British-backed Jacobin "revolutionary" movements which he financed. The Bastille uprising—provoked by the slaughtering of people in the streets by cannons firing from the Bastille fortress—was one act of a coup d'état aimed at restoring Necker to control of the royal government, and, at some later point, making the Duke of Orléans king.

Necker was the Alan Greenspan of Louis XVI's last royal governments. In the aftermath of the notable French military and financial support for the American War of Independence against Britain, a tragedy had occurred. France, in the 1783 Treaty of Paris recognizing American independence, agreed to free-trade provisions demanded by Britain for its control of the Atlantic trade. Then, in a separate 1786 French-British treaty, France accepted suicidal, complete free-trade agreements which ruined the French economy overnight. From 2% annual real physical growth in the late 1770s and early 1780s, France's textile, shipping, and mining sectors, and its agriculture, fell into depression, with outright famines ensuing. The royal budgets collapsed, and in stepped the Swiss agent of Britain's Lord Shelburne, the banker Jacques Necker, as French Finance Minister and First Minister.

Necker, through his banking circles in Geneva and London, brought in huge international loans to fund the French royal budgets from 1787 on, while subjecting the

Royal Treasury to "transparency" and austerity with his famous *Compte Rendu*. It was just as with International Monetary Fund (IMF) "assistance packages" to nations today. In short order, Louis XVI's regime was at the financial mercy of Necker and the banking interests he represented, while the population of France was in revolt against the economic collapse and deprivation. Necker's ally, the Duke of Orléans, was importing British-trained Jacobin radical writers into Paris, turning the Palais Royale district, which he personally owned, into an anarchist bastion to overturn the French state. (One such writer, the infamous Jacobin Jean-Paul Marat, was to be imported from Switzerland particularly to launch attacks upon Bailly and Lafayette.)

Necker repeatedly demanded that the King introduce the *British* system of parliamentary monarchy into France: government by the financial and landed aristocracy. But the Estates, meanwhile, transformed and unified themselves into the National Assembly: Bailly, partisan of the principles of the *American Republic*, was at its head and organizing a citizens' National Guard, commanded by the hero of the American Revolution, General Lafayette, to defend it. Louis XVI's desperate last-minute attempt to dismiss Necker, in July 1789, started the Bastille cannons firing into the citizenry in the Paris streets, and ended with the mob storming the Bastille and demanding the return to power of Necker, the man who had bankrupted France. This was the first step on the path to the Terror which took the life of Bailly, and drowned the chance of a second American Revolution in France, so feared by the British, in blood.

established, Jean Sylvain Bailly forecast the coming into being of the National Assembly, and began to envisage the role that he might be called to play, in order to save the nation from being ruined.<sup>4</sup> Upon hearing of the creation of an Assembly of the notables, he recalled how he was stunned by the news, and recorded this astonishing forethought:

I had forecast a great event, a change in the affairs of state, and even in the form of government. I did not forecast the revolution as it happened, and I don't believe that any man was able to forecast it; however, the deplorable state of the finances was sufficient to support my hypothesis. The need for money caused the government to be weak and dependent. The governed then had an immense advantage, such that I presumed we would be wise enough to take advantage of. This Assembly of a hundred and fifty citizens of all classes, including the most distinguished, who had become responsible for the most important affairs of the State, could not miss the opportunity of creating a great reform. That Assembly, that gathering was in the image of the nation; it was a group of citizens deliberating less on the matters of the State than on their own interests: In recent years, the best minds had turned their meditations toward political economy; and the Assembly, convened to enlighten and advise on the administration of the kingdom, naturally had to bring together all minds on this question, and bring this matter before the entire nation. Thus, when, after a long slumber, or rather after an absence, one comes to realize that our affairs had been quite dilapidated, it is difficult to forget that we have the right to bring them into order. I was, therefore, not forecasting a revolution, but a change which, without being able to determine its specific character, had to be to the advantage of the nation. When, in a century of enlightenment, one calls on reason to help, reason must ultimately become the master.

In many of his reflections on the nature of the National Assembly, Bailly repeatedly turned to the idea of *privilege*: that the privilege of an arbitrary aristocracy had to be replaced by the nobility of the soul; that is, the privilege to serve by representing the nation. Bailly attributed this qualitative change to the power of reason; but most significantly, to the Leibnizian form of the principle of reason, as was made explicit in Leibniz's discovery of the calculus. This *discovery of principle* also applied to the rebirth of the nation, as Bailly identified it, not as a revolution, but as a great change, a *regeneration of the nation*:

This Assembly, an infinitely small portion of the nation,

felt nonetheless the force and the rights of the whole: It did not dissimulate the fact that it was acquiring for itself a sort of authority as a result of these rights and of this force, as can be attained by the particular wills intended to compose the general will.

Moreover, Bailly realized that the constitution of the Assembly could not be postponed indefinitely. It had to act quickly, many obstacles had to be overcome, not the least of which was the fear of being killed in the process. Bailly writes:

The Assembly was in a hurry to establish itself. We were told that the government was not happy with the firmness that the commons displayed, and the fear was that it could go beyond what the Estates General had been accustomed to do up until that time. . . . Backed up with a legal representation of at least the majority of the communes of the kingdom, such an Assembly had become formidable, because it was capable of executing any defensive actions, since it had the power to give orders and was virtually assured of being obeyed.

Bailly's idea of the legitimacy of the National Assembly also included the idea of the legitimacy of the right of the King! From the very beginning, the members of the Assembly had come to the agreement that the "*regeneration of the nation would be made in concert with His Majesty*." This is how Bailly expressed what we can identify as the *French paradox*:

I have to grant justice to this Assembly: in her first acts and expressions of power, she had from that moment on, acquired the wise principles which were expressed by the National Assembly in her most beautiful moments; sufficiently strong to think as the National Assembly in the times of her greatest power, sufficiently measured in her courage for not having gone beyond herself. The Assembly declared by this that she will accomplish the task of national regeneration in concert with His Majesty; she did not think that, while restoring her own rights as a nation, she would have the King lose his own. The monarch has had all of the authority for a long time; it was an usurpation that circumstances, necessity, as well as the succession of times, had brought about; and it had, so to speak, been given an aura of legitimacy. However, in a monarchy, the prince could only exercise his legislative power, even abuse of it, as the representative of the people, and this is a quality that no one could take away from him; he had the right to run for the legislature, and when the National Assembly gave the suspending veto to the King, when it declared him the hereditary representative of the nation, it was developing the ideas

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4. *Mémoires de Bailly*, MM. Berville et Barrière (eds.) (Paris: Baudouin Frères, Imprimeurs-Libraires, 1821). All quotations from Bailly, except as otherwise noted, are from this source.



*Bailly leads the National Assembly in swearing the Tennis Court Oath of June 20, 1789, establishing the sovereignty of the Assembly, in agreement with the principles of Benjamin Franklin's American Revolution. Painting by Jacques-Louis David (1789).*

whose principles are represented by the decisions of today.<sup>5</sup>

This is a crucial turning point in French history: the creation of a paradoxical *monarchical republic* in June of 1789. This project of a *constitutional monarchy* was the only necessary and reasonable form of government that would have made it possible to move next toward a true republic, without bloodshed. Up until then, France had been governed by an *absolute monarchy*. The *constitutional monarchy* was restricting the powers of the King by a national representation under a constitution. However, this was also the most difficult page to turn in all of the history of France, because only a few people understood that this was a *crucial axiomatic change*. The discovery that Bailly made here, was that the only legitimate government was a representative government; that is, in the spirit of a government of the people, for the people, and by the people. The alternative was a British-style parliamentary

monarchy, in which the nobility would keep its privilege, as the case of the House of Lords shows for England. That was the option of Necker and Orléans. The problem was so acute that any other form of government, outside of a *constitutional monarchy*, would have been a usurpation of power. This is what Bailly meant by the “national regeneration” in which representatives served the people, as opposed to ruling the people. Here, Bailly spoke of the momentous decisions [voluntary abdication of privileges of the nobility] that the National Assembly decreed on June 17, 1789, from which the privilege of the nobility *disserving* the kingdom was transformed into a noble privilege of *servicing* the nation-state:

It was voted on this day, that the National Assembly intends and decrees that all tax collections and contributions of all sorts, which have not been formerly and freely decided by the Assembly, will cease to exist in all the provinces of the kingdom, whatever their administrative form may be. . . .

The Assembly further declares, in concert with His Majesty, that as soon as the principles of the national regeneration shall be established, it will take care of examining and consolidating the public debt. . . .

Finally, the Assembly, becoming active, recognizes also that it owes its first moments to the examination of the causes that have produced in the provinces of the kingdom, the famine that has afflicted them, and to the pursuit of the means of alleviating that in the most prompt and effective way possible; and consequently, it has decided to name a committee to be in charge

5. Bailly, op. cit., Vol. I, p. 20. Bailly himself had an interesting comment to make on the paradox of a *republican monarchy*. On May 28, 1789, he enters the following remark in his *Mémoires*: “Today, we have begun to discuss the first foundations of the constitution, and the basis that will establish the monarchical government. When an objection came up about the fact that the word *monarchy* was understood differently, and could signify different things, M. de Wimpffen, who had written about this, proposed the word *royal democracy*. It was very remarkable that the association of those two words was considered bizarre; but, since we did not know then where the whole thing was going to take us, it seemed to me that we could say that the result of the constitution was a royal democracy or a democratic monarchy.” Vol. II, p. 314.



of that important object, and that his Majesty shall be entreated to supply this committee with all of the necessary information.

The present deliberation shall be printed and sent to all of the provinces.

The decision to publish the decrees of the National Assembly, and circulate them immediately as leaflets, made the declarations not only public and binding nationwide, but also played an enlightening role for the uneducated mass of the people. This had the electrifying effect of elevating the people, as had the published ordinances of Louis XI in the 15th Century, in establishing France as the first nation-state. To this end, Bailly was attempting to solve two crucial problems at once. One was to stop, at all cost, the famine and the financial collapse, and the other was to establish the rights of the Assembly, and of the King.

It is for that reason that the Assembly included the monarch, Louis XVI, as a representative in its legislative deliberations and decisions. After long debates, the plan of the old committee for the constitution was adopted without reservation by the three orders forming the Estates General. The sovereign Assembly decreed on Sept. 22, 1789:

The French government is a monarchy. There is no higher authority outside of this law: the King reigns according to it, and it is only by virtue of this law that he can demand obedience.

No act of the legislative body can be recognized as law, unless it has been established by the representatives of the nation, freely, and legally elected, and ratified by the Monarch.<sup>6</sup>

By integrating the monarchy into a constitutional framework of the representation of the nation, the National Assembly was guaranteeing that the authority of the King could only be obeyed within this new law, and that his powers were no longer absolute. The actions of King had become restrained by the will of the nation.

### Tackling The Debt Problem

From 1783 to 1789, the British free-trade policy was imposed upon France, and had destroyed its economy. The Treasury was empty and the agents of the Duke of Orléans were spreading the rumor that the kingdom was about to declare bankruptcy. This would not have been so surprising, when the richest prince in all of Europe, the Duke of Orléans, paid less than 40,000 pounds in taxes a year. In June 1789, Bailly saw that the issue of the public debt had become the most urgent question to resolve. He wrote: "Even though this public debt did not interest the people directly, the question of the



*French Finance Jacques Necker, who allied with Philippe Egalité, the Duke of Orléans, in a plot to create a famine and bankrupt France, to eliminate the National Assembly and set up a British-style parliamentary monarchy, with Philippe Egalité as "Jacobin King."*

bankruptcy was about to create a general reversal of fortunes which would have shaken the entire kingdom, so it was necessary to rapidly dissipate any fear in this respect, and secure public credit."

The act of consolidating the debt was not just a solemn act of justice for the general welfare of all, but was a question of honor and of legitimacy that the National Assembly could not leave to anyone else. This was a crucial test of strength for the newly formed Assembly. Bailly was preparing the Assembly to declare an orderly reorganization of the public debt; that is, the equivalent of a Chapter 11 debt reorganization, cancelling the illegitimate debt, while maintaining the crucial national institutions open and functioning. The difficulty, however, was that the Assembly had to give itself the legitimate authority which, up until then, had only resided in the King. Furthermore, this act of sovereignty could not be construed to be a usurpation of the King's prerogative. Quite to the contrary, the nation had to come of age, and had to take hold of its inalienable rights legitimately.

Bailly himself noted that the use of such words as "the Assembly intends," or "decrees," and so forth, reflected the authority of a "sovereign language" by which the National Assembly began to declare the will of the nation. "She *intends* by her constitution, and she *decrees* by her sovereignty," he commented.

Meanwhile, Jacques Necker, at the Ministry of Finance, in an unholy alliance with the Duke of Orléans, was ready to cause the greatest possible chaos and confusion: 1) by creating a famine and declaring the bankruptcy of France; 2) by eliminating the National Assembly; 3) by militarizing Paris, and crowning the Jacobin King Philippe Egalité (Duke of Orléans); and 4) by getting himself named Prime Minister, under a British parliamentary system that he was openly advocating. It was for that purpose that the Jacobin cult was created and the Bastille coup d'état organized.

6. Bailly, op. cit., Vol. I, p. 6.

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## 2. Why The King Was Needed For The Regeneration Of The Nation

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In order to understand this period of French history, and recognize its significance for today's world, it is essential to emphasize that the French Revolution was not necessary, and that all French school children should have been taught that Louis XVI was in agreement with the principles of the American Revolution, was constantly seeking ways to show his love for the French people, and that, more than once, his tragic timidity would prevail over his desire to demonstrate his affection and to assert the truth of the American Revolution. Louis XVI was a kindly, but weak king.

Bailly says of him:

Despotism never entered into the character of the King; he only desired the happiness of his people, the which was the only means of seducing him; and if ever he was pushed into some act of authority, it was either because he was convinced that some good would come of it, or some ill was to be avoided, and that was done within the perspective of soothing the pain of the nation, for the prosperity of the empire, and for the happiness of all. I remain convinced that he has always considered his authority, and the need to maintain it, merely as a caution and as the basis for tranquility and for internal peace. Since we are talking about the causes of the regeneration, let us say that the first cause is found in the character of Louis XVI, himself. This King could not have displayed more goodness than he did, but, if he had been advised by better ministers, there would not have been a revolution.

Bailly wanted Louis XVI to follow in the footsteps of his great predecessors Louis XI and Henry IV. On the extraordinary occasion of becoming mayor of Paris, Bailly welcomed the King, and gave him the keys of the city with these words: "I bring to Your Majesty the keys of your good city of Paris. They are the same keys which were presented to Henry IV; he had recovered his people, now the people have recovered their King." Bailly constantly looked for ways to win the King over to the Leibnizian idea of the common good.

When, on the momentous day of June 17, 1789, the motion of Abbot Sieyes was presented for the recognition of the National Assembly, 96% of the representatives of the nation were present; 491 voted in favor of the creation of the National Assembly and 90 opposed. It was further established:

Since only the representatives whose powers have been verified could concur with the national will, and since all of the verified representatives must be present in this Assembly, it is also necessary to conclude that it is incumbent upon them, and it is only incumbent upon it, to present and interpret the general will of the nation.

Bailly noted that this assertion, according to which the will of the nation pertains only to the National Assembly, is not a reckless statement, but was founded on reason. (The reader should be reminded that, to the contrary, Napoleon made a parody of this sovereign event when he usurped the power of that National Assembly, and crowned himself Emperor of France, in 1804.) Moreover, the same article asserts:

There cannot exist any veto, or negative power, between the throne and the Assembly.

The Assembly declares therefore that the common work of national restoration can and must begin without delay with the deputies present, and that they must pursue it without interruption, and without obstacle.

The denomination of National Assembly is the only one that is appropriate for the Assembly in the present state of affairs, either because the members that compose it are the only representatives who are legitimately and publicly recognized and verified; because they have been sent by approximately the totality of the nation; or finally, because the representation being one and indivisible, none of the deputies, whatever order or class they may belong to, has a right to exercise his functions outside of this Assembly.<sup>7</sup>

Thus, the Estates General were dissolved, under the overpowering principle of this *unity of national representation*, which legitimized and confirmed all other principles pertaining to the sovereignty of the nation-state. Any other form of government would have been a usurpation of power.

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## 3. The Duke Of Orléans And The Grand Orient Freemasons

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In 1773, Louis-Philippe-Joseph D'Orléans was initiated into the Freemasons, and was introduced to the highest mysteries of the Masonic order. He pledged his honor, fully convinced that he would be able to use this resourceful society for the goal that his ambition and vengeance were leading him to attain. The Freemasons knew that he was entirely devoted to them, and in each other's embrace, they became the most important instrument of manipulation of public opinion to set up the Bastille coup. It was under such a bloody conjuration that the Jacobin club was created, and became hegemonic throughout the period of the Terror.

On that day, the Duke of Orléans—known as "Philippe Egalité" Duke of Chartres, Duke of Nemours, first Grand Duke of Montpensier et d'Etampes, Duke of Valois, Count of Beaujolais, of Vermandois, and of Soissons—also became the Founding Grand-Master of the Grand Orient Freemasonic Order of France. He was a blood prince born of the cadet

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7. Bailly, op. cit., Vol. I, p. 160.



Philippe Egalité, the Duke of Orléans: His plot to make himself King included a failed assassination attempt against Louis XVI.

branch of the Orléans family, a descendant of Philippe of Orléans (1640-1701), brother of Louis XIV, and he had a claim to the throne of France if Louis XVI were to die, and his direct heir, the Dauphin, were forced into exile. Orléans' objective was to become the *Jacobin King*, and for that purpose, he devised a diabolical scheme to create a general famine, provoke an insurrection against the National Assembly, and have the King assassinated.

Montjoie reports that the Freemasons came from England into France under Jacques II, during the reign of Louis XIV, and began to recruit in the military. After a while, all French institutions, including the Church, had been infiltrated. Montjoie relates that when the Masons wanted to escape the surveillance of the police, their leadership was given to the Count of Clermont, Abbot of Saint Germain des Prés, who recruited the nobility into its ranks. "When the Count of Clermont died, Louis-Philippe-Joseph replaced him."<sup>8</sup>

It is interesting to note how much "equality" was really involved in the nefarious activities of this blood prince. The lodge of Toulouse (1779) was very strict on the question of equality. It established that "no one can be affiliated with or accepted in our lodge unless he is twenty-five years of age, is a noble, or a military of the sovereign court." The lodge of Savoie proclaimed: "Equality does not mean anything. It is

8. Montjoie, op. cit. Vol. I, p. 52.

only a word." According to Gerard Gayot, a current Masonic "expert" from the University of Lille, the Grand Orient of France defined the following limitations of democracy for their Order, during the French Revolution: "No one will be accepted who is a man of abject or vile profession, rarely will an artisan be accepted, even if he is a master, most of all in the places where corporations and communities have not been established. . . . Never shall we accept workers identified as companions in the arts and crafts." Freemasonry was accessible only for those who were of high birth, high merits, or high revenues.<sup>9</sup> So much for the noble idea of *equality*.

When Orléans was introduced to the highest order and was initiated to receive the degree of Kadosch Knight, he was submitted to the following ritual, as Montjoie reports:

First he was brought to an obscure room in the back of which there was the representation of a dimly lit grotto where bones were displayed and a mannequin was standing, all dressed up with the ornaments of royalty. Next to it stood a double ladder.

When Louis-Philippe-Joseph was introduced by five brothers, he was told to lie on the ground, as if he were dead. In that position, he was told to recite all of the grades that he had received, and to repeat all of the oaths that he had made. He was then given a detailed description of the grade he was about to receive, and he was told to swear never to reveal anything of this to any Knight of Malta. After this ceremony, he was told to get up and to climb to the last step of the ladder, and then let himself fall off. He obeyed, and everyone clamored that he had risen to the *Nec Plus Ultra* of Freemasonry.

Immediately after his fall, he was given a dagger,

9. *La franc-Maçonnerie a-t-elle inventée la Révolution Française? Entretien avec Gérard Gayot. Re. La franc-Maçonnerie française. Textes et pratiques (XVIII et XIX siècles)*, Gallimard, Coll. "Archives," 1980. Two important documents on the role of the Freemasons and the French Revolution were written by Abbé Augustin Barruel, *Mémoires pour servir à l'histoire du jacobinisme*, à Hambourg, Chez P. Fauché, 1798, and Abbé Jacques François Lefranc, *Le voile levé pour les curieux ou les secrets de la Révolution révélés à l'aide de la franc-Maçonnerie*, 1791.

For the record, it is important to note that during the years preceding the coup d'état of the Bastille, Bailly had joined the Freemasonic lodge of the Nine Sisters (les Neuf Soeurs), which had been created with the collaboration of Benjamin Franklin, and had become known as the champion of "philosophy," the secret enemy of the Grand Orient Lodge of the Duke of Orléans. Founded in 1779, the lodge of the Nine Sisters included an impressive number of individuals such as Bailly, Michel de Cubières, Nicholas Fallet, Joseph-Jérôme de Lalande, Abbé Cordier de Saint-Firmin, Pierre-Nicolas Le Changeux, Jean François Cailhava, Charles-Georges-Thomas Garnier, Chauvet, Evariste-Désiré Desforges de Parny, Court de Gébelin, Benjamin Franklin, Voltaire, Condorcet, Roucher, and Guillotin. Later associates of Bailly were Desmoulin, Chenier, Pétion, and Sieyès. Most of their meetings were held at Notre Dame d'Auteuil, as Franklin called Mme. Helvetius' home. From Edwin Burrows Smith, *Jean Sylvain Bailly, Astronomer, Mystic, Revolutionary*, The American Philosophical Society, News Series, Vol. 44, Part 4, 1954, p. 467.

and he was ordered to give a blow to the crowned mannequin, which is what he did. A liquid in the color of blood squirted out on him and dripped onto the floor. He was further told to cut off the head of the figure, and to hold it up with his right hand, and hold the dagger soiled with blood, in his left hand, which he did. Then it was revealed to him that the bones he saw in the grotto, were those of Jacques de Molai, Grand Master of the Templar Order, and that the man whose blood he had spilled, and whose head he was holding in his right hand, was Philippe le Bel, King of France. He was furthermore instructed that the sign for the grade to which he was being promoted consisted in putting his hand on his heart, then extend it horizontally, and then let it fall on his knee, indicating that the heart of the *Kadosch Knight*, was ready for revenge. Then he was shown the secret handshake of the *Kadosch Knight*, which is done by shaking hands in a stabbing gesture.

Montjoie remarks that this was the Duke of Orléans' initiation to cruelty; and that his slaying of the mannequin meant the assassination of Louis XVI.

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## 4. The Famine Conspiracy

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The Duke of Orléans developed a plan based on three simple underlying assumptions: 1) If you cannot trust the leaders to feed you, you cannot trust them to govern you; 2) Hunger will convince the people to arm themselves against the King and his ministers; and; 3) The people will embrace whoever usurps power and gives them the food. Simple, diabolical, deadly!

On July 13, 1788, France had experienced the most devastating hailstorm in its history. Its most fertile lands were devastated, and the Duke of Orléans took full advantage of this natural calamity to acquire the remaining grain that was stored in France, and ship it to England! The Marquis of Ducrest, Orléans' s chancellor, was sent to England to oversee the operation. Orléans had no legal difficulty in accomplishing this diabolical deed, since the Finance Minister, de Brienne, had signed a free-trade agreement with England that allowed an unlimited amount of grain to be exported into that country. The Duke of Orléans' ability to control this crucial food resource, and to take advantage of the British free-trade policy, was at the center of his overall plan to usurp the throne of France.

Orléans devised the following scenario to bring down the kingdom of France, as Montjoie reports:

He imagined he could take over the entire nation of France; by gaining hegemonic control over the food of the entire nation, by producing a general famine; by organizing so well his intrigues for that purpose, that he would be able to persuade the people that the govern-

ment was solely responsible for such a terrible calamity. He found also in that scheme of starvation, the evil opportunity to push the inhabitants of the cities and the countryside into despair, and then to lead them from despair to insurrection. Furthermore, if he could gain total power after the destabilization brought about by the famine, he would be assured to maintain himself in this usurpation, by means of reestablishing abundance.

Orléans thought his plan was foolproof. First, take over the monopoly of grains and wheat throughout the French countryside. For that purpose, he hired an unscrupulous exchange agent by the name of Pinet, who was in charge of receiving and authorizing all funds to buy up grain. Pinet had organized, in July and August of 1788, a national network of buyers who would pay what the producers offered. A formidable sum was provided initially by the vast resources of Orléans; then Pinet devised a loan scheme in which he invited thousands of lenders to lend money at 30, 40, even 75% interest. Orléans was willing to risk an initial loss, confident that once the famine hit with full force, in a few months, he would make a fortune by reselling at the highest price.

Most investors asked no questions about what the money was for; those who committed the indiscretion of asking, were not permitted to participate. The scheme was immensely successful, and Orléans managed to buy the majority of the grains that were not affected by the devastating hailstorm. Meanwhile, his British agent, the Marquis of Ducrest, brother of the Marquise of Sillery, was in England organizing the fleet of the British East India Company to ship the French grains offshore to the Channel Islands of Guernsey and Jersey. It was too risky to store the French wheat in England, because such an attempt would have raised suspicions. British reporters began to write articles in French newspapers about how the English people, wary of the possible French famine, decided to stock up on their own reserves for the coming Winter.

Ducrest was allowed to bring back into France only the amounts of wheat that Orléans told him to. This whole affair was conducted with great secrecy; Finance Minister de Brienne was blamed, and was told to leave the country in August 1788, by which time the price of bread had skyrocketed everywhere. Of course, the King and the government were accused of being responsible for this disaster, and found themselves incapable of explaining the truth of the matter. Troops were put on alert everywhere, and brought into Paris to protect the marketplaces. Montjoie, who was an eyewitness to these troubles, wrote:

These alarming precautions were taken merely to prevent the pillage of grains while the emissaries of Orléans were encouraging the population to loot. The same men were circulating, in the most perfidious fashion, the lie that the Court, for reasons that we shall soon reveal, had exported to England all of the wheat of France, and that it was the Court that caused the famine

that was beginning to be felt. Everybody was putting the dogs on the wrong scent and was blaming the Court for the crime that had been committed by Orléans. Never was such an abominable maneuver ever imagined; and never was it conducted with more ability.

Some time prior to 1789, the Duke of Orléans had been recruited to British intelligence by Lord Shelburne, Lord Stanhope, and Doctor Price, who created with him the Society of the Revolution. This was the Jeremy Bentham-run British intelligence wing of the Jacobin society that helped organize the French Revolution, and whose purpose was to establish similar revolutionary groups in England, Ireland, and Scotland. The political wing of this Orléans network was represented in government by opposition party leader Charles James Fox, the opponent of William Pitt the Younger. Orléans' plans were totally in accordance with the Court of St. James strategy to destroy France. Orléans' most important asset from the higher ranks of the British oligarchy was John Frederick Sackville, Duke of Dorset, Ambassador Extraordinaire of King George III to France, in 1789.

The following incident reveals how the famine created by Orléans was orchestrated with the witting complicity of the King of England himself.

In May 1789, the news had been circulating all over Europe that England had secured an extraordinarily large reserve of grains. Faced with the severe shortages in France, Louis XVI personally wrote to a minister at the Court of St. James, asking the British government to sell him a very modest supply of 20,000 sacks of wheat. The minister replied that he could not take that decision upon himself, but that he would plead with Messrs. Pulteney, Walson, Wilberforce, and Major Scott, telling them that this good-neighborly gesture would go a long way to improve relations between the two countries. Immediately, William Pitt the Younger sounded the alarm in Parliament and, after some debates, requested that the export request be forwarded to the King's Privy Council. The Privy Council decided to establish a parliamentary commission to study the proposal, and ultimately the request was denied.

Montjoie wrote: "Not only was this help rejected, but the refusal was so harsh that a strict rule was further passed against any contraband, or any fraud that might elude this edict. Thus, the British, stuffed with our grains, mercilessly refused this poor Louis XVI a slight portion of the sustenance that they had stolen from his own people; this rejection simply added to an already ravaging famine, and it was from that situation that the insurrection of July 14 emerged, and the heinous crimes of October 5 and 6."<sup>10</sup> It was only in October 1789, that the Duke of Orléans decided to selectively repatriate some of the grain from England.

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10. Montjoie, op. cit. Vol. III, p. 27. The crimes of Oct. 5-6 relate to the assassination attempt against Queen Marie Antoinette by the Duke of Orléans; an action which would cause the King to force Orléans to be exiled to England.

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## 5. The Necker-Orléans Bastille Coup

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Further historical evidence that the storming of the Bastille was a coup d'état has been provided by Antonio Capello, Ambassador of Venice to Paris, in July 1789. His recently published dispatches indicate that the Venetians were well informed of the British-Jacobin operation in France, and that Capello was briefed regularly by the Duke of Dorset, Ambassador of England to Paris. Capello reported to the Doge that, indeed, it was the Swiss-British agent Jacques Necker, Minister of Finance, who had planned the insurgency of 100,000 foreign troops against Paris, as a strategy of tension in preparation for the storming of the Bastille. In turn, this Bastille coup d'état became the smokescreen aimed at overshadowing the historic Tennis Court Oath of June 20, 1789, which had established the authority of the National Assembly founded by Bailly and Lafayette, in agreement with the principles of Benjamin Franklin's American Revolution.

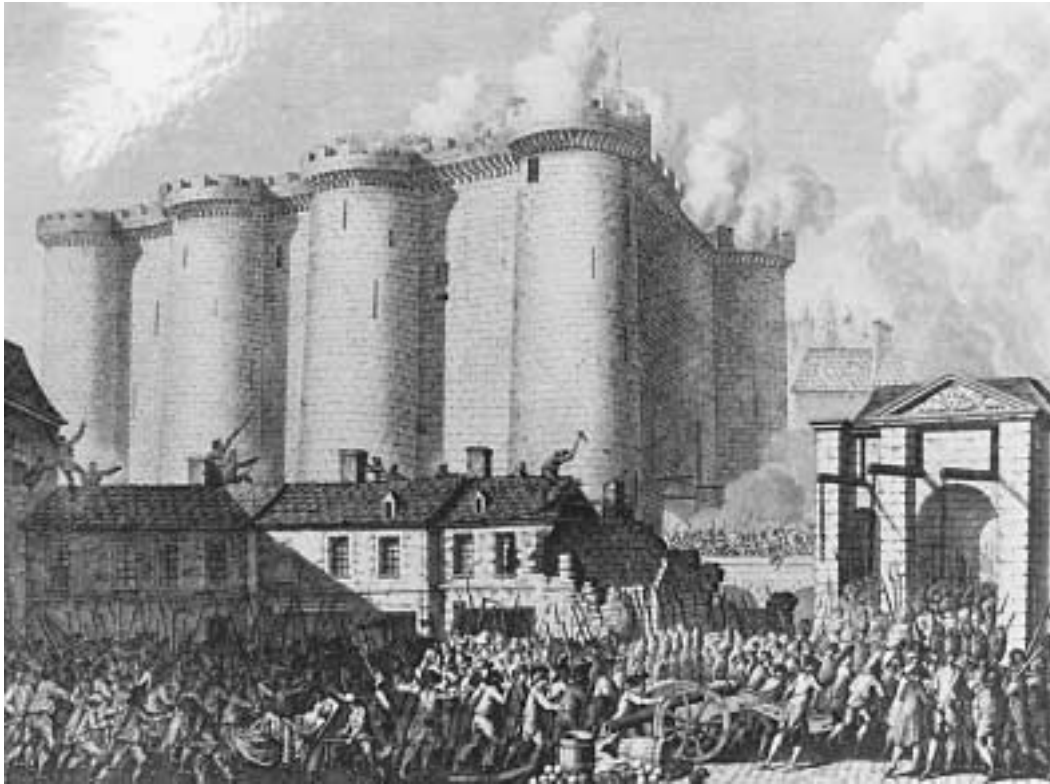
The intelligence reports from Capello show clearly that he was aware that the uprising was not spontaneous, and that there existed a carefully laid plan behind the storming of the Bastille. On July 20, 1789, Capello sent the following revealing Dispatch No. 189:

Never was there a revolt against a sovereign which had been better conducted, never was so little blood shed, and never had a revolt been terminated so rapidly. . . .

The reason for the rally of these troops surrounding Paris, and at Versailles, was no longer a mystery: The aim was to give military support to the exile of Necker, force the dissolution of the Estates General, and declare national bankruptcy. . . .

Without any resistance, a great quantity of guns and ammunition were taken, as well as a great quantity of flour which had been stored there [the Invalides Hospital] for the soldiers. From there, they [the Parisians] went to the Arsenal, where they took everything they could find; thus, armed with rifles, cannons, and gunpowder, under the direction of the French Guards, the order to storm the Bastille was given, because one is not master of Paris unless he is master of that castle. Mr. Delaunay, governor of the Bastille, had already received the order to defend himself with his soldiers and to fire on the people: He had already been assured of receiving, within twenty-four hours, a reinforcement of 10,000 men through underground passages that extended up to five miles. . . .

The fatal plan of the ministry, the which had failed momentarily, was conceived like this. In the night of Monday, between the 13 and the 14 of this month [July], the plan was to bring troops into Paris, by fire and sword through Montmartre hill, with the intention of creating a terrible massacre, such that the citizens would have



*The Bastille fortress, July 14, 1789. This date was proclaimed as France's national holiday—yet the events surrounding the Bastille were a coup d'état organized by the British.*

been prepared to defend themselves with cannons and rifles, since the entire city would have been given arms: Barricades had been erected to stop cavalry charges, and even the women had assembled in the houses a huge quantity of rocks and heavy boards to throw down at the soldiers. In one district, a motion was introduced, which was fortunately rejected, and which proposed that the blood princes and the ambassadors form, as it were, an initial front line in order to stop the enemy troops; you will find enclosed a copy of that motion. However, the fear which prevailed at Versailles was that a hundred thousand armed Parisians were expected to attack the King's Palace. The storming of the Bastille thwarted the plan. So many defensive means had been deployed, so quickly, the defection of a non-negligible part of the troops which were sent to the city, all of this made it clear that the ministry's plan was impossible to execute, and that there were not enough troops to send against twenty million unified subjects.

In view of these disasters, the National Assembly sent, on that same Monday, a deputation to the King to explain the horrible situation in the capital, imploring him to withdraw the troops.<sup>11</sup>

11. *Venise et la Révolution Française, Les 470 dépêches des Ambassadeurs de Venise au Doge, 1786-1795*, Edition Etablie par Alessandro Fontana, Francesco Furlan et George Saro, (Paris: Editions Robert Lafont, 1997), p. 305. Although Capello lied by insinuation about the "secret council" of

If one pays attention to the *intention* here, the truth is easily unravelled. Just by lifting slightly the veil of Capello's dispatches, it becomes evident that fear was the manipulating element on both sides of the irregular warfare operation: On the one hand, Necker and Dorset created a panic in Versailles where the King expected the assault of 100,000 enraged Parisians; on the other hand, the Duke of Orléans created a panic in the half-starved Paris population with the invasion of 100,000 foreign troops, presumably under the King's order; and then, the unexpected diversion: the Bastille. After he had become Mayor of Paris in 1790, Bailly reportedly said to the King that the famine of that year had been orchestrated by the Duke of Orléans: "I did not hide the fact from him that the famine had been more or less fabricated. . . ."<sup>12</sup>

### **Orléans' Assassination Attempt Against The King**

In his account of the Orléans conspiracy, Montjoie reports that during the first few days after the storming of the Bastille, everything had been readied for the Duke of Orléans to take power, and that even Necker had been literally bought by him:

Bailly at the National Assembly, and about Lafayette and his Paris Militia involvement in the storming of the Bastille, and made the stupid Romantic judgment that the storming of the Bastille was "a noble revolt," he nonetheless revealed the truth about the well-conducted plan and the role of the ministry.

12. Seriyes and André, *Anecdotes inédites*, 40, quoted by Smith, op. cit, p. 514.

This idea, that Necker was the only one who could regenerate France, was thrown to the public by the party of Orléans, with such zeal, and with such success, that it became the dominating idea. The third estate, the clergy, and the nobility, all of the bodies, and what is scarcely conceivable, even the Parliament itself, which had grave causes of discontent with this man, all feverishly desired to see Necker reinstated as the head of the finances. Necker, who did not ignore the fact that this general favor was primarily owed to Orléans, saw himself pushed by gratitude into the faction of that prince who looked upon him as his creature, and concurred that in all opportunities, he could count on his devotion.”<sup>13</sup>

So, what went wrong? Why did the Duke of Orléans not come to Paris, the day after the storming of the Bastille, and claim his crown as planned? The day had been fixed, the moment had been chosen, the multitude of the people were in the streets, clamoring for him. On July 12, the two busts of Necker and Orléans were paraded in the streets of Paris, with chants of “Long live Necker, long live the Duke of Orléans!” yet Orléans was nowhere to be seen. The Count of Virieu reported that, on July 17, he was told by a Parisian that “the National Assembly was in danger, and that if there was an attempt on any of the deputies’ lives, the majority of the population was ready to proclaim the Duke of Orléans, either as protector of the nation, or as lieutenant-general of the kingdom.”<sup>14</sup>

Paris was in a state of convulsion; yet the leader of the mob was not there. Even the Duke of Aumont, a peer of the realm, who appeared to be ignorant of the Orléans conspiracy, proposed to lead the people himself, but without succeeding. The population applauded him, but the electors of Paris, paid by Orléans, refused to grant him the signed authorization to become the commander in chief of the Paris armed forces. Still, Orléans did not show up. Where was he?

The answer is simple. Orléans had gone to Versailles on the morning of the 15th, to ask the King for a safe passage to England! Orléans said to the King: “Sir, I come to implore Your Majesty to let me make a trip to England, in the eventuality that the situation becomes more troublesome than it is already.” The King simply shrugged his shoulders.

Montjoie estimates that the Duke of Orléans was too much of a coward to show himself in Paris after the storming of the Bastille. However, this is not true. The fact is, that Orléans was plotting to have the King assassinated. Orléans went to see the King to create an alibi for himself. The killing of the King was absolutely necessary, because there was no possible way that Orléans could even become lieutenant-general of the kingdom, as long as the King was alive. Louis XVI had to

be put out of the way.

Then, on July 17, when the King’s carriage reached Paris, at Place Louis XV, and was prepared to turn in the direction of rue Royale, a loud fanfare welcomed him by playing the popular song, chosen by Bailly himself, and entitled: “Where Could We Be Better Than Within Our Family?” Montjoie reports the following dramatic sequence that occurred at that moment:

An assassin posted by Orléans beyond the river, mounted on some construction material which had been put there for the erection of the Louis XVI Bridge, and armed with a rifle of extraordinary caliber, took a shot at the King’s coach. From that distance, and in the midst of all of the noise of the crowd and of the musicians, no one heard the shot. The bullet came from behind the King’s coach, passed above two armed bourgeois who were standing on the left side, and hit a woman located behind them, who had raised herself in order to better see the King. This woman, between 30 and 35 years of age, and of a large stature, was named Anne Felicite Jacquelin Duprateau. She came to the ceremony with two of her friends, one of whom was an ecclesiastic. The unfortunate woman fell into the arms of these two men. As she fell, she put her hand to her breast, and uttered in a muffled voice: *I have been hit*. She expired four minutes later.<sup>15</sup>

According to Montjoie, the cadaver of this unfortunate woman was later examined by two doctors affiliated with the Chatelet tribunal, Dr. Sallin of the University of Paris, and Dr. Rufin, a local surgeon, who carried out the autopsy. The angle of penetration of the bullet and its large size confirmed the assumption that the assassin had used a rifle of special caliber, and that the shot came from slightly above the crowd, and from the other side of the river. An immediate investigation was undertaken, but as soon as it became known that Orléans was behind the coup, the whole affair was silenced.

Had the King been killed, and the Dauphin, the Count of Artois, and Queen Marie Antoinette been forced into exile, as was planned, the Duke of Orléans would have had a legitimate claim to force a change in the reigning dynasty, since Philippe, Duke of Anjou and King of Spain, had renounced the French crown by treaty. No one could have stopped him from becoming the *Jacobin King*. It was only later that the National Assembly passed an edict maintaining the dynasty of Henry IV and Louis XVI by declaring: “The throne is indivisible, and the crown is hereditary from male to male. . . .”<sup>16</sup>

The Venetian Capello further identifies the full special operations capabilities of the Duke. In his Dispatch No. 203,

13. Montjoie, op. cit., Vol. III, p. 27.

14. Montjoie, op. cit., Vol. II, p. 69.

15. Montjoie, op. cit., Vol. II, p. 83-84.

16. Montjoie, op. cit., Vol. II, p. 136.



*King Louis XVI. On the left, he is shown arriving in his coach in Paris on July 17, 1789, just after the assassination attempt against him. Bailly, the city's new Mayor, is handing him the keys to the city. The shots against the King were fired from across the river, from the area shown in the background of this engraving.*

dated Oct. 19, 1789, Capello writes to the Doge:

We have discovered, during the investigation surrounding the last troubles that I mentioned to you, a conspiracy organized by the Duke of Orléans, which shows that his promotion of the cause of the people was made only with the purpose of furthering his own evil designs. I will give you a more exhaustive report about the conspiracy of this perfidious prince as soon as I am able to do it with full knowledge of the situation. For the time being, it seems to me that when he became cognizant of a plan projected by the Queen, and according to which the King was to leave Versailles to be transferred to Metz, before he is forced to live in Paris, this first blood prince prepared an assassination of the King and his royal family during the trip, and later, in the middle of a revolt being prepared to blow up in Paris, he would get himself nominated lieutenant general of the kingdom. The sacking of a large part of the capital was to become the reward for the conspirators. The Duke of Orléans spent considerable amounts of money hiring soldiers in secret, and creating a party. We have discovered an arsenal of munitions of dual ball cartridges,

and we have discovered that an arms manufacturer had already been contracted to produce, just by himself, fourteen thousand rifles. The commanding officer, Marquis de LaFayette, was to become the first victim. An infinite number of houses, which had been condemned to be burned, were already identified and, among them, in violation of the rights of people never seen among the most barbarian peoples, were located the houses of the three Ambassadors of Sardinia, Sweden,<sup>17</sup> and of Malta. The depositions of many people who were arrested have clarified everything, and have revealed the names of the chief perpetrator and of his accomplices. All necessary precautions have been taken: The national militia and the regular troops were activated without interruption and no one was permitted to leave Paris until the day before yesterday. However, since it would have been dangerous, in the middle of such turbulent events, to inflict upon the Duke of

17. Necker's daughter, Madame de Staël, was married to the Ambassador of Sweden, and lived in one of those houses. The Staël family was going to be well compensated for providing such a cover, showing that the Necker family had been a victim in the operation.



Orléans the punishment that he deserved, not withstanding the fact that, being a member of the National Assembly, his person was considered inviolable and sacred, the decision was made to send him away. To cover this up, a special commission was devised as a pretext, and the King sent him on a mission to the King of Britain.<sup>18</sup>

Capello also confirmed that the Palais-Royal of the Duke of Orléans had been, during this entire early period of the Revolution, “the true center of ferment. The Duke of Orléans, who is the proprietor, has now gained great popularity by supporting the cause of the people, but his intentions are suspect. . . .”<sup>19</sup> All of the above is extensively corroborated by Montjoie who asked: “Was it acceptable that the palace of the first blood prince [Orléans] be transformed into nothing else but a series of taverns, of places of debauchery, of game arcades, and become the rendezvous for all of the vagabonds, the rascals, and prostitutes of the capital?”

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## 6. How Bailly And Lafayette Became The Leaders Of Paris

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Bailly had been asked to write the speech that the King was to deliver on the morning of July 17. However, the King did not use the speech written by Bailly, which had probably called for him to announce officially that he was the hereditary representative of the nation, and that he was one with the National Assembly. Bailly had been urging the King to fully embrace the new constitutional monarchy, and renounce the idea of absolutism. Although the King would not do it, he did for the first time give public recognition to the National Assembly, by name, and responded, although a bit late, to

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18. *Venise*, op. cit., p. 344. Furthermore, Capello confirmed that Count Mirabeau was the Duke of Orléans’ most important asset, at the National Assembly. That explains how Mirabeau was able to “foresee” a number of events which were about to occur. The top collaborators and co-conspirators of the Duke of Orléans were Count of Mirabeau, Duke and Duchess of Aiguillon, Duke of Biron, Duke of Crillon, Baron Montesquieu, Barnave, Laclous, Dubois de Crauce, Valence, Général Dumourier, the Lameth brothers, Marquise of Sillery, and Baronne de Staël, the daughter of Necker.

19. *Venise*, op. cit., p. 301. Clearly, Capello understood what the plan of the ministry was, and what the real nature of the Duke of Orléans’ actions was, and he had a fairly accurate conception of the French Revolution, which he divided up into five different factions: 1) “the republicans who want a republic, one and indivisible”; 2) the “federalists, who want a Swiss type of federation”; 3) “the royalists, who want a parliamentary monarchy, like in Great Britain”; 4) “the aristocrats, who want the old regime back”; and 5) the “Marat faction, which wants the sovereignty of the people, without ever enunciating clearly how it should be exercised.” Obviously, Capello had no view on the “American faction” of Bailly and Lafayette, whom he might have put into the “federalist” or the “royalist” faction. On Nov. 19, 1893, Capello reported on the executions of both the Duke of Orléans and of Bailly, who were guillotined only four days apart.

Bailly’s call for removing the troops from Paris and Versailles. The King said:

So, it is I who am but one with the nation, it is I who am counting on you. In this circumstance, help me guarantee the safety of the State. I expect it from the National Assembly; the zeal of the representatives of my people, assembled for the common safety, is to me a sure guarantee; and, counting on the love and fidelity of my subjects, I have given orders for the troops to leave Paris and Versailles.<sup>20</sup>

As the German poet Friedrich Schiller might have said at this point: “The King was too ‘little,’ and too late.” The *punctum saliens*, the dramatic turning point, had passed. Had the King been a stronger and wiser leader, he could have stopped the bloodshed of the previous day, and could have identified himself *constitutionally* with the National Assembly. He chose not to do so. That is how the crisis could have been turned into an opportunity. By maintaining his *absolute-ness* against the nation, the King was sending the wrong message, and was confirming that he intended to remain within his *old fatal axioms*. The King had this one last chance to solve the *French paradox* of a republican monarchy. In other words, the retreat of the royal troops and the arming of Lafayette’s militia, on Monday the 13th; the Bastille secured without Delaunay, on Tuesday the 14th; and the King declaring himself the first representative of the National Assembly, on Friday the 17th: These three crucial actions, recommended by Bailly, could still have turned the Bastille coup d’état into what Schiller described as “a great moment in history.”

On the 17th, a deputation, including Bailly and Lafayette, left the National Assembly in Versailles to go to Paris, where the population was awaiting the news of the latest developments. They were received triumphantly at City Hall. With the news that the King had endorsed the National Assembly, Lafayette spoke before the entire body of the electors and the people assembled, and stated: “The King had been deceived, but it is no longer the case; he knows of our calamities, and he knows them so that they will never happen again.” Bailly and Lafayette were acclaimed as heroes. Someone cried out that Lafayette should become the Commanding Officer of the Paris Militia. When Lafayette accepted, another voice called for Bailly to become Provost of the Merchants, and then, a third voice added: “No, not Provost of the Merchants, rather Mayor of Paris!” The crowd took up the cry, and Bailly, weeping with emotion, said that he was not able to fulfill this honor. Bailly was nevertheless voted Mayor by acclamation.

At the news of this nomination, John Bondfield, merchant and United States commercial agent at Bordeaux, wrote to Benjamin Franklin: “Your friend Mons. Balli [sic] is chief

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20. Bailly, op. cit., Vol. II. p. 5.

magistrate of Paris; the Marquis de Lafayette General and Commander in Chief. . . . I am satisfied that you will be elated at the liberal sentiments that appear to reign. You will see in our archbishop's report that they are not innocent of the proceedings of America which they quote as models. . . ."<sup>21</sup>

Immediately after this nomination, Bailly was uncertain as to whether he had been legally chosen. He stated: "My course was to keep calm and reserved. The office was new; there were no established forms. It was not for me to regulate them or establish them. My role was to wait." Bailly wisely went to the National Assembly to get his nomination ratified. His announcement was enthusiastically confirmed and voted on immediately. Still uncertain, Bailly went to the King to ask for his approval. Similarly, deputy Clermont-Tonnerre, on the same day, asked the King, in the name of the National Assembly, that both Bailly and Lafayette be confirmed in their nominations. The King approved them both.

Bailly further exemplified the democratic process by demanding that the Electoral Assembly of the City of Paris invite the representatives of the districts to assemble and deliberate on his nomination and that of Lafayette. On July 21, Bailly's election was ratified by 55 of 60 districts of Paris. Strengthened by this powerful mandate, Bailly then knew that he could force through the required reforms in this time of crisis. The *Journal of the Estates General* wrote: "Observe how man is the product of circumstance. Known for a history of astronomy, M. Bailly, destined to end his days in a peaceful armchair at the Academy, finds himself today thrown into the storms of a revolution. . . ."<sup>22</sup>

As Mayor, and with the mandate of the districts, Bailly considered that he now had a legal basis of authority, and set out to reform the city's administration, creating public works and special infrastructure projects. On behalf of the City Council, Bailly submitted to the National Assembly a project for the construction of canals connecting Paris to the Marne River, all the way to the Atlantic near Dieppe. The canal linking Marne to Paris was to promote internal navigation and to create much-needed employment for the Paris population. Numerous projects within the city were started, such as building bridges, expanding streets, and building sewer systems, thus providing jobs for a lot of Parisians. Over 17,000 men who had been attracted into Paris as vagabonds were sent back to the provinces in land clearing projects in the Champagne and Medoc regions. As for the Marne-Paris canal, it was finally begun in 1799, and was completed within three years.

Bailly immediately got the Electoral Assembly to authorize the demolition of the Bastille fortress. On the one hand, this gave people work and wages, and on the other, it diverted

the rage of the population away from pillaging the city and directed their destructive impulse toward breaking the stones of the hated fortress, as opposed to breaking the law. The work began in earnest on July 16, two days after the fortress had been taken.

Meanwhile, Lafayette had organized the Communal Assembly to authorize a 20-cent daily wage for the National Guards. The problem of provisioning the National Guards in a city that could barely feed itself was a very difficult one. A military committee was appointed to supervise the administration and provisioning of the guards under the high command of General Lafayette. The National Guard was acting as the executive arm of the police department, which had the responsibility for maintaining law and order under the authority of Bailly. This is how Bailly and Lafayette kept close contact with each other through relaying police orders to the guards.

The following letter of Bailly to Lafayette, dated Sept. 3, 1790, is exemplary of their spirit of collaboration for the security of the capital:

I believe, my dear friend, that it is desirable, as I told you yesterday, to show an imposing force, so that order will be reestablished. . . . I hope that, if there is any disturbance today, you will find it opportune to come and see me in order that we may make dispositions in concord. It is not only for form's sake that I ask you this; you know I depend upon you. . . ."

On July 25, 1789, Bailly created a Communal Assembly with the sole purpose of drafting the municipal constitution. Bailly further increased the policing of the city for which he encountered the greatest criticism. He intervened against the local Orléans mafia, which had increased prostitution, gambling, and pornography. Bailly strictly enforced the law and cracked down on the debauchery that went on in Paris. In such moral matters, he would not delegate his powers either, as he was so often asked to do.

Bailly was severely criticized by the Jacobins for centralizing his power. During the two years that he was Mayor, Bailly fought the leftist tendencies that the Jacobins were spreading. Bailly required that the very real responsibilities and duties of a Mayor be matched with equivalent powers to execute, which did not in any way entail a repudiation of the principle of representative government.

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## 7. How Bailly And Lafayette Saved Paris From The Famine

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The food crisis was the most critical problem of Bailly's administration. For over a year, since the hailstorm of July 13, 1788, the Orléans conspiracy had taken its toll on the city,

21. *Collected Papers of Benjamin Franklin*, American Philosophical Society.

22. Gene A. Brucker, *Jean-Sylvain Bailly, Revolutionary Mayor Of Paris* (Urbana: The University of Illinois Press, 1950), p.16, quoting the *Journal des Etats Généraux*, I, no, 8.



*Benjamin Franklin and his friend the Marquis de Lafayette. When Lafayette was named Commander of the Paris Militia, and Bailly Mayor of Paris, the U.S. commercial agent in Bordeaux wrote to Franklin, "Your friend Mons. Balli [sic] is chief magistrate of Paris. . . . I am satisfied that you will be elated at the liberal sentiments that appear to reign."*

and Bailly's first and immediate objective was to secure wheat and bread delivery for the population. Although he had to deal with an empty Treasury, an armed populace which was restless and largely unemployed, a poorly provided militia, and a paralyzed legal system that was aggravating an already overcrowded prison system, Bailly knew that Orléans had manipulated the grain markets, and that he was fighting him by all means put at his disposal, to feed Paris. He spent the entirety of the 1789-90 period striving to increase administrative efficiency to solve the famine problem. The specter of renewed violence caused by the lack of food was like a Damocles sword hanging over his head during the entire Summer and Fall of 1789. Brucker describes the situation as follows:

Bailly and his harassed assistant fully realized that the end of unrest and the reestablishment of law and order depended to a great extent upon their efforts to ward off famine in Paris. For months the city had lived on reduced rations, as a result of the poor wheat harvest of the year before. Provisions for 800,000 inhabitants had been obtained largely from foreign sources through Bailly's exhortations of Necker and the royal government. The crisis in July disrupted the machinery which had been established to feed the city, and almost immediately, Paris was faced with a severe food shortage.

Two days after the storming of the Bastille, the Electoral Assembly established a committee of subsistence which was given full control over buying and distributing grain. The next day, Bailly met with the group and scarcely left the committee for the next three

months. The work that Bailly and his assistants performed during this crucial period was one of the brightest spots in his administration. Working day and night, the small group of men were faced with a constant crisis, and for two months there was never more than one day's grain supply on hand. Every possible source of supply had to be investigated; Bailly's correspondence with Necker teemed with suggestions for locating a few more bags of wheat to ward off hunger and revolutionary disorder for another day.<sup>23</sup>

The record shows how it was Bailly's courage and tenacity, in his efforts to save Paris from the famine, that prevented another insurrection. As Mayor of the Commune of Paris, Bailly had suddenly become responsible for the general safety of the population. Deputies and City Council members were sent in every city across France to purchase whatever grain could be found. Bailly even had to negotiate for foreign purchases, and made sure that the grain sources would be open, that the convoys would be protected. He would authorize members of the provision committee to negotiate with merchants from Hamburg, Sicily, Naples, Sardinia, even Africa. He would encourage bakers to go out of town, and make their own purchases.

However, by mid-August 1789, the food shortage had reached its peak, and the failure of one day's delivery could have become the spark for an insurrection. As Bailly reported:

23. Brucker, op. cit., pp. 41-42.

“The anxiety about the supplies was always used as a means of scaring the population into serving another purpose.”

On Aug. 19, Bailly reported that the convoys of grain were servicing both Paris and the city of Versailles, in proportion to their respective population sizes. Every day, he required for Paris alone, 1,600 sacks of wheat, just for bread. On that day, Bailly received the request to increase the portion for Versailles, since it only had three days’ reserve left. Bailly sent a message back saying that Paris never had a reserve of more than a day for the last two months, and on this day, Paris had no reserve at all left for the next day.

Here is the entire account that Bailly gave of the next day, Aug. 20, 1789:

Today was a second day of anxiety in a row that I had to endure in securing provisions for Paris. M. Virion, commanding officer of Bazoche, posted in Saint-Germains-en-Laye for the safety of the convoys, came to tell me that a dragoon detachment from Versailles, which was in charge of escorting the grain to that city, had forwarded a great number of grain carts that were absolutely essential for the next day in Paris. He added that after going to Versailles to correct that mistake, he was told that they would willingly let the grain go, except that when the carts got to town, they were immediately emptied, and there is no way to recoup them without exposing ourselves to the revolt of the people. I did not hesitate for one moment; this was the equivalent of telling us to expect famine for the next day. I did not want to write to Necker, because my letter would have been too strong; so, I sent two members of the provisions committee, M. Dussault and M. de Leutre, to meet with Necker in Versailles, and explain to him our situation, and to insist that the carts must be sent immediately, and to further let him know that if the grain is not in the Halle [in Paris], this very night, I would assemble the battalions in the morning to let them know of this state of affairs, and that there was every reason to believe that 30,000 armed men would go and get them. At the same time, I cautiously gave orders to M. Virion to direct toward Paris the other provisions that were destined for Versailles that night, and to arrange for their replacement with those that would follow. He had an infinity of business and intelligence to attend to; he actually succeeded in sending me 16 carts that arrived at 8 o’clock in the morning; but on top of that, the carts that were diverted toward Versailles were immediately returned, and M. Necker was not surprised and was not upset with my determination, perfectly normal in such a dangerous situation. I succeeded in getting recognition for the services of M. Virion by getting him promoted lieutenant in the national cavalry.

I give this extensive dramatic account by Bailly of the situation, to show that it was for this reason that he had been nominated Mayor of Paris, and Lafayette had been made commandant of the Paris militia. They were the only two leaders who could be counted on to guarantee the food supplies to the capital. Any other leader would have failed, and another Orléans plan for an uprising would have succeeded.

Lafayette’s role in saving Paris was just as indispensable. On Sunday, Aug. 23, Lafayette proposed that the Assembly decide to equip and arm the volunteers of the National Guards. This was not a small thing, since the cost was about 50 pounds per man, and there were 24,000 men, for a total of 1,200,000 pounds. Bailly wrote:

But, one must consider that the establishment of the citizens’ National Guard was essential; the safety of Paris, the protection of the National Assembly, and of the King, the constitution, and freedom depended on it, the historical development proved the point. There was not one moment to hesitate. This armament could not have succeeded without the immediate authorization of the assembly; otherwise it would have taken a long time: it was helping the citizens who had to pay for the uniforms. Today, we would probably not make this expenditure without consulting the different sections of the Commune; but, then we had to do the good, and do it without delay; that is the case where administrators have to think and decide on their feet.

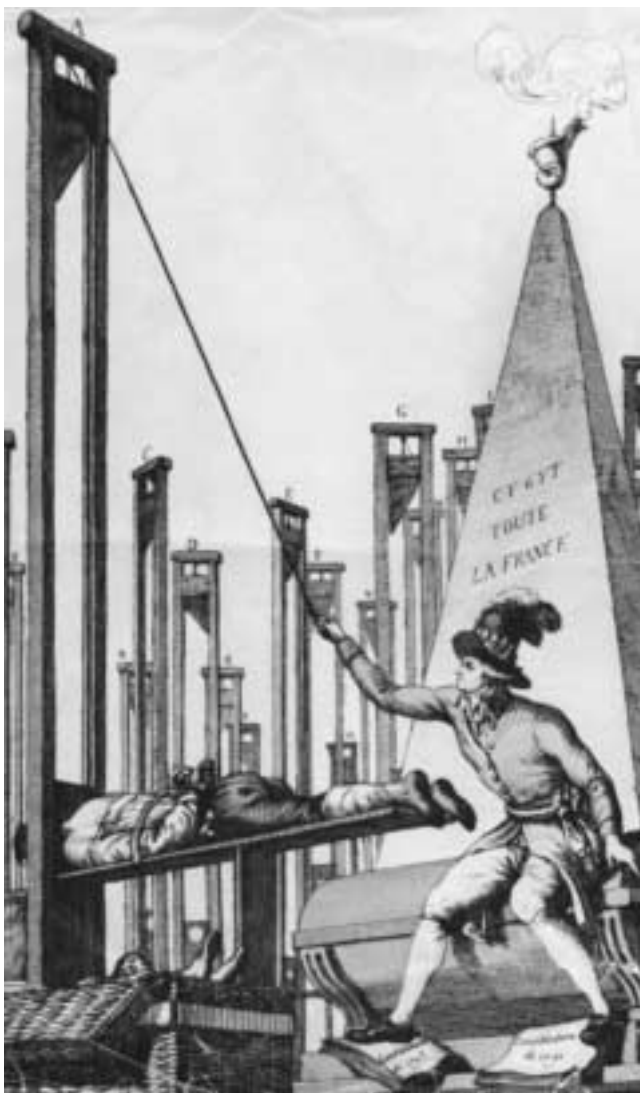
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## 8. The Mysterious Death Of Pinet And The Exile Of Orléans

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Because the famine was not going as well as he had hoped, Orléans became fearful that his financial wizard, Pinet, had entered into some secretive arrangements with Necker, against him, and he wanted to look at his books, especially his “red book” (see below). The point to be understood is that Bailly’s efforts in countering the famine conspiracy succeeded in creating factionalization among the co-conspirators. Approximately at the time that Bailly and Lafayette had consolidated their positions as the two leaders of Paris, and were in a position to guarantee the deliveries of grain into the capital, a Paris newspaper, the *Monitor*, made a stunning announcement:

Pinet, an exchange agent in Paris, and the general receiver of a secret society, called the *Monopolist*, whose existence had for a long time represented a public calamity in France, was found dead under mysterious circumstances near Saint-Germains-en-Laye. This society has been in existence for a great number of years, ac-



*The Duke of Orléans ended up the victim of the Terror which he himself had helped to unleash, and was beheaded on Nov. 7, 1793, as a result of internal factional brawls among the Jacobins.*

According to treaties agreed upon during the service of several ministers; and it had the nefarious privilege of buying up the grain of France, of transporting them to the islands of Jersey and of Guernsey, and it was able to export them out of there, providing exorbitant fares. It was understood that such a perfidious abuse could not survive the revolution. For a long time Mr. Necker attempted to destroy it, but his efforts were without success, until now. It ended with the death and the bankruptcy of Pinet, general receiver of the society, who had amassed a considerable fortune by speculating on the sale of grains, and who had, it was revealed, relationships with MM. De Breteuil, Barentin, de Villedeuil, and Albert, a member of the last ministry, accused then

of having favored maneuvers which were putting the revolution in jeopardy. It is reported that Berthier and Foulon were members of the association.<sup>24</sup>

This extraordinary report confirms all of the suspicions that Bailly and Lafayette had about Orléans. The editor of Bailly's *Mémoires* further reports that Pinet's bankruptcy had involved the considerable sum of 53,000,000 pounds, and that, "his death, which was preceded by the disappearance of most of his associates, destroyed the baneful society of Monopolists, whose existence had lasted for over 60 years. Fifteen hundred families, who had lent money to Pinet, without any knowledge of his operations, were reduced to misery."

Some people said it was murder, some said it was suicide. The *Monitor* acknowledges that Pinet was working for the Duke of Orléans and that, at the beginning of the Estates, the court had summoned both Orléans and Pinet to appear for questioning in Marly, and to discuss the causes of the famine. However, Pinet's death put an end to that inquiry. The editors further reported that before his death, Pinet mentioned that a "red book" had been stolen from him, which included all of the names of the people involved in the perfidious operation. The "red book" was reportedly never found.

Finally, following the assassination attempt on the Queen, on Oct. 5-6, the King forced Orléans to go into exile in England. Bailly's editors have indicated that during this assassination attempt on the Queen, cries of "Long live King Orléans!" had been heard during the bloody scenes in Versailles, and that the Marquis de Lafayette had heard again at the Commune, a speech in favor of Orléans becoming lieutenant-general of the kingdom. The editors note: "It seem that one could follow the traces of a conspiracy which was being prepared with a different aim than that of establishing liberty. The court accused Orléans of having formed a plot against the throne."

It was Lafayette who, ultimately, was authorized by the King to tell Orléans that he had to go into exile in England. Lafayette went to meet the Duke of Orléans at Mme. de Coigny's residence, and read him the "riot act," coldly and imperatively:

Prince, France and the King both need peace, and your presence here seems to represent an obstacle. It is said that your name is being used to mislead the multitude and incite disorder. You have relations in England, you can serve the country there, and you must immediately eliminate the pretext used by these disruptors of the public peace.<sup>25</sup>

Orléans had no choice but to go. After a political tug of

24. Bailly, op. cit., Vol. II, pp. 311-312.

25. Bailly, op. cit., Vol. III, p. 162.

war inside of the National Assembly, which was won by the Orléans faction, the decision was taken to hide the true reason for his exile, and he was given a “personal mission,” from Louis XVI, to visit the Court of St. James. The affair was covered up, and the National Assembly officially declared that the Duke of Orléans had nothing to do with the events of Oct. 5-6, 1789.

During the following years, Orléans’ Jacobin faction became so powerful, that it succeeded in subverting and taking over the National Assembly, and imposing the Robespierre Terror. It was only internal factionalization between Orléans and Robespierre that finally broke up the usurpation plan, and ended with the beheading of Orléans on Nov. 7, 1793. The family interests of the Orléans, however, regained power after the demise of Napoleon, when the son of Philippe Egalité, Louis-Philippe (1830-48), restored the Orléans branch of the Bourbons on the throne of France.

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## 9. The Society Of 1789: A Leibnizian Academy

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As these events were proceeding, only five days before Benjamin Franklin died in the United States, Bailly and Lafayette created, in Paris, on April 12, 1790, the Society of 1789. This society was born of a faction fight within the Society of the Friends of the Constitution (Jacobins), over the treason of the Duke of Orléans, and over the constitutional monarchy, and the need to establish, in France, a science of “political and social economy,” in the spirit of Leibniz. The Society of 1789 was founded explicitly as a Leibnizian Academy. Jean Sylvain Bailly, Marquis de Lafayette, Abbott Sieyes, the Count of Mirabeau (the elder), Gaspard Monge, Antoine Lavoisier, Evariste Gallois, Benjamin Franklin, Jacques Pierre Brissot, Dupont de Nemours (father and sons), Marquis de Condorcet, and the Duke of LaRochefoucauld-Liancourt, were a few of the most famous members. The group rejected the Jacobin idea of “people’s power” and was attempting to have the King break away from the Court, and the Monarchist Club, and rally behind a constitutional monarchy.

The founding principle of this Society of 1789 was the same principle that informed the U.S. Bill of Rights, and its aim was to establish the pursuit of happiness through *societies of economic science*, based on a form of “social economy” very similar to what Lyndon LaRouche has developed today, internationally, from the work of Leibniz.

Gottfried Wilhelm Leibniz wrote in his paper “Society and Economy” (Hanover, 1671): “With the help of these Academies (or Societies), which are institutions of research and development, with their own manufactures and commercial houses directly attached to them, the monopolies will be eliminated, because the Academies will always guarantee a



*Gottfried Wilhelm Leibniz was the inspiration both for the American Declaration of Independence, and for the Society of 1789 in France, which sought to promote manufactures, inventions, and the general welfare.*

just and low price for the goods, and very often, such goods would become even cheaper because new manufactures will be built where none exist at that time.” (Such Leibnizian academies are still in existence today in Russia, as demonstrated by the joint seminar sponsored by the Schiller Institute and the Academy of Sciences of Russia, held in Moscow on Nov. 27-28, 20001.)

It is in a similar spirit that the following statement of principle of the Society of 1789 should be understood:

There exists, for individuals, an art of assuring and maintaining their happiness: Up until now it has been developed in moral philosophy, and elevated by the ancients to some sort of perfection.

There must also exist, for nations, an art of extending and maintaining their felicity: This is what we have called the *social art*.

This science, toward which all of the others strive, does not seem to have been examined in its totality. The art of cultivating, the art of commerce, the art of

government, even the art of reasoning, are merely portions of that science; they have all developed themselves, each on its own, separately; but, no doubt, these isolated members will succeed in their complete development only when they are brought together, and form a well-organized body.

Reuniting so many inconsistent and separate parts, searching into the economic sciences their mutual relationships, and most of all, the common relationship that they can have with the general science of civilization, such is the object of the social art.

It is not one, nor many human beings, neither a single nation, it is the concert of peoples which can assure that this art will undergo efficient progress; but this progress will accelerate as soon as the minds shall follow everywhere an orderly task that is constant and uniform.

This common method must therefore be created. But, before it can be established, perfected and generally accepted, it were natural that its foundations be laid by an association, which, by communicating the principles and the spirit which animates it to other similar societies, could, like them, assemble among similar systems the different results of all enlightened men, wherever they may be, and take care of the good of humanity.

This is the plan upon which this Society of 1789 has been founded. . . .

And, I might add: “in the spirit of the U.S. Constitution.”

Among their far-reaching objectives was to bring together, through their foreign correspondents, “the principal political events which were of interest for both hemispheres, the treatises, their respective forces, and the presumed views of powers; the current situations, both internal and external, of the different nations, especially their advancement in the social art; the usefulness and the dangers of their particular institutions will be presented, considering the interests of governments, especially in their relationships with the interests of the governed, and the relations of the Cabinets and their influence on the happiness or unhappiness of the people.”<sup>26</sup>

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26. Augustin Challamel, *Les Clubs contre-révolutionnaires* (Paris: Maison Quantin, 1895), p. 392-94. Challamel reports that the Society of 1789 was involved in establishing the General Federation of all of the National Guards of the Kingdom (including the Navy), which celebrated their national federation on July 14, 1790. It is interesting to note that instead of celebrating the Bastille, on July 14, 1790, the Society of 1789 chose to celebrate, on the esplanade of the Champ de Mars, a federation of 60,000 National Guards, representing 83 departments of France. At this unique event, Lafayette pronounced the swearing to the Constitution, which was then repeated by the King. On that day, Louis XVI became “Supreme Commander of the National Guards of France,” and Lafayette became “Major-General of the Federation,” both of them under the authority of the Constitution.

In creating this national event as a military holiday, Bailly and Lafayette

The short-lived *Journal of the Society of 1789* also intended to give particular attention to “descriptions and designs of machines,” as well as international promotion for remarkable discoveries.

On June 17, 1790, the Society of 1789 had a great dinner celebration, with 190 guests, which made a lot of noise all over Paris in honor of the birth of the National Assembly. At the end of the dinner, the members began to sing a well-known song, “Les Dettes,” praising the Federation, and made several toasts to the Revolution, to the Nation, to the King, to French patriotic women. And Abbot Sieyes proposed a special toast to “the best of all constitutions, that of the United States of America.”

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## 10. Conclusion

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Bastille Day not only represents a deplorable symbol of hypocrisy and infamy in itself, but also, the fact that such a subversive coup d'état is still acclaimed today, by the French government, shows the Romantic attachment that the French authorities, and the great majority of the French people, have had, for over 200 years, to the Orléanist aristocrats, and the British Crown control over them. The lack of resolve to change such a situation only contributes to aggravate the affairs of state in today's France. This is not merely a party question, or a practical question, but a question of moral principle, and a question of historical justice; for unless the treasonous act of the Bastille is recognized as such, and repudiated once and for all, the honor of France shall never be restored.

This British-Orléans scheme of starving the French population, as a means of usurping power, must be reported and understood as one of the most horrible calamities in the history of mankind. If the French do not make that urgent corrective change in their history books, then, following their favorite Cartesian methodology, it were as if they would propose to the American people that they celebrate Sept. 11, 2001, as their new national holiday!

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were pulling the rug out from under both the Jacobins and the Monarchists. Indeed, the Jacobins were quite upset with seeing their July 14 being taken over by the American faction, and charged that the Society of 1789 was a group of “Modern Machiavellians.” The Monarchists were also unsuccessful in getting Marquis de Villette to call, on that day, for Louis XVI to become Emperor of France. According to Augustin Challamel, the Federation of July 14, 1790, “created, regardless of the oaths, a permanent antagonism between the constitutionals [Bailly, Lafayette, et al.] and the revolutionaries [Orléans, Robespierre, et al.], who were clinging to their principles” (p. 420).

Challamel reported that the Club of the Federates had been created as a royalist anti-Orléanist military grouping which was attempting to establish a federation of states, “that is to say, a system which intended to turn the 83 departments of France into small equal states, supporting each other, in times of need, from one end of the country to the other, following the model of the United States of America.” The Federation of July 14 was dissolved three years later by the Jacobin-controlled Convention (p. 384).

## LaRouche Webcast: Take Charge In U.S. Economic Blowout

by Paul Gallagher

The announcement for Jan. 24, of Presidential candidate Lyndon LaRouche's first Washington webcast address in six months, was the most important news as storm-winds of the approaching next global financial hurricane swept through the U.S. capital. Internationally, governments from Argentina to Poland to Japan are being blown over, most European heads of government are looking like fools trying to deny rising unemployment levels, while economic growth is embattled but continuing in those nations in which LaRouche's Eurasian Land-Bridge economic-infrastructure idea has had the greatest impact: Russia, India, and China. Unemployment across the board in all 26 Organization for Economic Cooperation

and Development (OECD) countries has gone over 7%, growing at two-tenths of a percent per month, while growth forecast for India, Russia and China for 2002 is in the range of 5-7%.

### U.S.: Layoffs, Losses, Inflation

In the United States, January should mark the end of the recent fantasy-period, in which the media and government figures have "played recession;" they have made much of "consumers' confidence" (in the U.S. bombers over Afghanistan), while the vast U.S. debt bubble burned its fuse steadily toward the next explosions.

**Ford to announce job cuts even it as it plans ambitious new lines of automobiles**  
By Frank Washington / Special to The Detroit News  
DETROIT - Ford Motor Co. will announce more job cuts later this week.  
Bill Ford Jr., Chairman and CEO of Ford, strode to the podium at the Motor City Convention Center on Monday for the first time in six years. And we're

**GM to cut 5,000 white-collar jobs**  
By Joe Miller / The Detroit News  
DETROIT -- General Motors Corp., moving to save cash amid signs of weaker U.S. car and truck sales in 2002, hopes to trim another 5,000 white-collar workers from its ranks this year with buyouts and attrition.  
The automaker is also postponing merit raises for white-collar workers until late 2002.

**Angst crashes auto party**  
Weak economy, restructuring dim year's prospects  
By Bill Wasieleski / The Detroit News  
DETROIT -- What a difference a year makes.

Workers put finishing touches on the new Mercedes-Benz display on Saturday. The 2002 North American International Auto Show opens up to the media today and to the public next Saturday.

Coming so soon after spurious headlines about record auto sales, the sudden announcement of big losses and layoffs by the big automakers, was a chilling sign of what is really happening in the U.S. economy, as 2002 begins.



Two reports made this clear: The Moody's Investor Service news that "a sharp rise in leveraged loans" had shoved banks' recovery of defaulted loans down to 55% in 2001, well below the worst of the 1990-91 recession; and the Federal Reserve report Jan. 7, that consumer borrowing grew at an all-time record rate in November, a huge and "unexpected" 15% annual rate in the face of layoffs, losses, and cutbacks throughout the economy.

Thus the desperation that produced a holiday season retail sales total "the worst in ten years;" and an auto sales boomlet which is already over, having pre-exhausted next year's sales and flooded automakers' books with red ink from the discounts. Despite being completely predictable, the new round of mass layoffs now coming, as a result, from the auto companies—35,000 at Ford in the United States, 20,000 at General Motors in the United States and Europe—are producing a

shock, following hard on the "record sales" reports of November. More layoffs are coming from retailers like Sears and K-Mart, among others. The losses of the major U.S. airlines hit \$4 billion for the fourth quarter of 2001 alone. The spectacular announcement by the world's biggest aircraft maker Boeing, that its production of planes will drop by one-third from 2001 to 2002, is likely to turn out far too "optimistic."

There will also be another round of large losses from the telecom and computer companies, kicked off by AT&T's announcement of 5,000, and Motorola's of 9,000 job reductions. America Online made the shocking announcement Jan. 8 that it will charge off a loss of about \$60 billion for 2001—bigger than Enron's bankruptcy! These so-called "goodwill losses" result from huge mergers, as the vastly over-valued acquisitions, during 2001, lost their stock value or went bankrupt and became worthless. One estimate, reported by the

## LaRouche To Address National Webcast

*This release was issued Jan. 6 by the LaRouche in 2004 political committee.*

The world crisis, and how to solve it, will be the subject of a major address which U.S. Democratic Presidential pre-candidate Lyndon LaRouche will be delivering before a Washington, D.C. audience on Jan. 24, beginning at 1 p.m. EST. The event, sponsored by LaRouche in 2004, will be simultaneously webcast internationally on the candidate's website, [www.larouchein2004.com](http://www.larouchein2004.com), and on [larouche-pub.com](http://larouche-pub.com). His opening remarks will be followed by an opportunity for extensive dialogue on the issues he's raised.

LaRouche's address will be entitled "Continue The American Revolution," and will elaborate the qualities of leadership required to resolve the global breakdown crisis. His remarks will draw the lessons from his just-released strategic study entitled "Zbigniew Brzezinski and September 11" (see *EIR*, Jan. 11, 2002), which reviews his analysis of the Sept. 11 attack as an attempted coup d'état against the Bush Administration. The piece exposes the crucial, tell-tale role of the geopolitical authors of the "Clash of Civilizations" perspective, centered around the likes of William Yandell Elliott, and members of his kindergarten, such as Brzezinski and Samuel P. Huntington. The article is available on LaRouche's campaign website.

LaRouche has summarized the current strategic situation as follows:

"1. The world has entered the crucial, terminal phase of disintegration of the present international monetary-

financial system. . . .

"2. Thus, as long as governments cling to defending the axiomatic policy-shaping guidelines of the present international monetary institutions, each will be toppled by replacements, until the point is reached that those nations begin to disintegrate, or until governments appear with none of the essential characteristics of the presently leading contending political parties of the Americas, western Europe, and many other points of the map.

"3. These circumstances afford my associates and me a unique kind of authority of leadership. Two features of that authority are outstanding. First, the economic forecasts which I have circulated internationally during more than thirty years to date, are the only known forecasts which have been consistently correct. . . . Second, the so-called utopian strategic-military faction which has been increasingly dominant in NATO and other nations' affairs, during the past fifty years, has now brought the world as a whole to the brink of a devastating world-wide religious warfare, threatening to reenact the horror of the European 1618-1648 religious war on a global scale.

"4. In all that I have taught, and in all practice of my association's policy, over the recent thirty-five years of our existence, the standpoint of all our policy has been the unique quality of the American System of political-economy as the world's leading model of economy to date. Thus, although international conditions have undermined the institutions of domestic and foreign policies of practice, the reaffirmation of the original American Revolution, under the leadership of President Lincoln, and the resistance to American Toryism's corruption, under President Franklin Roosevelt, give the tasks before the United States today the essential characteristic of being a fresh affirmation of . . . the American Revolution."

Bloomberg News Service on Jan. 8, foresees just the “technology sector” taking \$1 trillion in such losses in the first quarter of 2002 alone!

In these large and apparently sudden debt devaluations, the implosion of the \$100 trillion-plus U.S. debt bubble can be seen under way; this—not spending, or inventories, or such and such detail—is driving the collapse.

To the losses and layoffs throughout the economy, Federal Reserve Chairman Alan Greenspan’s furious pumping of the money supply—rising at a 20% annual rate in the last months of 2001—will now add an erupting inflation. This was already being keenly felt, as the year ended, in costs of insurance and health care. The Health Policy Institute reported on Jan. 8 that health care and health insurance costs had risen, on average, by 14% in 2001 (after rising 10-11% in 2000); but in the new health insurance policies being negotiated in January for 2002, for employer and group health plans, cost-shocks of further 30-40% increases were being reported. Prices of gasoline, oil and other energy supplies were also rising quickly. As *EIR*’s *Economics* lead article for Nov. 30, 2001 reported, severe *deflation* (especially in commodities prices) is now co-existing with pressures of *hyperinflation* from the world’s central banks’ attempts to keep the markets up with floods of liquidity.

### Crushing The States And Localities

Behind the nationally prominent symptoms march the accelerating collapses of the budgets of the states, because of the declines in their tax revenues resulting from the state of the national economy. Virginia’s deficit, which erupted at \$1 billion in November, had risen to \$1.3 billion by early January. New York City’s current-year budget deficit is at least \$4 billion, pushing the newly elected Mayor Michael Bloomberg toward the unthinkable—cuts in the budgets of the nationally celebrated New York Police and Fire Departments, which suffered hundreds of casualties on Sept. 11.

California’s budget deficit for its current two-year budget has ballooned to a huge \$12 billion. When LaRouche campaign volunteers went to Sacramento Jan. 8, to alert the California legislature’s crisis session to LaRouche’s forthcoming webcast, they met legislative aides who exclaimed, “LaRouche is now really prophetic!” When aides and legislators asked, “What can we do? This is a world financial crisis,” they were told, “You took an oath to protect the people of this state, and now that means fighting for LaRouche’s New Bretton Woods monetary reorganization. You’ll never save the state otherwise.”

With these economic storms rapidly darkening, the media combat between President George W. Bush and Senate Majority Leader Tom Daschle, over tax cuts, was a foolish irrelevancy, aimed at nothing but to distract the citizenry in a crisis. Both President and Congress continue to harp on the discredited axioms of the “free-trade” IMF system which created globalism and is now destroying it. Neither party’s leaders have yet dared to come within miles of speaking the truth

about what has to be done—beginning with bankruptcy reorganization and replacement of the hopelessly broken and flooded monetary system.

A year ago LaRouche stepped forward through a series of highly influential Washington webcasts, in the crisis following the failed Presidential election of 2000. During 2001 he has dramatically increased the reach of his influence in Russia, India, China, in the emergence of a new debt policy from Italy influenced both by his and Pope John Paul II’s ideas, in the nations of South America, and—since Sept. 11 in particular—in the Arab world. Now he is called on to put himself forward again by the same means in Washington, to the leadership and people of the United States in a severe economic crisis with no other solutions in sight.

## AI: Computers To ‘Teach’ Writing In Two States

by Don Phau

The pretentiously named Federal education legislation, the “No Child Left Behind Act,” was signed into law on Jan. 8. In a frenzy to have their students pass the “standardized tests” mandated for all states, the school systems in Pennsylvania and Oregon have begun “dumbing down” their students, replacing teachers with “intelligent” computers. These states have contracted with a company called Vantage Learning, which will have computers prepare *essay examinations* and grade the answers, utilizing “artificial intelligence” (AI). According to their press releases, Vantage Learning’s computer system “learns to grade the same way a human would.” The “IntelliMetric” system, they boast, “is the only commercialized essay-scoring technology which meets and exceeds human level performance.”

The men behind Vantage Learning have nothing to do with education. They are a nest of bankers, accounting firms, and brainwashers, whose interest is the same as the promoters of the “Outcome-Based Education” drive which preceded the standardized-testing craze: to “dumb down” the school-age population, cheaply and efficiently creating children with deadened minds to become a docile workforce.

Members of Vantage’s Advisory Board worked for Conflict Management, Inc., created out of Harvard University in the 1960s, in partnership with Bertrand Russell’s close collaborator, Dr. Leo Szilard. Szilard was part of a network of scientists who ran behavior modification “retreats” modelled on the brainwashing methods of Britain’s Tavistock Institute. (Szilard is believed to have been the model for the character of “Dr. Strangelove” in the famous Hollywood movie.)

Vantage Learning's AI programs have already subjected 58,000 students to their behavioral modification in Pennsylvania schools. These public schools are being taken over by a Wall Street-backed private company, misnamed Edison Systems. Edison seeks to extract every penny it can from the schools, and using Vantage is part of their plan. The Pennsylvania government expects to have Edison run 60 schools, especially in the largely black inner cities.

Vantage has also been contracted to grade 100,000 students in the Far East, and is being used in U.S. College Board entrance examination grading.

### Computers Don't Know Concepts

Computers have been used for many years to grade multiple-choice examinations, but having a computer use artificial intelligence to grade open-ended essay exams, represents a step toward mass brainwashing, where pre-digested stupidity will be rewarded with passing grades. Artificial intelligence, together with cybernetics, was promoted after World War II by men such as Norbert Wiener, who attempted to prove that the human mind is no different than a sophisticated computer. Wiener studied the methods of "stimulus and response learning" of Russian animal behaviorist Ivan Pavlov.

With schools immersing their students in "study-for-the-test" classroom teaching, children will be first programmed to respond correctly to the "stimulus" of an examination question; then an AI computer will grade the exam based on whether the student has responded correctly to the stimulus. Vantage uses the Internet for its testing, which allows for practice testing to be repeated over and over again until the student is "trained," like one of Pavlov's dogs.

In its promotionals, Vantage lies that its AI computers can recognize "concepts." Concepts, ideas, and creative thought are unique to the human mind. Man's sovereign ability to solve what appear to be irreconcilable paradoxes, has been the basis for scientific discovery and human progress. This cannot be done by an animal, let alone a computer.

In 1994, Lyndon LaRouche led a mobilization to stop the adoption of Outcome-Based Education, which, like the movement to use AI today, sought to eliminate the educational system appropriate for creative human beings, in favor of "drill and grill" methods of rote teaching and testing. LaRouche's 1994 paper on "Creativity In Science, School and Song," called for the looking at the roots of modern education in 15th-Century Europe. Then, talented boys from non-aristocratic families were brought into a secondary educational program, the Brotherhood of the Common Life. This teaching order produced veritable battalions of geniuses, such as Nicolaus of Cusa, Erasmus of Rotterdam, and Hieronymus Bosch. LaRouche wrote: "The crux of the program was a rejection of today's textbook methods of classroom teaching. The principle is, that each adolescent youth re-experience the original act of discovery of all the most fundamental discoveries of principle, from the earliest known, to modern times."

### How Artificial Intelligence Works

According to the Philadelphia *Business Journal*, here's how Vantage's AI grading system works: "At the heart of 'IntelliMetric' is a sophisticated 'learning engine' that 'learns' the features associated with each grade-point from a set of pre-graded responses. The application is based on a proprietary combination of artificial intelligence and text retrieval tools that analyze the content and structural features of the essays. . . . It assimilates a sample of about 300 hand-scored tests and their grading criteria until it can identify the characteristics within an essay that equal a certain score. . . . The information is then programmed into algorithms.

"When it scores an essay, it is looking at 49 different features of the essay related to structure and content. It is looking at natural language, syntax and semantics, and *looking at concepts*" (emphasis added).

Let's suppose that a student writes a genuinely original answer to an essay examination, and does not use the standard "grading criteria . . . language, syntax, semantics," as specified by Vantage. The grading computer would not be able to recognize those "criteria," and therefore would have to render a failing grade. Ironically, the student receiving the lowest grade could have given the best answer.

"Systems specialists" have admitted that the Vantage system makes mistakes, even when faced with their own standard dumbed-down criteria. One specialist from Carnegie Mellon University said that AI systems make mistakes, and when they do, "they're usually wildly weird and wrong things."

In the testing process, the computer does in seconds what it would take a teacher hours—with years of training—to do. When school systems across the country are cutting back on expenditures, and hiring private companies like Edison in an attempt to meet tightening budget requirements, Vantage's "IntelliMetric" looks extremely attractive. One Pennsylvania newspaper reports that "Vantage estimates that it will save the Department of Education 35 to 50% of its testing budget annually." The Vantage website boasts: "There are no paper tests, no printing, no shipping and no storage costs. . . . Plus labor time is reduced."

Meeting "bottom line" in dollars and cents is one of the reasons that the parent firm, Vantage Technologies, was created, which is made obvious by looking at the management and the Advisory Board: Not one is an educator. The head is Douglas Braunstein, who also sports the title of "Managing Director and Head of Global Mergers and Acquisitions of Morgan Chase and Co." There's W. Robert Grafteron, the former CEO of Andersen Worldwide, one of the largest accounting and managing companies in the world. The president of Vantage Technologies is Danny Ertel, a founding partner of Vantage Partners LLC, reported as "the world's premier relationship management consulting firm." He also headed the Latin American Practice of Conflict Management, Inc.

# Death Row Exonerations Continue To Rise

by Marianna Wertz

Juan Roberto Melendez, a Florida Death Row inmate for more than 18 years, will soon walk free, the 99th innocent person released from Death Row in the United States since 1973, according to a Jan. 3 release by the Death Penalty Information Center. Melendez is also the 22nd Florida Death Row inmate to be exonerated and freed since 1973, at least three times the number of any other state but Illinois (see **Figure 1**).

The announcement of Melendez's release puts heavy pressure on Florida Gov. Jeb Bush, brother of the President, to impose a moratorium on executions in the state. This is especially true if one compares Florida to Illinois, a state which had the next highest number of exonerations. Because of the 13 exonerations in Illinois, nine fewer than in Florida, Gov. George Ryan, a fellow Republican (and President George W. Bush's 2000 Illinois campaign chairman), two years ago this month imposed a moratorium on executions, a

moratorium which remains in effect today.

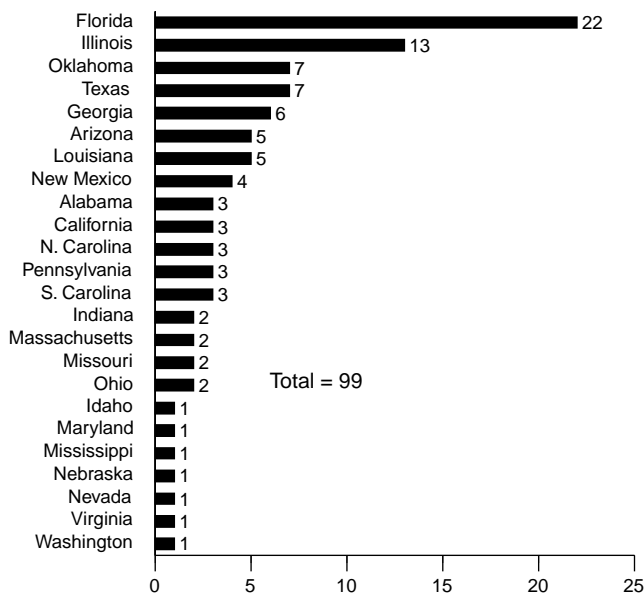
Like many of the other 98 exoneration cases, Melendez's case was overturned because a state Appeals Court found that prosecutors in his original trial had withheld critical evidence. Judge Barbara Fleischer of the 13th Circuit Court in Florida, who overturned Melendez's 1984 conviction, also noted that no physical evidence linked Melendez to the crime.

Melendez is the first person to be exonerated in 2002, following five exonerations in 2001 (see **Figure 2**). Those five included Florida Death Row inmate Joseph Ramirez, whose capital conviction was thrown out by the state Supreme Court because of faulty testimony by prosecution witnesses.

Pressure for a moratorium on capital punishment is building in other states as well, because of the high moral cost of mistakes in capital cases. The Kansas Supreme Court ruled in late December that the state's death penalty law is flawed, and the sentences of the four Kansas Death Row inmates will have to be decided again. The Death Penalty Information Center reported that the Kansas law allowed a death sentence if the aggravating factors presented by the prosecutor were equal to the mitigating factors presented by the defense. "Fundamental fairness" requires that a tie go to the defendant when it is a matter of life and death, the court found.

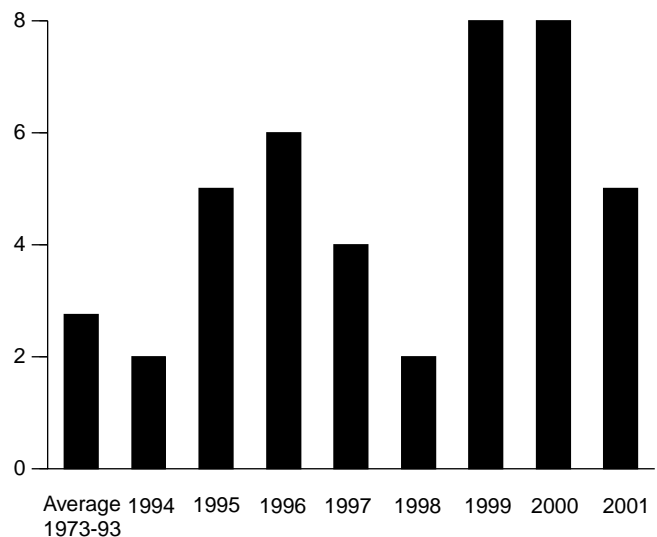
On Dec. 19, 2001, the Cincinnati City Council became the 60th local government in the United States to pass a moratorium resolution, supporting suspension of all executions in Ohio.

FIGURE 1  
Number Of Death Row Exonerations By State, 1993-Jan. 3, 2002



Source: Death Penalty Information Center.

FIGURE 2  
Number Of Death Row Exonerations By Year, 1973-2001



Source: Death Penalty Information Center.

## No Execution For Mumia Abu-Jamal

Perhaps the most celebrated American Death Row inmate, writer and former Black Panther Mumia Abu-Jamal, had his 20-year-old death sentence thrown out by a Federal judge in Philadelphia on Dec. 18. U.S. District Court Judge William Yohn called for a new sentencing hearing within 180 days, saying that the jury that sentenced Abu-Jamal was not properly instructed on how to consider mitigating factors. If no hearing occurs within 180 days, Yohn ruled, then Abu-Jamal's death sentence would be void and he would be sentenced to life in prison.

Abu-Jamal's thousands of supporters—from the international anti-death-penalty movement and the political left—welcomed the fact that he won't be executed, but announced their determination not to stop their efforts until Abu-Jamal, whom they believe to be innocent, goes free.

Abu-Jamal's claim of innocence is not without foundation. Most important, his supporters point to Judge Yohn's refusal—now and earlier this year—to admit as evidence a sworn affidavit and videotaped account by mob hit-man Arnold Beverly, who has fully admitted to the 1981 murder of Philadelphia policeman Daniel Faulkner, the murder for which Abu-Jamal was convicted.

In July, Judge Yohn refused to allow Beverly to testify in court, ruling that the confession was "time barred." Yohn cited the notorious 1992 U.S. Supreme Court decision in the case of Leonel Herrera, a Texas Death Row inmate. In that case, the Supreme Court ruled that it *is Constitutional* to execute a person who has been convicted of murder, but who is actually innocent, if the time limit for his appeals has run out.

Beverly made his confession, not just last year, but also to Abu-Jamal's original attorneys in the case, who said that it was not credible and refused to pursue it. (Abu-Jamal's supporters say that these attorneys were on the side of the prosecution.) But, Beverly has passed a lie detector test on his confession. In his affidavit, he said that he was hired and paid to shoot and kill Faulkner by the mob and corrupt elements in the Philadelphia police force, because Faulkner "interfered with graft and payoffs."

Abu-Jamal's current attorneys asked Judge Yohn, "In what case, in what court, anywhere in this country, has any jury ever convicted a defendant of a crime after the true perpetrator voluntarily came into court and testified under oath that he, rather than the defendant, was the guilty party?"

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## Book Review

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### Martin Luther King, Jr.: Still Preaching In 2002

by Anita Gallagher

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#### **King Came Preaching: The Pulpit Power Of Dr. Martin Luther King, Jr.**

by Dr. Mervyn A. Warren

Downers Grove, Illinois: InterVarsity Press, 2001  
223 pages, hardbound, \$19.99

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It is with both profound joy and deep sadness, that one spends some hours with Dr. Martin Luther King, Jr. through Dr. Mervyn Warren's new book. Joy, for the obvious reasons, and also because in looking intensely at Dr. King's relationship to preaching, one meets him afresh. Sadness, that such a giant is no longer among us in the end phase of a centuries-long struggle which will either see the development of all men, or a new "Dark Age." Such a powerful exemplar of the belief in human progress for all, should be living at this revolutionary hour.

Amelia Boynton Robinson, the heroine of the 1965 "Bloody Sunday" civil rights march who invited Dr. King to Selma, and a leader of the movement of U.S. statesman Lyndon H. LaRouche, Jr. since 1979, has spoken many times of the similarities between what Martin Luther King, Jr. did and what LaRouche is doing today: "Were Dr. King living, he would certainly be working with us."

#### **Salient Insights On Dr. King**

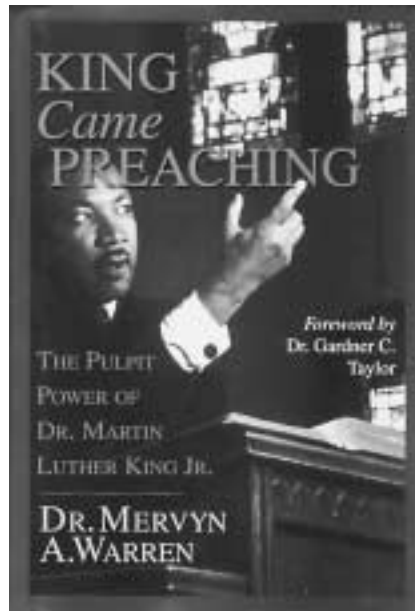
Dr. Warren's book arose out of his Ph.D. dissertation at Michigan State University in the late 1960s. His faculty adviser, Dr. Robert Green, who had marched with Dr. King in Selma, granted him permission to write on Dr. King's preaching only if Dr. Warren would attend Dr. King's sermons and interview him about them. Dr. King agreed, and their first, lengthy interview occurred in Chicago in August 1966. Dr. Warren, currently Professor of Preaching at Oakwood College in Huntsville, Alabama, did not present his finished dissertation to Dr. King before he was assassinated, but did present it to his widow, Coretta Scott King, in 1988, and rewrote it for the general public in his 2001 book. This valuable book

also includes three stunning sermons and one speech by Dr. King which have never before been published.

Martin Luther King, Jr. located himself in this way in their first interview: "I am . . . the son of a Baptist preacher, the grandson of a Baptist preacher, and the great grandson of a Baptist preacher. The Church is my life, and I have given my life to the Church." Describing himself in Morehouse College, Dr. King wrote that he planned first to be a doctor, then a lawyer, "But as I passed through the preparation stages of these two professions, I still felt that undying urge to serve God and humanity through the ministry. During my senior year in college I finally decided to accept the challenge to enter the ministry." This was a challenge, as Warren points out, because, as Dr. King told *Time* in its 1964 "Man of the Year" story on him: "I had doubts that religion was intellectually respectable. I revolted against the emotionalism of Negro religion, the shouting and the stamping. I didn't understand it and it embarrassed me."

Warren describes Dr. King's search for a philosophical basis for theology powerful enough for his mission—to be God's instrument in a Christian transformation of the world. Dr. King chose integrated Crozer Theological Seminary in Chester, Pennsylvania and Boston University because of teachers whose philosophy he was attracted to. He chose Boston University over the University of Edinburgh for his doctoral studies, because of the strength of its faculty, especially Edgar S. Brightman, in "personalism." According to Prof. L. Harold DeWolf, who taught Dr. King, "personalism" emphasizes the value of the individual: "The Supreme Person, God, is the source of that process we call the physical universe and the creator of other persons. Since the human personality is in the likeness of God and the object of God's own love, every human person, however humble or wicked, must be treated as of inestimable dignity and worth." According to Brightman's predecessor, B.P. Bowne, "personalism" includes the idea that "reality is rational, and hence in some way an organic whole. . . . In the final synopsis of thought, all reality must be viewed as conscious experience [signifying] that concrete reality is a self or a person." This appears to be one source of Dr. King's belief that the individual can change history through ideas.

Dr. King told Warren in 1966, "As a minister of the Gospel, I have a priestly function and a prophetic function"—"prophetic meaning leading people into new spheres of witness in their cultural environment." For Dr. King, Christianity had an application to society, and was not just a mediation between God and the individual. Dr. King, in his 1955 doctoral dissertation on "A Comparison In The Conceptions Of God In The Thinking Of Paul Tillich And Henry Nelson Wieman," wrote, "All theology, as Tillich sees it, has a dual function: to state the basic truth of the Christian faith and to interpret this truth in the existing cultural situation." Doctoral candidate King then contrasted



*A study of Dr. King's life from an unusual standpoint, the book points to influences, but looks for the ultimate source of his moral power as preacher and speaker.*

Tillich favorably to Karl Barth: "But he [Barth] refuses, with the most persistent pertinacity, to undertake the apologetic task of interpreting the message in the contemporary situation. . . . Tillich is convinced, on the contrary, that it is the unavoidable duty of the theologian to interpret the message in the cultural situation of his day. Barth persists in avoiding this function."

Later, in his sermon "Transformed Nonconformist," Dr. King would frontally state that the church has been weakened by diluting its gospel and conforming to the status quo of the world: "Ever since that time [c. 4th Century, A.D., when the church began compromising with Rome] the church has been like a weak and ineffectual trumpet making uncertain sounds, rather than a strong trumpet sounding a clarion call for truth and righteousness. If the church of Jesus Christ is to regain its power, and its message its authentic ring, it must go out with a new determination not to conform to this world" (bracketed note in original).

Nor did truth-teller King exempt the clergy: "Even we preachers have often joined the enticing cult of conformity. We, too, have often yielded to the success symbols of the world, feeling that the size of our ministry must be measured by the size of our automobiles. So often we turn into showmen, distorting the real meaning of the gospel, in an attempt to appeal to the whims and caprices of the crowd. . . . If you want to get ahead in the ministry, conform!"

Dr. King swam against the social experience of his flock with a higher concept, *agapē*: an understanding, redeeming goodwill for all humankind; an overflowing love that is altogether spontaneous, unmotivated, groundless, and creative, and is set in operation by no quality or function of its object (see his book *Stride Toward Freedom*). In his sermon "On

Being A Good Neighbor,” Dr. King expounds on the parable of the Good Samaritan to say: “The real tragedy . . . is that we see people as entities or merely as things. Too seldom do we see people in their true humanness. We see men as Jews or Gentiles, Catholics or Protestants, Chinese or American, Negroes or whites. We fail to think of them as fellow human beings made from the same basic stuff as we, molded in the same divine image.”

### **Dr. King’s World-Historical Movement**

With these best ideas of mankind—*agapē* toward mankind, the dignity of every human person, the power of truth, the commitment to universal justice—Dr. King formed his movement and changed history.

In Dr. King’s previously unpublished speech at Oakwood College in Huntsville, Alabama on March 2, 1962, which Warren cites as typical of Dr. King’s speeches to civil rights audiences, King emphasized that the victory would be for everybody: “If there is a victory, it will not be a victory merely for 20 million Negroes, but if there is a victory, it will be a victory for justice, a victory for freedom, a victory for democracy, and it will make a better nation for everybody because the pestering sore of segregation debilitates the white man as well as the Negro, and we are struggling to free him. . . .”

In the same speech, Dr. King bluntly presented the risks: “God needs you now, he needs you at this minute, he needs you at this hour. Who this evening will be a co-worker of the Almighty God and set out to get your freedom, realizing that freedom is the greatest thing in all the world? It is worth losing a job for. Freedom is worth getting killed for. Maybe before this struggle is over, some will have to get killed. If physical death is the price that some must pay to free their children from a permanent life of psychological death, then nothing can be more redemptive.”

Though Dr. King at the beginning of his ministry at Dexter Baptist Church in Montgomery set two to three days a week for prayer in his own schedule, he rejected the cowardly misuse of prayer so common today in his sermon “The Answer To A Perplexing Question”:

“The idea that man must wait on God to do everything has led to a tragic misuse of prayer. He who feels that God must do everything will end up asking him for anything. Some people see God as little more than ‘a cosmic bellhop’ that they will call on for every trivial need. Others see God as so omnipotent and man as so powerless that they end up making prayer a substitute for work and intelligence. . . . God gave us minds to think and breath and body to work, and he would be defeating his own purpose if he allowed us to obtain through prayer what can come through work and intelligence. . . . Prayer is a marvelous and necessary supplement of our feeble efforts, but it is a dangerous and callous substitute. Moses discovered this as he struggled to lead the Israelites to the Promised Land. God made it clear that he would not do for

them what they could do for themselves. In the Book of Exodus, we read: ‘And the Lord said unto Moses, Wherefore criest thou unto me? Speak unto the children of Israel, that they go forward.’ ”

### **King And Gandhi**

Dr. King first read Mohandas Gandhi while a student at Crozer Theological Seminary, after hearing the then-president of Howard University report on his recent visit to India, then struggling for independence from the British Empire. The young seminarian became fascinated by Gandhi’s campaigns of non-violent resistance on a social scale. Warren says that before reading Gandhi, Dr. King had thought the ethics of Jesus, such as to “turn the other cheek” and “love your enemies,” were pertinent only when an individual was in conflict with another individual. In *Stride Toward Freedom*, King says, “Gandhi was probably the first person in history to lift the love ethic of Jesus above mere interaction between individuals to a powerful and effective social force on a large scale.”

Warren’s book also gives us a picture of Dr. King as an individual who strove always to develop his mind. Dr. King’s major professor at Boston University, L. Harold DeWolf, says, “[King was] a very good student, all business, a scholar’s scholar, one digging deeply to work out and think through his philosophy of religion and life.” Dr. King told Warren in an interview that when he began his first pastorate in Montgomery in 1954, he spent at least 15 hours each week preparing his Sunday morning sermon (later, of course, this had to be modified by his non-stop activities). On Tuesday, he outlined what he wanted to say; on Wednesday, he did necessary research and thought of illustrative material. He began writing out the sermon on Friday and usually finished Saturday night. Dr. King said he always wrote out his sermons first, but never read them, and rarely even took an outline to the pulpit. By the time he gave his sermon, he was completely in command of the order and flow of the ideas. When Warren asked Dr. King why he preached without any written aids, Dr. King replied, “Occasionally, I read a policy speech or an address for civil rights, but I never read a sermon. Without a manuscript, I can communicate better with an audience. Furthermore, I have greater rapport and power when I am able to look the audience in the eye.”

In describing how cultures are lifted up, Lyndon LaRouche observed: “It is the act of cognition as I’ve defined it . . . which ‘infects’ a cultural milieu with the active spark of life provided by interaction with the exceptional individual, which sustains a viable tradition and gives it the vitality to move forward. Without the infectious spark of cognitive excitement contributed by the aggressively cognitive individual mind, any society’s cultural qualities will tend to be ruined through attrition.” Dr. King is easily recognized in this book as just such an “aggressively cognitive mind.”

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## Editorial

### *AEI Misses The Point About Japan*

An American Enterprise Institute (AEI) January 2002 report, titled “Japan and Depression,” authored by AEI’s “Resident Scholar” John Makin, describes Japan’s economy fairly, as an “economy in depression,” but shows no comprehension of the fact that Japan’s post-October 1998 role as pumper of hyperinflationary monetary-financial aggregate into an already self-doomed IMF system, has been a keystone on which the short-term political strength of the U.S. monetary-financial system has depended. This “economic kamikaze” role, forced upon Japan by the United States and others, has, inevitably, pushed Japan’s economic-monetary-financial system beyond the breaking-point. It is also to be emphasized, that the wrong turn in the U.S. and Japanese reaction to the misnamed “Asia crisis” of 1997, set the stage for the hyperinflationary follies which the G-7 unleashed, following the LTCM hedge-fund blow-out, in October 1998.

Makin fairly describes Japan, in effect, as hopelessly flooded by a virtual Weimar-1923-style global monetary-financial hyperinflation; but he seems to have no comprehension of the fact that the flood itself is the result of the collapse of the big dam upstream: the also-depression-wracked U.S. economy. Thus, in effect, AEI’s Makin makes himself a silly hypocrite, when he demands that Japan find a specifically national remedy for the crisis dumped upon servant Japan by its master upstream. Of course, such hypocrisy is only to be expected from those expressing the eccentric ideology of AEI.

Therefore, when anyone from the United States writes about the problems of Japan today, they ought to have the decency to admit that it was the dominant financier interests behind the hegemonic governments of the G-7, which created the self-feeding combination of spirals of monetary-financial hyperinflation and economic deflation, which is the root of Japan’s present existential crisis. Japan is ruined today, because it has done too long what the United States ordered it to do.

Indeed, it has long been my image of recent trends in the situation in Japan, that the U.S.A. and Japan are

like two late-night Tokyo drunks, stumbling home from a business celebration, who must lean upon the stupors of one another, to keep from toppling into the gutter. Sooner or later, the process of intoxication reaches the stage, at which leaning on one another ensures, that, now, instead of supporting one another, they are simply each pushing one another into the gutter. That image portrays the reality of the U.S.-Japan relationship which Makin avoids.

In formal terms, Makin’s folly is this: There is no more conclusive evidence of incompetence among would-be economists, accountants, politicians, and other relevant cases, than the assumption that the collapse of Japan’s economy is comparable to, but otherwise distinct from that of the U.S. economy. The systemic character of the delusion such a state of mind bespeaks, is fairly compared to a “flat earth” delusion, in which things simply happen, as if on an infinitely extended plane, and that these regions of the plane may interact, but are otherwise distinct from one another. In science in general, and competent economic and related matters, the most significant feature of a process is the common physical geometry of the universal process in which the outcome of the interactions is determined.

In this case, what is disintegrating is the present international monetary-financial system. The fact that that system is globalized, and that virtually all of the world’s internal economies, as well as the relations among them, are regulated by that monetary-financial system, means that the collapse of Japan—as Makin fairly describes some key facts of the matter—signifies the collapse of the supporting role of the yen, which means a collapse of the dollar whose defense depends on the contribution of the wall of money flowing from Japan into the United States-dollar domain. The problem is, that as long as the present policies of the IMF and its G-7 proprietor are continued, there is no hope for any part of the world. Either eliminate the relevant follies of current G-7/IMF policy, or prepare to enjoy nothing but the worst for all of us.

—Lyndon H. LaRouche, Jr., Jan. 8, 2001