

# EIR

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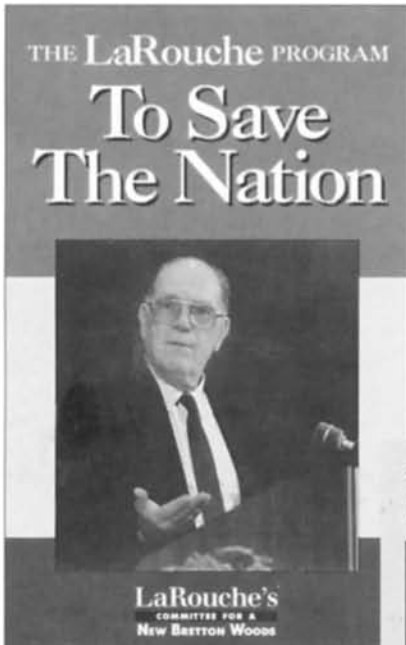
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Germany in revolt at dismantling of industry

**'Dialogue of the deaf'  
raises threat of global war**



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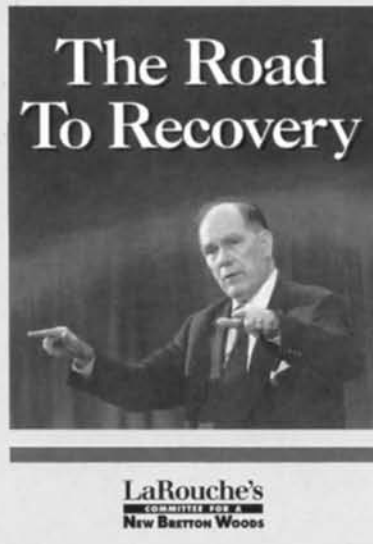
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## From the Associate Editor

Germany's poet of freedom, Friedrich Schiller, tells us that the task of statesmanship is to be at once a patriot, and a world citizen. Is that a paradox? Looking at the U.S. political landscape, one might certainly think so. As Michele Steinberg reports in our *National* section, Presidential candidates Al Gore, George W. Bush, John McCain, and Steve Forbes are all vying with one another to see who can come up with the most bellicose and insane foreign policy against Russia, China, and the so-called Third World. No statesmanship there. Rather, a short fuse to world war.

But then, there is Lyndon LaRouche. In "Germany as Tragedy Revisited" (p. 58), he addresses not only the failings in Germany's military command, but more broadly, the misdirection of all the NATO countries, as displayed at the recent "dialogue of the deaf" summit in Istanbul, which was dominated by criticism of Russia's policy toward the Transcaucasus. The real issue, LaRouche writes, "is not whether or how Russia wins the war in Chechnya; like the Soviet Union's 'Finnish war' of the pre-Barbarossa period, the issue today is the role of the Chechnya war in re-cementing, and restoring the élan of the recently fragmented Russian military and intelligence organizations around a political conception of national defense."

Why should an American Presidential candidate wish to "restore the élan" of the Russian military? It's a question of patriotism, and world citizenship. For, if that goal for Russia is not quickly achieved, the world is looking, every day, at a greater likelihood of global war.

Read our fascinating interview with Moscow's Gen. Andrei Nikolayev, with LaRouche's analysis in mind. Nikolayev oversees the journal *Russian Analytical Review*, which recently published a memorandum by LaRouche, "The Strategic Implications of Dagestan" (see *EIR*, Oct. 22). Through LaRouche's ongoing dialogue with Russian influentials, the reader gets a precious insight into what Schillerian statesmanship means.

Two new *EIR* releases will deepen this process of international dialogue: a video directed by LaRouche, "Storm Over Asia," and a book by Russian economist Sergei Glazyev, titled *Genocide*. All patriots, and world citizens, will want to have a copy.

*Susan Welsh*

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## Germany in revolt at bankers' dismantling of industry

by Rainer Apel

Jürgen Mahnecke, chairman of the trade union factory council at Philipp Holzmann, Germany's second-largest construction firm, was on the mark when he said on Nov. 21 that the default which the firm was facing, had been "rigged" by the creditor banks. After yet another round of emergency crisis sessions in Frankfurt that same day, the creditor banks failed to put up a bridge loan of 3 billion deutschemarks (\$1.6 billion), which would have prevented the company from filing for full bankruptcy. All constructive proposals that could have ended the deadlock over a sum of DM 250 million in loan guarantees, were wiped off the table in another crisis session on Nov. 22, delivering a clear message: Some among the creditors simply had no interest in saving the company. But soon after, the bankers came to realize that they had gone too far: Led by a good part of the media, a broad public outcry built up against the banks, calling for the government to intervene and do something to save Holzmann. It appears that Holzmann has been, at least temporarily, saved from bankruptcy.

There have been big corporate defaults during recent years, but this one would be a watershed. It illustrates the fact that Germany's big banks are about to end their tradition of industrial loans, and are on their way to the virtual world of global inter-market monetary deals. An entire era of banking policy, the last phase of which began in Germany in 1990, has come to an end. The top bankers are no longer interested in keeping industry and its workforce intact; the only thing that concerns them is the net profit that can be extracted from selling off the best parts of industry, and from the financial speculation that goes with expectations about what alleged "benefits" downsizing might have.

The default of Philipp Holzmann, which employs 17,000 people in Germany, would have affected another 40-50,000 jobs in sub-contractor and supplier firms. It would also have

affected 5,000 of its workers who hold company shares as part of a corporate pension fund, whose pensions will be wiped out in the course of a bankruptcy procedure. It also will affect construction work at numerous public infrastructure projects of national or regional importance, in which the Holzmann company plays a leading role, including the ICE high-speed train link from Cologne to Frankfurt am Main, the fourth Elbe River tunnel in Hamburg, the underground railway and metro tunnel system in the newly built government district of Berlin, and the northern German A-20 highway. Other projects in which the company is involved include the restoration of Dresden's world-famous Frauenkirche, the church that was destroyed by Allied bombing during World War II; and the just-completed restoration of the Reichstag, the site of the German national Parliament in Berlin.

Philipp Holzmann is not just a big company; for 150 years it has been at the center of many crucial national and international projects, such as the construction of the original Reichstag building 115 years ago, and the construction of the 3,000 kilometer Berlin-to-Baghdad rail line which began 87 years ago. The company is a national institution, and it been allied with another important institution for its entire history: Deutsche Bank, which funded all of Holzmann's important projects.

### The end of an historic alliance

But now, Deutsche Bank has withdrawn from this historic alliance, in a two-phase process. First, after the assassination of the bank's chairman, Alfred Herrhausen, on Nov. 30, 1989, a new generation of bankers involved Deutsche Bank more and more in speculative financial deals, and dragged along with them numerous corporate executives in the industrial firms that depended on the bank's loans. In this way, several

big German companies were driven into default: In 1993, Metallgesellschaft began its fall, because of more than \$2 billion in losses resulting from failed speculation in oil derivatives; in 1994, the real estate developer Jürgen Schneider collapsed over close to \$4 billion in uncovered debt; and in 1996, Philipp Holzmann got into deep trouble, with uncovered deficits of more than \$1.5 billion resulting from real estate speculation and derivatives deals. Each of these cases had been a pet project of one of the new generation of bankers at Deutsche Bank. In the case of Philipp Holzmann, names from several of these corporate collapses even come together, in the most shameless way.

A front-page article in the European edition of the *Wall Street Journal* on Nov. 19, lifted the veil a bit from this affair: "Although the cozy relationship between Deutsche Bank and Holzmann goes back more than a century, its latest evolution can be traced, ironically, to the Metallgesellschaft scandal.

"It was in 1993 that Carl von Boehm-Bezing, a member of Deutsche Bank's managing board, met Heinrich Binder, a Metallgesellschaft executive. When Mr. Binder arranged special collateral for a \$500 million bridge loan Deutsche Bank extended the company in 1993, he became 'a trusted, known quantity,' in the eyes of Deutsche Bank, according to a former Metallgesellschaft executive. Mr. Boehm-Bezing was the Deutsche Bank official responsible for issuing that rescue loan.

"Four years later, when Holzmann was reeling from real-estate losses, Mr. Boehm-Bezing, as chairman of the supervisory board of the construction company, handed the top job to Mr. Binder, a respected manager but one with no experience in the construction business."

Other articles in the German news dailies mentioned that Binder had been on the board of the New York branch of Metallgesellschaft during exactly the period when it became engaged in massive speculation with oil derivatives. But before the losses broke in the news media, Binder returned to the Frankfurt headquarters of Metallgesellschaft—playing a role in the firm's "consolidation" after the derivatives default.

### **'Consolidation' plan rejected**

With managers of such doubtful qualifications at the top, Germany's leading companies have no chance of recovering from the problems resulting from the combined overall economic depression and the boycott of industrial investments and projects by the big creditor banks. The smaller creditors of Philipp Holzmann and representatives of the smaller shareholders rejected Deutsche Bank's "consolidation" plan in the emergency sessions, on well-founded grounds: With Binder and other members of the company's board staying in office, there was no way that the company could be put back on its feet.

Deutsche Bank used this as a pretext to sabotage a constructive solution for the company in the talks on Nov. 21-22, stating that it was very sorry, but the company would just

have to file for bankruptcy. The bank tried to put the blame on other big creditors, accusing Commerzbank of sabotaging a deal by not covering the shortfall needed for the consolidation package.

That package, it must be stated clearly, would have been a rotten deal: It would have meant another drastic shrinkage, probably a total dismantling of the company, cutting the workforce and the jobs in other firms dependent on Holzmann to about one-half.

Commerzbank countered by accusing Deutsche Bank of openly cheating it, because the Deutsche Bank chiefs managed to extract a Commerzbank loan of DM 50 million on Nov. 12, the very eve of Holzmann's problems becoming public. At the time Deutsche Bank negotiated the loan with Commerzbank, its top brass knew what the real situation at Holzmann was, the Commerzbank leaders charged.

Indeed, Deutsche Bank has clandestinely reduced its loan exposure at Holzmann since about the beginning of 1999—which would corroborate the thesis that it had prepared for the default already months ago. At the time that Holzmann celebrated its 150th corporate anniversary in mid-October, the top echelon of German politicians were being lied to about the company's real situation. The default, which came four weeks after these celebrations, has delivered a profound shock to politicians across party lines, enraging Chancellor Gerhard Schröder, provoking a public outcry, and mobilizing the labor movement against the banks. The Nov. 24 banner headline, "Banking Shame," of *Bildzeitung*, Germany's leading mass-circulation daily, summed up what the nation thinks about the entire affair.

### **Assault on the 'general welfare'**

Leading politicians from the governing Social Democrats and from the opposition Christian Democrats alike have aptly described the Holzmann case as a watershed in German banking culture, correctly viewing it as an assault on the principle of the "general welfare," and on the social responsibility of the bankers. Several politicians have warned that new banking laws are required to prevent this kind of thing from happening again.

Indeed, a majority for that is building right now, as the banks are coming under attack from a broad alliance of political and other institutions. Chancellor Schröder, coming under heavy pressure from labor, and with his Social Democratic Party having lost six regional elections in a row, met with labor representatives for 90 minutes in Berlin on Nov. 23. He spent most of the following day in emergency talks with bankers and politicians in Frankfurt—amidst a crucial parliamentary debate on the sharply contested government budget plan for fiscal year 2000. Schröder also offered to address a protest rally of Holzmann workers and other labor unionists in Frankfurt, also on Nov. 24.

In a national television interview on Nov. 23, Schröder said that he was not going to tolerate a situation in which "the

banks dismantle one of Germany's most important industrial firms," that he was at least committed to finding a solution that would give the company a future. Investing all his political prestige, he announced that he was going to make the Holzmann case a "Chancellor's issue." The message to the nation was clear: Either the banks, or the government, would prevail.

### A social explosion looms

Meanwhile, the banks had come to notice that the mood of the public was turning against them. Even otherwise free-market-leaning conservative politicians were attacking the banks. For example, in several interviews between Nov. 21 and 24, Hesse State Gov. Roland Koch, a Christian Democrat, charged the bankers with practicing "American business culture, instead of the German one."

Thus, the stage was set for a successful mission of Schröder in Frankfurt (one of Hesse's leading cities), and indeed, the bankers had no other alternative, in this situation, than to give in. Also crucial, was the fact that when Schröder offered a government share of DM 250 million, to be added to the banks' funds in the Holzmann emergency loan, the bigger part of that, namely, DM 150 million, was to be handled through the Frankfurt-based, state-run Kreditanstalt für Wiederaufbau (Reconstruction Credit Bank). A bankers' rejection of that offer would have totally exposed the other, private banks, fueling anti-bank sentiment. The bankers were faced with the real risk that demands for stricter banking regulations, so far coming from only a minority of people in the public debate, would suddenly become a majority view. The banks chose what in their view was the lesser evil, namely, to accept Schröder's offer and cobble together an emergency credit line for Holzmann in the range of DM 4.3 billion.

It was a major setback for the banks, which were up against the vast majority of the German population and the political parties. The fact that, two days after the Frankfurt deal, a legion of neo-liberal critics was unleashed in the economic pages of the German press to direct their fire against Chancellor Schröder's "state interventionism," proved that he had delivered them a big defeat.

One of the most interesting commentaries supporting Schröder's initiative for Holzmann came from the leading French daily *Le Monde*, on Nov. 25. "Mr. Schröder's interventionism is a stinging rebuttal to anyone who believed that Germany had adopted the Anglo-Saxon model," *Le Monde* said. "The Holzmann rescue is the success of Deutschland AG and discredits the line held by German business leaders who had been handing out lessons at every opportunity on how the free market works."

The London *Financial Times* of the same day found Schröder's intervention "alarming." In addition to the banks, Tony Blair's Third Way anti-labor policies also experienced a "black day" in Frankfurt on Nov. 24.

# Globalization devours its children

by Helga Zepp-LaRouche

*The following statement was issued by Zepp-LaRouche, Chairwoman of the German Civil Rights Movement Solidarity (BüSo), on Nov. 25. It is entitled "BüSo Calls For a Change in Economic Policy: General Welfare Instead of Shareholder Value."*

With his intervention against the collapse of the Philipp Holzmann AG, German Federal Chancellor Gerhard Schröder has assured us that "the banks have accepted their social responsibility," and he claims that he will also make sure "that it stays that way." If Schröder means that seriously, then he has to completely and decisively turn away from British Prime Minister Tony Blair's "Third Way," and he has to immediately conclude an alliance with French Prime Minister Lionel Jospin and Italian Prime Minister Massimo D'Alema to defend national sovereignty and the economy. It is not sufficient to launch a one-time action to rescue the Holzmann AG: A whole horde of incompetent managers on the boards of directors of large firms and banks must be replaced by people who know something about production. Otherwise, the crisis is only going to continue.

The threatened collapse of Philipp Holzmann AG, which, taking account of the supplier firms which are also involved, risked the loss of some 80,000 jobs, is only the tip of the iceberg.

The crises are accumulating:

- thousands of jobs are at risk at Mannesmann, regardless of whether Vodafone succeeds in its hostile takeover, or whether the firm's own board of directors carries out a "restructuring";
- the planned segregation of steel production from Thyssen-Krupp;
- the assault by the European Commission on the public banks in Germany;
- the refusal of the private banks to provide sufficient lines of credit to the medium-sized industries, and so on.

If each of these developments is seen as part of a process, one thing becomes dramatically clear: What is at stake, is the continued existence of the German economy! And if the German economy collapses, it will pull the rest of the economy of Europe as a whole with it into the grave!

The immediate reason for this series of disasters lies in the disastrous changes which have occurred since the 1970s



and '80s in the leading international financial institutions; instead of a state-supported orientation to the general welfare, which prevailed in the reconstruction years of the immediate postwar period, the shift was made toward a radical free-market economy, without any social veneer. Instead of a policy aimed at economic growth and increases in productivity, the naked greed for profit in the "shareholder-value society" took its place. Instead of scientific and technological progress in industry and agriculture, there was the "post-industrial services society" and the "information age."

Those who attended business management schools, learned how to strip the assets of their own firms and line their own pockets in the process. Today, the main problem is that nearly the entire managements of the larger banks and industrial firms from the 1970s and '80s have been replaced, and so there are no longer any competent industrial bankers, such as Hermann Abs, Jürgen Ponto, and Alfred Herrhausen, on the boards of directors of banks, nor inventor-entrepreneurs, such as Carl Zeiss or Emil Rathenau, in the firms. Instead, there are the Kurt Esserts (Mannesmann), the Manfred Crommes (Thyssen-Krupp), Rolf Breuers (Deutsche Bank), Ronaldo Schmitzes (Deutsche Bank, Metallgesellschaft up to 1994), Heinrich Binders (Philipp Holzmann), or Carl von Boehm-Bezings (Deutsche Bank and Philipp Holzmann).

### **The Thatcher model has failed**

The most brutal escalation in this destruction of production and promotion of speculation occurred following the dissolution of the Soviet Union, when George Bush proclaimed his "new world order" and began to attack the sovereign nation-state and the idea of a national economy. Some call this process "globalization." The more appropriate term is "insanity." The sovereign nation-state, as it developed since the Renaissance, is, after all, the only form of government which can defend the general welfare of the population against supranational assaults. If this sovereign nation-state is abolished, as the European Commission is now attempting to do, then firms, jobs, and the existential interests of citizens will be sacrificed to a modern gang of robber-barons.

What is at issue in the attempt at a hostile takeover of Mannesmann by Vondafone, at one-quarter its size, is that Great Britain wants to exert control, in an Anglo-American-dominated global economy, over the "information society," which means everything having to do with media, entertainment, and control of public opinion. Another factor is the centuries-old hatred which the British oligarchy has cultivated against Germany.

During the celebrations of the 10-year anniversary of the fall of the Berlin Wall, former German Chancellor Helmut Kohl tirelessly cited the words of Margaret Thatcher, which he happened to have heard in December 1989 at the summit meeting of the European Union in Strasbourg: "We



*Helga Zepp-LaRouche, Chairwoman of the German Civil Rights Movement Solidarity.*

beat you [the Germans] already twice in this century, and now you are here again!"

Let us also recall the hate-filled campaign of Thatcher's Minister Nicholas Ridley, who cursed reunified Germany as the "Fourth Reich." This was part of the psychological warfare, which included French then-Prime Minister François Mitterrand's blackmail, linking French agreement to the reunification of Germany to the surrender of the German mark. The version articulated by U.S. President George Bush was that Germany was to be induced into "self-containment." It was under such pressures that the Kohl government came to the conclusion, that the linkage of reunified Germany in a Maastricht Treaty Europe was "a question of war or peace." And so, Kohl agreed to the Maastricht Treaty, which had the aim of replacing the strong German mark with the weak euro, to weaken the German economy, and especially to make it impossible to have a policy of state-promoted creation of jobs by, for example, pre-financing infrastructure projects.

### **New sounds from France and Italy**

"Globalization" and neo-liberal economic theories have failed. With formulations quite similar to those with which we are familiar from Democratic Presidential pre-candidate Lyndon LaRouche, French Prime Minister Jospin and the

head of the Italian central bank, Antonio Fazio, have recently emphasized the decisive role of the sovereign nation-state for defending the general welfare. Each of them has spoken about the “golden 30 years of the period following 1945,” when scientific and technological progress led to economic growth, full employment, and increasing standards of living. And each of them has named the “paradigm shift” since the 1970s and “globalization” as responsible for the current crisis.

In Germany, we have to adopt these positions of Jospin and Fazio, and turn our backs on the Caligula-caricature of Tony Blair and his “Third Way.” The existence of Germany and the entire continent of Europe are at stake, so there is no reason to have inhibitions about dogmas which make a strategy for survival impossible.

### **The BüSo therefore demands:**

1. The Maastricht Treaty must be rescinded immediately.
2. The Kreditanstalt für Wiederaufbau (German Reconstruction Bank) must immediately be enabled to issue credits for the maintenance of existing, and creation of new productive jobs. The criteria of physical economy must be strictly adhered to in that regard.
3. Not only must the existence of the *Landesbanken* [state banks] and the savings banks be assured, but these institutions must be expanded to ensure the necessary lines of credit to the medium-sized industrial sector.
4. As the economist Dr. Wilhelm Lautenbach observed in his famous memorandum to the Friedrich List Society in 1931, under conditions of international crisis and depression, state investments in infrastructure projects, which are necessary in any case, are of decisive importance. Such investments are not inflationary, because they create real social value, they lead to capital formation, and bring about a recovery of the economy. Today, such projects are the construction of a Transrapid maglev network in Germany and participation in the construction of the Eurasian Land-Bridge.
5. Incompetent managers, who believe more in speculation and virtual services than in the production of real goods, must be replaced by men and women who know something about production. The same goes for bankers, who have to think of themselves again as servants of industry and agriculture, and not as megalomaniac dictators, who operate as de facto adversaries of our national economy.

It is relatively easy to put the economy back on course. We only have to remember how Germany created the economic miracle.

But the solution to this crisis requires more: It requires a political solution, and there can only be such a solution if people become citizens and take active responsibility, so that our country and our future can be saved.

Therefore, join the BüSo.

# The plot to collapse German public banks

by Lothar Komp

It is no wonder that the large private banks in Germany are demanding that the public banks be either dismantled or cut back: They want to eliminate a tenacious competitor, as well as to make a grab for the immense deposit base of the domestic savings banks, in the international takeover battles of “eat or be eaten.”

The European Commission and the International Monetary Fund (IMF) have the German banking system, so successful in the reconstruction effort of the postwar years, in their cross-hairs. The EC Euro-crats, who have captured the headlines on account of certain “private subsidies” to the benefit of their own pockets, are frothing at the mouth to abolish private subsidies all over Europe. The IMF, whose function in recent years has consisted of organizing some \$200 billion to rescue the foreign credits of large private banks all over the world, is hurrying to protect the naked flanks of the Euro-crats.

At the moment, both are concentrating their attack on the presumably weakest flank of the public banks in Germany, the 13 *Landesbanken* (state banks). There is no doubt that they will also be going for the throats of the 594 savings banks, with their 19,100 branches.

On July 8, the European Commission imposed a 1 billion deutschemark (\$5.4 billion) penalty on Westdeutsche Landesbank (West LB), the largest of the *Landesbanken*, for an allegedly “illegal subsidy” from the state of North Rhine-Westphalia. That was the first blow, to be followed by another on Nov. 24. Although the European Union already has the most draconian prohibitions against state subsidies anywhere in the world. EU Competition Commissioner Mario Monti will then present new guidelines, intended to impose an even stricter neo-liberal economic policy on the member-states of the European Union. According to leaked information, the EU will demand that banks either withdraw from international business completely or be denied the protection of state credit guarantees.

The savings banks, to the extent that they limit themselves to their local and regional tasks, would be let off the hook this time. But the *Landesbanken*, which are very much involved in financing industrial and infrastructure projects of German industry abroad, are to be denied the “competition-skewing” of state guarantees in the future.

That is why the EU Commission will demand of the Ger-

man government that it provide dossiers within the next 12 months on the practices of all 13 of the *Landesbanken* for purposes of review. To the point, Savings Banks president Dietrich H. Hoppenstedt posed the question recently: “Just who is it, who has the final say on the sort of economic order which a EU member-state wants for itself?”

### Final solution: privatization

In collusion with large private banks, the European Commission, and the IMF, the umbrella organization of all national associations of private banks in the European Union, the European Banking Federation (EBF), pronounced on Nov. 10 that it would launch a formal complaint at the European Commission against all state guarantees for public banks in Germany. This is just the ammunition which the European Commission needs for its follow-up moves against the German banking system. Likewise in November, the IMF published its *IMF Staff Country Report No. 99/130*, which is a detailed statement of its position on the issue of the public banks, the *Landesbanken* in particular.

The IMF emphasizes that the different forms of banking institutions in Germany have unique features. No other banking system in Europe manifests as little concentration as the German system, and no other system has such a large share of public banks. But now, according to the IMF, the context for such a structure of banking has changed radically. With the introduction of the euro single European currency and increased competition in European banking, the question now is, “whether the original reasons for the introduction of public banks continue to exist.” It is difficult to determine, according to this report, to what degree the *Landesbanken* are still crucial for the development of structurally weak regions. Be that as it may: Financial globalization will mean increased pressure on the public banks in Germany, according to the IMF.

TABLE 1  
Market shares of German credit institutions,  
December 1998

Private banks		38.9%
Credit banks	25.3%	
Private mortgage banks	13.6%	
Cooperative banks		14.0%
Credit cooperatives	3.9%	
Cooperative central banks	10.1%	
Public banks		37.8%
Savings banks	17.8%	
<i>Landesbanken</i> /Giro banks	18.2%	
Public credit institutions	1.8%	
Credit institutions for special purposes		9.3%
<b>Total</b>		<b>100%</b>

The IMF then sketches three scenarios for “the future of the *Landesbanken*.” On the one hand, the *Landesbanken* could be made more efficient, which means, in the usual vocabulary of the banking world, that they would cut back on their less profitable business (usually in projects of benefit to the general welfare of society) and become more involved in financial dealings with more promising profit-margins. Nowadays, 15% is seen as an absolute minimum rate of return. The second alternative the IMF offers, is the abolition of state guarantees, which would require a change in the law. “A final solution would be to dissolve the current structure of the *Landesbanken*,” the IMF concludes, and that would be achieved either by limiting these banks exclusively to their public functions, “or by privatizing them, so that they operate entirely as private banks do.”

### Who subsidizes whom

That is obviously the aim. The rhetoric of the European Commission and the IMF is, however, nakedly hypocritical. The state guarantee for the savings banks and *Landesbanken* does indeed make it possible for these banks to obtain money on the capital markets at more favorable conditions. But this is also the prerequisite for their long-term investments in the public interest, which do not generate high profit-margins.

While no Competition Commissioner would ever dream of forbidding a large private firm to provide capital to a subsidiary company, the European Commission thinks that the principles of the market economy are threatened, if the German state of North Rhine-Westphalia transfers capital to its own property, West Landesbank, without being penalized.

Neither the EU Commission nor the IMF had any objections when 14 large private banks, Deutsche Bank among them, threw several billion dollars into the bankrupt LTCM hedge fund in September 1998, following LTCM’s plundering of half of the world’s financial system with its thousand-fold leverage on \$3 billion capital, which went to \$100 billion of credit, and then to \$3,000 billion of financial bets. The U.S. Federal Reserve even played the role of the “guarantor” for this form of “subsidy.”

Incidentally, John Meriwether, the founder of LTCM, plans — according to the *Bloomberg* financial newsletter — to build up a new speculation fund under the name of JWM Partners. The aim is to initially pull together \$500 million in capital, and then, 18 times that volume in credits, which will then be the base for leveraging far greater volumes of financial speculation. This time around, Meriwether would be content with an annual profit of 40%. According to *Bloomberg*, Meriwether has been promised the assistance of one large German private bank in pulling together the capital for LTCM’s successor. As the reader may already suspect, it’s Deutsche Bank. According to these reports, Deutsche Bank even intends to invest directly in the fund. So, future “subsidies,” running into the billions, are already assured.

# Commonwealth meet pushes free trade

by Scott Thompson

The final session of the Commonwealth Heads of Government Meeting (CHOGM), in Durban, South Africa, on Nov. 15, saw the Commonwealth issue its strongest declaration yet supporting the expansion of free trade, despite the havoc it has wreaked on the economies of its poorer member-countries. Discussion of a common strategy by the 54-nation CHOGM to present to the World Trade Organization summit, which began in Seattle, Washington on Nov. 30, had been placed at the top of the agenda by South African President Thabo Mbeki, who was host to the CHOGM heads of state.

Until the last session, it did not appear that the resolution, originally put forward by Australian Prime Minister John Howard, would succeed, because of opposition from the smaller and poorer states. Only four out of the 54 members of the Commonwealth—Britain, Canada, New Zealand, and Australia—are classified as developed nations, and Mozambique President Joachim Chissano was viewed as speaking for most of the member-countries when he said, “Globalization must have a human face.”

However, the free-trade communiqué, which has become the centerpiece of the biennial CHOGM conference, was agreed upon when Uganda argued for the need to have access to foreign markets.

The communiqué reads:

“We call on all nations to fully implement the Uruguay Round commitments to dismantle barriers to trade for the mutual benefit of all. Moreover, recognizing in particular the significant contribution that enhanced export opportunities can make for reducing poverty, we call for improved market access for the exports of all countries, particularly the developing countries, and the removal of all barriers to the exports of the least developed countries.”

In a bid to attract support for the declaration, Howard announced new and extended aid programs—a paltry \$4 million for one program, and \$1.5 million for another—to “ease the burden of globalization” and to “seek new trade” in the poorer, mainly African, countries.

Thus, the Commonwealth was stampeded into endorsing what LaRouche has called the new imperialism, of the globalized, slave-labor world order. Her Majesty Queen Elizabeth II weighed in in favor of the “globalization,” or untrammled free-trade policies, that other nations within CHOGM have eschewed for further impoverishing their nations. The Queen, who is the de facto head of the CHOGM club of mostly former

British colonies, said: “Globalization is not only transforming our economies, it is transforming every aspect of our lives.”

## ‘Deepening poverty’

Her remarks contrasted sharply with outgoing Commonwealth Secretary General Emeka Anyaoku of Nigeria, who said that globalization of the world economy, with trade and investment barriers falling, is a key challenge to Commonwealth leaders. “Globalization may have brought about a phenomenal expansion in world trade, finance, and investment, but for countless millions the stark reality is one of deepening poverty,” he said.

Only at the 11th hour did the Queen’s position in favor of “globalization” carry in the final wording of the 11-page CHOGM communiqué, when the Commonwealth leaders rushed like lemmings to adopt tighter strictures under the new imperialism.

Queen Elizabeth’s favorable view of “globalization” was echoed by New Zealand Foreign Minister Don McKinnon, who, at the opening session on Nov. 12, was named to succeed Anyaoku as Commonwealth Secretary General when Anyaoku retires in March 2000. “The challenge for the 21st century is to ensure that the Commonwealth meets the aspirations of its membership. The role of the Secretary General is to be able to respond to what is determined by the leaders of CHOGM, McKinnon said. “The issues that have been coming before the leaders over the last couple of days are more the economic issues. But that is not to say that good governance is going to disappear. You cannot have a good economic climate without good governance, without transparency, without accountability.”

The CHOGM meeting also suspended the membership of Pakistan, where a bloodless coup on Oct. 12 removed Prime Minister Nawaz Sharif and installed Gen. Pervez Musharraf. Musharraf said that the decision to suspend Pakistan “is not a very practical one.” “It’s a theoretical stand in which they oppose any type of coup,” he said. “But they haven’t seen the reality, and that whatever happened met the aspirations of the masses.”

Nevertheless, on Nov. 12, New Zealand Foreign Minister McKinnon said that the leaders had endorsed a decision by the eight-member Commonwealth Ministerial Action Group (CMAG), which is led by British Foreign Secretary Robin Cook, to suspend Pakistan. “The job is to lead them back to democratic rule. What we’d like to see from Mr. Musharraf is a timetable,” said McKinnon. “Pakistan does not want to be expelled from the Commonwealth. This is the main lever that we’ve got.”

However, CHOGM rejected a proposal from Secretary Cook that the role of CMAG ought to be expanded to “police democratic practices” among its member-nations in cases other than coups d’état. The CHOGM conference also welcomed Nigeria, which had similarly been suspended after a military coup, and which recently held elections, back into the Commonwealth.

# Blair's 'Third Way' crumbles in Florence

by Claudio Celani

The Nov. 20-21 meeting in Florence, Italy, which was supposed to mark a step forward in the institutionalization of the so-called "Third Way" global policies, failed in its main goals. Instead, the split existing between the two poles, led by England's Tony Blair on one side, and by French Prime Minister Lionel Jospin on the other, was visibly confirmed. From the beginning, the fact that the conference's title had to be changed, from "Third Way" to "Reformism in the 21st Century," as a condition imposed by Jospin, indicated that controversy, rather than consensus, was raised by the Third Way issue among participants who, besides Blair and Jospin, included U.S. President Bill Clinton, German Chancellor Gerhard Schröder, Brazilian President Fernando Henrique Cardoso, and Italian Prime Minister Massimo D'Alema.

The differences emerged most clearly when the issue of regulating financial capital flows was posed at the very beginning, and kept reappearing, like an uninvited guest: in a modern *Don Giovanni*, where Blair represented the evil nobleman.

The first participant to raise the issue was Chancellor Schröder. Speaking at the Sunday morning session on Nov. 21, Schröder explained that Germany has so far followed a model called "Rhine capitalism," which consists of "a high economic dynamic and, on the other side, a social guarantee. A social state." Although conceding that now the social state, even in Germany, must adapt to globalization, Schröder said, "We must face the fact that private speculation can ruin a social state, and the international financial institutions, if such speculation has had a negative result, are forced to intervene, throwing the burden on the shoulder of the citizen."

The issue was then picked up by Brazilian President Fernando Henrique Cardoso, who described how his country, after complying with all the painful conditions imposed by the International Monetary Fund (IMF), was devastated by the effects of the so-called "Asia crisis." "One bank's newsletter," Cardoso said, unleashed a crisis. That is what happened in September 1998, while he was campaigning for reelection, Cardoso said. Brazil "lost, in one month, \$20 billion of our reserves," despite having "done everything necessary to keep a balanced budget."

"Despite all that," he admitted, "due to the contagious effect [of the Asia crisis], the crisis occurred nevertheless." Cardoso is now under attack at home precisely for his friendship with the IMF. "If elections had taken place a few months

later, I would not have won, because the consequences of the crisis were devastating," he said.

## The 'Tobin tax' proposed

Cardoso then went further: "I know that orthodox economists are horrified by it, but why not imagine taxing more volatile capital," he proposed, referring to the so-called "Tobin tax" on financial speculation. Later, in another intervention, Cardoso stressed that "capital flows must be connected to direct production and to trade flows. There must, therefore, be limitations on markets' expansion and to instabilities provoked by financial crises." He referred to the "Bretton Woods agreement" which, after the war, "introduced mechanisms to regulate currency flows."

Cardoso, whose sincerity should not be counted on, was supported in large part by Jospin, who spoke immediately afterwards. "I am not sure that the 'new economy' will abolish economic cycles," Jospin said, ironically, about the "happy American mystery about which Bill Clinton will enlighten us." The "new economy," he said, "must not submerge, suffocate, nation-states, that are still the place where democracy is elaborated." Also, he said, polemicizing against the Third Way idea of an economy based on the Internet and cellular phones, "I do not want to see a world ruled and directed by the Internet, because this would correspond to private interests."

This was quite enough to provoke a mini-explosion from Blair, who, while lying that the social misery described by Cardoso in Brazil had "moved" him, put forward his fanatical view: "We must not forget the fact that we are progressives, and therefore, the way to deal with these financial problems must not be to go backwards. . . . We must avoid creating obstacles to global economy," he said. Any future international financial structure "must not become a system that tries to prevent global finances from moving around the world, because they will [continue to] move around the world. . . . Protectionism," he threatened, "would not be in the interest of our nations."

## Clinton scores financial derivatives

While President Clinton formally supported Blair, he also described at length what happened when the international financial crisis broke out in Asia two years ago. Clinton showed himself to be aware of the problem: financial derivatives. "A lot of these loans were highly leveraged, through derivatives and other mechanisms, so that people who lost their money in Russia, let's say, had to cover their losses, when they had only put up 10% of their losses. So they were very often liquidating their investments in Latin America, through no fault of Latin America, but because they had to have cash to pay off their debts." Clinton, in answer to the question of capital controls posed by Cardoso, also gave a positive assessment of the mechanisms introduced by the Malaysian government.

Clinton said, "I agree with what Lionel Jospin said. We

are here because we affirm the importance of the nation-state as necessary to provide the conditions of community and humanity in this very different world.” Later, he came back to the role of national governments, especially in Third World countries, where, he said, there is too *little*, and not too much government.

But, Clinton the pragmatist added, “The question is what Tony Blair always says: We have to do what works.” And what works is: “continue to reform the IMF and the World Bank,” and keep “moving a lot of money around every day.” Clinton also accepted the insane Third Way view, that if you “get more cell phones and computer hookups out there,” in developing countries, and give “micro-enterprise loans,” this will produce development in such nations. He concluded by calling for more free trade and fiscal discipline.

The conference ended without a common declaration. On the issue of financial speculation, participants agreed that some sort of regulation and more “transparency,” are needed, but each one meant something different by those words. Clinton’s proposal to build a foundation in Little Rock, Arkansas as the world center of the new movement, was rejected by Jospin before the conference began. It was agreed that they would all meet again in Germany, where Schröder will present the results of a “scientific examination” of the issues raised in Florence.

The question is now, how long President Clinton will be able to keep his feet on both sides of the river: defending the nation-state, as Jospin demanded, or defending global markets—two irreconcilable propositions.

## Italian banker urges curbs on globalization

Banca d’Italia Governor Antonio Fazio counterposed the stability and growth of the postwar reconstruction period, to the instability and evils of the globalization era, in a speech in Naples on Nov. 16. He put particular stress on full employment as a target of economic policy, and on the role of the state in creating conditions for growth and in running public services.

Fazio is weak in not challenging globalization as such, but calling for adapting to it, including with wage reductions if they help to keep productive firms afloat.

Fazio refers to five papal encyclicals—*Mater et Magistra*, *Centesimus Annus*, *Quadragesimo Anno* (the latter “posing, already in the 1930s, the problems of financier capitalism”), *Gaudium et Spes*, and *Populorum Progressio*—which opened “to all men a vision of hope and cooperation at the global level.”

Fazio says that unemployment is the number-one problem of the Italian economy, which is officially 11%; in southern Italy, the Mezzogiorno, where 36% of the population live, unemployment is officially 25%, and 50% among the youth.

Fazio praises “the effective interventions of the early policy to develop the Mezzogiorno, in the 1950s and ’60s,” referring to the period when the agency to develop the Mezzogiorno acted on the model of the Tennessee Valley Authority.

“In the 1950s and ’60s in Italy . . . the foundations were created for a modern social state: the public pension system was launched; social pensions were introduced; health assistance was extended to broader layers of the population. . . . Rising employment and living standards furnished the youth with the confidence to find a job and achieving dignified living conditions. The crisis in the 1970s and the delay in adjusting economic policies in the 1980s have first slowed, then stopped this positive evolution.

“In the 1990s, the capacity for creating new jobs in our country seems to be stopped, because of the fall of the growth rate, involving the exclusion of broader and broader layers of citizens from the productive process.”

Globalization is irreversible, he says, but we must correct its dysfunctions. “Globalization . . . has been pushed by large multinational groups and by countries able to get economic and political advantages [from it]. . . . A larger part of the world trade in goods is controlled by a few hundred large groups.” In other words, an oligarchy.

Globalization must be regulated. Markets “must submit to rules and controls that guarantee the full, correct functioning of competition. What is to be avoided is a few large operators who can twist market conditions to their advantage.” Having accepted globalization, Fazio points to the fact that labor costs “must be commensurate with the international norms.”

### The role of the state

Fazio believes that the state can intervene to correct the negative effects of globalization on the national economy. “The economic and social policies of states must explicitly set as their target, the utmost development of the economy and of employment.”

Referring to Article I of the Italian Constitution, he says, “The state has the duty to create conditions to allow for an increase in employment, as well as to supply the necessary preparation to the young and the unemployed, in order to insert them profitably” into the economy.

Although the state should not directly run productive activities, it can do it “in specific and well-defined cases, such as those concerning public goods and services,” he said, implicitly rejecting privatization.

Fazio proposes that a “work relation which is stable” would be an advantage to employers, because it creates an “increase in the technical and professional capacity of the employee and the latter’s interest in the growth of the firm.”

# Has Peru's government tired of rescuing banks?

by Manuel Hidalgo

In an unusual development, on Nov. 12, the all-powerful Dionisio Romero, head of Credicorp, Peru's largest business and financial conglomerate, denied rumors that he is negotiating the sale of his bank, Banco de Crédito, to one of three foreign banks: Santander, Citibank, or Chase Manhattan. One week earlier, the stocks of Alicorp, his main non-banking company, plummeted, and he sold his AFP Unión to the Santander group. The last time a banker denied that he was selling his bank, it ended in a "fusion rescue," as was the case with Peru's second-largest bank, Banco Wiese, which was absorbed at the beginning of the year by the Franco-Italian group Sudameris.

In the first half of 1999, Banco de Crédito's profits collapsed by nearly 57%, and between July and September, its overdue loans increased by \$396 million; 9.17% of the bank's outstanding loans are now overdue.

On Nov. 8, the Association of Exporters said that "half the banks are in a critical situation." Devaluation, internal recession, and the collapse of raw materials prices on the world markets have dramatically increased the non-performing portfolios of banks which lent dollars to firms which received their income in soles, Peru's currency. Lines of credit from abroad fell from \$3.765 billion in August 1998, to \$1.872 billion on Oct. 7, 1999. In addition, private banking debt is largely short-term. Thus, on Sept. 15 of this year, non-performing loans were 11.54% of the total portfolio. Lending fell by 12.3% from the beginning of the year; deposits grew by a mere 1.1%. Since the end of 1998, banks have cut credit, and this has been reflected in a severe liquidity crisis for the economy, because the Central Bank has simultaneously been holding onto soles, to avoid greater devaluation pressures.

## Financial 'magic'

One question is, where are the banks getting their money, if they are not lending, as the drop in loans issued shows? All indications are that the "creative finances" of the "geniuses" of speculation have moved in. For example, last year, dollar derivatives contracts were signed for some \$3.2 billion; the main banks involved in these financial bets were Santander, Bilbao Viscaya, Citibank, and Banco de Crédito. Despite the government's bragging about its ability to deal with the devaluation run, Peru is overripe for the same treatment dealt to Thailand's currency in 1997. Former adviser to the Peruvian

government Jeffrey Sachs recommended that the Fujimori government not defend its currency, knowing full well that this would bring the country to its knees before such financial pirates as George Soros, who has been operating in Peru for several years.

Thus far, the government has done what it can to defend the "solidity of the financial system," which was tested by the crises of the República, Latino, and Wiese banks. While deciding to let Banco República fall, the government organized a rescue of Latino by buying the bank. In the case of Banco Wiese, the Economics and Finance Ministry secretly negotiated with the buyer, Sudameris, to guarantee the operation, becoming itself a 7% owner of the new Wiese-Sudameris bank.

Because of the collapse of the population's income, the government now owns 40% of bank deposits in private institutions. According to the magazine *Caretas*, this has, in effect, turned the government into the supreme judge, deciding which banks will survive, and which will not. According to Chilean banker Errazuriz, of Banco República, the government withdrew its deposits from that bank, triggering its bankruptcy. At the same time, the government has allocated hundreds of millions of dollars to bank bailouts, in the form of buying up bank assets (for \$175 million), capitalization of their tax debts to the government, exchange of Treasury Bonds (up to \$550 million worth) for non-performing loans, and a \$1 billion program for business restructuring, of which \$440 million has already been spent, etc. Further, directives have been issued to allow the banks to capitalize their loans to debtor companies. Also, the banks were permitted a "make-over," which reduced the level of non-performance from 11.54% to 8.59% in the course of 15 days!

However, none of this has reestablished the chain of payments: Apparently, every cent that enters the banks is already destined to pay the private foreign bank debt, which now stands at a minimum of \$7 billion.

The government is aware that it is facing something worse than a banking crisis: the economic paralysis of the country due to the rupture of the chain of payments and severe illiquidity. All the producer associations have accused the banks of contracting credit beyond all reasonable limits, and demands are surfacing for restoration of the so-called "development bank," which was eliminated by the fanatic Mont Pelerin Economics Minister Carlos Boloña in 1992. The government has announced that it will sponsor the formation of an "agrarian" or "rural" bank, to channel all the credit currently handled by the Financial Development Corp. (Cofide), through the rural agencies and commercial banks. Cofide, a so-called "second floor" bank, i.e., a semi-bank, has had its operations limited by the restrictive practices of the commercial banks, and because of Boloña's 1992 Law of the Central Reserve Bank, it has been absolutely prohibited from generating that precious instrument of every sovereign nation-state: public credit.

# South Africa's President Mbeki mobilizes for Africa's development

by Douglas De Groot

South African President Thabo Mbeki opened the three-day Commonwealth Business Forum in Johannesburg on Nov. 9, by challenging the government and business leaders there "to expedite the process of development among the countries of the South, including those that are in the Commonwealth," by finding "the road that will lead to sustained and sustainable growth and development throughout the world."

The forum, which preceded the Nov. 12 opening of the Commonwealth Heads of Government Meeting, in Durban, South Africa, was entitled "Making Globalization Work." But, rather than extolling the benefits of the "global economy," Mbeki pointed to the extreme poverty in Africa under the current system, and called for a strategy for development: "We also want to work with both the public and private sectors of the developed countries of the North, as we grapple with such critical issues as our international debt burden," and "a more equitable global trading system," he said.

Mbeki is also not reluctant to put his peers in the developing countries on the spot. He told the Commonwealth Forum, where 50 out of 54 nations participating are developing countries: "Our practical actions will answer the question whether we have the will, the courage, and the sense of human solidarity in fact to end the human tragedy to which billions are condemned."

## Change the institutions

Since he was inaugurated on June 16 as the second South African President of the post-apartheid era, succeeding Nelson Mandela, Mbeki has worked to mobilize the nations of Africa to reverse the conditions of economic collapse affecting them, due to the systemic global crisis. During his visit in September to the United States and to the United Nations General Assembly, Mbeki called for changes in the institutions controlling world trade and economic activity, and urged the nations of the South to mobilize to make this happen. The standpoint is clear: Even though the apartheid system is gone, South Africa will not be able to develop its economic potential unless these institutions that govern world trade and international relations are changed.

The only way Mbeki's vision can be realized, however, is if U.S. President Bill Clinton were to back up Mbeki, by leading the way in setting up a new international financial system in line with Franklin Roosevelt's intentions for the

post-World War II, post-colonial era, as has been proposed by U.S. Democratic Presidential candidate Lyndon LaRouche, in his call for a New Bretton Woods system. Such a nation-saving alternative would end the ability of the British-led financier oligarchy to prevent the development of Africa, and thus finally bring to a close the current system, in which Africa is condemned to being only a poverty-stricken exporter of its raw materials and human potential.

*EIR* has been documenting the manner in which the British Queen and her oligarchic allies, or "The Firm," have been fomenting nation-wrecking wars and insurgencies in Africa, facilitating their raw materials grab, as they try to get in a stronger position for the post-economic-collapse world. U.S. backing for Mbeki's perspective, would pose an unusual threat to the Queen and company. Threats to British control over African resources have been rare. The Paul Kruger-era effort to wrest South Africa away from British-dominated mining interests, and industrialize it instead, led to the British "Boer War" against South Africa 100 years ago, a war that the British did not begin until they were certain that Germany had dropped its commitment to Kruger.

## Apartheid and the Cold War

Ghana's first President, Kwame Nkrumah, in the late 1950s and early 1960s, also campaigned for African industrialization, at the time that the former colonies throughout Africa were becoming independent. In the late 1940s, when it was clear that Franklin Roosevelt's legacy would force the British to relinquish their colonies, the British Crown realized that its style of indirect rule in South Africa, through the local English population, would not keep mineral-rich South Africa under its control, after independence had swept through the rest of Africa and the colonized countries of Asia. So, the British facilitated the victory of the National Party in South Africa, which led to the establishment of the apartheid policies there.

Nkrumah was stymied by the combination of the anti-industrial apartheid in South Africa, Africa's strongest economy, and the Cold War. The manner in which the oligarchy turned the independence of the Belgian colony, the Congo, into an arena for superpower showdown, buried the issue of development, and made the superpower conflict, in all dealings between the industrialized world and African nations,





*South African President Thabo Mbeki told Commonwealth leaders, "Our practical actions will answer the question whether we have the will, the courage, and the sense of human solidarity in fact to end the human tragedy to which billions are condemned."*

the primary item on the agenda.

Aware that it is going to take a U.S. commitment to a new financial system to make development possible, Mbeki, in his speech to the Commonwealth Forum, made a point of reminding Clinton of what Clinton had said about dangers presented by the world economic crisis on Sept. 14 last year, when the American President spoke to the New York Council on Foreign Relations. With the end of the Cold War, and of apartheid, the development question must be placed squarely on the table, as Mbeki has repeatedly been telling African audiences.

The British Queen, along with her husband Prince Philip and British Foreign Secretary Robin Cook, arrived in South Africa for the Commonwealth summit on the same day that Mbeki appealed to the Forum to make its top priority the common good of the peoples of Africa and the South. At a state banquet in her honor the next day, Mbeki toasted the Queen, but stuck to his agenda, speaking of "the new challenges that face all humanity," and calling on the Commonwealth to "focus on the issue of making people-centered development the center point of our strategies to deal with the impact of the process of globalization." He added that "this

must mean the sustained pursuit of the goal of a better life for all. This encompasses eradicating poverty, fulfilling people's basic needs, and protecting and promoting human rights and fundamental freedoms, including the basic right to development. Accordingly, the creation of an international climate and the necessary institutions and processes conducive to such people-centered development as the central purpose of social activity has to be an integral part of the process of reconstructing the system of international relations."

### **Who is President Mbeki?**

Thabo Mbeki joined the Youth League of the African National Congress (ANC) when he was 14 years old. His parents were both teachers, anti-apartheid activists, and members of the South African Communist Party. In 1962, at age 20, when his father, Govan Mbeki, was imprisoned for life, along with Nelson Mandela, and the ANC was banned, the ANC sent Mbeki into exile.

While in exile in several different countries, Thabo Mbeki continued his education in economics and worked his way into the ANC leadership ranks. During the 1980s, he became head of the ANC Department of Information and Publicity, while coordinating campaigns to win more white South African sympathy for the ANC cause.

In 1989, he became head of the ANC's Department of International Affairs, and he played a critical role in the negotiations between the ANC and the South African Nationalist Party government. He finally returned from exile in 1990, and was part of the negotiating team. In 1993, he became ANC National Chairman, and then Deputy President during Mandela's first term, beginning in 1994.

Mbeki had not spent most of his life fighting to bring into existence a South Africa that was free for all its citizens, only to then be content with governing a population that would be unable to improve its lot in life, but would continue to live in the same poor physical conditions as during the apartheid era.

The economic problems in South Africa are severe, while people's expectations are high. More than 40% of the South African black population are unemployed, and 61% live below the poverty line. This, in the most powerful economy in Africa—but one dominated by powerful conglomerates. The only "solution" offered by the International Monetary Fund (IMF), the World Bank, and the local financial establishment, is more privatization, which will only increase unemployment.

In an interview with *Time International* in 1996, Mbeki saw economic collaboration with other nations of the South as crucial for South Africa: "Our traditional markets, western Europe in particular, are important. But I think we are going to see faster growth with regard to other Third World countries. There is a great keenness to build a relationship between the countries of the South—Africa, Asia, and to some extent Latin America. It's a kind of national consciousness: Here is a South Africa that is now free; why don't we all help each other?" he asked. "We cannot sustain growth and develop-

ment in South Africa when the rest of the continent is moving in the opposite direction.”

### **A new system of relations**

In September, Mbeki took his campaign to reverse the increasing disparity among nations to the United Nations General Assembly and to the Non-Aligned Movement, which he is chairman of. In speeches to both organizations, he laid out a strategy for sustained development, to reverse the destruction caused by speculation, globalization, and regional conflicts, and, in order to carry this out, called for reviewing “the functioning of all multilateral institutions including those that belong to the UN family.” South African media pointed out that this reference was to the IMF, the World Bank, and the World Trade Organization.

In his speech to 40 heads of state who addressed the 54th annual UN General Assembly, President Mbeki said that the UN Charter, and the UN Universal Declaration of Human Rights, at the time of their adoption, “reflected the international determination to ensure that the catastrophe occasioned by the rise of fascism and Nazism should never recur.” These UN goals have not been reached because of the suffering imposed on the nations of the South under the current catastrophic economic crisis, he said, and leaders now have a “historic challenge . . . to ensure that we work together to reconstruct human society in a manner consistent with this perspective.”

Pointing to the “growing inequality” accompanying the “process of globalization,” Mbeki focussed on the dangers resulting from speculation on short-term capital flows: “We have also seen how movements of short-term capital have produced disastrous economic consequences in some countries,” he said. He asserted a role for national governments to prevent this: “There is no automatic or inherent mechanism with the operation of the markets to enable both capital and technology to make the sort of impact . . . [desired] on all countries of the globe,” he said. “The functioning of the markets does not and cannot exclude conscious interventions being made both to increase economic opportunities and to raise the standards of living and the life possibilities of many in the world denied their human dignity by the scourge of poverty.”

While in New York, Mbeki addressed a Ministerial Meeting of the Non-Aligned Movement, and emphasized that the NAM membership is the majority of the UN, and has the potential to determine “the new global agenda.” “We need to debate and challenge anew, many of the assumptions made in the past about the rules of engagement of the international relations system,” he said. Because of this unprecedented crisis, “we have no excuse to permit the further postponement of the meaningful restructuring of the United Nations,” he said. Although he advocated dialogue with the North, he declared that “it is vital that the NAM and the Group of 77 plus China should have a common, coordinated and strategic approach in their interactions with organizations of the North

such as the G-8 and the European Union.”

He continued to point out the need for a new monetary system, stating: “It is to our mutual benefit that we continue advocating for a new, transparent, and accountable financial architecture. This obligation is also connected to the need to restructure the parameters of the international economic system to ensure that the recent economic crises, triggered mainly by economic speculation on short-term financial flows, do not recur. We must also ensure that ‘emerging,’ and all other developing economies, are not held hostage by the albatross of market and commodity speculation.”

### **Labor strife in South Africa**

In South Africa, the effects of the current monetary collapse are not hard to find, and the political base of the ANC is being hit the hardest. Two days after Mbeki’s UN speech, the 12 public-sector unions in South Africa met to determine whether to continue negotiating with the government, or to go on strike. To the surprise of many, Paddy Padayachee, chairman of the 12 unions’ central committee, announced a union agreement to give the ongoing second round of negotiations another lease on life, averting the “alternative of a public service shut-down, at least for the time being.”

The dispute between labor and government, which has intensified in the three months since Mbeki became President, has been called the biggest challenge to the government since the end of apartheid. The tripartite alliance of the ANC, the Communist Party, and the Congress of South African Trade Unions (Cosatu), the trade union umbrella group made up of 17 affiliates and 1.7 million members, and which was instrumental in bringing about an end to apartheid—is under great strain due to the South African ramifications of the global economic crisis.

As of October, the 12 public-sector unions had been fighting for eight months over a contract for this year, and had been supported in one-day strike actions by some of the private unions, whose members are being hit hard with massive layoffs. On Aug. 20, for example, 9,000 Hartebeesfontein gold mine workers were fired after going on strike. There have been other retrenchments since then, which the government has not been able to do anything about. The government’s position toward the public workers has been that its offer of a 6.3% wage hike is its final offer, and it will only negotiate now for the years 2000 and 2001. The unions were demanding 7.3%. A day of protest was organized by Cosatu on Aug. 24, which brought out thousands of public- and private-sector workers; 30,000 were reported to have demonstrated in the capital, Pretoria, and thousands in other cities. In one city, there were reports of clashes with police, who reportedly used rubber bullets and stun grenades against the demonstrators.

Much of the conflict has centered around economic demands. Johannesburg radio reported that, in an earlier demonstration in Cape Town, thousands marched “in protest against

the rate at which import tariffs are being abolished.” There have also been reports of attacks on “free trade.” On the evening of Nov. 8, Labor Minister Membathisi Mdladlana emerged from a meeting with Cosatu’s leadership, reporting that areas of agreement on labor legislation far outweighed the areas of disagreement. The government had initiated a policy of discussing concerns over labor legislation with labor and business. Although other unions had met with government representatives, this was the first time that Cosatu had agreed to such a meeting.

In a Nov. 7 rally in Cape Town marking the 82nd anniversary of the Russian Bolshevik revolution, South African Communist Party General Secretary Blade Nzimande attacked the IMF and World Bank for foisting large-scale privatization on developing countries, which he correctly said had worsened unemployment. But, he then excoriated “capitalism,” rather than the oligarchy’s transformation of the global financial system into a speculation-based casino, as the biggest threat to South Africa.

### **Infrastructure desperately needed**

President Mbeki has a different view: The government must intervene to bring into being the cross-border development projects in the entire Southern Africa Development Community (SADC), as he outlined in his address to a World Bank meeting in September. The construction of desperately needed infrastructure is a precondition to the region’s industrialization. Mbeki discussed his plan with his partners in a SADC summit meeting in Mozambique in August, according to Mbeki’s economic adviser Moss Ngoasheng.

“It is mainly the infrastructural development that will link the region together,” Welile Nhlalaho, Deputy Director-General for Africa of the South Africa Foreign Affairs Department, said in a recent interview.

Traditionally, the World Bank has refused to support cross-border projects. In a speech to American business executives, Mbeki stressed the importance of building solid regional infrastructure to facilitate trade within the SADC, and pointed to port-rail and transport-aluminum smelter projects and related spin-offs, between cities in South Africa and Maputo, Mozambique, as one example. He also referred to the Beira development corridor, a hydroelectric-centered project involving Zimbabwe and Mozambique. He referred specifically to the importance of spin-offs of such projects, especially for the 50% of the South African population who live in rural areas, which today contributes only 5% of the economy.

But, hamstrung by overwhelming debt, by the inundation of refugees fleeing London’s instigated wars on the continent, the SADC countries are in no position to finance such projects under the current financial collapse. The revitalization of the South African economy, so important for launching all of Africa into the 21st century, cannot be realized without the “creation of a new financial architecture,” as called for by LaRouche.

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## Documentation

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### President Mbeki calls for ‘titanic struggle for African Renaissance’

*EIR presents here excerpts from the speech by South African President Thabo Mbeki, delivered on Oct. 11 on the occasion of the launching of the African Renaissance Institute in Pretoria, South Africa. The speech calls for a mobilization for an African Renaissance by all Africans, including those in the diaspora. The ideas of the speech stand in stark contrast to those presented, for instance, at the 1994 Pan-African Congress held in Kampala, Uganda, which put forward an idea for African unity based on the theories of violence that the Algerian writer Frantz Fanon taught at the University of Dar es Salaam in Tanzania in the 1960s. Under that rubric, the London-sponsored “new breed” of leaders—led by Ugandan President Yoweri Museveni and including Paul Kagame of Rwanda—set out the blueprint for a process of unifying the African continent through warlord violence, a strategy that within the short span of five years, has cost more than 1 million lives.*

*President Mbeki, on the other hand, calls for “the forces of change to be built up and consolidated within each country” (emphasis added), and for unity to be achieved through cooperation on cultural exchange, trade, diplomacy, and economic cooperation. Further, Mbeki, while putting forth a direct challenge to Africans to take the future into their own hands, excoriates the total lack of solidarity toward Africa coming from the countries of the North, noting that it is the African Renaissance which can “end a long and dark night without whose ending no human being anywhere in the world can claim to be fulfilled as a human being.” Subheads have been added.*

I am very pleased indeed to welcome you to the launch of the African Renaissance Institute. Once more, we would like to express our profound appreciation to you all for the contribution that you made to our own struggle for liberation. Liberated South Africa is therefore your home, not merely because it is an African country, but because without your determined struggles, perhaps we would not be a free people today.

The sacrifices the peoples of our continent made to end the apartheid crime against humanity, which denied the very humanity of everybody who was African, were many and varied. Among other things, the countries of Southern Africa also paid a very high price in human lives lost, as well as property and infrastructure destroyed, as they withstood the campaign of aggression and destabilization conducted by the

apartheid regime. Undoubtedly, Angola and Mozambique paid the highest price in this regard. I would like to take this opportunity, once more, to reiterate our profound appreciation to their governments and peoples for their extraordinary solidarity, which our people will never forget.

I am convinced that all of us present here share a common vision in favor of African unity and solidarity, African development and renewal and an end to the marginalization of our continent in world affairs and development processes. It would seem to us vitally necessary that whereas, for some time, the achievement of these objectives has been left to our governments, it is necessary that we return this vision to the people. We are therefore of the firm view that there is a critically important and urgent need to develop a Popular Movement for the African Renaissance. . . .

As all of us know, the word “renaissance” means rebirth, renewal, springing up anew. Therefore, when we speak of an African Renaissance, we speak of the rebirth and renewal of our continent. . . . Accordingly, what is new about it today is that the conditions exist for the process to be enhanced, throughout the continent, leading to the transformation of the idea from a dream dreamt by visionaries to a practical program of action for revolutionaries.

What, then, are these conditions? These are:

- the completion of the continental process of the liquidation of the colonial system in Africa, attained as a result of the liberation of South Africa;
- the recognition of the bankruptcy of neo-colonialism by the masses of the people throughout the continent, including the majority of the middle strata;
- the weakening of the struggle among the major powers for spheres of influence on our continent, as a consequence of the end of the Cold War; and,
- the acceleration of the process of globalization. . . .

We speak of a continent which, while it led in the very evolution of human life and was a leading centre of learning, technology, and the arts in ancient times, has experienced various traumatic epochs; each one of which has pushed her peoples deeper into poverty and backwardness.

We refer here to the three periods of:

- slavery, which robbed the continent of millions of her healthiest and most productive inhabitants and reinforced the racist and criminal notion that, as Africans, we are sub-human;
- imperialism and colonialism, which resulted in the rape of raw materials, the destruction of traditional agriculture and domestic food security, and the integration of Africa into the world economy as a subservient participant; and,
- neo-colonialism, which perpetuated this economic system, while creating the possibility for the emergence of new national elites in independent states, themselves destined to join the dominant global forces in oppressing and exploiting the masses of the people.

During this latter period, our continent has experienced:

- unstable political systems in which one-party states and military rule have occupied pride of place, leading to conflict, civil wars, genocide, and the emergence of millions of displaced and refugee populations;
- the formation of predatory elites that have thrived on the basis of the looting of national wealth and the entrenchment of corruption;
- the growth of the international debt burden to the extent that, in some countries, combined with unfavorable terms of trade, it makes negative growth in national per-capita income inevitable; and,
- actual declines in the standard of living and the quality of life for hundreds of millions of Africans.

## The tasks

The tasks of the African Renaissance derive from this experience, covering the entire period from slavery to date. They include:

- the establishment of democratic political systems to ensure the accomplishment of the goal that “the people shall govern”;
- ensuring that these systems take into account African specifics so that, while being truly democratic and protecting human rights, they are nevertheless designed in ways which really ensure that political and, therefore, peaceful means can be used to address the competing interests of different social groups in each country;
- establishing the institutions and procedures which would enable the continent collectively to deal with questions of democracy, peace, and stability;
- achieving sustainable economic development that results in the continuous improvement of the standards of living and the quality of life of the masses of the people;
- qualitatively changing Africa’s place in the world economy so that it is free of the yoke of the international debt burden and no longer a supplier of raw materials and an importer of manufactured goods;
- ensuring the emancipation of the women of Africa;
- successfully confronting the scourge of HIV/AIDS;
- the rediscovery of Africa’s creative past to recapture the peoples’ cultures, encourage artistic creativity, and restore popular involvement in both accessing and advancing science and technology;
- strengthening the genuine independence of African countries and continent in their relations with the major powers and enhancing their role in the determination of the global system of governance in all fields, including politics, the economy, security, information and intellectual property, the environment, and science and technology.

These goals can only be achieved through a genuinely popular and protracted struggle involving not only governments and political parties, but also the people themselves in all their formations. Such a popular movement for the fundamental renewal of Africa would also have to take into account

the multifaceted reality that:

- it is engaged in an extremely complex struggle which would be opposed by forces of reaction from both within and without the continent;
- it would achieve both forward movement and suffer occasional setbacks;
- the continental offensive can only be sustained if the active populations of all countries are confident that none of the countries of the continent, regardless of the extent of its contribution to the Renaissance, seeks to impose itself on the rest as a new imperialist power; and,
- the forces for change have to be built up and consolidated within each country, without ignoring or underestimating the imperative and the potential for an increasing coordinated transnational offensive for the mutually beneficial renewal of the continent.

From all this, it is clear that the achievement of the historically vital African Renaissance requires that the peoples of our continent should adopt a realist program of action that will actually move Africa toward its real renewal.

### **An ‘African Century’**

Accordingly, ways have to be found to ensure that:

- the OAU [Organization of African Unity] is further strengthened so that in its work, it focuses on the strategic objective of the realization of the African Renaissance;
- links are built across Africa’s borders among all social sectors to increase the levels of cooperation and integration;
- steps are taken to ensure that both Africa and the rest of the world define the new century as an “African Century,” in furtherance of the objective of the mobilization of the peoples of the world to support the offensive for an African Renaissance; and,
- work is done to persuade the rest of the world, including such important institutions as the UN, the IMF [International Monetary Fund], the World Bank, the WTO [World Trade Organization], NAFTA [North American Free Trade Agreement], the EU [European Union], Mercosur [South American trade group], ASEAN [Association of Southeast Asian Nations], and others, to the point of view that we share with them the strategic view that it is obligatory that we all support the vision of an African Renaissance and that they should lend support to this process, guided by what the peoples of Africa themselves want.

The difficulty we will face with regard to the accomplishment of the last of these tasks is illustrated by the problem we are facing even as we stand here, of arriving at the point when we can conclude the bilateral agreement between our country and the European Union. Stripped of all pretence, what has raised the question whether the agreement can be signed today or not, is the reality that many among the developed countries of the North have lost all sense of the noble idea of human solidarity. What seems to predominate is the question, in its narrowest and most naked meaning—What is in it for me!

What is in it for me!—and all this with absolutely no apology and no sense of shame.

None of us were present when the slaves were forced into the dungeons on the Isle of Goree in Senegal and on the island of Zanzibar. But we would not be wrong if we came to the conclusion that those who survived these dungeons as well as their transportation across the oceans, did so because of a strong will to survive.

None of us were present when the people of the Congo were slaughtered in their millions, to satisfy the rapacious and insatiable greed of a Belgian monarch. But we would not be wrong if we came to the conclusion that the Congolese people did not resort to mass suicide to escape the horror, because of a firm conviction that, in the end, as a people they were indestructible.

We were present when the colonial and racist powers put up the most determined resistance to deny the people of Algeria, Kenya, the Portuguese colonies, Zimbabwe, Namibia, and South Africa their freedom.

We know that the peoples of these countries and our continent as a whole were not discouraged by what seemed to be overwhelming odds against them, because they were determined that the people’s cause for national emancipation could never be defeated. We bore witness to the unspeakable genocide that descended on the people of Rwanda in 1994. We know that, in the end, these extraordinary Africans ended the slaughter themselves because they took it upon themselves to make the determination that Africa will not perish at the hands of her own sons and daughters.

That same spirit of optimism and commitment to overcome must inform all of us now as we build on the victories we have scored, to engage what will clearly be a titanic struggle to achieve Africa’s Renaissance. What will decide the outcome is not the strength of our opponents but our own determination to succeed.

Stretching through the mists, for a millennium, our common African history is replete with great feats of courage, demonstrated by the heroes and heroines and the heroic peoples, without whose loyal attachment to hope and the vision of a bright future for Africa, her people would long have perished. The moment is upon us when we should draw on this deep well of human nobility to make this statement in action—that Africa’s time has come! We, in all our millions, including those of us who are in the diaspora, will ensure that Africa will not be denied what is due to her! The African century will not be proclaimed! It will come to be through struggle! The struggle continues! Victory is certain!

We wish the African Renaissance Institute success in the historic mission we are all called upon to carry out, to end a long and dark night without whose ending no human being anywhere in the world can claim to be fulfilled as a human being.

The only ailment that has no cure is the spawn of a curse. I thank you for your attention.

# Business Briefs

## Petroleum

### Royal Dutch Shell moving into Iran

Royal Dutch Shell has signed agreements with the Iranian government to invest and participate in the development of two new oil exploration sites offshore, and will bid to participate in several onshore projects of a much larger scale, the *Wall Street Journal* reported on Nov. 16.

The initial \$800 million venture violates the U.S. sanctions against Iran, and is part of a broader pattern of Persian Gulf oil states opening up to outside investors. Kuwait has invited major oil companies to discuss investments in several projects, and Saudi Arabia is preparing a similar proposal for future projects and bids.

Royal Dutch Shell is, of course, a crown jewel of the Anglo-Dutch oligarchy. Exxon is worried that Royal Dutch Shell is about to grab up all of the new oil concessions in Iran, and is pressuring the Clinton administration to rapidly end the sanctions.

## Ghana

### 'Chronicle': Free market put nation in ruins

The Ghanaian newspaper the *Chronicle* rejected so-called free market policies, and urged lawmakers to impose greater regulation on Ghana's economy, in a Nov. 15 editorial entitled "Regulating the Economy Is One Sure Route Out of Our Economic Mess."

It reported on the debate in Parliament about what to do, now that President Jerry John Rawling's adoption of free-market policies has destroyed Ghana's economy: "At the time of going to press, Parliament was debating a minority party motion calling on the Finance Minister, Kwame Peprah, to resign over his mishandling of the economy. The motion followed the admission of 'failure' by Peprah's deputy, Victor Selormey, in the House two weeks ago. The Deputy Minister had told the House that this country is in distress because economic measures put in place by the government had failed, apparently because of international pressures on

the local economy."

It said: "We would like to recommend a non-partisan approach to the issue of finding lasting solutions to our economic malaise. . . . There cannot be any seriously planned economy in the world without regulations. The *Chronicle* concedes that this nation needs to import a number of items for the survival of the state. . . . But we are ill at ease with the free-for-all importation under the so-called free-market system we currently operate."

It continued: "Apart from conserving local resources, a ban on imports acts as incentive to local producers to produce more. It is a shame that farmers in Ghana, for instance, have to face competition from importation of rice and plantain. . . . Our understanding is that for all the noise about gold overtaking cocoa as the country's largest export commodity, the benefit to this country amounts to only about 32% of the actual export. The reason is that the foreign investors in the gold and other mineral sectors are allowed to keep most of the returns. We are alarmed at a policy that allows people to come to this country with very little and end up plundering our meager resources. . . . Any nation without regulations can only be left at the mercy of international donors. Cap in hand cannot be a successful long-term policy."

## Trade

### Preliminary details of U.S.-China trade deal

The U.S.-China World Trade Organization (WTO) agreement signed on Nov. 15 will cut average Chinese tariffs 23% over about seven years, and contains the following other concessions, according to unofficial wire reports:

Telephone companies, now restricted to equipment sales, will be able to own up to 49% of all telecommunications service ventures upon China's entering the WTO, and up to 50% two years later.

Foreigners may invest in Internet companies, including content providers.

Manufacturers can import and export without government middlemen, and distribute and sell products directly to consumers. They can also handle after-sales, repair,

and maintenance services.

China will double foreign film imports to 20 per year, and allow foreign film and music companies to share distribution revenues.

U.S. banks can offer services in local currency to Chinese enterprises two years after China joins the WTO, and to individuals five years after.

Foreign auto companies will have full distribution, trading, and financing rights. By 2006, China will reduce auto tariffs from the current 80-100%, to 25%.

Tariffs on agricultural products will fall to 14.5% from 15%. All export subsidies will be eliminated.

Foreign firms will initially be allowed 33% stakes in securities fund management joint ventures, rising to 49% three years after China joins the WTO.

## Space

### Japan, Russia suffer rocket failures

A Japanese H-II rocket, the most advanced in its fleet, failed on Nov. 15, and was blown up about eight minutes into its flight. Preliminary reports from the National Space Development Agency of Japan indicate that the rocket's main engine stopped prematurely, forcing the booster to veer off course. It was the second failure for the H-II in 18 months, and the seventh flight of the H-II. The H-II is an advanced design which uses a liquid hydrogen upper-stage engine, and is the rocket the Japanese plan to use to service the International Space Station. There have been numerous technical problems with the rocket, and its launch had been delayed since August.

In Russia, a team of experts, led by Russian Space Agency head Yuri Koptev, visited Kazakhstan to investigate the Oct. 27 failure of a Proton rocket. It was the second Proton failure in four months, and was similar to the July 5 incident in which a failure occurred in the second stage of the vehicle. The Proton has been the most reliable rocket in the world, with a reliability of more than 95%, and is the workhorse of the Russian space program and the commercial aerospace industry. It is also the rocket that will

be used to launch the Russian Service Module to the International Space Station next year.

## Russia

### Use emergency measures to revive industry

Vice Speaker of the Russian State Duma (lower house of Parliament) Sergei Baburin called for capital controls and emergency measures to revive Russian industry, at a seminar at the Hanns Seidel Foundation in Munich, in November, the German daily *Tagesspiegel* reported. Baburin said that it is time to declare a state of economic emergency.

The state of emergency would enable the state to regain control of essential resources, including measures to improve tax revenues, and to restore capital controls to dry up capital flight. Baburin said that at present, Russia's hands are tied by a foreign debt of \$150 billion on the one hand, and the International Monetary Fund, which does not grant new loans to Russia, on the other.

"The communist experiment has come to an end, the liberal one has failed. Now, Russia must take a new choice for the next century," Baburin said.

## Africa

### Scientists seek to boost space technology benefits

African scientists discussed how to bring the benefits of space technology to their nations, during a four-day meeting in Gabon in November. The theme of the meeting stressed both space science and communications technologies. The conference was organized by Malian-born Cheik Modibo Diarra, who designed the navigation system of NASA's 1997 Mars Pathfinder spacecraft. The meeting was sponsored by his Pathfinder Foundation, and the UN Education, Scientific, and Cultural Organization (Unesco).

"It is necessary to give all peoples the

chance of assimilating world scientific and technological progress to ensure their well-being and improve their living conditions," Gabon's Minister of Higher Education told the meeting.

## Israel

### Frenkel resignation may spark policy debate

Jacob Frenkel, Governor of Israel's Central Bank for almost ten years, announced his resignation on Nov. 14, the Israeli daily *Ha'aretz* reported. A classic monetarist who kept interest rates high purportedly to keep inflation low, his policies have been widely blamed for the country's current recession and high unemployment. His resignation is expected to touch off a debate on economic-financial policy.

While most politicians, despite their opposition to his policies, praised Frenkel, Shmuel Slavin, former Treasury director, said that Frenkel had acted in a "cowardly fashion," and that he "will be remembered for losing the economy between \$10-12 billion in production and creating a social gap that made Israel one of the countries with the greatest gap between rich and poor."

Avrahm Tal, a commentator for *Ha'aretz*, said that Frenkel resigned because of fears that the Israeli currency, the shekel, could collapse long before his term would have ended in August 2001. Tal said that Frenkel's claim, that he resigned because he had accomplished his goal of lowering inflation, is self-serving. Frenkel accomplished this through maintaining high interest rates and offering short-term debt certificates at 7-9%, which has led to the creation of a "mountain of shekels"—193 billion shekels, which grew by 35 billion since the first of the year. In October alone, the mountain grew by 4 billion.

What will happen when interest rates drop to normal levels and investors move to cash in their certificates, or if the dollar began to rise? Tal asked. Would the Central Bank have enough reserves to protect the currency? He said that Frenkel was especially worried about the 25 billion shekels in short-term debt certificates and their due date for repayment in less than one year.

**PAKISTAN'S** government bonds were given a "default" rating, the worst possible, by Standard & Poor's rating agency on Nov. 17. This means that S&P declares Pakistan bankrupt. It is the first time ever that S&P has given the rating to the government bonds of any country.

**TURKMENISTAN'S** Minister of Defense visited Pakistan in mid-November, to discuss cooperation on infrastructure, including a rail link, an electricity grid transfer, and a pipeline.

**UKRAINIAN** President Leonid Kuchma told a meeting of the Black Sea Economic Cooperation Organization on Nov. 17 that the creation of a free-trade zone would give a "powerful impetus" to regional cooperation. "We should synchronize to the maximum extent our actions with the EU [European Union], primarily in the economic sphere . . . to prevent the appearance of new dividing lines on the continent," he said.

**POPE JOHN PAUL II** said that there is no excuse for hunger, at a conference of the UN Food and Agriculture Organization on Nov. 19. "With the means available today, poverty, hunger, and disease can no longer be regarded as either normal or inevitable," he said. "Yet what is required is not paralysis, but action."

**KENNAMETAL**, the number-one U.S. metal-working tools firm, said on Nov. 17 that it would lay off 400-500 of its 14,000 workers, and close, consolidate, or curtail operations at several plants, warehouses, and offices.

**ALBANIA** has reduced taxes on gas imports in an attempt to overcome a power shortage in the country, ATA news service reported on Nov. 16. A drought has led to reduced hydroelectric power plant output, which produces some 95% of the nation's electricity. Officials are trying to persuade industries to run at night to ensure an even distribution of power.

## Australia's fight to become a republic

by Muriel Mirak-Weissbach

On Nov. 6, Australians went to the polls to vote in a referendum, whether to become a republic or retain the system of constitutional monarchy, with Queen Elizabeth II as head of state. The population voted 55-45% against the proposed republic. This was, however, not a pro-monarchy vote; it was a vote against the pseudo-republic, which was being offered. For, the change proposed was merely a formal one: The country would be ruled by an Australian President, instead of the Queen, but this head of state would be appointed by a parliamentary majority of two-thirds. Australians committed to the idea of a real republic, would have voted "yes" only if they had been given the right to elect the President by direct ballot (see *EIR*, Nov. 19, p. 48).

The entire dog-and-pony show around the referendum, was just the latest trick by the British-controlled establishment in Australia, to manipulate and deform a republican sentiment which runs deep in the cultural impulse of the population.

The fight for a true republic, has, in fact, been a constant in the history of Australia, although official British historiography has painstakingly covered this up. According to the British school, Australia was nothing but a dumping ground for social outcasts, criminals, and ne'er-do-wells.

History records that, because Britain lost its 13 American colonies as a destination for transporting (i.e., exiling) convicts from the overcrowded British jails in the American War of Independence, it was forced to look elsewhere, and so decided to settle Australia, which had been claimed for the Crown by Captain Cook just six years before the war broke out. Such is the gist of what is taught in schools in Australia. In reality, the story is much more interesting.

The initial idea to settle Australia came from an American named James Mario Matra, a native New Yorker who had been a junior officer on Captain Cook's ship *Endeavour*. Ma-

tra belonged to a circle of English loyalists, who had supported England in the War of Independence. He proposed to Lord Sydney, the British Secretary of State, that loyal subjects of the Crown who were no longer welcome in the United States could find new homes and opportunities for farming and commerce in the territories of the newly discovered New Holland, as Australia was then known. Matra's novel idea wasn't taken up; however, it did prompt Lord Sydney to decide on Australia as the next destination for convict transportation. This signalled the beginning of a mass transportation which, over the following 80 years to 1868, saw 160,000 convicts transported to Australia, at least 50,000 of whom were Irish.

### Political prisoners

The crucial point is, that many of the Irish, Scottish, and even some of the English convicts were political prisoners, individuals who had become aflame with the passion for liberty, because of the American Revolution. They were people who had flocked to buy up copies of Thomas Paine's tract, *The Rights of Man*, which in 1791 sold an incredible 1 million copies in England! Paine was an Englishman whose writings had inspired and raised money for the American Revolution.

Paine's pamphlet was a manifesto for republicans, and circulating it became a crime. A promising young Scottish lawyer named Thomas Muir was sentenced in the star-chamber court, to 14 years transportation to Botany Bay for distributing *The Rights of Man*. The Scottish national poet Robbie Burns penned the words to Scotland's unofficial national anthem "Scots Wha Hae" when he witnessed this outrage.

Muir became part of a group of five Scotsmen transported to Botany Bay for their republican politics, who were known as the Scottish martyrs. They later banded together with Irish political convicts in a failed rebellion attempt at Paramatta



## Australia, 1999



near Sydney in 1804 called the Battle of Vinegar Hill.

Most of the Irish convicts were shipped out in the wake of the 1798 “Great Rebellion,” or during the virtual civil war that existed in Ireland between 1815 and 1840, as the Irish struggled against what was called the Ascendancy, their name for the brutal British domination over the country since the days of Oliver Cromwell in the 1600s. Records show that about 20% of these transported Irish convicts were convicted of purely political crimes, including riot and sedition, and even for simply attending a political meeting. Many were ardent republicans, and although not all the details of their activities are known, it is obvious that republicanism was a crucial intellectual force from the earliest days of Britain’s colonies in Australia.

In fact, as is clear in the work of the Rev. John Dunmore Lang, republicanism was the dominant intellectual force, at least of the broad majority of Australians, from the very earliest days through at least 1856, and even beyond. The British, and their Anglophile Australian historians, have gone to extraordinary lengths to try to establish that Australia was not founded upon political prisoners—i.e., those infected with the virus of the American Revolution—but that most of these shipped to Australia were mere common crooks, pickpockets, prostitutes, and the like.

### ‘Radical nationalism’

By 1841, in New South Wales, which included Victoria at that time, 39% of the population were either convicts or



*Rev. John Dunmore Lang came close to pulling off a republican revolution against England.*

emancipated convicts, 24% were colonial born, and 37% were free immigrants. As in America, these free settlers were obviously some of the boldest and most pioneering spirits from the old country, which added to the republican aspirations set loose on the continent. However, an aristocracy had also been transplanted to the new colonies, in the form of the wealthy squattocracy that controlled the land. Naturally, this led to conflicts between classes of people, and not surprisingly, the wealthy landowning class were the strongest supporters of British colonial policy. This set the stage for the political career of the Rev. John Dunmore Lang, in the first of two waves of what British historians call “radical nationalism,” i.e., republicanism, which swept the country in the nineteenth century.

What follows here, is a preliminary account of the true story of the fight for a republic in Australia, beginning with the 1850s. The story continues with the awakening of a republican labor movement in the 1880s and 1890s, and moves on to the struggle against the City of London’s “money power” in the 1930s. It includes the extraordinary efforts launched during World War II, to mobilize the industrial potential of the nation for self-defense.

Throughout the narration, which highlights the great individuals who fought for the republic, a leitmotif emerges, which is the intimate intellectual as well as organizational connection of the Australian republicans, with the American tradition, from the early years to the fight for a Hamiltonian national bank.

The historical research which is summarized here, was presented at a conference of the Citizens Electoral Council, the movement associated with Lyndon LaRouche in Australia, on Oct. 22-24. The research was done from original sources, by Robert Barwick, Allen Douglas, Kelvin Heslop, and Noelene Isherwood.

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## The 1840s and '50s

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# The great republicans’ fight against Britain

by Noelene Isherwood

The spirit of national freedom and independence is one of the most generous and disinterested, as well as one of the loftiest and most ennobling passions of human nature; and when it once animates a people, they become capable of deeds, and sacrifices, and exertions, of which they could never have supposed themselves capable before. This spirit, moreover, is highly contagious; and it has only to take possession of some mastermind to communicate itself to the whole mass of the people.

Such was the conviction of the Rev. Dr. John Dunmore Lang, arguably the greatest true patriotic Australian of the last 200 years. Yet, precious little has been written about this man. It is as if one were to write about American history, without mentioning Benjamin Franklin, or George Washington, or Abraham Lincoln. What is said about Lang, is that he was just an egotistical character, who liked to get into lawsuits with everyone because he was just plain ornery, and was just too cranky to get his good ideas implemented. The historians who say this, are lying, in order to cover up the reality: that John Dunmore Lang came very close to pulling off a republican revolution in Australia in the early 1850s.

John Dunmore Lang was born in western Scotland of a farming family, and was sent to the University of Glasgow at age 13. By 22, he had graduated with an excellent education in Classical Greek, Latin, geometry, music, and astronomy, among other subjects. His brother George had emigrated to Australia, and was an official in New South Wales, so John Dunmore decided to follow him, arriving here in May 1823. He was a strongly built young man of 24, over six feet tall, with sharp blue eyes behind steel-rimmed glasses, and ready to take up his ministry.

### ‘Freedom and Independence’

Lang’s dream, from shortly after his arrival, was to see the British colonies of the great and golden lands of Australia, welded into a vibrant and dynamic sovereign nation, which he believed was the lawful and Divinely ordained destiny for all such colonies. He articulated this vision in his internationally esteemed book, written in 1852, *Freedom and Independence for the Golden Lands of Australia*:

“The spirit of colonial nationality, is no accidental feeling; it is unquestionably of Divine implantation, and designed, not for evil, but for good. . . . ‘Colonies’ says the celebrated William Penn, ‘are the seeds of nations, begun and nourished by the care of wise and populous countries, conceiving them best for the increase of human stock, and beneficial for commerce.’

“The feeling of nationality . . . comes down to us from heaven. It is the gift of God for the welfare and advancement of his creature man. . . . So far indeed from the feeling of nationality being a mere matter of the imagination, it constitutes a bond of brotherhood of the most influential and salutary character, and forms one of the most powerful principles of virtuous action. Like the main-spring of a watch, it sets the whole machinery in motion. Like the heart, it causes the pulse of life to beat in the farthest extremities of the system. It is the very soul of society, which animates and exalts the whole brotherhood of associated men.

“And must the young Australian be debarred from the exercise of that generous and manly feeling, of which every rightly constituted mind is conscious, when he exclaims, with deep emotion, ‘This is my own, my native land!’

“In one word, nationality, or their entire freedom and independence, is absolutely necessary for the social welfare and political advancement of the Australian colonies. Give us this, and you give us everything to enable us to become a great and glorious people. Withhold this, and you give us nothing.”

And for Dr. Lang, “nothing” was not an option. His vision of the possibilities and potential of his golden lands of Australia was seemingly unlimited. And there was nowhere he would not go and nothing he would not do to make it happen.

### **Lang’s vision for the development of Australia**

When J.D. Lang closed his eyes and dreamed his dreams for his native land, he saw a land bustling with industry and enterprise. He saw citizens of every nationality and social standing, hard at work, making a comfortable living free from the constraints of the old Mother-country, its aristocracy and its brutality. A land where people did not know poverty and tyranny—a land of freedom.

Lang delighted in technical progress. The utilization of steam power in transport and industry was the most auspicious phenomenon of the first half of the nineteenth century. He advocated a railway system for Australia to link the Gulf of Carpentaria and the southern provinces. He said this line would provide a bridge to the remainder of the world. He envisioned Carpentaria becoming the focus of the nation’s commerce. From here, Australian raw materials and influence would radiate throughout the world. Thus, he reasoned, it was indispensable for a railroad to link all the provinces.

He envisaged this major trunk route to run from a point on the Murray River equidistant from Adelaide and Melbourne, due north through Bourke on its way to the Gulf. Bourke was uniquely equidistant to the four existing capitals.

Lang wanted to offer migrants arriving in the colonies, an acreage of land equal in value to their passage money. In order to secure good land for this purpose, he suggested the reservation of a development corridor, seven miles’ width of country on each side of every navigable river, and on each side of every new railway. He had practical dreams of an enriching variety of occupations, centering in rising townships within easy reach of rivers and railways. It reminds you very much of the “development corridors” Lyndon H. LaRouche, Jr. has proposed for the Eurasian Land-Bridge. Lang also advocated developing plantations of sugar and cotton in North Queensland and enlisted the help of his friends in those areas to grow trial plots and to run scientific testing of the best crops and varieties to plant.

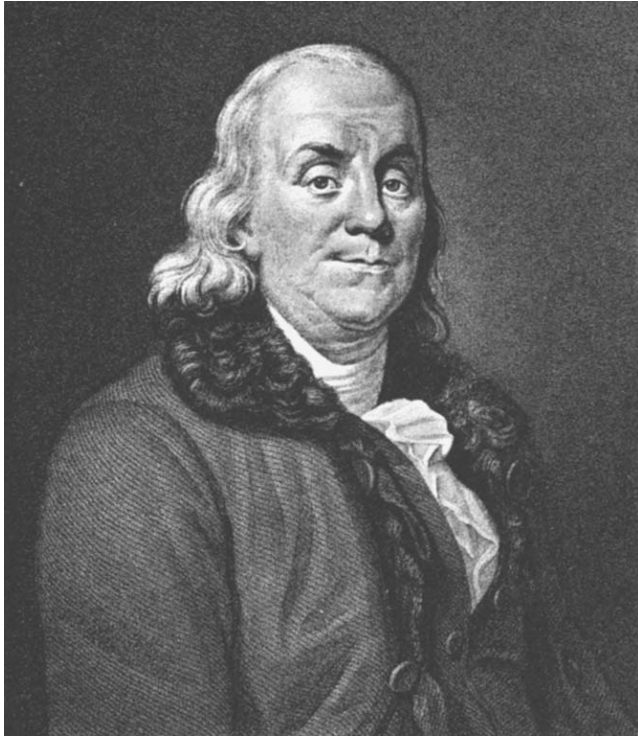
But these dreams were entirely dependent on the nation achieving its full freedom and independence. This became Lang’s life work and that of his close friends and collaborators of the day, the poet Charles Harpur, his fellow Member of Parliament and patriot Daniel Deniehy, and to a lesser extent his protégé, the painter and poet Adelaide Ironside. These people made their own unique and profound contributions to the fight for a true Australian Republic.

### **Lang’s early projects and colonization**

The individual about whom Lang constantly wrote, in some of his more than two dozen books, was Dr. Benjamin Franklin, the universal genius and political organizer who, more than anyone else, was the “father of American independence.” In the decades before America declared independence in 1776, Franklin built the institutions around which the 13 young colonies grew. For instance, if there were no public library, Franklin took up subscriptions, and founded one. If there were no university, he built one. If there were no postal service for the 13 colonies, he founded one, becoming the first postmaster general in the process. And, later, if there were no militias to defend the colonies, he organized them. And so on, and so on.

And so with the Rev. John Dunmore Lang. Shortly after arriving in 1823, Lang built the first Presbyterian church in Sydney. Since there was no system of primary education in the colony of New South Wales, which then covered all the eastern coast of the continent, he started a primary school in his church. Since there was no college, he sailed back to England and organized the British government to give him £3,500—a very large sum at the time—to start one. Even more importantly, since New South Wales was largely colonized by unskilled, convict labor, Lang handpicked a shipload of Scottish mechanics, artisans, weavers, and builders to emigrate with him. On Oct. 15, 1831, soon after Lang and his skilled workmen arrived, the *Sydney Gazette* gave him credit for “the most important importation the colony ever received, and certainly the boldest effort ever made by a single individual to ‘advance Australia.’ ”

It was this skilled working class, created by Lang, which



*Benjamin Franklin was a continuing inspiration to Australian republican Rev. John Dunmore Lang, who followed Franklin's example in creating schools and other institutions to upgrade the labor force.*

was to build the industrial and agricultural working class movement that conducted the fight for republicanism in the 1880s and 1890s.

Soon, the new workers had not only built Lang's university, the Australian College, as he named it, but they had changed the face of Sydney with their building projects. Since there was no popular newspaper to educate the population, he started *The Colonist*, in 1835, which gave him rapidly increasing influence in the colony. That same year, he convinced the British government, for the first time ever, to pay the passage money of selected groups of immigrants to Australia. Not content with the British government's slow pace, Lang soon was making plans to bring out many more boatloads of, not only skilled mechanics, but small farmers, who could begin to settle and cultivate the new land. In his book *Freedom and Independence for the Golden Lands of Australia*, first issued in 1852, Lang described the ideas which motivated what he called "the heroic work of colonization":

"For God made the earth to be inhabited — not to lie waste, as so much of it has done hitherto, through the folly and perversity of man — and his first command to the human race, even in the Garden of Eden, was 'Be fruitful and multiply, and replenish the earth.' Now colonisation, with all that leads to it, whether in the laws of nature or the necessities of men, is merely the carrying out of this divine ordinance."

This divine ordinance, Lang stressed, was best understood by the Greeks, who instead of dispatching their destitute and "dregs" to their colonies, populated them with a cross-section of the most talented and noble individuals of the land. He also stressed that the Classical Greeks' culture, as reflected in their colonization projects, paved the way for Christianity:

"The field of Grecian colonisation was the scene of the earliest and greatest triumphs of Christianity. The seven apostolic churches were all planted in Grecian colonies; and the New Testament, including even the epistle addressed to the Romans themselves, was written in the Greek language, because Grecian colonisation had made that language the language of the civilised world."

Lang counterposed to the colonization of the Greeks, which uplifted and enriched the world, that of the British, which degraded and impoverished it.

### **America as the model**

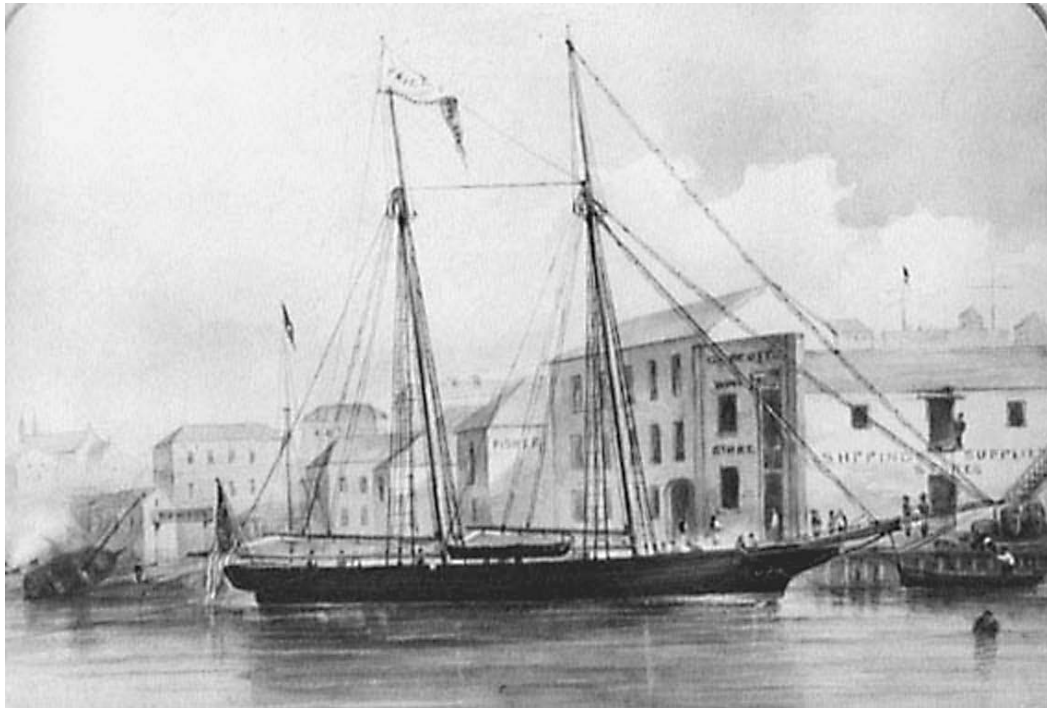
In all that he did, Lang had before him the shining example of the United States of America. In 1837, he wrote that Australia must surely follow her northern cousin in becoming a republic:

"It is natural that Australia should look upon the United States with more than ordinary interest. Throughout the whole of her history, there are certain broad features bearing no imaginary resemblance to our own. America was once a British dependence; Australia is now. America receives her language, her manners, her literature and the germ of her laws and political institutions, from the British Isles; so also has Australia. America at length outgrew the trammels of national juvenility, and asserted the prerogative of matured manhood which she in the end compelled her reluctant parent to acknowledge. It is perfectly consistent with loyalty and with common sense to predict, that at some future period — far distant no doubt it is — Australia will pursue a similar course with similar success. . . ."

"I have taken it for granted that in the event of Australia becoming free and independent, she would adopt, as a matter of course, a Republican form of government. I look upon this as a settled point, in the present circumstances and conditions of a civilised world — not however, as being the result of reasoning from abstract principles, but simply . . . from the necessity of the case."

In 1840, on the way back from still another trip to England to organize more immigration, Lang visited the United States for the first time. He told Americans that his purpose was "to ascertain the state of morals, of religion and of education, in this favoured land and to solicit your friendly assistance and your Christian cooperation, for the intellectual the moral and the spiritual advancement of the future America of the Southern Hemisphere."

Shortly after his return to Sydney, he stood for the newly instituted Legislative Council of New South Wales, and won. He travelled widely, and agitated, among other things, for the



*A ship bringing immigrants to Australia. It was Lang's policy to organize for increased immigration, including skilled workers and farmers, who could begin to settle and cultivate the new land.*

separation from New South Wales of both the Port Philip district, which is now Victoria, and of the Moreton Bay District, which is now Queensland. The colony of New South Wales was too large, he reasoned, to adequately represent the aspirations of these districts. He had seen, in the United States, how effectively the state governments represented their citizenry, under a federal system. It was largely because of his organizing, that the Port Philip district was given its own government not long after.

In 1846, he once again set sail for England, where he was to spend the next three years attempting to organize the British government to implement his plans for greatly stepped up immigration. Lang was also attempting to secure changes to the Squatting Act of 1846, by which the British locked up almost the entire land of the continent under the control of a tiny handful of super-wealthy pastoralists, the squatters.

The British Colonial Office under Earl Grey rejected almost all of Lang's plans, though he did organize another dozen or so boatloads of emigrants to come out, largely at his own expense, some of whom did, indeed, help settle the territories to be known as Victoria and Queensland. Upon leaving England, Lang issued a remarkable open letter, which was published in England and in New South Wales, in which he blasted Grey, one of the most powerful individuals in the mighty British Empire, in the following terms:

"I am now returning to Australia with the bitterest disappointment and the deepest disgust, cherishing precisely the same feeling as the celebrated Dr. Benjamin Franklin did, when he left England as a British subject, for the last time.

"In reviewing the intercourse I have thus had with your

lordship's department for the last three years I cannot but express the extreme regret, not unmingled with indignation, which I cannot but feel as a British colonist, when I reflect that I have myself experienced much more courtesy and attention, merely as a British traveller, from the President of the United States of America, in his marble palace at Washington, than I have done as a representative of the people of New South Wales from the paltriest underlings of Your Lordship's department. Like the mutes in the Sultan's palace at Constantinople, these familiars of your lordship regularly strangle honest men and every honest measure connected with the colonies, in the dark recesses of their political inquisition; and the people of England never hear of the matter any more than the Turks used to do of those hapless victims whose bodies were thrown at midnight into the waters of the Bosphorus. . . .

"Very moderate concessions would have satisfied the colonists three years ago, but such concessions will not satisfy them now. To use a vulgar but expressive phrase, which Your Lordship will excuse, they will now 'go for the whole hog' or for nothing at all. . . .

"For three years past, you have been knocking on the gate of futurity, for the President of the United States of Australia. Be assured, my Lord, he is getting ready, and will shortly be out; and will astonish the world with the manliness of his port and the dignity of his demeanour."

The die was cast. Immediately upon his return, Lang set up an organization, The Republican League, which was dedicated to achieving independence. In April 1850, he gave three lectures which were attended by thousands, in which he called for the establishment of a republic in Australia. The first two

of these were reprinted as a pamphlet called “The Coming Event,” which was widely circulated, and was later expanded into his famous book, *Freedom and Independence for the Golden Lands of Australia*.

### **The fight against the squatters**

The big political problem for the British, ever since they started sending boatloads of people out to the Australian continent in the immediate wake of the American Revolution—people whom they knew very well to be “infected” with the virus of republicanism—was how to make sure that they did not do what their American cousins had done—create a republic.

Until 1823, Australia was under military rule, which made control rather simple. In that year, a Legislative Council was set up, which consisted, at first, of five to seven government officials nominated by the Governor, with a few nominated representatives of the colonists added later. Being nominated by the Governor, the Councillors were all responsible to him, and not to the population, while the Governor was, in any case, all-powerful, and not responsible either to the population, or the Council, but only to the Crown.

In 1837, the British got the shock of their lives, probably second only to that of the American Revolution, when a military rebellion erupted in Canada. The rebellion was put down, but the British became obsessed with how to prevent any future such outbreaks. They gave John George Lambton, the Earl of Durham, and one of the leading oligarchs in Britain, unprecedented powers as High Commissioner and Governor-in-Chief of British North America, as Canada was known.

Durham appointed a commission to study the problem, the most important member of which was Edward Gibbon Wakefield. Wakefield argued that the colonies should be merely transplantations of British society, and, in order to keep them that way, land prices should be kept very high, so that no class of small farmers could be created, but only great landowners closely tied to the Crown. Wakefield’s ideas were used as the basis to set up South Australia and parts of New Zealand, among other places. Wakefield’s second recommendation was to offer the Canadians so-called “Responsible Government.” Under this scheme, an Executive composed of Ministers appointed by the Governor from an elected assembly, would be “responsible” to that Assembly. Not only did the Governor appoint them in the first place, but they would only hold office at his “pleasure,” notwithstanding their supposed responsibility to the assembly.

In addition, the consent of the Governor was still required for legislation passed by the assembly to become law, and the Governor could dissolve the assembly. The system was intended to give the appearance of local control, whilst control still, in fact, was vested in the British Crown, since the Governor was appointed by, and was the representative of the Crown. As Wakefield put it, it “would tend more than anything to preserve an intimate connection between the colony and the mother-country.”

This concept of Responsible Government was one of the most insidious and corrosive schemes ever devised by the British Empire. Its main importance, as stressed by Justice Isaac Isaacs of the High Court, a framer of the Australian Constitution and subsequently a Governor-General of Australia, in a High Court judgment in 1920, was that it did not follow the model of America. He said:

“It is essential to bear in mind two cardinal features of our political system which are interwoven in its texture and . . . radically distinguish it from the American Constitution. One is the common sovereignty of all parts of the British Empire [that means the Crown, of course]; the other is the principle of responsible government . . . the institution of responsible government, a government under which the Executive is directly responsible to—nay, is almost the creature of—the Legislature. This is not so in America. . . .”

No, indeed, it is not so in America, which has a popularly elected President, who is not a creature of the legislature. And it is precisely the notion of an American-style popularly elected President, which terrifies the Anglophile establishment in Australia. It is also clear, from Isaac’s account, that the Federation granted in 1901, was just an updated form of this “responsible government” scam foisted on Australia in the mid-nineteenth century, in order to stop the republican organizing of John Dunmore Lang.

But, back in the 1840s, one of the keys to the “Responsible Government” fraud, was to set an extremely high property requirement to even be considered as a candidate for the Council, at least £5,000, which was a fortune in those days. So, here you had it: a John Locke-style scam of “life, liberty and property,” instead of the Leibnizian and American “life, liberty, and the pursuit of happiness.” And this is exactly the way John Dunmore Lang saw it—as a fraud against the fundamental rights of mankind.

Lang was elected to the first Legislative Council in Australia in 1843, set up along the lines of Wakefield’s “responsible government” scheme. However, from at least the time of his return from England in 1849, Lang campaigned relentlessly to dump the “responsible government” fraud, declare independence and elect a House and a Senate, with an elected President and Vice President modelled largely upon the U.S. system.

Lang counted people like Benjamin Franklin, Cotton Mather, George Washington, and Thomas Paine amongst his greatest heroes and constantly quoted from their writings and expounded their ideas.

### **The gold rush**

In 1851, gold was discovered in both New South Wales and Victoria. This brought a massive increase in immigration. Five thousand people a week, or a quarter-million people per annum, poured into Australia, coming from every part of the globe, including many shiploads from the gold diggings in California. Lang was delighted. He said that “a country which is being peopled at the rate of 5,000 a week by men nursed in

freedom will soon be able to demand as a right that which she now entreats as a favour.”

However, whilst Lang was overjoyed about the influx of wild “freedom-loving” fortune hunters, his colonial masters saw the potential for rebellion in the wind. It is therefore hardly a coincidence that only a few months after the discovery of gold, Lang was sentenced to four months in prison for libel. He was considered Australia’s most notorious republican troublemaker, the leading advocate of radical reforms, and they wanted to make an example of him.

They had good cause to worry. When Lang travelled to the gold diggings around Bathurst, to see for himself the conditions, he preached the Gospel before 3,000 people in the open air. The diggers honored him in an address, saying: “Your name will henceforth be associated with human progress, a watchword for liberty and will occupy a distinguished place in the history of your adopted country. You are the apostle of the independence of Australia and this will be the foundation of your future fame.”

The standard historians invariably talk of Lang as some sort of eccentric, and always attempt to downplay the absolutely enormous popularity he had with the masses. Lang himself always attributed that popularity to the fact that he was openly, vigorously fighting for exactly what they wanted: republican self-government.

For instance, shortly after one of the times which he had been thrown in jail, with enormous slanders and libels being circulated against him in the major press, he decided to run for office yet again. Not only was he elected, but he topped the poll, an astounding feat under the circumstances. When he walked to Parliament to take up his seat, a crowd of 10,000 escorted him, cheering him all the way — this at a time when only 51,000 people were living in Sydney.

With the sort of explosive republican ferment under way in the goldfields and elsewhere, under the leadership of Lang, the British clearly had to act to forestall an American-style republic being declared, which many newspapers and journals of the time admit was being intensively discussed — a fact rarely acknowledged in the history books of today. The British passed a new act for an expanded form of “responsible government,” to take the wind out of the republicans’ sails.

This Constitution Act of 1853 contained a clause excluding from Parliament all ministers of religion, a clause engineered by Lang’s political enemies in order to exclude him from membership; and so, when “responsible government” was inaugurated in 1856 he had no seat. The following year, however, this clause was repealed, and from 1859 to 1869, Lang was again a member of the House as a representative of West Sydney.

But by far the most determined effort to lay Lang low, came in 1854, just as the Eureka rebellion was erupting on the goldfields of Ballarat. The oligarchy framed up his son George, and convicted him of stealing £10,000 from a branch of the Bank of New South Wales on the goldfields, which he was in charge of. George was sent to jail for five years.

Determined to prove his son’s innocence, Lang pursued every avenue, including through the press. It was during this time that he particularly rankled the establishment and they brought a number of libel and slander suits against him, eventually leading to his imprisonment for six months.

Through the frameup of George Lang, and the related lawsuits, enormous damage was done to the republican cause. Just when support was coming from many unexpected quarters, both in Australia and even in Britain itself, for Lang’s dream of a republic, the indispensable organizer to actually attain a republic, was taken out of the picture. The time that was then ripe never came again, at least not in Lang’s lifetime.

## Lang’s image of man

John Dunmore Lang not only had the soul of a poet, in his ardent conviction regarding the nobility of man, and mankind’s ability to perfect itself, as the crown of God’s creation, but he was also an actual poet, with at least one volume of verse to his credit. He wrote the following poem in 1826, when he was 27 years old, just three years after he had arrived in Australia:

Australia! Land of hope!  
Thy sons shall bear thee up  
even to the skies!  
And earth’s exalted ones  
Shall hail thee from their thrones,  
Queen of the southern Zones.  
Australia, rise! . . .

O be it then thy care,  
From Superstition’s snare  
And Slavery’s chain,  
To set the wretched free;  
Till Christian liberty,  
Wide o’er the Southern Sea,  
Triumphant reign!

Lang devoted his life to fighting for “Christian liberty,” which he viewed as the birthright of all human beings, since all were created in the image of God, and were therefore “born free and equal.” When he visited America in 1840, for instance, he told a meeting in New York on May 13, 1840:

“I trust I am under no obligation to conceal from this assembly my own cordial abhorrence of slavery, as a civil institution, and my own earnest desire for its immediate and entire abolition. I have ever regarded slavery as an evil and bitter thing for the country in which it exists, as well as for its miserable victims. It is the grand calamity of this country, that such a system was entailed upon it from a bygone age. It constitutes the only dark spot in your star-spangled banner — the only gloomy and portentous cloud in the firmament of your glory.”

He also blasted the hypocrisy of the supposedly anti-slavery British:

“Besides, it is the rule that Great Britain herself, in her pride of place, has again and again prescribed to the Americans in regard to the emancipation of their negro slaves—and, for my own part, I do not object to her applying it in that case by any means; but it is the last rule she ever thinks of applying to herself, in regard to her ill-governed and oppressed colonies. Oh no! Save Great Britain from acting upon the Golden Rule towards Colonial insignificance! The law of Christ may be good enough for the Americans; but only think of applying it to us here in England! Pooh! Pooh! Nonsense!”

From the time of his visit to America, Lang spent a great amount of time in a personal mission to end slavery in the United States, by attempting to start large-scale cotton production, using free labor, in Queensland, whose production would undercut the price of slave-grown cotton, and thus put slavery in America out of business. When the ministers whom he had brought over from Scotland were sent out around the country, he had all of them conduct experiments growing cotton, and he sent their samples of cotton to Manchester to have them tested for quality.

Not surprisingly, the supposedly anti-slavery British Colonial Office, which was trying to start a civil war in the United States on the issue of slavery, did not want to back Lang’s plans, which had advanced far enough by 1852, that he could say:

“And as it is now no longer a matter of doubt that we can grow cotton of superior quality for the British market, at a cheaper rate than the same quality can be grown by the American slaveholder, we should in all likelihood compel the latter to break every yoke, and to let the oppressed go free.”

Not surprisingly, Lang was therefore against a proposal by one cotton lord who wanted to import a quarter million Chinese into Queensland to grow cotton for Manchester. Lang said: “Perish all their mills, say I, rather than consent to anything of the kind. It would completely ruin the hopes and prospects of the country.”

However, unlike what happened when the labor movement opposed Chinese immigration in the 1880s and 1890s on racial grounds, Lang opposed it on the grounds that no slave labor should exist anywhere. Indeed, after first supporting a poll tax, which had been put on individual Chinese to stop them from immigrating to Australia, in 1866 Lang reversed himself, and fought vigorously to repeal the tax. At his funeral in 1878, a delegation of 500 Chinese marched, calling Lang “our great Liberator.” Lang also foresaw, at some point, that it was likely that northern Australia would be inhabited by Aborigines, Malays, and Chinese, which populations he proposed to elevate “by means of a European education, and the extension of equal rights and privileges to all.”

He also denounced the kidnapping then going on in islands of the western Pacific, the so-called Kanaka slave trade, and was a great supporter of Australia’s Aborigines and New Zealand’s Maoris. As his main biographer (who is by no

means entirely sympathetic to Lang) has written:

“Unlike many of his contemporaries, Lang firmly believed that the Australian Aborigines were just as much human beings as were Europeans. He repeatedly drew attention to the fact, attested by scripture, that ‘God hath made all men everywhere, for to dwell upon the face of the earth.’ Equally frequently he denied what some people affirmed, that the black man of the Australian forests was no better than the orang-outang or monkey. Lang, in fact, had a considerable admiration for this free and independent race of black men and women who owed no allegiance to Great Britain but who, most lamentably, were fast disappearing from existence as white men occupied their country and diminished their means of subsistence.”

Lang’s beliefs on these so-called “racial issues” were all located within, first, his knowledge that all men were created in the image of God, and second, the glorious mission that the Australian nation was destined to play within mankind as a whole. As he said to an American audience in 1840:

“It must be evident to every intelligent American, that the series of colonies that have thus been successfully planted on the shores of the Australian Continent . . . will, in all likelihood, exceed all former precedent, will, at no distant day, exert a mighty influence, either for good or for evil, on a large proportion of the whole family of man.”

Though acknowledged as a towering giant for his greatness of spirit, John Dunmore Lang was not alone in his struggle to uplift Australians, in order to bring about the true freedom and independence of the golden lands of Australia.

### **Charles Harpur, republican poet**

One of his closest associates was the poet Charles Harpur.

Charles Harpur, the second son of convict parents, was born in 1813, and like Lang, he had a mission, clearly outlined in his simple, but powerful poem, “This Southern Land of Ours”:

With clowns to make our laws, and knaves to rule us  
of old,  
In vain our soil is rich, in vain ’tis seamed with virgin  
gold;  
But the present only yields us nought, the future only  
lours,  
Till we have a braver manhood, in this Southern land  
of ours.

What would pygmean statesmen, but our new-world  
prospects blast  
By chaining Enterprise and Thought to the  
misyielding past;  
With all its misery for the masses and fraud-unholden  
powers,  
But we’ll have a braver system in this Southern Land  
of ours.



And Lo! The unploughed future boys! May yet be all  
 our own,  
 If hearts that love their native soil, determine (this  
 alone);  
 To sow its years for crops of truth and border them  
 with flowers,  
 Till we have a nobler manhood in this Southern Land  
 of ours.

Harpur wrote hundreds of poems, numerous prose pieces on most issues of contemporary interest, as well as a play, all of them dedicated to creating “a nobler manhood.” But, historians claim that, aside from a tiny handful of similarly high-minded intellectuals of the day, Harpur was largely disregarded by a population more intent on exploiting the seductive and bountiful riches of their new land, than creating a nation of true wealth and prosperity for the benefit of generations to come. However, like similar claims made about John Dunmore Lang, that may well be a lie.

Like Robert Burns and other poets whom he greatly admired, including Shakespeare, Shelley, Keats, and Milton, Harpur was a passionate republican. So much so that he named his first son Washington, after that famous American founding father, as well as writing a patriotic poem in his honor.

Harpur believed that the common man had the potential to participate in his nation’s destiny, that he was the equal of the so-called upper classes and indeed that he was individually responsible for the future course of the nation. He said of himself: “I am not only a democratic Republican in theory, but by every feeling of my nature. Its first principles lie rudimentally in the moral elements of my being, ready to flower forth and bear their proper fruit. Hence, as I hold myself, on the ground of God’s humanity, to be politically superior to no fellow being, so, on the same ground, I can feel myself inferior to none.”

### On freedom and necessity

Harpur wrote in the *People’s Advocate* in March 1851: “I sometimes think myself fortunate in the worldly experience of the last five years, but at other times, I can scarcely forbear accusing Providence of something akin to malignity in inflicting it upon me. . . .” He laments the “pretence—mean, miserable, mouthy pretence” of society. The “cold preachments of mere church systems, the stale ethics and frothy legalities of mere class schools and colleges, the meagre moralities of mere conventions, social and political.” And asks, “Must we even heave our humanity overboard, as a radical deformity—a thing incorrigible? Let us first try another remedy.”

He then goes on to restate, in his own words, the very essence of that historical giant of republicanism and true freedom from the late eighteenth and early nineteenth centuries,

the German Friedrich Schiller’s life-governing idea, that “mankind possesses the capability of exercising reason in order to transform the world of necessity into his free choice and to elevate physical necessity to a moral.” Schiller spelled this out in considerable detail in his *Aesthetical Letters*. Listen to how Harpur spoke of this idea, that one’s reason and one’s emotions could be brought into harmony:

“The brave unfaltering habitude of perfect, educated, social equality—of absolute, instructed, soul-ennobling individual liberty—that is to say, entire freedom from all false, fashionable, and juggling necessities, would assuredly work out for it, in all truthful regards, a more effectual and abiding redemption: To shackle it down is but to cramp and straiten it into falsehood. To liberate it thoroughly, were to give it, at all events, its best remaining and most honest chance of escape into truth.

“But would an individual enfranchisement, thus extensive, tend in any wise to relax our sense of social obligations—such as grow naturally out of our humanity, and are sanctioned both by affection and reason? In no wise would it do so. But it would infinitely exalt our moral willinghood. The righteous discharge of all our true duties would be more than ever the conscious glory of our manhood: because, by being separated from all false and mystifying requirements, their essential sacredness would be but the more clearly discernible. . . . But no obediencial necessities, imposed by the selfishness of mere authority, could any long be juggled into the place and dignity of duties. And here lies the prime difference between the moral world as it is, and as it should and might be.”

But Harpur did not just concur with Schiller’s view of the universe. Lyndon LaRouche’s historical friend and mentor, the great eighteenth-century scientist and philosopher Gottfried Wilhelm Leibniz, is renowned for developing the philosophical idea of “the best of all possible worlds.” Charles Harpur was, without doubt, very familiar with the work of Leibniz, as exemplified in his poem “Theodic Optimism.” And in the *People’s Advocate* of Dec. 27, 1851, he had this to say on the subject:

“In all matters of moral and social judgment, the world of now must be wiser, [through] the very pressure of its progressive necessities, than the world of then could possibly have been. . . . In other words, the fulfilling nature of man and the real nature of things, becoming more and more developed in their mutual relations, by virtue of there being a course of time for the prolongation of thought and action, become also more readily perceptible, and are thenceforth matter of fixed or fixing knowledge, out of which a present wisdom is extractable transcending accumulatively all the boasted wisdom of the past.

“As manhood must be more enlightened, speaking generally, through the prolongation and enlargement of the mere consciousness of being, than youth or boyhood possibly can be, however otherwise favoured; even so must it hold of the race collectively in the maturing tendency of its ages.

“With every century, society is making good riddance of the manifold hallucinations of its minority; and so too, for many centuries to come, the spirit of its progress will have to forget for truth’s sake, even more perhaps than it will have to learn notwithstanding all the ‘wisdom of our ancestors,’ and our own in addition.”

Charles Harpur lived for his country. He fought for it in the most profound way, but, tragically, his life ended with an unrealized dream. Despite this deep disappointment, he never relinquished his hope that one day, his vision of having a “Nobler Manhood in this Southern Land of ours,” would be realized. He wrote:

“At this moment I am a wanderer and a vagabond upon the face of my native Land—after having written upon its evergreen beauty strains of feeling and imagination which, I believe, ‘men will not willingly let die.’ But my countrymen, and the world, will yet know me better. I doubt not, indeed, but that I shall yet be held in honour both by them and by it.”

These heroic and determined individuals from the 1850s not only did a great service for their fellow countrymen of their time, but they indisputably laid the foundation for our comparable fight today. Without their courage and just plain hard work; without the benefit of their noble orations and art; without their vision of something higher and better and more noble for their fellow man, beyond what they would see in their own lifetimes; we would be a poorer and more intellectually impoverished band of patriots.

We must take up their struggle, and this time, we must win.

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## The 1880s and 1890s

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# A republican labor movement awakens

by Robert Barwick

After the partial defeat of John Dunmore Lang, through the establishment of the fraud of so-called “responsible government” in 1856, the next great opportunity to profoundly change Australia’s form of government, came as a result of the rise of the labor movement during the 1880s and 1890s. For it was during these years, that the issue of what form the coming Federation of the Commonwealth of Australia would take, was fought out.

### **W.G. Spence, union organizer**

The towering figure in Australian unionism during this time, was William Guthrie Spence, the driving force behind

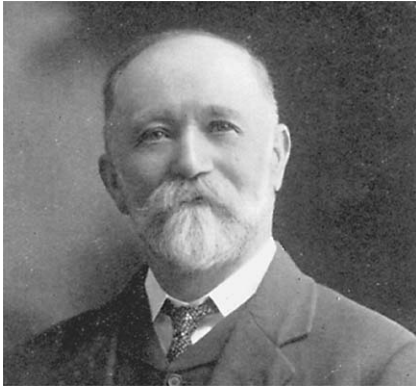
the two great “bush unions,” the Amalgamated Miners Association and the Amalgamated Shearers’ Union, the latter soon to become known as the Australian Workers Union, the AWU, the most influential union in Australian history.

The young W.G. Spence was a founder of the Amalgamated Miners’ Association, which was first established in Bendigo in 1874. Spence became the head of the AMA in a Victorian town named Creswick, where the future Prime Minister John Curtin would be born and raised. The Creswick branch of the AMA was by far the union’s most dynamic. By 1882 Spence had become general secretary of the AMA, and he directed an explosion in its organizing. Within a few years, the AMA had 23,500 members across all the Australian colonies and in both islands of New Zealand, to become the first truly federal, even intercolonial union, which had been Spence’s concept from the outset.

Many miners were also part-time sheep shearers, since both were rural occupations. In 1886, as the pastoralists moved to cut back the shearers’ wages drastically, a young member of Spence’s AMA, who also did shearing, came to him, and asked him to organize a union for shearers. Many earlier attempts had been made to organize shearers, but all had failed, in part due to the structure of the industry, where small groups of shearers were constantly on the move. Their lives were miserable, both because of their horrid living conditions, their low pay rates, and also because of the practice called “raddling,” whereby a pastoralist would not pay for an entire pen of shorn sheep, if there were only one not shorn to his satisfaction.

The atomized shearers faced the all-powerful pastoralists, who were in fact just the same squattocracy against whom John Dunmore Lang had fought 30 and 40 years earlier. And wool was Australia’s most important export item, by far, making what happened in this sector of the economy of importance beyond all proportion to its small number of workers. Upon being asked in 1886 to organize the shearers, Spence took up the challenge. Within one year, he and only three organizers working with him had enrolled over 9,000 shearers in the union, to total 44,000 by the turn of the century. Spence would travel over 15,000 miles a year, and his organizers would go through eight or nine horses, so quickly would the animals wear out at the pace the organizers were doing their recruiting rounds. As Spence described their work in his book, it was long hours, little sleep, and a lot of travel.

By 1889, Spence and the AWU had won an extraordinary series of victories, in terms of working conditions, pay rates, hours of labor, etc. But, that same year, the City of London began to pull its capital out of Australia, and, at the same time, the price of wool began to fall sharply. In 1890, the mighty Barings Bank, the backbone of the Empire, which had financed the purchase of the Suez Canal, among many other things, had gone bankrupt, though it was later bailed out. Squeezed by falling prices for wool, the pastoralists decided to unite and form the Pastoralists Union, while other employ-



*W.G. Spence,  
founder of the  
Amalgamated  
Miners' Association.*

ers formed the Employers Federation, both bodies pushing the sanctity of “freedom of contract,” i.e., union-busting. These were the direct ancestors of the H.R. Nicholls Society of today: The founder of the Society, Ian Maclachlan, who was Defense Minister and hired soldiers as scabs to break the Maritime Union of Australia in 1998, is a member of the largest landowning family in Australia, and a founder of the National Farmers Federation—the “squattocracy.”

### **The maritime strike of 1890**

The year 1890 saw the outbreak of the maritime strike, the most devastating strike in Australian history. It was that year, said Spence, which marked “the turning point in Australian Labor history.” The Employers Union, which included the shipowners, provoked a strike by refusing to recognize the marine officers as a union. Very rapidly, coal miners, shearers, and many other unions went out in sympathy with the marine officers. One incident gives a sense of how the various state governments backed the attempts to crush the unions. Though it was a nationwide strike, mainly centered in New South Wales, the following incident occurred in Melbourne, and shows the heavy-handedness of the law that the unionists were up against. When the union leadership decided to call a mass meeting in Flinders Park on Aug. 31, the state government called out 1,000 troops.

The great maritime and shearers’ strikes of 1890 ended in a rout for the unions, which simply did not have the resources to hold out. They went back to work with heavy pay cuts, worse working conditions, etc. For the next several years, unions were persecuted all over the country, with authorities reading the Riot Act and using “Unlawful Assembly” laws at a moment’s notice. Unionists were given jail sentences of from 3 to 15 years.

The shearers union organizers would often be put in solitary confinement for years at a time, and some of them went insane.

### **The ‘new unionism’**

Spence and his fellow union leaders drew some conclusions from their bitter defeats of 1890—that the unions would

have to change the methods by which they fought. They would have to replace what they called the “old unionism” of pre-1890, with the “new unionism.” Come with me to the winter night of June 12, 1892, to the Leigh House in Sydney, where hundreds of people gathered to hear Spence speak on “The Ethics of the New Unionism.”

Spence called for an end to the “old unionism,” in which unions confined their attention to improving their working conditions and pay; instead, he called for “a revolution . . . a quiet one.” The core of this concept is a change toward organizing for the Common Good—or, what the U.S. Constitution calls the General Welfare.

Spence traced the roots of the “new unionism” to Christianity—not Christianity as in a Calvinist doctrine, that man is born a miserable sinner, except, of course, for those predestined to be saved, i.e., to get rich—but a Christianity whose moving spirit is to change the lives of human beings in the real world, profoundly for the better. At the same time, Spence cautions, one cannot measure one’s efforts simply according to the results of any short period of time, but one must see one’s efforts in the span of many generations—what we today would call Temporal Eternity.

“I take it that the human family is inherently good. I go against that old idea of always crediting our human frailties to original sin. I say that humanity is inherently good if we only let it have a chance to exercise its goodness. . . .

“The aim of new unionism is a grand one, a noble one. The principle underlying and guiding it is simply the principle laid down by Him who long ago laid the foundation of a great reform—I mean the principle of love for one’s fellows. . . . We all believe in justice, in truth, in honesty. The world today believes in them. The world could not get on at all unless there were reasonable men practising those great principles.”

Spence repeatedly polemicized, that the so-called “masses” must take personal responsibility to change the existing political order, instead of just whining about it.

“Our hope is in the masses, in government by self, and by every self consciously taking an active part in the ruling of the collective life. Within the minds of the units who form the mass of working men there are high ideals. They are not realised now because they are crushed by the miserable struggle for material things necessary to sustain life. Applied science and modern machinery, when utilised for the good of all instead of profit for the few, will banish fear of poverty and give a chance to moral, intellectual and spiritual advance. Then in a generation we shall see a leap to such a higher plane of life which can only now be conceived of in thought. The desire has ever been present in all ages, but the time had not come. It is with us now. Let us not miss the opportunity. The work lies in our hands. Let us Agitate, Educate, Organise. We have the power if we have the will. . . .

“If any body of persons in Australia is to blame for the evils of our social system, it is the working classes. We have the intelligence and the power to change the conditions of life



Unionists clash with police in Sydney during a strike in the 1890s.

for the better, and have only to put forth our energy, and by unity of effort we can gain all that is required. . . . The masses must not only take a deeper interest in political questions, but they must make the politics of the country. The welfare of the people must be raised to the first place—must be the uppermost and foremost consideration. How best to secure the good of all without injury to any should be the aim—not commercial supremacy, not cheap production regardless of the human misery following, but rather the broadest justice, the widest extension of human happiness, and the attainment of the highest intellectual and moral standard of civilised nations should be our aim. . . .

“Let each remember that man had failed before because each carelessly left to some other the work of the Common Good. We must reverse that. Each must take his or her share. With unity above all as our watchword, the Common Good our aim, we will soon find common ground of agreement as to the way in which the goal should be reached. The best start we can give to our children is the certainty of better conditions; the sweetest memory of us to them the fact that we did so.”

In pursuit of these noble goals, the AWU set up daily newspapers in Brisbane, Sydney and Melbourne, to counteract the Anglophile major press which dominated the country, and the union became famous for its constant efforts to educate and inform its members. As Spence put it, “Our members are notoriously the best informed of Australian unionists.” There are pictures of the shearers strike camp at Barcaldine in Queensland, when the Labor Party was founded, which show the strike camp library, and the striking unionists reading to stay informed and educate themselves. Spence himself came under heavy attack, both through the “legal system,”

and through slanders and libel in the major press, falsely charging that he was stealing money from the union, and sitting fat and happy, while his members faced hard times.

### 1891: The birth of the Labor Party

The first visible results of the new unionism came in the New South Wales Parliamentary elections in 1891, when Labor sought to take government power in its own name. In that year, Labor achieved an astounding success, electing 37 members in a Parliament of 87, where before it had had zero. This was a shot heard across Australia, and, indeed, around the world.

An account of that 1891 campaign was given in a book written the next year, called *The Labour Party of New South Wales: A History of Its Formation and Legislative Career*. It relates how the Labor Party, which did not exist before 1891, came into being.

“The year 1891 undoubtedly saw the awakening of the giant Labour in Australasia. . . .

“The Trades Unionists had suffered heavily by the great strike, and had become thoroughly imbued with the idea . . . that they would never secure justice until they secured strong and direct representation in Parliament. . . . Having determined to be thoroughly represented in Parliament, arrangements were very quickly carried out. A Platform was drawn up by the Trades Hall Council, and then in the various electorates in Sydney and in a number in the country, Labour Electoral Leagues were formed. These Leagues afterwards selected the candidates who were to contest the different seats which it was desired to obtain. . . . Candidates were required to approve of every plank in the Labour League platform before they were acceptable to the Electoral League. Among these sixteen planks, were included No. 9, which called for ‘Establishment of a Department of Labour, a national bank, and a national system of water conservation and irrigation,’ and No. 12: ‘The federation of the Australasian colonies upon a national as opposed to an Imperialistic basis. . . .’

“Although not thoroughly prepared, the Labour Leagues plunged vigorously into the contest of the general election which took place in June 1891. They had not the means to do much in the engaging of venues in which to address the electors, or of advertising; but they spoke at street corners and from carts—from any available vantage-point, in fact—and did the major portion of their advertising by word of mouth, which was inexpensive, and, as it proved, sufficiently effective. . . . At West Sydney and Balmain there was probably the most excitement, for at those places ‘bunches’ of four prominent Labour men were contesting the seats. . . .

“When the polls at the two places mentioned were announced, there were tremendous outbursts of excited approval, for it was found that the complete Labour bunches were returned in each instances, all other candidates, of course, being rejected. . . . The Labour party scored heavily in Sydney generally. They nominated 27 candidates and se-



*The Bulletin newspaper shows Britain milking her colonies, May 7, 1897.*

cured 18 seats out of the 52. . . . Other seats were obtained in the country elections which followed, and when the contest was finally over, it was announced that Labour had in Parliament a party of 37 members.”

Among those elected, were the number-one and number-two vote-getters for West Sydney, the close friends and trade unionists, John D. Fitzgerald and George Black. It is important to look back to some three years before the great electoral victories of 1891, to what some of these labor leaders, including Black and Fitzgerald, were doing.

### **George Black and republicanism**

The year 1888 was a jubilee year, the occasion of an immense celebration of the landing of the first ships at Botany Bay years 100 earlier. However, in part because there was still a sense of shame felt, at least in so-called “polite company,” about Australia’s allegedly “convict” origins, the celebrations were mainly organized around Australia’s connection to the British Crown and Empire.

From a global standpoint, these were ominous times. British imperialism was on the move worldwide, grabbing colonies throughout the world, and beginning to arrange the great alliances, known as the Triple Entente and the Triple Alliance, as the vehicles through which England would soon plunge the world into the hell of its first world war.

Though the aging Queen Victoria sat on the throne, the real ruler of England was her degenerate son, the Prince of Wales, later Edward VII, the “boss of all bosses” of the European oligarchy.

One of the chief instruments for Britain’s imperial drives was the Oxford-educated Cecil John Rhodes, whom the British would soon back in the 1899-1902 Anglo-Boer War to seize the vast mineral wealth of southern Africa. Rhodes and his associates, including Lord Esher, the leading policy adviser to the Prince of Wales, founded a secret society, the Round Table, one of whose top officials was the British Governor of South Africa, Lord Alfred Milner.

Rhodes died shortly after the Anglo-Boer War; some years later, Milner and the Crown used his vast fortune in gold and diamonds to establish the various institutes for international affairs around the world, such as the Royal Institute for International Affairs in London, the New York Council on Foreign Relations, the Australian Institute for International Affairs, and so forth.

The purpose of all this was outlined by Rhodes in his will: to extend the British Empire over the entire world, including the ultimate reconquest of the United States of America. In a credo of his own beliefs written shortly before his death in the 1920s, the master of Rhodes’s fortune, Lord Milner, outlined the racist beliefs which had animated both himself and Rhodes:

“I am a British (indeed primarily an English) nationalist. If I am also an Imperialist, it is because the destiny of the English race . . . has been to strike fresh roots in distant parts. . . . My patriotism knows no geographical but only racial limits. I am an Imperialist and not a Little Englander, because I am a British Race Patriot. . . . It is not for the soil of England, dear as it is to me, which is essential to arouse my patriotism,



*George Black wrote that he was a Republican "because I see in that system possibilities of improvement, while under Monarchy I can see none; because I believe that all men are born free, and equal, entitled by the mere fact of their existence to certain rights which are inalienable, no matter what their capabilities, nor how menial their occupation."*

but the speech, the tradition, the principles, the aspirations of the British race. . . . This brings us to our first great principle. . . . The British state must follow the race, must comprehend it wherever it settles in appreciable numbers as an independent community."

It was the "racial imperialism" of Rhodes which was being celebrated in New South Wales and in Her Majesty's other Australian colonies in 1888.

However, there was another spirit rapidly growing in the land as well, one which the 1888 centennial celebration was clearly organized to combat—a revival of John Dunmore Lang's dreams for Australia as a separate, sovereign republic. On July 4, 1887, on the anniversary of the American Declaration of Independence against Britain in 1776, members of the New South Wales Parliament celebrated that world-shaking occasion with the sizeable community of Americans living in Sydney. The same day, trade union leader George Black, and Louisa Lawson and her son Henry Lawson, the poet, founded a newspaper in Sydney called *The Republican*. This was only one of several republican newspapers and republican organizations founded in that year and the next.

Black's friend, the trade union leader John D. Fitzgerald, in 1887 founded the Republican Union, which was dedicated to creating an Australian Republic, and so avoiding the likelihood of Australia's becoming involved in an imperial war. At its second meeting, with over 200 in attendance, speakers constantly hearkened to the example of the American Republic and the Declaration of Independence.

Meanwhile, throughout 1887, George Black was giving speeches to large and enthusiastic audiences in Sydney's Domain, on the necessity to establish a republic. In early 1888, before a crowd estimated at 1-2,000, he announced the formation of the Australian Republican League, whose key plank

was "Federation of the colonies under republican rule." By mid-1888, Black had published his ringing manifesto, *Why I Am a Republican: Nationalist Versus Imperial Federation*. The degree of republican fervor in New South Wales at that time, can be estimated by the circulation of Black's booklet, which sold an astounding 63,000 copies in two editions—this, at a time when there were probably not more than 1 million people in all of New South Wales.

That same year, the Sydney nationalist Robert Thomson published his book, *Australian Nationalism*, which was modelled directly on John Dunmore Lang's *Freedom and Independence for the Golden Lands of Australia*. And, in May 1888, the National Party, led by Thomas McIlwraith, scored a remarkable victory in the Queensland elections, standing on a platform which included the goal of a federated independent republic for Australia.

Naturally, the British Empire could not allow this mass organizing for a republic to go unchallenged. In the next year, 1889, Sir Henry Parkes, the Premier of New South Wales, and the old arch-enemy of John Dunmore Lang, who was the most powerful politician in Australia at the time, and a raving Anglophile, announced that he would lead a drive for "Federation under the Crown"—that is, an Imperial Federation.

The key architect of all this, as the surviving records, including Parkes's own diaries, show, was Her Majesty's Governor-General in New South Wales, Lord Charles Robert Carrington, one of the most intimate associates of the Prince of Wales. Among other things, the British Crown clearly wanted Australia as a manpower and logistical base for the coming world conflagration, which the Prince had already done much to organize.

To understand what the ideas were which so terrified Carrington and his puppet Sir Henry Parkes, suffice it to read what George Black wrote, in the 1891 edition of *Why I Am a Republican*:

"We Australians do not intend to dabble in any scheme for Federation that is not solidly founded on the bed-rock of Democratic institutions. . . . In fact, we are willing to delay Federation until the style of Federation that we desire is made possible; till then we will endeavour to ensure the chafing of those 'silken ties'—knowing that when complete independence becomes necessary, we will, in that case, have the power as well as the will to obtain it."

Black outlines why he is a republican, and how republican institutions differ from those of Great Britain:

"It may be confidently stated that none of the existing Republics are in perfect accord with the spirit of the age, and that the government of the people, by the people, for the people, can never be fully attained in countries where Republicanism is merely 'Monarchy parading under a mask,' in societies where the sources for creating wealth are monopolized by the few, thus afforded the power to fix what share the toiler shall receive of the wealth created by his own exertions and the price he pays for commodities. . . .



British racist imperialists Cecil Rhodes (left) and Lord Alfred Milner (right).

“I am a Republican because I see in that system possibilities of improvement, while under Monarchy I can see none; because I believe that all men are born free, and equal, entitled by the mere fact of their existence to certain rights which are inalienable, no matter what their capabilities, nor how menial their occupation. It is monstrous that animal succession, the mere accident of birth, should entitle anyone to lord it over his fellows. . . . Those who cannot submit to absolute rule, must, if consistent, embrace Republicanism; any half-way house is but a refuge for fools, knaves, and cowards. . . . I disbelieve in monarchical rule, because it is an immoral system that has always been productive of immorality in the ruler, from whom the disease has invariably spread to the subject. . . .

“It has already been argued that standing armies and navies would scarcely be required in a world of Republics, and certainly the British naval and military services is the chief prop of the throne and nobility, as it is almost wholly officered by aristocratic nincompoops—in fact, a very great part of our war expenses is drawn as salaries by those locusts of office.

“A State Church, for its part, is an absolute essential to the existence of monarchy, in any country. The priest-ridden peasant and mechanic is told from the altar every Sunday morning that monarchy is a divine institution, he hears also long prayers so sedulously offered up on behalf of the Queen and every member of the Royal Family, that the poor, overworked, ill-fed halfwit is induced to accept the monarch as a member of the Holy Trinity.”

Like Spence, Black had some well-aimed polemics for the apathy and sluggish mental habits of the masses:

“In America, The Republic is rearing an intelligent race by her system of education, while the older country is fostering a

horde of physical and intellectual slaves, doomed to struggle all their weary days for the support of an army of lazy, debauched loafers, and kept in subjection by the red-coated mercenaries recruited from their own ranks. How long will this last? Is Wrong to be ever triumphant? Will those who suffer, always remain in apathy, heeding no warnings, deaf to all the prayers and entreaties of those who would fain emancipate them? Surely the day of Freedom, intellectual first, and then physical, is dawning.

“Some may be dense enough to ask—What has all this got to do with Australians? I answer, Everything! If the Imperialistic people here, and at home, have their way, Australians ere long will have to pay a quota of these expenses. The toadies here are eager to trade away our liberties in return for titles.

The Tories in Britain are equally eager to buy with that which costs nothing, the right to levy blackmail on a continent now worth much and likely, ere long, to be worth more.

“Imperial Federation, any, and also Federation of the Griffith-Parkes’ brand, means for us a share in England’s quarrels, a share in her blood-thirstiness, a share of the enmity that she has worked so hard to earn for herself in every corner of the globe. It means that Australia will be governed, not in her own halls of legislation, but from Downing-Street. . . . However: An Independent, federated Australian Republic would have absolutely no enemies, and it would be a weighty part of the duty of her leaders to see that she made none. . . .

“There is but one door of escape from those dangers and complications—*complete separation and federation under republican rule*. I have been told we are not strong enough. Humbug! We have about four millions against the three millions that constituted the United States of America when she so nobly won her Independence, and having better means of communication, being more distant from the dangerous powers, we are better able to defend ourselves than she was, while our trade and revenue are infinitely superior to hers at that date. . . . Yet we are told that we are poor and defenceless, dependent for safety on the old country. These are the whining subterfuges of crawling cowards and numbskulls. . . . ‘Thrice armed is he who hath his quarrel just.’ I say again our ultimate safety is in *separation!*”

### John D. Fitzgerald and the Labor Party

One of Black’s closest friends, was his fellow Member of Parliament in 1891, and fellow republican, John D. Fitzgerald. Though he has been largely written out of history books because of his republicanism, Fitzgerald was a key early



*John Fitzgerald, a key early leader of the Labor Party.*

leader of the Labor Party. He was a top labor organizer during the maritime strike of 1890, and went to England at his own expense on behalf of the Labor Defence Council, to publicize the cause of the striking unionists. He returned to Sydney in March 1891, just in time to help organize the Labor Electoral League of the Trades and Labor Council. Later, he was a member of the Australian Labor Party's (ALP) executive from 1911 to 1916. He was vice president of the party in 1912, and president in 1915-16. Writing in a pamphlet, *The Rise of the Australian Labor Party*, prepared while he was on the ALP executive just on the outbreak of World War I, Fitzgerald sums up the breathtaking accomplishments of labor since 1891:

“The attainment by the Labor Party of supreme political power in the Commonwealth of Australia, and also in all but one of the component States thereof, is one of the signs and portents of the world's intellectual development today. While to some the fact of Labor's rise is hailed as the dawn of an era of human regeneration, to others it appears as the successful revolt of Spartacus and the Roman slaves must have appeared to a conservative Roman. I have used the words ‘world's intellectual development’ advisedly, because the success of the Labor Party has followed an intellectual upward movement of the masses in Australia. The advent of an ‘educated proletariat’ was the dread of the older conservatives, before Disraeli and the Tory Dames discovered that the English urban and rural workers were alike susceptible to the blandishments of titled condescension, and that in England the swish and frou frou of a Duchess's silks and satins and the scent of her furs could counter-balance the persuasions of an educated leader of an ‘uneducated proletariat’ after the agricultural laborer had been enfranchised. The Australian movement is a portent, because the educated proletariat leader has disappointed the prophets, and proved himself capable and responsible and yet insusceptible to blandishments which proved to be the undoing of so many men in England in the past. J.F.

Archibald of the *Bulletin* used to have a saying that ‘It was a poor sort of Democracy that couldn't stand the test of Government House.’ Our leaders have since then stood the test of palaces, cabinets, and chancelleries.”

It was the emergence of the Australian Labor Party in the wake of the 1890 maritime strike, Fitzgerald emphasized, which entirely redefined the politics of the country:

“It is now agreed that the second great maritime strike of 1890 gave the final impulse to the idea which had long been revolving in the minds of the leaders of the workers—direct Labor representation in Parliament. . . . The great strike of 1890 changed the face of the political world. . . . In New South Wales, where the more dramatic phases of the movement occurred, the old Unions had—before the great strike—invariably eschewed politics. After the strike they were transformed into political bodies. The Political Labor movement was born of the strike. Thousands of sympathisers outside the Union ranks gave their adhesion to the Labor Political Movement. . . .

“Those who wish to read of the tribulations of the first Labor Party in New South Wales Parliament must consult Mr. Black's brochure. The first men who blazed the track were a band of amateurs. . . . Meanwhile, as these changes were taking place, the older parties were being hustled by Labor, and were compelled to coalesce. Impoverished of ideas themselves, they begged, borrowed, or stole from the Labor Platform. In due course, coalitions against Labor in all the States, and in the end, in the Federal parliament, another turn of the wheel, and the Labor Oppositions were transformed into Labor Governments. And so we stand to-day the dominant party in the Commonwealth, and in control of power in the States of New South Wales, Queensland, Tasmania, South Australia, and Westralia. . . .”

### **A tragic and fatal flaw**

The Australian labor movement had achieved a great deal, as we have seen—to the extent that the party took the spelling of its very name “L-a-b-o-r,” from the American, rather than the British spelling, to signify its aspirations to free itself from British rule, as the Americans had done. This question arises: What went wrong? Because, a huge amount did go wrong: Among other things, Australia lost 600 men fighting for the British in the Anglo-Boer War; it received a constitution in which the Crown was, in fact, still all-powerful; and it then lost 60,000 men in World War I, fighting for that same Crown.

First of all, the British Round Table crowd had a scheme to “tame” Australian nationalism in the 1880s-90s, just as they had tamed an earlier upsurge of republicanism, that of the 1850s, with the “responsible government” hoax which was used to stop the work of John Dunmore Lang. This idea of taming republicanism was the theme of an entire book by a Round Table agent named Richard Jebb, called *Colonial Nationalism*.

Jebb travelled to Australia in the late 1890s, as well as to Canada and to South Africa, to profile the very strong



nationalism in each of these countries, in order to figure out how to block it. Jebb's formula was: "Don't antagonize the colonies, or they will do what America did. Give them almost all they want, even tariff protection, strong trade unions, etc. — all 'with the aim of keeping them onside' for what really matters — the connection under the Crown."

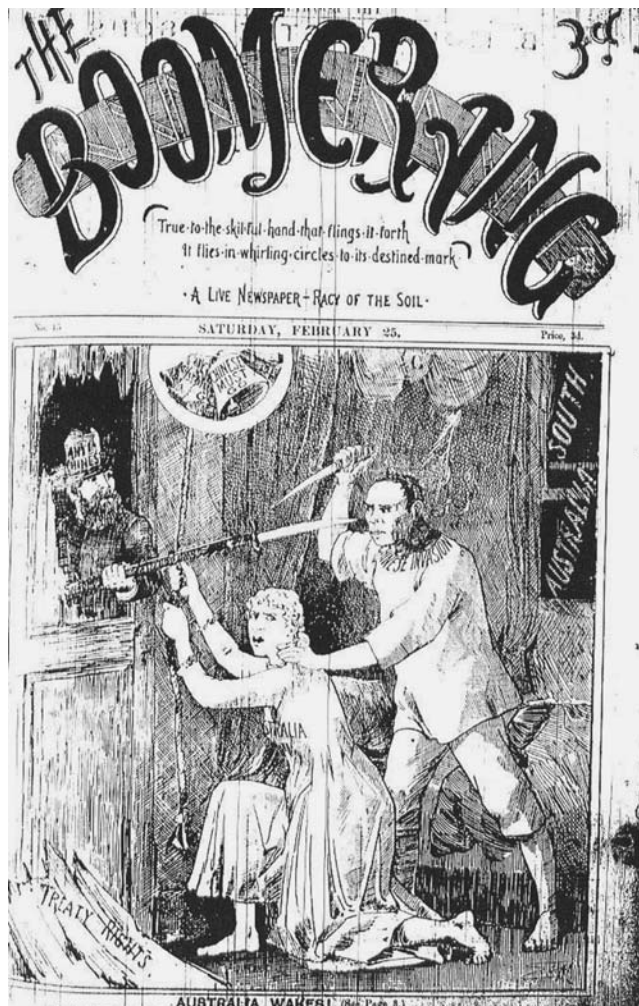
Alfred Deakin, Australia's second Prime Minister, was a very close friend and correspondent of Jebb. And, when he wasn't talking to ghosts at seances, Deakin was typical of this bastardized form of Australian nationalism, which demanded much from its British Mum, but was terrified to really cut the apron strings. Deakin helped found and lead the Australian Natives Association, which demanded much autonomy under the Crown, but insisted on maintaining the Imperial connection.

However, as the American Rev. Dr. Martin Luther King emphasized, in a situation where people are oppressed, the real problems are not so much with the oppressors, as in the oppressed themselves, which makes them willingly submit to oppression. The following words from William G. Spence, from his book *Australia's Awakening*, provide a reflection of the problem: the way the British, in their inimitable "divide and rule" fashion, had manipulated some Australian republicans, including him, in the direction of despicable racism against people of darker skin.

"The Labor Movement in Australia is a political as well as a propagandist movement. Its leaders realise that before we can have social reform the people must be educated to demand and carry out such reform. The platforms, Federal and State, indicate the practical proposals for which public opinion is considered ripe. The objective and the general platform give an idea of the propagandist side. The first part of the Federal objective declares for 'The cultivation of an Australian sentiment based upon the maintenance of racial purity and the development in Australia of an enlightened self-reliant community.' The party stands for racial purity and racial efficiency — industrially, mentally, morally, and intellectually. It asks the people to set up a high ideal of national character, and hence it stands strongly against any admixture with the white race. True patriotism should be racial."

This brings to mind the words of the Round Table leader and Anglo-Boer War organizer Lord Alfred Milner, cited above. Considering Spence's further thoughts on this racial issue, makes clear the devastating impact it had against Labor's own aspirations for a republic:

"The discussion of constitutional questions evoked by the submission of the Australian Constitution brought us into closer acquaintance with the defects in the American Constitution, and at the same time increased our friendship towards that great people. The practical independence of government granted under the Australian Constitution, with the manifest advantages of being part of a big Empire and under its protection of need arose, together with the growth of a 'White Australia' and the broad humanitarianism taught by the Labor Party, have developed a feeling of loyalty to race rather than



A Labor newspaper, the Queensland Boomerang, promotes racism against Chinese immigrants.

to government, but have abolished any talk of either republicanism or independence."

This was by no means Spence's private viewpoint, but also that propagated by the most important working-class newspaper in all of Australia in the 1880s and 1890s, the Sydney-based *Bulletin*. While arguing fiercely against the British, for republicanism, and for independence, the *Bulletin* also fiercely campaigned for a White Australia.

There were strong reasons, of course, why the unions would advocate a "White Australia," namely, that British and British-tied squatters were always trying to bring in Chinese or South Pacific Islanders as virtual slave-labor, in an attempt to undercut a decent, union standard of living. On the other hand, the "White Australia" outlook, enshrined as official Labor Party policy, represented a collapse in conception of the noble ideas of John Dunmore Lang. The point is not to denounce the ALP for this racist stance, as has become so fashionable and so effortless today, but to solve the paradox: What did the Australian labor movement lack, which led it to

adopt a policy which defeated its own republican aspirations, and finally, to leave it a hair's breadth away from obliteration?

### **King O'Malley and the fight for a National Bank**

Due to this tragic flaw of racism and populism, the Australian labor movement in 1901 lost the battle to create a republic. Nonetheless, labor, particularly some of its key leaders, continued their struggle for national sovereignty, in a fight against what labor newspapers called "The Money Power." After all, the British Colonial Office had demanded that all legal cases in Australia must ultimately be settled by appeal to Her Majesty's Privy Council, "in order to guard substantial British investments in Australia," and the City of London had controlled almost all of Australia's credit from 1788 on. The *Brisbane Worker* of Jan. 5, 1907, one of the papers owned by W.G. Spence's AWU, defined the enemy as follows:

"The Money Power! It is the greatest power on Earth; and it is arrayed against Labor. No other power that is or ever was can be named with it. . . . It attacks us through the press—a monster with a thousand lying tongues, a beast surpassing in foulness any conceived by the mythology that invented dragons, werewolves, harpies, ghouls and vampires. It thunders against us from innumerable platforms and pulpits. The mystic machinery of the churches it turns into an engine of wrath for our destruction.

"Yes, so far as we are concerned, the headquarters of the money power is Britain. But the money power is not a British institution; it is cosmopolitan. It is of no nationality, but of all nationalities. It dominates the world. The money power has corrupted the faculties of the human soul, and tampered with the sanity of the human intellect. . . .

"And that is why Labor men and women should stand religiously to their principles, and refuse the baits of compromise and expediency. The Labor Party represents the one Movement able to cope successfully with the Money Power; the one moral force not vitiated by it; the regenerative agency destined to pull down the crime-stained walls of the Old Order and build up an enduring City of Righteousness."

And the crucial figure in the pre-World War I battle against the Money Power, was the flamboyant American immigrant to Australia, King O'Malley, the founder of Australia's national bank, the Commonwealth Bank. From the time of his arrival in Australia in the late 1880s, O'Malley campaigned non-stop, first in the South Australian state Parliament and then in the federal Parliament after 1902, for the establishment of a national bank modelled on that of Alexander Hamilton, the first U.S. Secretary of the Treasury.

After several years of travelling around Australia to address crowds of thousands at a time on the necessity of such a bank, O'Malley's detailed banking proposal was accepted as part of the Labor Party's "Fighting Platform"—its non-negotiable principles—at the party's Brisbane conference in



*King O'Malley, the founder of Australia's national bank, the Commonwealth Bank.*

1908. On Sept. 30, 1909, King O'Malley rose to address the federal Parliament during a crucial debate on how the finances of the new federal Commonwealth, as well as those of the individual states, should be organized. Instead of the disastrous Finance Council proposed by some, which would have crippled the federal government, O'Malley proposed instead the creation of a national bank, in a five-hour address to Parliament:

"We are legislating for the countless multitudes of future generations, who may either bless or curse us. . . . We are in favor of protecting, not only the manufacturer, but also the man who works for him. We wish to protect the oppressed and down-trodden of the earth. . . . In my opinion, the financial policies of some of the States for the past fifty years has been either dishonest or incompetent. I prefer to call what has been done bungling incompetence. The methods have paralyzed the public conscience of Australia to such an extent, that if you talk any system of financial reform, or advocate the adoption of a better method of running the country, people reply 'we are too poor,' and yet Australia is the wealthiest country on the face of the earth in proportion to its population. . . .

"I propose the institution of a Government national bank for managing the finances of the Commonwealth and the States. . . . Cannot honorable members see how important it is that we should have a national banking system . . . a system that will put us beyond the possibility of going as beggars to the shareholders of private banking corporations?

"The movement of the money volume is the vital monetary problem—the master-key to the financial situation. Through the control of this movement prices may be made to rise or fall or remain substantially steady. This means control of justice or injustice, prosperity or panic, wealth diffusion or

wealth congestion. Power to dominate the operation of the money volume is power to do justice or injustice between debtors and creditors, employee and employers, purchasers and sellers, landlords and tenants, money-lenders and borrowers; power to increase the weight and value of every debt—public or private—in the Commonwealth, to regulate industry and determine the distribution of wealth. Such power is an attribute of sovereignty, the prerogative of the King, and ought to belong to none but the sovereign people exercised through His Majesty's Parliament and Government in the interests of the whole people. At present the vicissitudes of mining speculations, management of private banking corporations and the blind chance of monopoly determine the movements of money. The private banking system of the Commonwealth is only a legalized monopoly for the gathering of wealth from the many, and its concentration in the hands of the privileged few. . . .

"However great the natural resources of a nation, however genial its climate, fertile its soil, ingenious and enterprising its citizens, or free its institutions, if its money volume is manipulated by private capitalists for selfish ends, its credit shrinks and prices fall. Its producers and business people must be overwhelmed with bankruptcy, its industries will be paralyzed, and destitution and poverty prevail. . . ."

However, if Australia implements a national bank, King O'Malley said, a glorious future will open up for it:

"In the Commonwealth, the National Banking System will so greatly reduce interest rates that useful productions will increase by leaps and bounds. Wealth, instead of accumulating in the hands of the few, will be distributed among producers. A large proportion employed on relief works, building up cities, will be expanded in cultivating and beautifying the country. National improvements will be made to an extent, and in a perfection unexampled in the history of the world. Agriculture, manufactures, inventions, science, and the arts will flourish in every part of the nation. Those who are now non-producers will naturally become producers. Products will be owned by those who perform the labour, because the standard of distribution will neatly conform to the natural rights of humanity. . . ."

And finally, O'Malley named the man whose works inspired him to this great project, Alexander Hamilton:

"I am the Hamilton of Australia. He was the greatest financial man who ever walked the earth, and his plans have never been improved upon. . . . The American experience should determine us to establish a national banking system which cannot be attacked. . . ."

King O'Malley's own party leadership, including Prime Minister Andrew Fisher and his Anglophile Attorney General, had made a secret deal with the Melbourne banking establishment *not* to establish a national bank, which had been a plank of the Labor Party platform ever since the New South Wales election of 1891. Therefore, O'Malley took the lead and organized a secret caucus in the Labor Party which he called the "torpedo brigade," in order to push through a national bank.

Members of his torpedo brigade included the old AWU stalwarts, W.G. Spence and Arthur Rae; James Scullin, who would become Prime Minister in late 1929; and a newly elected parliamentarian from Brunswick, Frank Anstey.

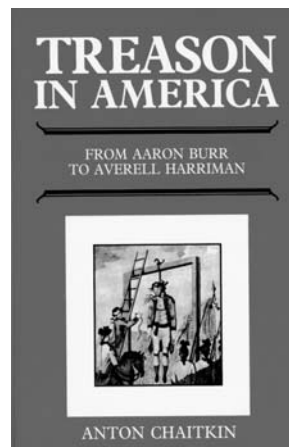
After 15 months of secret organizing, O'Malley defeated Prime Minister Fisher and Attorney General Billy Hughes in a vote in caucus, and finally established Australia's national bank in 1911.

Though more limited than the bank of "issue, reserve, exchange and deposit" which he had fought for, because it would be several years before it got the right to issue the national currency or to maintain the private banks' reserves, the new Commonwealth Bank accomplished several crucial things: It stopped a banking crash on the eve of World War I; it financed much of Australia's participation in the war, and at much lower interest rates than the country would have otherwise had to pay in London; and it provided capital for infrastructure and other projects in the physical economy, including for Australia's transcontinental railroad, whose construction O'Malley personally directed as Home Minister in Andrew Fisher's cabinet (1910-13).

However, despite Australia's finally having an American System-style national bank, the British oligarchy—the Money Power—was by no means defeated, and would hit back furiously, in an attempt to crush the bank, crush the Labor Party, and crush the Australian nation-state.

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# The struggle against London's 'Money Power'

by Kelvin Heslop

When King O'Malley left parliament near the beginning of World War I, his enduring legacy was the Commonwealth National Bank. He not only founded the bank, but then hand-picked the man to run it for its first decade, Denison Miller. O'Malley told Miller, in attempting to recruit him to head the Bank, "You have a chance to make history, Brother Miller, Australian history, which will become world history. Think the matter over deeply. And accept the job. Decide to make history—I'm sure you're the man to do it."

Miller, from the Bank of New South Wales, was one of the country's most senior bankers, and Australia's Anglophile establishment hoped that they had one of their own at the head of the new bank. They were wrong. From 1912 until his death in 1923, Miller directed the Bank for the benefit of the nation, to build its infrastructure and farms and industries, and to finance much of Australia's expenses for World War I. He envisaged the bank as rapidly becoming, "the most powerful in the southern Hemisphere."

What Miller accomplished, as well as what he was up against, are described by New South Wales Premier (1925-27) Jack Lang in his book *The Great Bust*, on how the City of London-centered "Money Power" functioned. (Lang, like O'Malley, was a fierce enemy of the "Money Power.")

"The City of London for more than two hundred years dominated the financial affairs of the world," Lang wrote. "It had mastered the technique of the management of money. London was the exchange hub of the world. With the Bank of England, Lloyds of London, the great investment brokers, the underwriters, the insurance combine, and its shipping trusts, it was able to gather together all the intricate strands of the world's most efficient money machine. Most countries paid their tribute in the form of dividends, interest and premiums. The sun indeed never set on the far-flung dependencies of the City of London.

"From the time I first came into contact with the system, as Treasurer of the then sovereign State of New South Wales, I had many opportunities to study the machine in actual operation. One could not help but admire its expert handling of the smallest details of a deal. At the same time, it was impossible to ignore the inescapable conclusion that it was leech-like in its methods.

"It was the City of London that had established what was

known as the Mercantile System out of the industrial revolution. The Victorian era had been one of great commercial expansion. With that rare genius for political invention, Gladstone, Disraeli and other British statesmen sought a substitute for the old system of Crown Colonies. They found it in the British Empire. The formula was to hand to the colonies the right to govern themselves providing they did not break the financial nexus with the City of London."

## The City of London's hold on Australia

Lang then described how this great octopus entirely dominated Australia:

"The City of London provided all the capital required for the development of the colonies. The City controlled the ships, the wool and wheat exchanges, the insurance houses and all the other machinery of trade and commerce. . . .

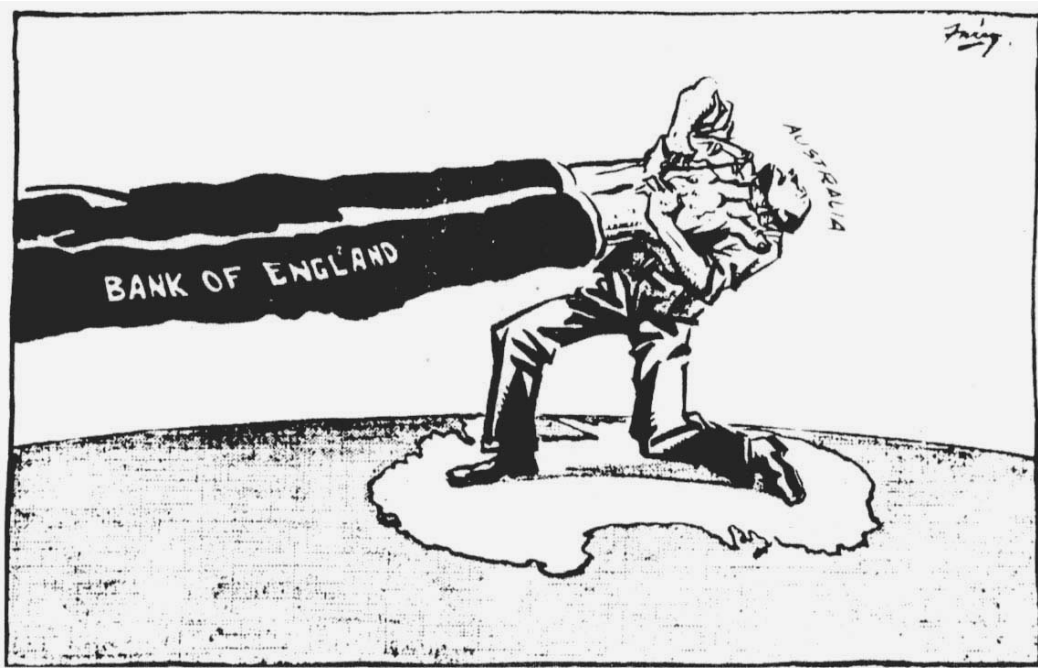
"The Old Lady of Threadneedle Street, as they called the Bank of England, presided over the financial dynasty of the Empire. It was supported by the Big Five, the major private banks. If a government in the Dominions or the colonies wanted to raise money, it had to go thorough approved channels. The financial world was divided into zones of influence. The Houses of Nivison, Rothschild, Barings and Morgan, Grenfell, all had their respective rights. If a government in the colonies wanted to raise money, it could only approach one firm. It had to meet a rigidly controlled scale of underwriting fees. It had to accept the conditions and the interest rates dictated by its London representatives. Every Government had its London agents, who were actually agents for the British investors. There was no room for argument. It was a case of taking it or leaving it. It was useless to try another source. The City had its own underground communication system. It was left to the underwriters to divide up the spoil. They simply produced the clearing house.

"In addition there were the big mortgage companies, who had invested in colonial estates, handled colonial primary produce and advanced money to colonial settlers.

"They were closely allied to the banks. They specialised in mortgages. As they invariably reserved the right to handle all the produce as well, they perfected a form of tied business that left no loopholes for the client. Usually the banks and the mortgage companies had interlocking directorates, who specialised in colonial business.

"So, in Australia, the graziers, the farmers, as well as most of the import houses, the principal mining companies as well as banks, insurance companies and shipping, all led directly back to the City of London. That had been the complete picture when Australia entered the First World War. All our railways, our power plants, our school buildings and even our police courts and gaols had been built with money supplied by the City of London. We were a debtor nation. The bondholders never permitted us to forget it."

However, Lang continued, the outbreak of World War I and the rapid growth of the Commonwealth Bank, together



*A contemporary view of the Bank of England.*

with similar tendencies in such other British dominions as Canada and South Africa, severely threatened London's power. "But during the First World War the centre of gravity changed slightly. War finance is always inflationary. That is the only way it is possible to pay for war. It is a non-productive enterprise. So money is pumped into circulation for which there is no corresponding build-up of assets. When the war is over the debt remains, but there is nothing to show for it on the books. It has been dissipated in cannon fodder, in keeping the army in the field and in paying for the havoc generally. So overseas investments in war are not regarded as a good risk. . . . During the war it had got out of hand. Because war loans were not regarded as a good risk, the City had refused from the outbreak of war to underwrite Dominion loans. The colonies were told that they should finance their own war requirements.

"In Australia the war had been financed by the then newly established Commonwealth Bank. It had found all the money to keep the armies abroad, and also to finance the producers at home. It had financed the Commonwealth Shipping Line deal for Hughes. Denison Miller had gone to London after the war had finished and had thrown a great fright into the banking world by calmly telling a big bankers dinner that the wealth of Australia represented six times the amount of money that had been borrowed, and that the Bank could meet every demand because it had the entire capital of the country behind it. The Bank had found 350 millions for war purposes.

"A deputation of unemployed waited on him after he arrived back from London at the head office of the Commonwealth Bank in Martin Place, Sydney. He was asked whether his bank would be prepared to raise another 350 million

pounds for productive purposes. He replied that not only was his bank able to do it, but would be happy to do it.

"Such statements as these caused a near panic in the City of London. If the Dominions were going to become independent of the City of London, then the entire financial structure would collapse. The urgent problem was to find ways and means of re-establishing the financial supremacy that had been lost during the war.

"The City was again ready to lend to the overseas dependencies. But it had to meet a changed set of circumstances. If London was to meet the monopoly of finance, it had to deal with such upstart competition as that threatened by Denison Miller. Canada, South Africa and other Dominions were causing a similar amount of concern."

The solution to this problem lay in setting up the Bank of England as an early-day International Monetary Fund (IMF), and in castrating the Commonwealth Bank.

"Basically it was a problem of banking. Some formula had to be devised which would enable such local institutions as the Commonwealth Bank of Australia to be drawn into the City of London's net. The financial experts studied the problem deeply. Out of their deliberations emerged the plan to centralise the control of all banking throughout the Empire by channeling it directly into the supervision of the Bank of England.

"The Bank of England was to become the super Bankers Bank. The Commonwealth Bank of Australia was to be responsible for the local administration of Bank of England policy. It was to be the junior Bankers' Bank. The first step was to take control of the Note Issue Department away from

the Treasury and hand it to the Commonwealth Bank, as was the case in Britain. The Commonwealth Bank thus obtained a monopoly over the note issue, and if this could in turn be controlled, the effective currency pool of the country could be operated like a bathroom tap, to be either allowed to run free or turned off entirely.

“The Bank of England took up the idea of Empire control most enthusiastically. It was even decided to aim at a World Bank, to be run by the League of Nations, which would direct the credit of the world. The grand idea was that one single Board of Directors would make the decisions which would determine the economic policy of the world. The bankers were to be the supreme rulers. Naturally, the Governor of the Bank of England expected to be at the apex of the system.

“If, for example, the Bank of England could control the Commonwealth Bank of Australia there should be no impediment in the way of controlling the Government of the country as well. . . . The death of Miller removed at a critical moment the one man capable of defending the citadel of Australian financial independence.”

### **Frank Anstey battles the Money Power**

After King O’Malley left Parliament, the struggle against the City of London was picked up by a member of his old Torpedo Brigade, Frank Anstey. Born in London in 1865, Anstey at age 11 stowed away on a ship bound for Australia. He spent much of the next ten years as a seafarer in Asia and the Pacific, joining the Seamen’s Union.

He became a leader in the labor movement and helped to found the Tramway Employees’ Association in Melbourne, of which he was president for many years. From 1902 to 1910 he was a state parliamentarian from the working-class Melbourne suburb of Brunswick, and then a federal MP from 1910 to 1934. He was the deputy leader of the Labor Party in Parliament under Matt Charlton.

Anstey was also the editor of the Melbourne newspaper *Labor Call*, and Labor’s best known publicist and theoretician in the fight against the Money Power. He was also the mentor of Australia’s greatest Prime Minister, John Curtin. As Curtin said about Anstey, at Anstey’s funeral:

“I find it very difficult to speak about Frank Anstey. He was a remarkable figure. Very humbly I make the statement that of all the men who have influenced me, he influenced me most. He introduced me to the Labor Movement. He set my mind going in the direction in which he wished it to go, and in quite a humble way, I sought to play the role of a supporter, and aider and abetter of the cause in which he instructed me, believing it to be the greatest cause in the world.”

During World War I, Anstey wrote a series of articles about the causes of the war, and about how the world must be reconstructed afterwards, which were published as a book in 1921 entitled, *Money Power*. There he described the crisis in which the world found itself, in words which will sound very familiar today:

“It is coping with the problems of Finance that the world has got to find its regeneration. All reorganisations of industry, all social projects, and all efforts to climb out of the pit of misery into which the burdens of war surely push the people are dependent upon the first. No mere policy of alleviation will meet the position. Revolution in method, not in words, is the sole alternative to a long period of grinding poverty for the mass.

“This impulse, this essential action cannot come from one man, or a few. It will come from the miseries, the dissatisfactions, the passions of the masses. The duty of leaders is to be ready for it, and when it comes along guide it along the right channels.

“Note the helplessness of governments, their aimless drift on the stream of events, their frenzied efforts to meet the rising tide of their responsibilities by piling debts higher and higher, and making heavier and heavier the burdens on production. ‘After us the deluge’—that is their unsaid prayer and their public policy—so that Australia in the path of the world’s cyclone drifts unruddered to the crisis.”

Anstey then outlined what he called “the methodical foundations upon which must rest all policies of effective reconstruction.” He first outlined the nature of the enemy:

“To carry out these vast flotations and speculations in war or in peace, it is necessary to control vast credits. To control credits it is necessary to control the banks. Whosoever controls the banks controls industry. This control is exercised in every country by a small group—the inner circle of great Capitalists.

“This group is designated ‘The Money Power.’ . . . Industrial capitalism is observable and understandable. Financial capitalism lurks in vaults and banking chambers, masquerading its operations in language that mystifies or dazzles, and this power that holds the monopoly of the instruments of exchange, is the overlord of every other monopoly.

“The key to the power of this group is combination and concentration. It controls banks, trust companies, insurances—the main depositories of the peoples’ savings or the reservoir to which they flow. It controls all credit. It advances or withholds credits, builds up or destroys. It controls the daily press; finances the dope propaganda; wields an unseen sceptre over thrones, cabinets and populations; and is the dominant ‘behind the curtain’ power in the government of modern States. Such is the modern ‘Money Power.’ ”

Very much like the LaRouche movement does today, Anstey *named the names* of the Money Power. He said that Australia was dominated by three great, interlocking financial combines, which he described in detail. He described the dominant one, which he called “The Overseas Group,” in terms which remind one of the old “squattocracy” which John Dunmore Lang and the republicans of the 1880s and 1890s fought against, and, also, of the minerals giant Rio Tinto, the Queen’s own mining company, the largest in the world. Today, Rio Tinto and the National Farmers Federation are

spearheading the attempt to crush all unions in this country, beginning with their assault on the Maritime Union of Australia in 1998. Anstey continued:

“The grip of British capitalism upon Australia consists, not only of mortgages upon Australian Governments, not only on the overseas ownership of Australian resources, but upon the control of nearly one-third of the total depository power of the Australian people per medium of the British banks and British insurances trading within Australia.

“The English banks are the ‘Australasian,’ the ‘Union,’ and the ‘E.S. & A.’ (Including the absorbed ‘London’). Their 500 branches are mainly in the States of New South Wales and Victoria. Their headquarters are in Melbourne. They control the English Life, Fire and Marine Insurances trading in Australia. They control English owned territories in all States. They control a large portion of our coal, meat, and wool resources. They are the dominant factor in the export and import business of this continent.

“Around the English banks are gathered the old Imperial Land Grant companies and others of kindred type. . . . These Imperial Land Grant and associated land and mineral companies cover millions of acres, represent scores of millions in value, and from their coal, meat, and wool resources pour out millions of revenue per year for their overseas owners. Linked up with these are the estates of the ‘free old English gentry’ who squatted upon Australian soil during the early part of the last century.

“The descendants of those families are a peculiar caste. Their spiritual home is England, their outlook, their education, their adopted mannerisms, their social and business relations are all English. Like the Anglo-Indian, Australia is to them another India, an accidental birth-place, a place of occasional temporary residence from whence their money flows.

“Thus all the financial and industrial relations of these men are with English banks and English companies. Thus they are constantly changing from Australia to England and vice versa, and those on the English end of company directorates one year are found on the Australian end next year, and later on back again. These men seldom enter into the public life of Australia, but the corporations with which they are connected are the heaviest subsidisers of local reactionary propaganda.

“The wool, the meat, the coal resources of Australia controlled by the English group are financed by the English banks, handled by English companies, shipped through and by English companies, insured by English companies, and the directorates of the banks and of these companies are interwoven, interlocked, interchanged. Moreover, as more and more of Australian-founded houses fall into the maws of the English group, so the export and import business of Australia approaches more and more to an absolute monopoly headquartered in London. The old trade names are retained to hide the absorption, but whatever remains unabsorbed is subordinate and subsidiary to the paramount power in Australia’s

overseas trade. . . . Australia is a mere appendage of financial London, without distinct economic existence. . . . London is, so far, the web centre of international finance. In London are assembled the actual chiefs or the representatives of the great financial houses of the world. The Money Power is something more than Capitalism. . . . These men constitute the Financial Oligarchy. No nation can be really free where this financial oligarchy is permitted to hold dominion, and no ‘democracy’ can be aught but a name that does not shake it from its throne.”

## **The battle to save the Commonwealth Bank**

Commonwealth Bank head Denison Miller died in 1923. His passing coincided with a change of government, in which the raving Anglophile Stanley Melbourne Bruce came to power. Bruce was notorious for his clipped English mustache and spats, and, in 1947, would be anointed Lord Bruce of Melbourne, and become the first Australian ever to sit in the British House of Lords.

In 1924, right after the election, Bruce was summoned to London. Britain’s financial elite, led by Lord Glendyne of the House of Nivison, underwriters of the Australian government debt, told him he had to destroy the Commonwealth Bank. Jack Lang described what happened next:

“On [Bruce’s] return from London, he was under an obligation to do something about the Commonwealth Bank. The Economic Conference had decided to bring the Dominion banks under the control of the Bank of England. The idea of a world-wide system of central banks was the core of the plan. The British Government had set up a Currency and Exchange Commission to work out the details. It comprised Lord Cunliffe, Governor of the Bank of England, Lord Inchcape, Chairman of the P&O Shipping Line, R.W. Jeans, of the Bank of Australasia, Sir Charles Addis, of the Bank of England, Sir John Cadbury, Secretary to the Treasury, and R.H. Goschen, Chairman of the Bankers Clearing Committee.”

Bruce introduced the Commonwealth Bank Act, which replaced the single governor of the bank with a board of six persons drawn from the “business community,” and headed by another fanatical Anglophile, Sir Robert Gibson.

As Anstey’s friend, Labor Party leader Matt Charlton, evaluated it, “The Bill was nothing less than an attempt to kill the Bank.” The Commonwealth was soon stripped of its savings bank division, which took away its largest deposit base. As Charlton summed up the effect:

“It took away the Bank’s cash reserve, which enabled it to compete with private banks, terminated its trading operations and reduced it to a banker’s bank, not a reserve bank, because no bank was compelled to keep its reserves there, so that it became neither a trading bank, nor a savings bank, nor reserve bank, but a thing of shreds and patches, at the mercy of private institutions, and which could be destroyed at any time.”

A leader in the fight against these attempts to destroy the Commonwealth Bank was Frank Anstey’s friend and protégé John Curtin, who was to become the head of the federal Labor

Party in the mid-1930s. Curtin had been the head of the Labor Party's anti-conscription campaign during World War I, and was thrown in jail for his organizing.

Curtin endorsed the view of Anstey, that "all wars — all international wars — are the instruments by which iniquities re-establish their crumbling thrones, by dissipating on battlefields the human virility that threatened their existence." After the war, Curtin had moved to Perth, and became the editor of a trade union daily, the *Westralian Worker*. The *Westralian* kept up a steady barrage against the Money Power, educating its base on the necessity of a sovereign national bank.

By early 1929, prices paid in England for Australia's exports, which were almost entirely agricultural and mineral products, began to plummet, and the nation had great difficulty paying the £55 million in interest payments owed to the City of London, payments which absorbed an astounding 62% of all tax revenues! In October, the Labor Party government, under Prime Minister James Scullin, an old member of King O'Malley's "Torpedo Brigade," came to power. The City of London cut off much of its credit to Australia, and the now private-banker-controlled Commonwealth Bank began to call in all its advances and overdrafts.

E.G. Theodore, Scullin's Treasurer, introduced two bills to try and deal with the situation, the Central Reserve Bank Bill, to establish a new reserve bank, which would control the paper note issue and the gold reserve, and mandate all other banks to keep 10% of their current accounts and 3% of their reserves with it, and the Commonwealth Bank Act Amending Bill, which would have replaced the six-person big business-dominated board, with a single governor, according to the original system. Both bills were killed in the Anglophile-dominated Senate, and the Bank chairman, Sir Robert Gibson, adamantly refused to issue £18 million in notes for public works, to provide work for men whose families were increasingly starving. Gibson replied haughtily, "Mr. Prime Minister and Members of the Cabinet, you ask me to inflate the currency. My answer is that I bloody well won't."

### London's Niemeyer dictates policy

Finally, with unemployment and mass misery growing by the day, and with no way to pay Australia's London creditors, Scullin was forced to "request" that the Bank of England send down an "adviser" to Australia — an early-day IMF delegation. Bank of England head Montagu Norman sent his chief deputy, Sir Otto Niemeyer.

Niemeyer had been knighted for his work as chairman of the postwar League of Nations' Financial Committee, whose debt-gouging conditionalities the economist John Maynard Keynes had denounced as certain to bring on another world war. Niemeyer was also Britain's director of the Bank for International Settlements, the BIS, which was set up to handle reparations and debt payments. Niemeyer and Norman would soon arrange the financial contributions which would bring the Nazi party to power in Germany.



*New South Wales Premier Jack Lang was famous for taking on the City of London, which, he wrote, "for more than two hundred years dominated the financial affairs of the world."*

Niemeyer arrive in Australia on July 19, 1930. After a trip around the country playing golf, watching horse races, and dining in swanky private clubs, Niemeyer on Aug. 18 laid down the Bank of England's demands to a meeting of the Federal Deputy Prime Minister and Treasurer (Scullin being sick at the time), and all of the State Premiers. He lectured them like schoolchildren: Australia must slash its living standards, which were too high; it must cut its tariffs, governments must balance their budgets; loans must be cut bank, and there would be no borrowing for capital works programs to absorb the growing army of unemployed. But the main point of his harangue was that Australia's policy of protectionism was encouraging a growing manufacturing base, which was changing Australia's traditional role as a producer of cheap primary commodities for Britain, and that this change would not be tolerated!

Said Niemeyer: "Australia must reassure the world as to the direction in which she is going."

On Aug. 21, the Commonwealth Labor government and the state premiers signed on to Niemeyer's demands, in what later became known as the "Premiers' Plan." The same day, however, a "special Conference of Unions and the Australian Labor Party" passed an emergency resolution calling for a five-year moratorium on overseas interest payments, the cancellation of all war debts, and "the mobilization of the credit of the community to work or sustenance for the unemployed and for the revival of industry." The resolution was authored by Frank Anstey.

### Lang fights back

Meanwhile, in New South Wales, former state Premier and Labor Party leader Jack Lang made the rejection of what he called "Niemeyerism" the main plank of his election campaign.

Lang argued that the needs of the disabled, the widows



and orphans, and the growing army of homeless, as unemployment soared toward 28%, must be provided for, before the debt. "The one God-given, inalienable right of man is the right to live. If man or woman is denied the right to work, they still retain the right to live. The Government that fails to realise that has forfeited the right to exist," charged Lang.

With the help of John Curtin, one of his chief campaigners, Lang swept to an overwhelming victory on Oct. 25. On Nov. 6, 1930, a motion in the federal labor caucus that a £27 million loan repayment be deferred for 12 months, put forward by Anstey and Curtin, carried on a vote of 22-16.

By February 1931, New South Wales Premier Lang specified three points of action, in a proposal which soon became known as "the Lang Plan":

1. Until Britain agreed to cut interest rates on Australia's foreign debt from 5% to 3%, as the Americans had done for the British, Australia should make no further debt payments to Britain. Australia had incurred enormous war debts, Lang argued, and had lost 60,000 of her finest young men fighting to defend the British Empire, and Britain, having forgiven most of the sizeable debts of France and Italy, should acknowledge that moral debt to Australia.

2. All internal government interest rates should be reduced to 3%.

3. The London-rigged gold standard should be replaced with a "goods standard."

Lang stated boldly, that he was taking on "the City of London [which had] for more than two hundred years dominated the financial affairs of the world."

The federal Labor government split into three factions. The first, grouped around J.A. Lyons, adopted Niemeierism wholesale. The second, around Scullin and his treasurer E.G. Theodore, basically adhered to the Melbourne Agreement, but tried to get a note issue for public works. The third grouping, led by Anstey, supported the Lang Plan. As Anstey told the cabinet, "If I have to make a choice between this government, constantly belly-crawling to the banking power, and John Lang, then give me John Lang."

Anstey was dumped from the federal Cabinet. His protégé, John Curtin, wrote a pamphlet entitled *Australia's Economic Crisis and the 55,000,000 Pound Interest Bill: How the Years of Money Power Extortion Have Brought Misery to the Nation*. Curtin concluded his pamphlet with the following words:

"The needs of the emergency cannot be resolved by orthodox methods. In this crisis the interests of the nation must rise paramount. The Nation's Bank must be made the Supreme Bank. It should function as the sole operator in the external transactions of the country. It could then issue against general exports internal credits negotiable by cheque or notes. Securities that represent property, marketable products, and national taxable wealth are the real basis of national credit always. They were the foundation on which the financial superstructure was reared for the purposes of war; they constitute in the

present era the only basis on which industry can be renewed in Australia. It is today choked up by the consequences of the past. . . .

"Australia's problems are grievous. We cannot resolve them by ignoring the incidence of the operations of high finance. Calling on the trades unions to accept reductions in wages, demanding economy in government costs, invoking constitutional changes either for unification or secession, while leaving the exactions of the money power sacrosanct, is to leave the major issue outside the ambit of logical controversy."

As the crisis remained unresolved, a London-Melbourne financial axis moved to break up the Labor government and install Bank of England puppets instead. In Melbourne, this group included the future Prime Minister, Robert Menzies, and his next-door neighbor and controller, the financier Staniforth Ricketson. Ricketson, in turn, was directed by Lord Glendyne, chairman of Nivison's, the London firm which had floated most of Australia's loans. This group engineered the resignation of Joe Lyons from the Labor government, and then promoted him as "Honest Joe" Lyons, the man who would stop that demagogue, Jack Lang.

The Lyons government came to power on Dec. 19, 1931, with the aid of a propaganda campaign provided by Sir Keith Murdoch, the father of today's global media baron Rupert Murdoch. The government's main aim was to stop Jack Lang, who had not only threatened a debt moratorium against the British, but had implemented an Anti-Eviction Bill to stop the massive number of evictions under way, and a Moratorium Act, to keep bankrupt farmers from being driven from their land.

In March 1932, Lang refused to pay the next payment due to the British bondholders. As he later explained:

"We were spending 3 millions a year from State taxation on relief of distress. If we sent 3.5 millions overseas to meet interest payments, we would have to stop issuing dole tickets, and put men off public works being maintained for the relief of the unemployed. I had no intention of doing that. So the bond-holders would have to wait their turn. It was simply a question of whether the unemployed would be left to starve or whether the bond-holders went unpaid."

The Lyons government paid New South Wales's debt. Later, after Lang refused to meet a second British loan payment, he was sacked by the Queen's representative in New South Wales, Sir Philip Game.

On June 5, the largest crowd in the history of Australia, estimated at between 300,000 to 500,000 of Australia's total population of less than 7 million, turned out in a rally at Sydney's Moore Park to support Lang. As one historian summed it up: "Lang went from office convinced he was right. . . . Right he may have been in that his action of repudiating debts, if followed at the federal level, would have so alienated Britain and Australia from each other that some form of an Australian Republic could have eventuated."



*New South Wales  
Premier Jack Lang  
fighting the banks.*

The chance was there, but many Labor men, including the old Torpedo Brigade member James Scullin, had capitulated to the Money Power.

Though Labor—and Australia—lost that battle, the war continued. In October 1935, John Curtin became the head of the Labor Party.

## On the eve of World War II

On Sept. 20, 1937, Curtin gave an official Labor policy speech in Fremantle, outlining the ALP's policy for the coming elections. There, he noted that even the 1936 Royal Commission into Banking which the Lyons government had appointed, found that, not only should the Commonwealth Bank have expanded credit, rather than constricting it in the late 1920s and early 1930s, but that, in case of a conflict between the Bank and the government, the "views of the government should prevail." Furthermore, said Curtin:

"These findings emphasise the degree in which the Royal Commission on Banking realises that banking is more than mere finance; that it is in fact a great social function which should be controlled in the permanent interest of the people.

"To deal with unemployment and to make that industrial and economic preparedness which is the essence of national defence and security, three related monetary measures are necessary:

"1. National control of credit to ensure its adequacy to maintain and increase employment.

"2. National control of interest rates, in order to keep to a minimum the monetary and capital costs on production and industry.

"3. National direction of investment with the object of assisting in the promotion of a balanced economic development.

"The Commonwealth Bank is the logical instrument to function for the community in effecting monetary re-adjustment and economic reconstruction. The Labor Government will legislate so that the Commonwealth Bank would be able to competently control:

"a) Credit for the nation

"b) Rates of interest

"c) Direction of general investment

"d) Currency relations with external markets.

"The Labor Party points to the planks of its platform and insists that the Commonwealth Bank must have its original charter restored. The policy of the Government must be given effect and the people's authority established in respect to an indispensable national service. . . ."

In a speech the following month, as the shadows of a coming world war lengthened over Europe, and over Australia, Curtin made clear that the cornerstone of any national defense effort had to be the reconstitution of the Commonwealth Bank:

"Let me say a word about defence. . . . The Australian Labor Party exists primarily for the social uplift of the great

mass of the people, but, like every other Party, it is confronted with the universal fact of preparedness for war. It cannot ignore it.

“From its very inception the Labor Movement has stood for national defence. It supplied the first Australian Government which transformed words into facts. It gave Australia a navy; a well trained army; a national small arms factory; a national woolen mills; a national clothing factory; national munitions works; and behind them all, provided the national note issue and the Commonwealth Bank. . . . Therefore, in the election policy speech of two campaigns ago, the Labor Party declared that there could be no effective defence, no advancing social benefits, no uplift in the conditions of wage earners, without prior expansion of the ramifications, functions and power of the Commonwealth Bank. It declared that banking reform and use of the national credit were the groundwork for economic expansion. . . .”

In 1939, on the very eve of the war for which John Curtin was attempting to prepare his country, King O’Malley raised his voice once again, in his pamphlet *Big Battle*. There, he called for the urgent re-establishment of the Commonwealth Bank. He began with the following words:

“To the Sovereign Thinkers of the Commonwealth, Democracy declares certain fundamental principles which are self-evident and indefeasible. That all individuals are created equal, that all are endowed with rights which only the possessors can alienate, and that among these rights are life, liberty and the pursuit of happiness. That Governments are established among people to safeguard these rights, that Governments derive their just powers to govern from the consent of the governed. Upon these democratic, rock-embedded principles must forever rest the foundation of all truly free, responsible government. Democracy is the government of the people, by the people, and for the people.”

But, O’Malley argued, such rights could not be guaranteed without sovereign control over credit. He further declared, that the purpose of banking was to facilitate the creation of tangible, physical wealth, as opposed to the sort of private banking speculation, which he called “fog wealth,” which inevitably ended in disaster:

“Permanent wealth is produced by the slow process of industry, combined with skill and the manipulation of capital. Fog wealth is produced by the rapid process of placing one piece of paper in the possession of a bank as a collateral security for two pieces of paper. Some of the enormous quantity of paper which is being created now will sooner or later collapse. But with the Commonwealth Bank capable of sustaining legitimate credits, there can come no panic which will again destroy the market value of intrinsic values, ruin debtors, deprive workers of work, and produce general distress.

“Oh! Would that I possessed the power to arouse the Australian people to the imperative importance of revitalising the Commonwealth Bank! In financial crises they have suffered,

but their minds seemed to be possessed with the fatalism of the Turks—it is the will of Allah. But I say it is not the will of God which produces panics, but a want of an intelligent Banking System. . . . Banking is the fundamental essence of finance, and finance is a governmental function. The banks should be coworkers with the producers and traders. The Commonwealth Bank should possess the capacity to continue exercising the banking functions, and thereby sustaining normal values during the fiercest commercial crisis. A system possessing potential financial power, such a capacity in connection with the talent for production, trade and commerce possessed by the people of Australia and the boundless wealth of its natural resources may make Melbourne instead of London the principal exchange city of the world, and Australia instead of England the creditor nation of the world; without it, never.”

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## The 1940s

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# The mobilization for World War II

by Robert Barwick

The life-and-death nature of the struggle of the early labor movement was brought home to Australians in 1939, when World War II broke out. Now, the survival of the Australian nation was at stake. World War II was the greatest test of Australian nationalism, and of its leadership, in the person John Curtin. The decisions made by the Labor leadership, under Curtin, would determine whether Australia survived as a nation in the face of treachery—not only from the Japanese aggression, but also, and more importantly, from the British financial “Money Power” which had set Australia up to be crushed.

When war broke out in September 1939, Australia was virtually defenseless. Prime Minister Robert Gordon Menzies made a public broadcast, where he said it was his “melancholy duty” to inform the country that Great Britain was at war, and that, therefore, Australia was at war, and would support Great Britain “to the last man, and to the last shilling.” However, this was not merely a repeat of World War I, when Australia had also thrown its support behind Mother England, and had sacrificed 60,000 men in Gallipoli and other faraway places in the name of the Empire. That would be horrible enough. This time, there was a very real threat that Australia itself would be conquered, by the expanding Japanese empire.

Defense was one of the key issues separating Australia’s

Labor movement from the forces of the Money Power. Nationalists demanded a strong local defence capacity, while the British loyalist conservatives were content to accept Britain's promises of protection as security enough. Of course, this issue went to the heart of the fight over what the emerging nation of Australia was to be: If Australia was simply to be a British imperial outpost in the Pacific, then, to the exponents of that idea, Britain would defend her interests; however, if Australia chose to be something radically different, namely, a sovereign, independent nation, then that Australia would have to expect to fend for itself, for Britain wouldn't be able to be relied upon to defend an institution which was anathema to its very existence.

As early as 1902, early Labor figures identified Japan, which had then entered into a set of secret imperialist deals with Britain, as the greatest threat to Australia's security.

The two closest friends of King O'Malley, Labor MPs Dr. William Maloney and Jimmy Catts, were foremost in making these warnings. Dr Maloney said, "In this decade or the next . . . the East [i.e., Japan] will most assuredly insist on what she may regard as her rights; and those rights may include the domination, if not the occupation, of the Eastern hemisphere. How stand we then?" Maloney called for a massive defence build-up and a strategic alliance with the United States.

Despite its public assurances, during World War I, while Australian soldiers were being slaughtered in Gallipoli fighting for Britain in a war between Queen Victoria's grandchildren, Britain laid secret plans to sacrifice Australia in the event of a northern invasion. Since the Anglo-Japanese Alliance in 1902, Britain had maintained an unbroken alliance with Japan that was to last, whether formally or informally, until World War II. Indeed, this alliance was recognized by the United States as a potential threat, which formulated what was known as War Plan Red-Orange, for the eventuality of a simultaneous war against Japan and Britain. War Plan Red-Orange was on the U.S. military planning books up until World War II.<sup>1</sup>

### **Kitchener and the 'Brisbane Line'**

In 1910, the hero of the Sudan and Boer Wars, Lord Kitchener, visited Australia to overhaul its defenses, as part of a reorganization of British imperial forces for the impending World War. In a secret portion of his 1910 memorandum "The Defence of Australia," Kitchener formulated what became known as the "Brisbane Line," which was a plan to cede to a potential invader all of Australia north of a line drawn south-westerly from Brisbane down to Adelaide. In 1915, the British government under Prime Minister Herbert Asquith recognized Japan as the potential threat to Australia, and secretly discussed ceding Australia to Japan. As Edwin Montagu, the leading permanent British civil servant to Asquith, cynically remarked, "I would far rather cede Australia to the Japanese,

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1. See "Britain's Pacific Plot Against the United States, and War Plan Red," *EIR*, May 12, 1995.

than cede to Australia anything the Japanese want."

However, publicly, the British were reassuring that, in the event of a Pacific conflict, they would send a British fleet to their naval base in Singapore, the hub of their Empire in Asia. Even throughout the 1930, when Japan had flexed its muscles by invading Manchuria in 1931, and the shadows of war grew across the globe, Australians were still being asked to accept these British reassurances, and to ignore their own defense needs. In 1936, Labor Opposition leader John Curtin attacked the conservative Lyons government for relying on British promises, and neglecting Australia's defense.

"The dependence of Australia on the competence, let alone the readiness, of British statesmen to send forces to our aid is too dangerous a hazard on which to found Australia's defence policy," Curtin said. He called for a build-up of an Australian army, and, most importantly, an air force, as naval power would be insufficient to keep an enemy from Australia's shores.

### **The issue of defense preparedness**

Officially, Curtin's calls were ignored by the successive conservative governments of Joseph Lyons, Robert Menzies, and Arthur Fadden, who ruled from 1932 to 1941.

However, there was one significant conservative figure in Australia who was on the same wavelength as Curtin and his allies, and that was the general manager of the company BHP, Essington Lewis. A sign of how treacherous Menzies and Co. were in ignoring Australia's defense prior to World War II, is the passion with which their political ally, Lewis, began warning about the danger of impending war, and the need to build up Australia's defenses.

Following a trip to Japan in 1934, Lewis became convinced both of the danger Japan presented, and of the urgency of Australia building its own ships, but more importantly, its own air force, and airplane production capacity. His warnings were ignored, so in 1936, BHP and five partner companies formed the Commonwealth Aircraft Corporation, built a factory at Fishermen's Bend in Melbourne, and began the production of 40 Wirraway aeroplanes.

Although they proved inadequate for war, when it broke out three years later, they represented Australia's only aircraft production capability, and a base from which to produce better aircraft, which was thanks to Essington Lewis's foresight. Lewis and Curtin went on to become the two most significant Australian figures in World War II.

After making his pledge to support Britain "to the last man and the last shilling" following the outbreak of War on Sept. 3, 1939, in the years 1940 and 1941 Menzies stripped Australia of virtually all of its trained manpower, by sending the Sixth, Seventh and Ninth infantry divisions to North Africa and the Middle East. Winston Churchill had been repeatedly assuring Menzies, that Britain would send a fleet to Singapore if necessary; however, Menzies and Churchill both knew these assurances to be a lie, because as early as 1919,

the first Sea Lord of Britain, Lord Jellicoe, had made a formal judgment that a British fleet would not be sent to Singapore to meet a threat in the Pacific, if there were a simultaneous threat in Europe. In the 1930s, it was widely acknowledged that it was precisely a conflict in Europe that would encourage the Japanese to move in the Pacific. In May 1940, the British Chiefs of Staff had determined that no naval force could be sent to Singapore, and this message was conveyed to Menzies in June 1940. Then, in late 1940, a joint Australian, New Zealand, and British military conference determined that any defense of Singapore, which had no ships and no air cover, was hopeless. And despite intelligence reports of a large Japanese force massing in southern Indochina in August 1941, the British did nothing to fortify the Malayan peninsula, at the southernmost tip of which was Singapore.

It is a little-known fact that the reason Menzies was so eager to bow to Britain's demands for Australian troops, was that elements of the British establishment had tantalized him with the possibility that he might succeed Churchill as Britain's wartime Prime Minister. The vainglorious Menzies, who described himself as "British to his bootstraps," left for a four-month tour of Britain at the end of January 1941 to pursue that fantasy. Menzies was the Warden of the Cinque Ports in London, the highest British post ever held by an Australian.

### **Curtin breaks with Britain, allies with America**

So, by the end of 1941, two years into the war, Australia had no tanks, no airplanes except for a few Wirraways, no pilots, and virtually no battle-ready troops to defend the Australian continent. This was the situation facing John Curtin when he was elected Prime Minister in October 1941, and two months later, on Dec. 7, Japan entered the war when it bombed Pearl Harbor.

To us in 1999, the situation facing Curtin at the end of 1941 was clear-cut: Australia was being threatened by Japan, so bringing back Australian troops from the Middle East and North Africa, and forging alliances with the United States, all of which Curtin did, was the fairly simple and logical course of action to take. Yet, bear in mind that the conservatives had been in power since 1932 not without public support, and the mythology surrounding Gallipoli and other bloodbaths that Australians suffered on behalf of the British Empire was very strong in people's minds. Even Labor people had been sucked into a slavish devotion to the British Empire, which was the cause of the split in Labor during World War I over the issue of conscription; Curtin had gone to prison back then because of his opposition to conscription. Interestingly, the person who tried to introduce conscription in World War I, Prime Minister Billy Hughes, who was one of the founders of the Australian Labor Party, showed how deep this Anglophilia went, when he went on to co-found the United Australia Party with Robert Menzies in the 1930s.

There is a picture of Billy Hughes bowing to Britain's

homosexual World War II Field Marshall Bernard Montgomery, toward the end of Hughes life. This is a very accurate metaphor of Australian Anglophilia. Menzies had first gained national prominence in 1932, when he attacked Jack Lang's debt moratorium, by saying that he would rather see "every Australian die of starvation" than fail to honor contractual debts with Britain. The fact that after Lang was sacked by the Crown, he was voted out of office, but Menzies went on to become Prime Minister, is an indictment of the Australian people. So much for public opinion!

Consequently, the choices confronting Curtin were not simple. It is a testament to Curtin that, unlike Shakespeare's Hamlet, Curtin was willing to do what no Australian leader had done before, and that was, for the sake of Australia's security, to break—decisively—with Britain. On Dec. 27, 1941, after barely two months in office, Curtin made the following statement to the *Melbourne Herald*:

"I make it clear that Australia looks to America, free from any pangs about our traditional links of friendship to Britain.

"We know Britain's problems. We know her constant threat of invasion. We know the dangers of dispersing strength—but we know that Australia can go and Britain still hang on.

"We are determined that Australia shall not go. We shall exert all our energy towards shaping a plan, with the United States as its keystone, giving our country confidence and ability to hold out until the tide of battle swings against the enemy.

"We refuse to accept the dictum that the Pacific struggle is a subordinate segment of the general conflict. The Government regards the Pacific struggle as primarily one in which the United States and Australia should have the fullest say in the direction of the fighting plan."

Following that declaration, Winston Churchill was furious: Curtin had not only broken with the British, but had broken with the Churchill doctrine of "Germany first," under which the British had intended to hand all of the Pacific to the Japanese. Churchill denounced Curtin, and, in response Curtin accused Churchill of making Australia a "sacrificial offering" to the Japanese.

In January, Curtin demanded the return of some of Australia's battle-hardened divisions from North Africa. In February, Australia's Eighth Division was shipped into Singapore, but only days later, on Feb. 15, Singapore fell to the Japanese. The ease with which Singapore fell was a big shock, especially to the Japanese. Their forces were running extremely short on ammunition and supplies, and the day before Singapore fell, the commanding officer, General Yamashita, visited his troops on the front line and apologized that they had no ammunition, and asked them to use bayonets instead. The Japanese insist that if the British had taken minimal moves to defend the Malayan Peninsula, Singapore wouldn't have fallen. As it was, 15,384 members of Australia's Eighth Division were taken prisoner, more than a third of whom would die under brutal conditions on the Burma railway or in the

notorious Changi prison camp.

Churchill blamed the fall of Singapore on the Australians, who, he said, “came of bad stock.” As a member of the Eugenics Society, Churchill had highly developed theories on race, of a type not dissimilar to Adolf Hitler’s, so he knew all about “stock.”

Just four days after Singapore fell, on Feb. 19, Australia suffered its worst attack of the war, when the Japanese launched a devastating air strike against Darwin. The airport and port were extensively damaged, eight vessels were sunk, 243 people were killed, and there was a general scene of panic. This was the low point of the war, morale-wise. Curtin tried to put a brave face on it, but the situation was very grave. This, was Australia’s darkest hour.

### **Curtin and MacArthur**

Two days later, Curtin acted decisively again, which act turned the war in Australia’s favor. America’s greatest general, Douglas MacArthur, was stranded on the island of Corregidor outside Manila Bay in the Philippines, under heavy bombardment from the Japanese. Curtin had been in touch with MacArthur by radio, and had determined that MacArthur should be brought to Australia. When Curtin’s request reached President Franklin Roosevelt in the White House, he personally sent MacArthur the message that he was to proceed to Australia. In the words of William Manchester, MacArthur’s biographer, “It is almost certain he would have been left to die on the Rock had Australia not intervened.”

This move forced Churchill’s hand on sending Australian troops home. He had to agree that MacArthur would be given command of the South West Pacific theater from Australia, so he agreed to Curtin’s continuing demands that the Australian Sixth and Seventh Divisions be sent home, in exchange for the Ninth Division remaining in North Africa, where they were desperately needed for the Battle of El Alamein. However, after Singapore fell, Churchill unilaterally ordered the ships carrying the troops, which were already at sea, to divert course and land at Burma, using the excuse of trying to prevent the fall of Burma to the Japanese, which even his own commanders viewed as hopeless.

When Curtin protested, Churchill tried to intimidate him: “I am quite sure that if you refuse to allow your troops, which are actually passing, to stop this gap, and if, in consequence, the above evils, affecting the whole course of the war, follow, a very great effect will be produced upon the President and the Washington circle, on whom you so largely depend.”

Curtin refused to be intimidated, stood his ground, whereupon Churchill re-diverted the troop ships anyway, and cabled this very condescending message to Curtin on Feb. 22:

“We could not contemplate that you would refuse our request, and that of the President of the United States, for the diversion of the leading Australian division to save the situation in Burma. . . . We therefore decided that the convoy should be temporarily diverted to the northward. The convoy



*Gen. Douglas MacArthur (left) with Australian Prime Minister John Curtin during World War II.*

is now too far to the north for some of the ships in it to reach Australia without refuelling.”

This was Churchill at his vindictive, manipulative, and oligarchical worst; it was the English Lord steamrolling the Aussie commoner. It put Curtin in an extremely difficult position: Does he stand his ground, which is his moral right, but put the lives of thousands of Australia’s best soldiers on the line, as they travel unescorted through Japanese-infested waters on hulks running low on fuel, or does he acquiesce to the superior and more important world leaders Churchill and Roosevelt, whom Churchill claimed backed this decision? Again, Curtin acted decisively: He cabled the following reply to Churchill:

“We feel a primary obligation to save Australia, not only for itself, but as a base for the development of the war against Japan. In the circumstances it is quite impossible to reverse a decision which we made with the utmost care, and which we have affirmed and reaffirmed.”

Faced with this steadfastness, Churchill had no choice but to reverse the decision and send the troops home. The following two weeks were hell for Curtin, as the Australian troops were crossing the Indian Ocean without air cover or naval escort, and running low on fuel. Curtin barely slept, and was racked with nightmares when he did. One night after having a nightmare about ships being torpedoed and soldiers dying, Curtin confessed to a journalist, “I’m responsible for every life on those ships. If anything like that happens, it will



British Prime Minister Sir Winston Churchill blamed the fall of Singapore on the Australians, who, he said, “came of bad stock.”

be because of my decision.”

Such is the burden of leadership which Curtin shouldered, and which took a monstrous toll on his health. However, in the end, the troops made it back safely, and, under the command of General MacArthur, went on to fundamentally change the course of the war in the Pacific.

MacArthur arrived in Australia on March 17, 1942. On March 20, when he caught a train from Alice Springs to Melbourne, he was given a status report on Australia’s defenses: there was less than the equivalent of one American division, virtually no planes, and most of Australia’s experienced troops were still abroad. After getting the report, and having seen the devastation in Darwin, and probably wondering why on earth Australia didn’t have a railway line all the way to Darwin, MacArthur could only say, “God have mercy on us.” In his biography, MacArthur would later say of the condition of Australia left by Menzies, “It was the greatest shock of the whole war.”

## Economic mobilization

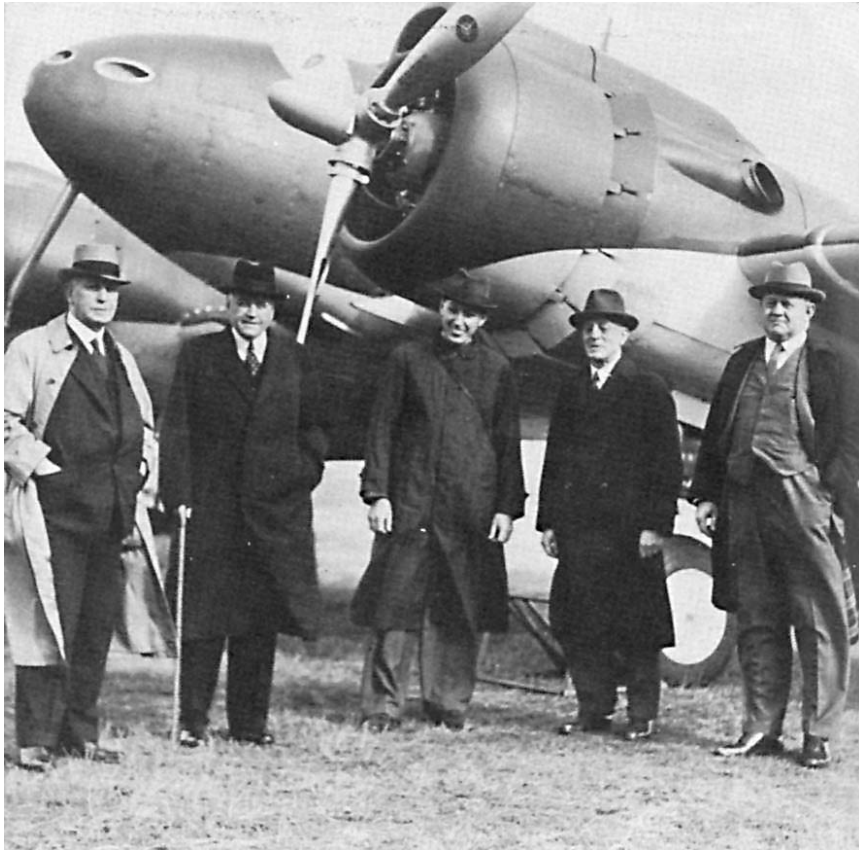
With the arrival of MacArthur in Australia, the leadership triumvirate that was to lead Australia to victory in the war was complete: The other two members were, of course, Prime Minister John Curtin, and BHP’s Essington Lewis, who was the Director General of Munitions. MacArthur was the brilliant military leader, Curtin was the political leader, and Lewis, who was a legendary business figure, having turned BHP from a mining company into a steel giant, and Australia’s largest company, was in charge of Australia’s economic mobilization for the war effort.

Lewis had been appointed Director-General of Munitions by Menzies in May 1940. Prior to that, apart from his efforts to establish an aircraft industry in Australia, he had been chairman of the Commonwealth Advisory panel on Industrial Or-

ganization since 1938, which was a panel of businessmen who advised the government on how to mobilize private industry for the war effort. Lewis would go on to do a superhuman job during the war, but he was already a legendary figure at the time he was appointed. Under his leadership, he had turned BHP from a mining company into one of the best, if not the best, steel companies in the world. It was certainly the most efficient, selling the cheapest steel in the world by 1939. By the time Japan entered the war in 1941, BHP was producing more steel than the country needed. According to war historian Professor D.P. Mellor in his official record of the war mobilization, entitled *The Role of Science and Industry*, “On the whole, the steel industry, the cornerstone of the country’s industrial structure, was more nearly ready to meet the shocks and stresses of war than any other.” Since BHP was the steel industry, that was entirely due to the leadership of Essington Lewis.

Lewis was a central player in what became the political scandal of the 1930s, and that was the “Pig Iron” Bob saga. Wharfies at Port Kembla in 1938 refused to load pig iron onto a ship going to Japan, in protest at Japan’s occupation of Manchuria, and the potential threat it posed to Australia. The pig iron was from BHP. As Attorney General, Menzies introduced draconian laws to discipline the union, and a strike ensued, which wasn’t settled until the beginning of 1939, after which the ship was loaded, but that was the last shipment of pig-iron to go to Japan until 1960. Menzies became known as “Pig Iron” Bob, and Menzies and BHP have gone down in history together as being unwilling to face the reality of the Japanese threat. However, while that was true for Menzies, BHP and Lewis had an entirely different motive. Bearing in mind that it was Lewis who was almost singlehandedly using BHP to prepare for the inevitability of war, Lewis’s attitude was that by selling Japan pig-iron and iron ore, his company was making profits which it needed to strengthen Australia’s steel industry, and to set up aircraft, munitions, and other essential industries, all of which it was doing without any government aid, so any revenue was welcome.

Of course, Lewis was a logical target for unions, because, as head of BHP, he was very close to the conservative side of politics, as well as the financial establishment. He was a personal friend of people like the Governor-General, the British head of Imperial Chemical Industries, or ICI, and W.S. Robinson, the founder of Western Mining Corporation. He was also very anti-Labor, believing that government shouldn’t meddle in business. He was especially opposed to Jack Lang when he was Premier: Since Lang had fought so hard against the austerity measures that would slash the people’s living standards during the depression, New South Wales had a much higher living standard than any other state. For a big steel company like BHP, this meant paying wages for their workers at Newcastle that were 45% higher than in the other states they operated in, like South Australia. Lewis was overjoyed that Lang was removed from office. He told a



*Industrialist Essington Lewis (right), Australia's wartime Director General of Munitions, with a plane built by his company BHP.*

friend at the time: "On Saturday last, Australia was relieved of one of the greatest, if not the greatest, political incubus with which she has ever been blessed."

At the onset of the war, it was universally recognized, even by the Menzies government, that Australia was extremely ill-prepared. So, with his political leanings, as well as his awesome business reputation, it's not surprising that Menzies turned to Lewis to lead the mobilization. At first, Lewis's appointment came under a lot of criticism from some Labor leaders, like HV "Doc" Evatt, as being a conflict of interest. He was accused of using his position to give extra business to BHP. This could easily have been the case, because, under the national Security Regulations that governed his appointment, Lewis became known as Australia's "industrial dictator." According to Professor Mellor, this was "the most responsible position of its kind ever allotted to an Australian." As head of the Department of Munitions, of which the Prime Minister himself was the ministerial head, Lewis controlled the production of all ordnance, explosives, ammunition, small arms, aircraft, and vehicles, and all the materials used in producing such munitions. Anything he deemed to come under the category of munitions—absolutely any-

thing—was earmarked for the war effort, and under his personal control. For example, if Lewis decided that beer was munitions, it was munitions. He was given a seat on the Defence Committee and the same access to the war cabinet as the chiefs of staff of the armed services. However, unlike the chiefs of staff, he was exempt from the rules that regulated all public servants. Under new national security regulations, Lewis's directorate was given far-reaching powers. In carrying out his mission, Lewis could acquire factories, machines, tools, inventions, or raw materials. He could compulsorily acquire any buildings. He could issue contracts to any firms without calling tenders. He could spend as much as 250,000 on any project without seeking the minister's approval. And he could delegate his power to any subordinate and then revoke that power at will.

With all this power at his disposal, Lewis could very easily have become corrupt, but there is absolutely no evidence of this. In fact, BHP, which he was still managing director of, suffered a fall in profits every year during the war years, although steel demand greatly increased. Lewis refused a salary from the government, and continued to be paid

by BHP during his entire time as Director-General of Munitions.

The first changes Lewis made was to his own thinking. The abject failure of the conservative governments to prepare for the impending war made him rethink his long-held opposition to government intervention in the economy. In fact, he didn't just modify his views, but became a staunch advocate of active government intervention, even when the war ended. His role, of course, was to lead the most interventionist government program in Australian history, so he could hardly hold contradictory views. It is a measure of the leadership qualities that, when the circumstances demanded it, he was able to review his own thinking. In reviewing his mandate, Lewis quickly realized he needed more organizing capacity if he was to be successful, so he expanded his directorate by recruiting, from private industry, the most talented industrialists and organizers ever assembled in one Australian team. Lewis's deputy was a chemical engineer named Noel K.S. Brodribb. He appointed the Chairman of the Victorian Railways Committee, Harold W. Clapp, as director of aircraft production; he appointed the managing director of General Motors Holden, L.J. Hartnett, as director of ordnance produc-



tion; as director of the production of gun ammunition he appointed W.J. Smith from the diverse manufacturing firm of Australian Consolidated Industries; Sir Colin Fraser of Broken Hill mining was appointed director of materials supply; a leading Melbourne accountant and businessman, E.V. Nixon, became director of finance; and Colonel Fred Thorpe, a military engineer with wide business experience, became director of machine tools and gauges. New directorates were added later to cover armored fighting vehicles, radio and signal supplies, locomotives and rolling stock, small craft, and several administrative areas.

As Director of Labour, Lewis appointed former locomotive driver and Defence Minister, and future Prime Minister Ben Chifley. Interestingly, this organizational structure, as well as the personnel to fill the posts, were the idea of John Jensen, the assistant secretary of the Department of Supply, who became the secretary of the Munitions Directorate.

Jensen had first proposed the idea to the government in 1939, but it was rejected because, as we have seen, defense organization wasn't Menzies's highest priority. However, when Jensen proposed it to Lewis upon his appointment, Lewis immediately saw its potential. The first meeting of this board of directors, on June 25, 1940, lasted from 8 p.m. to midnight. Lewis opened the meeting by reading from a long list of likely demands for arms and ammunition, ranging from 252 anti-aircraft guns to 575 million rounds of small arms ammunition. Most of the weapons on the list had never been made in Australia, and could only be made with special machine tools, skills, and raw materials. That was only one of the problems he handed to his directors in the first meeting. It was these men, and this organization, who created the economic miracle that was Australia's World War II mobilization.

Australia's mobilization was globally impressive, not so much for its volume of production, but for its variety. The 150,000 men and women in Lewis's munitions department produced 3,500 aircraft of all types—trainers, and Beaufort and Lincoln bombers.

They produced a wide variety of munitions, ranging from grenades, land mines, and ammunition for weapons ranging from rifles to anti-aircraft guns. They produced some 400,000 .303 rifles, and batches of machine and sub-machine guns including the famous Owen gun that was designed in Port Kembla, a variety of heavy guns ranging from 4-inch naval guns for naval and merchant ships, to anti-tanks guns and anti-aircraft guns. When gun production seemed about to be jeopardized because of a lack of optical instruments, which was a highly sophisticated industry that till then Australia had no experience in, Lewis deployed his department to create an optical industry, and they produced periscopes, bombsights, range finders, and telescopic sights. When tanks couldn't be imported, the department built them; when Australia was short of torpedoes, Lewis made them.

## Gearing up to produce machine tools

The economic success can best be seen in the machine-tool sector, one of the highest priority areas of the economic mobilization.

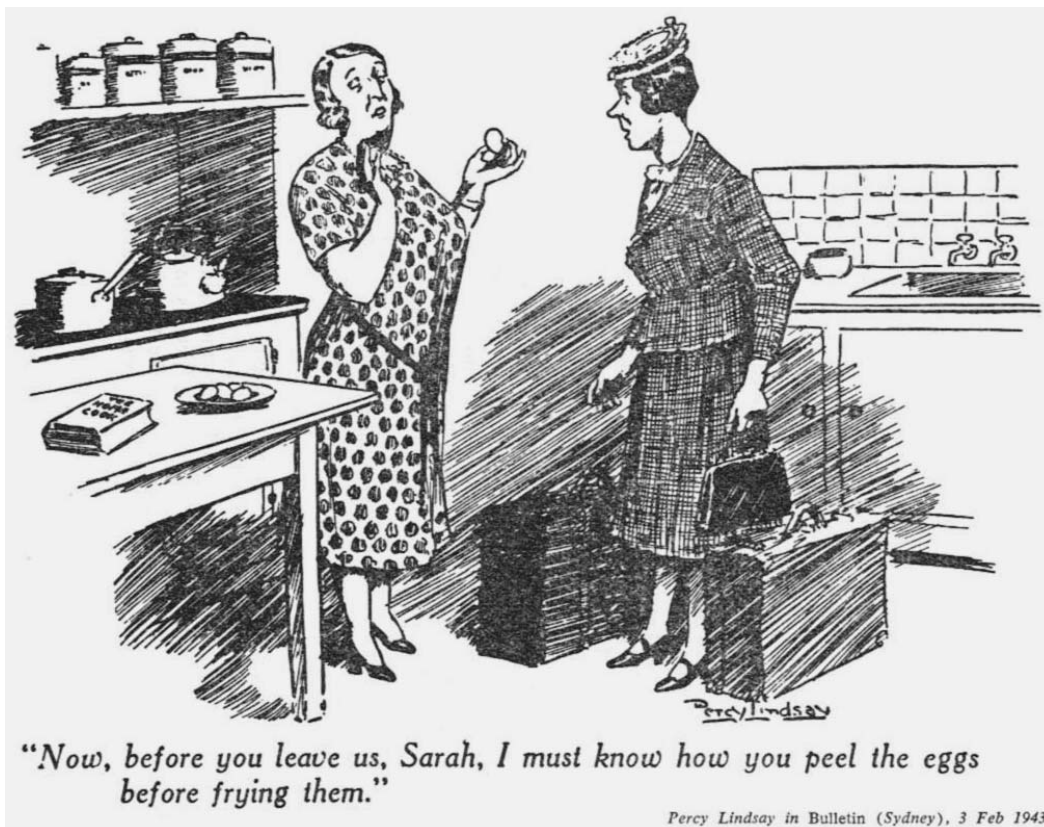
At the beginning of World War II, there were only three real machine-tool manufacturers in Australia: McPhersons, W.G. Heine and Sons, and W.G. Goetz and Sons. A bigger problem was that none of the machine tools produced locally were of munitions quality, and only 15% of the 40,000 machine tools in Australia at the time were, obviously an intolerable situation at the beginning of a war. What happened next was nothing short of amazing.

The Federal Government set up the Commonwealth Machine Tools Committee in March 1940. This became part of the Department of Munitions, under Lewis. Lewis's appointee as director of Machine Tools and Gauges, Col. Fred Thorpe, was recognized as the leading authority on machine tools in Australia. He had been advising the government for quite a few years previously, and knew intimately what Australia's capacity was. The Directorate was afforded very wide-ranging powers under the National Security regulations.

Statutory Rule 118, Regulation 59B read: "After the date on which this regulation comes into operation, a person shall not, without the consent of the Minister of State for Munitions, for the purpose of manufacturing or producing any article or a new design, make, at a cost exceeding one hundred pounds, any alteration in or re-adjustment of any machinery, or provide or install at a cost exceeding one hundred pounds any machinery, tools, jigs, dies or fixtures differing from those used by that person prior to that date." The purpose of this regulation was to ensure that any available machine-tool capacity in the country was known about, and deployed to the war effort.

This was the result: D.P. Mellor, in *The Role of Science and Industry*, writes: "The years 1942 and 1943 witnessed an astonishing increase in the number and variety of locally-made machine tools. There was also a great deal of ingenious improvisation in the use of existing machines. Precision tools of a kind whose local manufacture would previously have been regarded as impossible became almost commonplace.

"At the peak of production in 1943 some 200 manufacturers employed 12,000 persons for an annual output of 14,000 machine tools. By the middle of 1944 what had been Australia's greatest single technological weakness had become a major source of strength. This remarkable transformation owed much of its momentum to the drive and energy of Colonel Thorpe. Over the whole war period the value of machine tools made in Australia was approximately 23 million. Australia's needs were met and orders were delivered to the British Army in Egypt, to South Africa, New Zealand and India. From making a few machines of medium size Australian manufacturers attained the position of being able to make preci-



*A comment on Australia's manpower shortage, as working women shifted from domestic employment to industrial production.*

*Percy Lindsay in Bulletin (Sydney), 3 Feb 1943.*

sion tools of a size and quality that compared favourably with other nations."

Here are some examples of what was done:

"In a very short time a large number of firms, from Kalgoorlie in Western Australia to Mackay in Queensland, were busy making machine tools to a precision and on a scale that would scarcely have seemed possible a few months earlier. Forty 1,000-ton power presses, thirty-five 1,500-ton and four 3,000-ton hydraulic presses, rolling mills, bulldozers, excavators, brown coal briquette presses, drop hammers, sheet metal presses, and forging presses were among some of the important machines made. Others included a complex shell-forging machine; a lathe of 36-inch centre by 100-foot bed, costing £55,000—the largest ever made in Australia; lathes with 36- and 48-inch centre with 50 foot between. The first of these was completed at the Ipswich Railway Workshops with the aid of 90 firms from nearly every state of the Commonwealth. It weighed 132 tons and required 8 large railway trucks to transport it to Victoria. . . . Some of the machines were built with remarkable speed. A steam, hydraulic, 2,000-ton forging press weighing 80 tons was built and in operation fourteen weeks after its construction was begun. Eight to twelve months would have been a reasonable period to build this machine in time of peace."

By 1943, Colonel Thorpe wrote:

"There is, generally speaking, no machine too large or too

intricate for the Australian engineer to tackle, if the need is sufficiently urgent. . . . There are now available through the co-operation of manufacturers, engineering shops, certain garages, instrument makers, tool-making establishments and others, more than 180 organizations producing tools and gauges to the extremely fine tolerances demanded by modern engineering practice and munitions manufacture." In 1944, an Englishman who was visiting Australian factories was surprised to find that of the 52,000 complex machine tools at work, seven out of every ten had been made in Australia. Australia's worst weakness had been turned into its greatest strength.

Within six months of his appointment, Lewis had quadrupled munitions production, but almost all of it was shipped to Europe. This was the case until 1941, when Curtin became Prime Minister. Curtin's break with Britain, and his prioritizing of the Pacific theatre, saw more demands placed on Australia's munitions production, but also more effective application of the product. There was some doubt about how well Lewis would work with a Labor government, considering the way certain members like "Doc" Evatt had attacked him.

However, Curtin displayed his attitude toward Lewis by, instead of removing him, doubling his responsibility. For some crazy reason, Menzies had removed aircraft production from Lewis's responsibility; upon coming to power, Curtin

created a Department of Aircraft Production, and made Lewis the director, with the same powers he had as Director-General of Munitions. Essington Lewis and John Curtin had no problems with fighting to reach objectives. In a speech during the war, Curtin called for raising money from the public through the loans.

“My lord mayor, men and women of Australia, for I’m speaking now to everybody in this commonwealth wherever he or she may be.

“The full cabinet today, directed the war cabinet to gazette the necessary regulations for the complete mobilization and the complete ordering of all the resources, human and material, in this commonwealth for the defence of this commonwealth. That means clearly and specifically, that every human being in this country, is now whether he or she likes it, at the service of the government to work in the defence of Australia. Money, machinery, buildings, when, whatever it may be, when so required to be diverted to purposes of war must on the immediate direction of the government be so diverted to the purposes of war. That’s clear cut, that’s decisive.

“The enemy rests on upon a totalitarian basis, he uses everything, this country therefore uses everything in resistance to him.”

Lewis was equally forthright, which is probably why he and Curtin got along so well with him: On a tour of one aircraft factory, which he did constantly, spending countless hours during the war flying from factory to factory to have a hands-on sense of what was happening, he asked the foreman, whom he knew by name, when a certain project would be completed. When he was told that it would be completed by Christmas, Lewis said to him, “Christmas falls in October this year.”

Lewis also hated bean-counters getting in the way of the job. He once said, “Accountants can prove that nothing is possible.” When Chifley was his Director of Labour, Lewis had got along very well with him, and he developed a similarly close relationship with Curtin. He deeply respected John Curtin and Ben Chifley, and they him. In fact, as a sign of how highly Curtin regarded Lewis, Curtin recommended him for a knighthood, something the ALP never did, but which Curtin thought Lewis would appreciate, given his conservative background. However, Lewis rejected it, as, like Labor, he hated pretensions.

## Winning the war

Lewis’s achievements on the domestic front enabled the war effort to be effective. Under General MacArthur, Australia’s returned battle-hardened soldiers and the newly recruited militias were able to turn the tide against Japan. MacArthur had ripped up Kitchener’s Brisbane Line strategy within weeks of arriving in Australia, and decided instead to meet the Japanese advance in Papua New Guinea.

Backed by American logistical support, Australian troops carried out some of the toughest fighting of the entire war in the swamps and jungles surrounding the Kokoda Track. In

May 1942, American ships stopped the Japanese attempt to take Port Moresby in the Battle of the Coral Sea. At the Battle of Midway in June, the Japanese lost four aircraft carriers, and the momentum of the war began to shift. In August, in ferocious fighting at Milne Bay in Papua New Guinea, the Australian Seventh Division stopped another Japanese attempt to take Port Moresby, which was the first time in the war that the Japanese had been defeated on land.

The war would drag on for three more years, until MacArthur’s famous island hopping finally saw the Japanese defeated. Japanese commanders reported after the war that they had been stunned by the MacArthur-led Australian strike into Papua New Guinea, and that it had disrupted their entire timetable for the war. In retrospect, perhaps it wasn’t fair to the Japanese to let them think that all Australian leaders were treacherous royal brown-nosers like Robert Menzies. What is clear, they certainly hadn’t reckoned on being confronted with the powerful combination of John Curtin, Douglas MacArthur, and Essington Lewis.

John Curtin died suddenly on July 5, 1945, just one month before the Japanese surrendered. MacArthur said of him, “He was one of the greatest of wartime statesmen, and the preservation of Australia from invasion will be his immemorial monument.”

It has been said of Curtin many times that “he saved Australia,” and undoubtedly, this is true. It was his decisive action at critical times during the war, in particularly his break with Britain, his request for MacArthur, and his resoluteness against Churchill, that was the critical factor in Australia’s wartime mobilization.

Yet Curtin’s decisiveness wasn’t exactly one of his character traits. In fact, he was constantly racked by self-doubt and depression, which saw him grapple with alcoholism for many years. In the end, these emotional problems took their toll on his health, and he died well before his time. So, in other words, what Curtin had to do, wasn’t easy for him. He did it anyway, because he had a mission. Curtin knew that what he stood for was right, and his decisions were right, and that, by virtue of this knowledge, he was the person called upon to stand up when it counted, and lead his country through its most trying time. An insight into the philosophy that guided him comes from a speech he made on Ideals in the early 1900s, when he was a young man.

Curtin concluded the speech, “Let your highest ideal be what Christ showed most—an infinite pity for the people and a hatred of injustice. Enthroned this ideal in your hearts and you will find your work. Your voice, perhaps your pen, will smite injustice and tyranny; your truest prayers will be ardent work for others and that trembling, cowardly, introspective gazing into your own soul to find out whether you are the Lord’s or whether you are not, will give place to a brave endeavour and a noble and constant self-sacrifice which shall consume your being with enthusiasm and make life really worth living.”

## Germany as tragedy revisited

by Lyndon LaRouche

November 21, 1999

Germany's military is repeating today the same tragic blunder it committed, respecting its betrayal of Kurt von Schleicher, first, in January 1933, and, fatally, on June 30, 1934. Its support of the London-directed NATO command's present targeting of the Balkans, and the Middle East, Transcaucasus, and Central Asia flanks of Russia and China, is leading in the same direction as the military officer corps' failures of 1933-34 led it into the slaughter of Germany's military leadership, in the failed coup of July 20, 1944.

This is not only a German tragedy; rather, it is the irony of the German command's present commitment to back London's NATO policy, that those German circles are repeating today, the same tragic folly of "*raison d'état*," which led the Germany military to its own doom earlier. It is the same tragic folly, on the Germany side, which has led Germany repeatedly to terrible times, ever since the betrayal of the German patriots of 1812-13 by the Prussian monarchy of the post-Vienna Congress period. Again, the tragedy, overall, is not German, but also the tragedy of the present U.S.A., and of Europe in general. The German aspect of the present tragic folly is merely the clearest and simplest illustration of that wider situation.

That said on background, now view the current Russia situation, and the follies of the U.S.A. and U.K. governments, among others, in pushing the world presently down an accelerating pathway toward something like a World War III.

Like the response to the Barbarossa attack of 1941, more and more of the otherwise diverse, patriotically inclined currents of Russia are converging upon unity for the common defense of Russia, provoked by a Brzezinski-style, London-directed attack, which is aimed at the break-up of existing Russia, into fragments. Thus, a "line has been drawn in the sand" of the North Caucasus.

The silly babbling of the diplomats at the recent Istanbul

gathering, shows what "ships of fools" the governments of the U.S.A. and western Europe have become. Those fools have refused to grasp the essential fact of the situation: Chechnya is neither a nation, nor a human rights issue; it is a strategic line which the British-led NATO powers and their auxiliaries, themselves, have "drawn in the sand."

The "dialogue of the deaf" staged between President Clinton and President Yeltsin, in the context of the Istanbul farce, typifies the way World Wars begin. I am reminded of the silly Habsburg Emperor, ruler of an Austro-Hungary already overdue for the undertaker, who insisted on pushing the Russian Slavophiles into launching the general mobilization which made World War I immediately inevitable. The comic-opera Caligula, Tony "with my last breath" Blair, echoed by his foolish U.S. and other partners in strategic folly, must remind us, collectively, of the pure silliness of the mind of the self-doomed Habsburg Kaiser of 1914. The self-righteous posturing of the NATO and auxiliary fools, at Istanbul, echoes the 1914 folly of the self-doomed Habsburg Kaiser, repeated as low-grade operetta today.

### The dirty game proceeds

Since no later than the end of the past Winter, the London-led NATO command has been committed to establishing a military-style ("Pinochet"-style), post-Yeltsin dictatorship in Russia. Lebed has often been mentioned as one among the London-preferred candidates for that role. Such a dictator would accept turning over Central Asia and the Transcaucasus to British financial and strategic interests, in return for London support in the role of being the broker of delivery of Russia's Siberia-centered raw materials assets, at British prices and British pleasure. The pipeline from Baku, celebrated at the recent Istanbul affair, typifies the future role of a Russian "Pinochet" in London's intended, globalized imperium-emporium.

The bombing of Yugoslavia, arranged through Robin Cook and his flunky Madeleine Albright, was intended as a stepping-stone to London-directed NATO operations in the Transcaucasus and Central Asia. The recently announced, London-directed jihad against Russia, is integral to that same policy.

Thus, now, in Russia, there are three polarities: the patriots, London's "Russian Pinochet" option, and the four-man cartel operating within President Yeltsin's orbit. From the side of Russia as a nation, it is the interplay among these three polarities, which defines what appears to be Russia's moment-to-moment policy. However, the patriotic interest of Russia has been made painfully clear to those sundry forces which are tending to converge upon broad terms of agreement respecting Russia's desperate strategic situation. Thus, the situation is extremely confused, but nonetheless quite clear. In other words, the situation is highly turbulent, and increasingly so; but, that very fact of increasing turbulence defines its own kind of clarity about the current direction of policy-shaping.

Russia's policy for the North Caucasus is to seek to win the battle decisively, as quickly as possible. For Russia now, "moderation" means promoting a military and strategic quagmire. The very weaknesses in the Russia military forces, merely push the situation all the more in that direction. The issue is not whether or how Russia wins the war in Chechnya; like the Soviet Union's "Finnish war" of the pre-Barbarossa period, the issue today is the role of the Chechnya war in recementing, and restoring the élan of the recently fragmented Russian military and intelligence organizations around a political conception of national defense.

Thus, two Presidents—Clinton and Yeltsin—neither of whom is actually in control of his own policy-making institutions, conducted what was inevitably a pathetic dialogue of the deaf.

In short, never let the *New York Times*' harem grammarian shape the way you define your morality, or define a strategic interest.

## Russians protest British terror

by Jeffrey Steinberg

As reported in last week's *EIR* ("British Declare Terrorist 'Jihad' Against Russia"), on Nov. 12-13, a collection of ostensibly Islamic organizations, including the International Islamic Front, Al Muhajiroun, and Ansar as-Shariah, met in London under the banner of the "Fourth Conference of Islamic Revival Movement." The conference produced a declaration of war against Russia, because of the Russian military's

actions in Chechnya. The conference was sanctioned by the government of Prime Minister Tony Blair and the British Crown. Indeed, the *jihad* declaration against Russia was thoroughly in line with the British Foreign Office's policy of supporting terrorist insurrections and other destabilizations against all "rival empires." Russia heads the list of "rival empires" slated for early extinction, if the British have their way.

But, in the wake of that flagrant provocation, it appears that the Russian government may be in the process of joining a growing list of nations that have labelled Britain as the terror capital of the world. According to a report in the Nov. 16 *Kommersant Daily*, during the second day of the London Islamist conference some of the attendees physically attacked two Russian television newsmen, from ORT and NTV, beating them and destroying their cameras. The two cameramen had captured two days of footage, of non-stop calls for holy war against Moscow.

On Nov. 14, Russia's Foreign Ministry filed an official protest to Andrew Wood, Britain's Ambassador in Moscow. According to *Kommersant*, "The organizers of the event apologized to Russia's mass media, while the British government reported that the case is under investigation by the Home Ministry, and asked Russia not to inflate a scandal."

### Scotland Yard 'does not react'

ORT's cameraman Alexandr Panov, who suffered a concussion in the beating, told *Kommersant* that he is "very surprised at the indifference of the British government. Some of the participants at the 'charity' event were people wanted by Interpol, but Scotland Yard, although evidently aware of their residence [in Britain], does not react. Meanwhile, even English journalists have to be cautious in their coverage of the 'Islamism' issue. A correspondent of the *Sunday Times*, who had published two sensational articles on [training] bases of terrorists in Britain, refused to be featured on Russian TV," for fear of being targeted for retribution, Panov emphasized.

"Most of the organizations represented at the meeting in London are familiar only to a narrow circle of specialists, and often emerge ad hoc, for the occasion of a certain event," commented *Kommersant*'s foreign policy department. "Still, they represent only the tip of the iceberg of the radical Islamist network widespread in Britain. Exactly there, the Islamists train mercenaries for warfare in Yemen, Egypt, Algeria, Kosovo, Tajikistan, and Chechnya. Most similar organizations, based in western Europe and the U.S., act quite legally. In particular, British courts actually ignore requests for extradition of their members, exposed as terrorists."

Russian television had launched the exposé of Britain's role in harboring anti-Russian terrorist networks several days before the meeting in London. On Nov. 10, both NTV and ORT aired stories profiling Osama bin Laden's political organization in Britain, charging that the groups were receiving paramilitary training from British officers.

## The U.S. State Department list of terrorist groups

Under the Anti-Terrorism and Effective Death Penalty Act of 1996, which was passed in the wake of the 1995 Oklahoma City bombing, the U.S. State Department is required to produce a list every two years of organizations to be designated as Foreign Terrorist Organizations. FTOs are subject to a wide range of sanctions. Here is the list of 28 FTOs issued on Nov. 8:

Abu Nidal Organization (ANO)  
Abu Sayyaf Group (ASG)  
Armed Islamic Group (GIA)  
Aum Shinrikyo  
Basque Fatherland and Liberty (ETA)

Hamas (Islamic Resistance Movement)  
Harakat ul-Mujahidin (HUM)  
Hizballah (Party of God)  
Gama'a al-Islamiyya (Islamic Group, IG)  
Japanese Red Army (JRA)  
al-Jihad  
Kach  
Kahane Chai  
Kurdistan Workers Party (PKK)  
Liberation Tigers of Tamil Eelam (LTTE)  
Mujahedin-e Khalq Organization (MEK, MKO, NCR, and many others)  
National Liberation Army (ELN)

Palestine Islamic Jihad-Shaqaqi Faction (PIJ)  
Palestine Liberation Front-Abu Abbas Faction (PLF)  
Popular Front for the Liberation of Palestine (PFLP)  
Popular Front for the Liberation of Palestine-General Command (PFLP-GC)  
al-Qa'ida  
Revolutionary Armed Forces of Colombia (FARC)  
Revolutionary Organization 17 November (17 November)  
Revolutionary People's Liberation Army/Front (DHKP/C)  
Revolutionary People's Struggle (ELA)  
Shining Path (Sendero Luminoso, SL)  
Tupac Amaru Revolutionary Movement (MRTA)

The broadcasts documented that Al Muhajiroun, the "political wing" of bin Laden's International Islamic Front, functions freely in the London suburb of Lee Valley, occupying two rooms in the local computer center. Officially, they work under the cover of an Internet company named Info-2000.

Both NTV and ORT showed Al Muhajiroun's boss, Sheikh Omar Bakri Mohammed, threatening Russia's leadership with "severe consequences" if Russia does not cease the military operation in Chechnya. "The Russian military should not feel safe anywhere in the world," he said.

Omar Bakri boasted that his organization was assisted by retired British military officers. He admitted that some mercenaries who receive "theoretical education" in Lee Valley, later complete their training at bin Laden's bases in Afghanistan.

NTV also featured another bin Laden ally in Britain, Acem Chudri, head of Association of Islamic Lawyers, which also protects the Chechen "liberation movement."

The same day that these exposés aired on Russian television, Russia's embassy in Britain filed a protest against Britain's involvement in harboring Wahhabite terrorists.

In its Nov. 19 coverage of the Istanbul summit of the Organization of Security and Cooperation in Europe, ORT television exposed another British link to the ongoing destabilization in Chechnya. The report mentioned that the guests of the summit included several representatives of the Grozny regime. "They looked especially proud, as they were joined by Haji-Saleh Brand, a British national who converted to Islam and took a Muslim name."

In concluding its coverage of the Russian government's delivery of a diplomatic *démarche* to the British over the London attack on the Russian television journalists, *Kommersant* commented that "the U.S. State Department has not included any of the aforementioned organizations in the list of international terrorist networks published in October. The reason is simple: These organizations are not considered dangerous for the interests of the United States. However, in the 1980s, the Americans treated Osama bin Laden in the same way."

### Not quite accurate

While, as *EIR* documented in last week's issue, the U.S. State Department has generally balked at any action against Britain for its harboring of international terrorists, the *Kommersant* story did not get it right.

The Oct. 8, 1999 official semi-annual list of groups designated as Foreign Terrorist Organizations by the U.S. government, did include the groups that showed up for the London session. Following an Executive Order by President Clinton issued in the wake of the bombings of the U.S. embassies in Tanzania and Kenya in August 1998, the State Department added the Osama bin Laden-linked al-Qa'ida (International Islamic Front) organization to the list of sanctioned terrorist groups.

However, Ambassador Michael A. Sheehan, the State Department Coordinator for Counterterrorism, at the Oct. 8 press conference where the list of 28 groups was released, was careful not to fall into the trap of attributing all of the ostensi-

bly Islamic terrorism, including the destabilization in Chechnya, to the expatriate Saudi millionaire bin Laden. Asked to comment on recent statements by former Russian Prime Minister Viktor Chernomyrdin, that bin Laden was the mastermind of the Chechen insurrection, Ambassador Sheehan stated that while “there’s been a growing recognition between the government of the United States and Russia of a common interest with a common threat of certain terrorist organizations, . . . I don’t have evidence directly leading it to Osama bin Laden or his organization. His organization, by the way, is very loosely organized around the world. It has alliances with other organizations. So people—when they talk about bin Laden, you have to be very specific and I don’t have information on that.”

### The ‘London list’

While bin Laden continues to take refuge in the badlands of Afghanistan, a large number of “Afghansis,” i.e., mujahideen veterans, representing an alphabet soup of terrorist organizations, continue to enjoy the safe-haven protection of Her Majesty’s Blair government. In fact, as was the case in 1997, when the State Department produced its first list of Foreign Terrorist Organizations, the vast majority of groups on the list either have their international headquarters in London, or have a major propaganda and fundraising presence in Britain.

On Nov. 20, 1997, following the release of the State Department’s 1997 FTO list, the London *Daily Telegraph*, admitted that “Britain is now an international center for Islamic militancy on a huge scale . . . and the capital is the home to a bewildering variety of radical Islamic fundamentalist movements, many of which make no secret of their commitment to violence and terrorism to achieve their goals.”

The *Daily Telegraph* reported that there were moves afoot, as the result of pressure from the Clinton administration, to end the safe-haven policy. However, the *Daily Telegraph* noted cheerfully, the prospects of such a policy reversal were dim, given that Home Secretary Jack Straw had stated publicly that he would not allow anyone to be excluded from Britain, merely because he or she had ties to terrorist groups. “The powers to exclude can be draconian,” an official of the Home Office told the newspaper. “One man’s terrorist is another man’s freedom fighter.” The official chastised the U.S. State Department for producing a list of groups that are “merely raising funds for humanitarian aid” in Britain. “There is a thin line between terrorist activity and political freedom fighting,” the official said.

Back in 1997, the Tories were in power in England, under Prime Minister John Major. On Jan. 25, 1997, Tory Member of Parliament Nigel Waterson had introduced a bill—without the support of Major—that would have, for the first time in British history, made it a crime to plot overseas terrorism from British soil. The bill was defeated in committee on Feb. 14, just three weeks after its introduction.

Leading the effort to defeat the Waterson bill was Member of Parliament George Galloway, a close ally of Blair and a

protégé of Britain’s most prominent terrorist supporter and controller, Lord Avebury. Galloway pilloried Waterson for attempting to remove one of the most important tools in the geopolitical bag of tricks of the British imperium. “By definition,” Galloway railed, “a tyranny can be removed only by extraordinary measures. It is sometime possible, although very rare, that massive civil disobedience and huge demonstrations can topple a regime, as some in eastern Europe were toppled; but much more often, at one stage or another during a dictatorship, people have to bear arms and take armed action against it. Inevitably, in conditions of extreme repression, the leadership of such movements will gravitate to countries such as ours where freedom and liberty prevail. The bill will criminalize such people, even though they have not broken any law in Britain.”

### Russian wake-up call

The fact that the British government has been flaunting its patronage of the “*jihād*” apparatus, presently abetting the destabilization of the Northern Caucasus, should serve as a wake-up call to those patriots in Russia who are searching for an effective counter to the terror offensive, aimed at the breakup of Russia and the looting of the strategic raw materials wealth of the Caspian Sea and Central Asia. The message is clear: There can be no effective counter-terror program until and unless Great Britain is named, publicly, repeatedly, as the hub of world terrorism.

## Her Majesty’s favorite narco-terrorists

*In November 1997, following the terrorist massacre of tourists at Luxor, in Egypt, and the release of the U.S. State Department’s first semi-annual list of Foreign Terrorist Organizations, EIR Middle East correspondent Joseph Brewda documented that nearly every group on the State Department roster was either headquartered in London, or maintained high-visibility propaganda and fundraising operations in Britain—with the full blessings of the government. Twenty-seven of the 30 groups named in 1997 were still on the list released on Nov. 8, 1999. What follows are excerpts from Brewda’s Nov. 28, 1997 exposé of the British hand behind the new international terrorism (“England’s ‘Lizard Queen’ Is the Mother of International Terrorism”), which is as relevant today as it was when we first published it.*

When the U.S. State Department released its list of barred terrorist outfits on Oct. 8, [1997] it might not have imagined that it was hitting one of the key “irregular warfare” capabilities used by the Crown throughout the world.

British policy of safehousing these groups has also been bitterly protested by at least 10 victimized governments. By contrast, within the United States, British allies among the Congressional Republicans have sought persistently to shift the blame for this terrorism onto third parties—usually among London’s enemies—such as Sudan. British safehousing and support of the groups on the State Department list, however, is straightforward, as we document below:

**Islamic Group and Islamic Jihad:** Since the early 1980s, the Islamic Group, with its subsidiary arm, Islamic Jihad, has been the leading terrorist group in Egypt. On Nov. 17, 1997, the Islamic Group took credit for killing 61 European and Japanese tourists in Luxor, in the biggest massacre in Egypt in recent years. The day before, the Egyptian government announced that 66 members of the group would be tried for plotting to kill government officials, and related crimes.

The Islamic Group is internationally headquartered in London. In February 1997, the British government formally granted permission to London residents Abel Abdel Majid and Adel Tawfiq al Sirri, to establish Islamic Group fundraising and media offices in London, under the names International Bureau for the Defense of the Egyptian People and the Islamic Observatory, which now serve as a global command center of the organization, according to statements of the Egyptian government.

Abdel Majid was implicated in the October 1981 assassination of Egyptian President Anwar Sadat, and planned the escape of two assassins imprisoned for that crime. In 1991, he fled Egypt for Britain, where he received immediate political asylum. Since that time he has coordinated Islamic Group external operations. He was sentenced to death *in absentia* for the bombing of the Egyptian Embassy in Islamabad, Pakistan in November 1995, which killed 15 diplomats.

Abdel Tawfiq al Sirri, the co-director of the movement, has also been granted political asylum in Britain. He was sentenced to death *in absentia* for his 1993 assassination attempt on Egyptian Prime Minister Atif Sidqi.

In September 1997, the group’s spiritual leader, Sheikh Omar Abdel Rahman, now in a U.S. prison in connection with the February 1993 bombing of the New York World Trade Center, ordered the group to declare a unilateral ceasefire, and stop all violence on its side. All six members of the group’s ruling council within Egypt declared in favor of the ruling, the organization’s attorney, Muntasir Azzayat, told the London-based paper *Al Quds al Arabi*, but the six members of the ruling group, based in London, rejected it, and are continuing to direct their terror war from there.

**Armed Islamic Group (GIA):** Since 1992, the GIA has been leading a bloody terrorist war in Algeria which has massacred thousands of people, and which they spread into France. On June 29, 1992, the GIA assassinated Algerian President Mohamed Boudiaf; in a July-September 1995 terror wave, they bombed three Paris subway and train stations,

and an open-air market.

The GIA has its international headquarters in London, where its marching orders are published by London residents Sheikh Abu Qatabda and Abu Musab, editors of the London-based party organ, *Al Ansar*.

Sheikh Abu Qatabda was granted political asylum in Britain in 1992, after years of work with the Afghan mujahideen in Peshawar, Pakistan, on the Afghan border. Abu Musab resides in London on a Swedish passport. Both regularly issue *fatwas* (religious rulings) authorizing slaughter. For example, Qatabda issued a *fatwa* out of London in 1992, authorizing the murder of wives and children of Algerian government employees.

Also in London is the GIA’s Abou Farres, who oversees operations against France. He was given political asylum in Britain in 1992, after fleeing Algeria, where he had been condemned to death for his admitted bombing of Algiers airport the previous year, which killed nine people and wounded 125.

**Liberation Tigers of Tamil Eelam (LTTE):** Since 1972, the Tamil Tigers have been leading a guerrilla war in Sri Lanka, which has claimed 130,000 lives. On May 21, 1991, an LTTE suicide bomber murdered Indian Prime Minister Rajiv Gandhi. On May 1, 1993, an LTTE suicide bomber assassinated Sri Lankan President Ranasinghe Premadasa.

The Tamil Tigers have been, since 1984, internationally headquartered in London, where their International Secretariat is located. From its inception, the group has been led de facto by its official spokesman, London resident Anton Balsingham, an Oxford graduate and former British Foreign Office employee. The group’s suicide bomber division, the Black Tigers, which killed Rajiv Gandhi, is run by Pampan Ajith, out of LTTE London headquarters. A separate suicide bomber division, the Sky Tigers, employing bomb-laden small aircraft, is coordinated by Dr. Maheswaran, also of Britain.

LTTE publications, used to issue marching orders and propaganda, are also written and published in Britain, including *Tamil Nation* and *Hot Spring*, published in London, and *Network* and *Kalathil*, published in nearby Surrey. Global fundraising and banking are directed by Lawrence Tilagar, of London and Paris.

Originally, military training for the group was conducted at Oxford Famine (Oxfam) relief camps in India. Training has also been provided by a British Special Air Services firm, Keenie Meenie Services (KMS), as well as the Israeli Mossad. British mercenaries have also been directly recruited to the group in Wales, according to the Cardiff newspaper *Western Mail*.

**Hamas (Islamic Resistance Movement):** Since 1987, Hamas, working closely with Islamic Jihad (of Palestine), has directed terrorist attacks on Israeli military and civilian targets to discredit the Palestine Liberation Organization, or



provide pretexts for Israeli reprisals. On Feb. 25 and March 3, 1996, Hamas suicide bombers blew themselves up on two Jerusalem buses, and in another incident that same week, in a Tel Aviv market, altogether killing 55 Israeli civilians. On July 30, 1997, Hamas suicide bombers killed 17 civilians in a Jerusalem market.

Hamas marching orders for such incidents are issued from London, from the offices of its monthly organ, *Filisteen al-Muslima*. In 1996, the magazine issued a *fatwa* demanding attacks on Israeli civilians, immediately prior to the spring terror wave.

The Hamas military wing, the Izeddin al Kassam, responsible for implementing terrorist attacks, has one of its headquarters in London. Funding for the attacks is provided by Interpal, the Hamas fundraising division, which is also headquartered in London.

**Kurdish Workers Party (PKK):** Since 1983, the PKK has been running a guerrilla war in southeastern Turkey which has resulted in 19,000 deaths. Marching orders are given over the group's satellite TV station in London, MED TV, which has been broadcasting for four hours daily since May 1995. The British government licensed the station when the group was expelled from Germany in 1993, after it had briefly seized control of Turkish diplomatic sites in 18 European cities in June. In a March 1996 broadcast, PKK head Apo Ocalan called for the execution of German Chancellor Helmut Kohl and Foreign Minister Klaus Kinkel. When the group held its founding Parliament in Exile in Belgium in 1995, Lord Hylton personally attended, while Lord Avebury and Baroness Gould sent messages of support.

**Abu Nidal Organization:** Since 1970, Abu Nidal has overseen assassinations and terrorist attacks, intended to inflame the Mideast on behalf of British geopolitical aims. On June 3, 1982, Abu Nidal's group attempted to kill Israeli diplomat Shlomo Argov in London, providing the pretext for the long-planned Israeli invasion of Lebanon the next day. On Jan. 14, 1991, the group killed PLO intelligence chief Abu Iyal, on the eve of the Gulf War against Iraq, conforming to a general pattern of murdering PLO officials, especially those advocating Mideast peace.

Financing of the group has come from the London offices of the (now defunct) Bank of Commerce and Credit International (BCCI), which the Thatcher and Reagan-Bush governments had used to funnel arms to Iran, and to arm the Afghan mujahideen.

According to BCCI London branch manager Ghassan Qassem, in an Aug. 2, 1991 statement to Associated Press, Abu Nidal opened an account at the bank in 1981, and regularly visited London to purchase arms for his group, and also purchase arms for both Iran and Iraq, using the services of the bank. According to Qassem, Abu Nidal's travels and arms purchases in London were done with the direct knowledge of Britain's intelligence agency, MI5.

Closely aligned with the Abu Nidal Organization are

several other terrorist groups on the State Department list, including the Democratic Front for the Liberation of Palestine, the Islamic Jihad-Shaqaqi, the Popular Front for the Liberation of Palestine, and the Popular Front for the Liberation of Palestine-General Command, all of which are Syrian-based, French-supported groups that routinely carry out bombings in Israel. The Lebanese-based Hezbollah is also part of this network.

**Kach and Kahane Chai:** Since the early 1970s, the Kach party of Rabbi Meir Kahane (and Kahane Chai, since his 1990 assassination) have been used to attack Palestinians, and Islamic holy sites, in Israel and the occupied territories, to incite counter-violence. On Feb. 24, 1994, Kach official Baruch Goldstein slew over 50 Muslim worshippers at a Hebron mosque, leading Israeli Prime Minister Yitzhak Rabin to ban the group. On Nov. 4, 1995, a Kach associate, Yigal Amir, assassinated Rabin.

Kach, Kahane Chai, and related Jewish fundamentalist groups are coordinated out of London by the Quatuor Coronati research lodge of British Freemasonry, which also sent lodge official Asher Kaufman to East Jerusalem immediately after its seizure in the 1967 Arab-Israeli war. There, Kaufman worked with Rabbi Zvi Kook, son of the former Chief Rabbi in Palestine under the British Mandate, to form Jewish sects dedicated to destroying the Islamic holy sites at al-Haram al Sharif, in order to rebuild Solomon's Temple (legendarily

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built by the Masons) in its place. In 1971, Kahane transferred his group from its U.S. base to Jerusalem, at Kook's request.

Stanley Goldfoot, the former aide to Lord Charteris, the onetime head of the British Arab Bureau and Private Secretary to Queen Elizabeth, is the other handler of the sects. Lord Peter Carrington, the late Lord Harlech, and former MI6 Mid-east chief Sir Nicholas Elliot, have been in overall charge of the project.

**Harat ul Ansar (HUA):** Originally founded in 1980 to fight in Afghanistan, HUA is one of numerous Afghan mujahideen groups created and armed by Thatcher and Bush. Since the Soviet withdrawal from Afghanistan, the group, which is made up of Pakistanis, Algerians, Lebanese, Syrians, Egyptians, and other nationals, has concentrated on fomenting insurrection in Indian Kashmir. Major actions include a February 1995 car bomb in Jammu, India, which killed 17 people, and numerous kidnappings of Indian officials.

The group is closely allied with Sipah e Sahaba, another Afghan mujahideen sect, which has been responsible for massacres of Pakistani Shiites. In early 1995, Sipah e Sahaba leader Zia Rehman Farooqi travelled to Britain for money and recruits, claiming afterward to the *Telegraph*, that he had gained 40,000 recruits at British rallies.

The Afghan mujahideen terrorist labor pool, of which HUA is just one example, was created under the direction of Viscount Cranborne, Leader of the House of Lords, who oversaw the Afghan War project, aided by MI6 Mideast hand Sir Nicholas Bethell; former Foreign Office head Lord Morrison of Lambeth; and Winston Churchill III.

Other British-aided terrorist organizations composed of or led by Afghan mujahideen veterans, include the above-cited Islamic Group and Islamic Jihad of Egypt, the Armed Islamic Group of Algeria, and the Abu Sayyaf group of the Philippines, which has also been placed on the State Department terror list.

**Sendero Luminoso:** Since the early 1980s, Peru's Shining Path has been leading an "Indian liberation" war, which has killed over 25,000 Peruvians. The group's most important foreign headquarters are in London, headed by Adolfo Héctor Olaechea, who uses a July 1992 letter from Buckingham Palace as a letter of introduction, which reads: "The private secretary is commanded by Her Majesty Queen Elizabeth to acknowledge receipt of the letter from Mr. Olaechea, and to say that it has been passed on to the Home Office."

Funding for the group in part comes from the Peru Support Group of London, which is sponsored by Lord Avebury and England's Jesuit Provincial, Michael Campbell-Johnson. The Musical Guerrilla Army performs benefit concerts throughout Britain for the narco-terrorist gang, crooning such lyrics as, "The blood of the armed people nourishes the armed struggle." Other Ibero-American narco-terrorist groups on the State Department list, known to receive some form of British support, include the Colombian FARC and ELN, and the Peruvian MRTA.

## López Portillo says, 'Support LaRouche!'

*Former Mexican President José López Portillo (1976-82) issued this letter on Nov. 18, calling for U.S. citizens to give Presidential pre-candidate Lyndon H. LaRouche, Jr. their "timely recognition and support."*



*Former President of Mexico José López Portillo, Dec. 1, 1998.*

Over the years, I have unfortunately seen confirmation that, absent the introduction of a superior principle of Justice—for which I fought during my term as President of the Republic of Mexico—which reorders the current international, monetary, and financial system, civilization, and with

it tens of nations and millions of human beings are being flung into a vortex of calamities and chaos, which are in themselves unjustified and unnecessary, which not only insistently offend and trample on human dignity, but also continuously place international peace in danger.

Only the transformation of the current world order into one which places the inalienable rights of people as individuals, and of nations, at the center of fundamental decisions, can initiate a new era of prosperity, peace, and happiness—rights, such as to enjoy not only the freedom to create the material conditions of their existence, but, based on that, to fully develop their cultural, scientific, and human potential in general. Such a change can only be based on full confidence in that which is best in man, in reason, and the virtues which only the human species is capable of developing.

In the battle for such an order, I would like to recognize the tireless and generous efforts carried out by Lyndon H. LaRouche, for whom I hope for the best as a pre-candidate for the Presidency of the United States of America. I wish that his voice be listened to and followed by those in the world who have the grave responsibility of stopping this situation from continuing on its calamitous course, and I hope that his fellow U.S. citizens, who will elect their President in the coming elections, will give him their timely recognition and support.

# Russian candidate: Military professionals can help solve the crisis

Gen. Andrei Nikolayev heads "The Union of People's Power and Labor," one of 28 electoral blocs running in the Dec. 19 Russian State Duma (lower house of Parliament) elections. A career military officer, now 50, General Nikolayev is a graduate of the Frunze Military Academy and the Military Academy of the U.S.S.R. Armed Forces General Staff. In 1992-93, he served at the General Staff of the Russian Armed Forces, including as its First Deputy Chief. From 1993 to 1997, he was Commander-in-Chief of the Border Troops of the Russian Federation, then director of the country's Federal Border Service. General Nikolayev resigned from active duty in December 1997. He was elected to the State Duma from a suburban Moscow district in a by-election in April 1998.

Prof. Taras Muranivsky interviewed Gen. Nikolayev for EIR on Oct. 19, 1999 in Moscow. This is Part I of their dialogue.

**Muranivsky:** Andrei Ivanovich, I would like to ask you to answer a number of questions for *Executive Intelligence Review* magazine, founded by the well-known American economist and politician Lyndon LaRouche, who is currently a candidate for U.S. President in the year 2000 from the independent wing of the Democratic Party. *EIR* circulates abroad, as well as in the United States, including in Congress and at the White House. It has some 100 readers in Russia, in scientific, government, and parliamentary circles.

**Nikolayev:** Very well. I shall try to answer your questions, if you indicate what they are.

**Muranivsky:** Since you are a military man, Andrei Ivanovich, I would like to begin with the question of the role of military men in politics. There are well-known cases of military men coming to power at critical moments in history. I have in mind not only General Pinochet's junta or other military coups, from Latin American countries to today's Pakistan. After the Second World War, General Eisenhower was elected President of the United States, while General de Gaulle was elected President of France. The latter's accomplishments included his effective economic policy, based on the principles of indicative planning. This policy made it possible not only to revive the economy of France, which had been destroyed by war, but also to release Algeria from colo-

nial dependency. Might it be, that military men have some superior qualities in politics, compared with civilians?

The second group of questions concerns the all-Russian political and social movement that you head, "The Union of People's Power and Labor," your collaboration with Academician S.N. Fyodorov, chairman of the "Workers' Self-Management" party, and your joint electoral bloc. How do you define your strategic tasks, and what are your tactics? I mean all aspects: economic, political, your view of military doctrine, especially the new one, and the mechanisms for implementation of your ideas.

Thirdly, it is natural that today one cannot omit your opinion and attitude to the problems of the Caucasus. The recently published, 12th issue of the journal you oversee, *Rossiyskoye Analiticheskoye Obozreniye (Russian Analytical Review)*, included an interview with my American colleague, Lyndon LaRouche, who believes that the hand of Britain may be discerned in the events in the Caucasus. He emphasizes that this is a continuation of the policy of British imperialism in Russia, which began in the 19th century under Palmerston. Well-known British circles, and their henchmen in the United States like Zbigniew Brzezinski, use the Wahhabites as cannon fodder.

I would also like to ask you about your resources and media access. I understood that you had hoped to have a newspaper, *Otechestvo (Fatherland)*, but that this did not work out. You have the *Russian Analytical Review*, but are there other mass media you can rely on?

Finally, it would be of interest to know your thinking on the present economic crisis. What is your strategy for an exit from the crisis? I am interested in your evaluations, broadly speaking, in economics, politics, governance, defense, security, morals, and other aspects, as they are interconnected. How do you assess the Russian crisis overall? What part is our own fault, and what is due to outside interference in our affairs? Do you think that Russia is one link in the world financial and monetary crisis, which is afflicting the planet for the third year now? These are the questions I would like you to address.

**Nikolayev:** With regard to military men in politics, you mentioned rather well-known people in world history, who made a significant impact. One could name other military figures in



*Gen. Andrei Nikolayev: "We need laws—not the kind of law that Yeltsin doesn't give a hoot for, but laws that are observed by those in power. We need laws that are in the interest of the majority of people in the country."*

politics, starting with Napoleon. You mentioned Eisenhower and de Gaulle. One could name Franco, and Pinochet. The point is, that it is not the profession that determines the role and place of a person in politics, but rather his system of views, how he looks at the world around him and at the solution of problems of the state and the society, in which he lives. It is just as natural for military professionals to enter politics as, for example, for financiers, economists, artists, people from the world of culture, or simply talented people. I think that there ought not to be an oversensitive reaction to a military professional's maturing to the level of understanding matters of state. The entry into politics of a military man, who is a disciplined and organized person, should not frighten anyone, including in Russia.

**Muranivsky:** I agree.

**Nikolayev:** It is a great misconception, to see a military man exclusively as a "strong hand." I think that there are relatively more military men, who know that military force must not be used for achieving many political aims, which should be

reached by other methods. The civilian, in a sense, places great hopes in the force of the military component, on the force of arms, because he does not encounter it in everyday life and does not realize the destructive power of arms. The military man knows this, he sees it, he senses that he is a professional, and he understands very well, that many political goals are simply not achievable by military means. Therefore, I am a convinced partisan of the view that, if we put together what has taken place in the past, with hindsight, and what we can achieve today, the entry of military men into politics is fine. Of course, the person must be up to the level of the tasks he takes on.

**Muranivsky:** The moral aspect is also important. Our ordinary people, civilians, developed during the Soviet period a very high opinion of an officer's honor, and simply the decency of a person in uniform. People trusted the military man as the most honest and upright person.

**Nikolayev:** So it should be, I think, because the very idea of military service requires total self-sacrifice from a person. It is impossible, naturally, to make a person serve for money. Imagine the territory of Russia—those far-flung borders. There are places located in the most unfavorable climatic, geographical, and other conditions. Do you think one could *make* a person serve for the miserable salary, which our officers do not even receive these days, or their families, who are with them, carrying out really the same tasks as the military men themselves? Nonetheless, people enlist in the military, because even today, the military profession remains the personification of commitment to the state. The military man does not belong to himself, in the full sense of the word, like an ordinary person. He belongs to the state; it is to him that people look, when things go badly for the country. Something happens, and they always run to the person in uniform. Therefore, I believe that it is quite possible for former military men to enter politics, including Russian politics. We often hear that there are too many military men in politics. I think there ought to be just as many, as reach the level of maturity that this requires.

One other element of this question, is that I believe it would be right to require a military man, who enters politics, to take off his military uniform. I would advocate a ban on wearing military uniforms in the State Duma or the Federation Council. On the street—be my guest. But a person should not be publicly engaged in politics, wearing epaulets. Military service precludes the kind of liberties, which the public politician allows himself. If you want to go into politics, welcome!—but, take off your uniform and hang it in the closet.

You ask about the strategy and tactics of our movement, the "Union of People's Power and Labor," our bloc, our coalition, with respect to politics, economics, and military doctrine.

The essence of what is happening in Russia today is the following. I think that there is really no economic, financial,

social, or other crisis in Russia. As a citizen of Russia, you understand very well that a country that has 14% of the world's land mass and (simplifying things somewhat) one-third of all the resources in the world, cannot be in an economic crisis. It is impossible, by definition. We are the only self-sufficient country. We have everything, which other countries lack. This means that we, as citizens, should simply understand that what we are seeing, is the result of illiterate governance of the country, the state, and society. Neither the state (as a system and instrument of power) nor society (as a social formation, and our collective interest) is being governed at all. It is a crisis of management.

Of course, it is possible to drive the best-endowed and excellent country into the same situation, by illiterate governance. If our politicians, who have been in power in Russia the past 10-12 years, were to be sent to America right now, within five years they would turn that America into the most neglected country in the world. They are capable of that. Let's export our politicians to Germany, and they will turn Germany into the most run-down country of Europe within three to five years. Then we'll understand, what the people who personify our state have been doing in politics — the President, the government, the Federal Assembly, that Supreme Soviet, the first and second sessions of the State Duma, and the political parties and movements.

What is a crisis? Remember what Professor Preobrazhensky, the hero of Mikhail Bulgakov's famous story, said, "The collapse is not in the stairwell, the collapse is in people's heads." That's us he was talking about. It should be understood that the problem, more often than not, is located not in real phenomena, but in slovenliness inside our heads. For instance, we quite seriously wanted to change everything in 500 days (remember the famous program of Yavlinsky, Shatalin, et al.): We were living in one society, and 500 days later we were going to be in another. Or, to take another example: There was capitalism in Russia until Oct. 25, 1917, and on the 26th, we woke up and there was socialism. But, nothing had changed!

It is time for us to understand that such a simplified approach to people, to their relationships, to economic construction, and to the problems that concern each person, ultimately leads to the tragedies of Russian and Soviet history. The way we do things is to say: This is bad, therefore we shall throw everything out, top to bottom, and then build a new world. We proclaim that socialism is all wrong, illiterate, and completely useless. Let's destroy it, then there will be capitalism, all our problems will be solved, and we'll be rich. The crisis we are experiencing is caused not only by the fact that the country is being run by illiterates, who are simply incapable of governing such systems, but also by the absence of goal-setting in Russian politics. What do we want to accomplish? What state do we want to live in? What kind of society do we want to build? What is my personal, specific role in the life of that state, that society?

**Muranivsky:** How do you, yourself, answer those questions? What is your program?

**Nikolayev:** Our program differs from others in its simplicity and clarity. The programs of all political parties and movements set down: the state, the economy, finances, society, and man. In our program alone, of those existing in Russia today, the order is different: man, the family, society, the state. Everything must begin with solving the problems of the individual person. We should say to our people: "Gentlemen, comrades, esteemed fellow citizens, tell us, do you really think that the President or the government can do something for you? We need all these authorities — the President, the government, the parties, legislators, and so forth — only in order to create conditions for us." That means that the authorities ought to deal with two basic problems for the people: creation of jobs, and the adoption and enforcement of laws, defending the interests of the citizens.

Regarding the first problem, we each choose a profession, while the authorities create the jobs. We find possibilities to use our intellectual and physical qualities in the best possible way for the good of the cause, for our country and our own welfare. If I can work better, I earn more and provide for myself and the family I'll have; I can acquire housing and other property. But, there are many problems that I cannot solve alone or with my family. Certain of our benefits, we redistribute in the framework of society, and we solve our problems together.

Moreover, we need a common defense, security, transport, an education system, health care, and many other things. For this, we hire the state. But, in our country everything is upside down. People work, creating a certain surplus value, after which they come to the White House [Parliament building], bang their helmets, and demand money from the government. But, insofar as they don't maintain that government, the question should be posed in a different way: "Why do we need this government, which takes our money, does nothing for us, and really just mocks us?" That is what the question of labor would look like, if it were posed properly. From this, it follows that the imperative for any authorities in power in this country, is to create jobs. But have I ever heard, from President Yeltsin or from the governments that have existed in Russia in the recent period, one single time that the main thing in Russian politics is to create jobs? Never!

**Muranivsky:** On the contrary, unemployment is viewed as a law of the market. In order for job-creation to become an imperative for the government, unemployment would first have to be declared a social ill, which it actually is. Our liberal economists, however, parrot the Western authors of "economics," assuring the government that an invented "natural level of unemployment" is a necessity. Therefore, instead of creating jobs, our people are proud that unemployment in Russia is no lower than in the West.

**Nikolayev:** Indeed, 40% of our work-capable population

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*The profession of builder should become the main profession in our country. I don't mean the literal sense of the word, but a builder as creator.*

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suffers from unemployment. There are 36 million unemployed in our country! In order to end this, the people must be told: You will live according to what you earn. We, who are in power, shall create the best possible conditions for you personally to earn. The better you work, the more vigorous society and the nation will be. And you will live better, first and foremost. That is what should be presented to people, and that is what we present. We use the term "social orientation," which means the ability to satisfy the right to education, health care, childhood, motherhood, housing, leisure time, and security. There will be as much social orientation and socialism in the country, as we earn. Not how much we demand from the government or the President. Who are they? They live on our money, they don't produce anything. Not only do they not produce, they don't govern us. And since they don't govern, we are totally abandoned, from which state of affairs all our problems derive. Thus, there should be as much socialism in the country as we really earn. If we work better, we'll live better.

The second question, which each of us would like those in power, the people we have hired, to answer, is, according to the logic of Nikolayev and his co-thinkers, the question of laws. We need laws—not the kind of law that Yeltsin doesn't give a hoot for, but laws that are observed by those in power. We need laws that are in the interest of the majority of people in the country.

The current session of the State Duma has passed 1,800 laws. Neither you, nor other citizens, are obliged to know them all. But, as a tax-paying citizen, you know quite well that if there are laws in the country, there is a certain order. Your son or grandson gets up in the morning and goes to school. That is order. Someone in your family, God forbid, falls ill. You pick up the phone and dial 03, and an ambulance comes. That is order. You and your wife go out for a walk at 8 p.m. and are not attacked by bandits. That is order. Why do you need to know that somebody adopted some laws? What you know, is that you have paid, you have hired yourself a representative, a government, and a President, and they are adopting decisions. You have work, and you have order.

Thus, law in action is order. Law, when it doesn't function, is the mess we see today.

We have two slogans on our banners, so to speak. The first is labor—jobs as an instrument for solving the country's problems in general, and as the main working goal of those in power. When Yeltsin gives a speech, he talks about what he sees. What does Clinton say? He gives an accounting of things: Today our administration would like to address the

American people with a report on what we are doing. That's how Clinton reports to the Congress. He tells them that unemployment in the United States is the lowest it has been in 40 years. He says that we have created 18 million jobs in four years, and that people's incomes are growing at double the rate of price increases. He lists these concrete actions. And the American citizen therefore says: We elected him, so that my personal business would be more effective. That is why I select someone to be in power. We should achieve the same.

**Muranivsky:** Andrei Ivanovich, you draw interesting parallels between Russia and the United States, and there is a kernel of truth in what you say. But, you also are aware of their problems. Therefore, I would not like our readers to see this theme as an attempt to hold up the political and economic system of the United States as a model. Please tell us your vision of our Russian economic and political problems, identified at the outset of our conversation.

**Nikolayev:** In politics and economics, we have nothing coherent going on in the country. Our most recent politicians may be compared with paratroopers. The airplane is flying, and you are told, "Jump!" You jump, land, take off your parachute, and ask, "What country?" The answer comes: "Russia." You say, "Come on, let's go." And everybody follows you. Then the next paratrooper jumps, lands in another place, and asks, "What country is this?" "Russia." "Let's go over there." That's in 1993. The next one jumps. "What country?" "Russia." "Let's get out of here." And we keep following. But, we never really move, we're running in place.

What's in the heads of those in power is the politics of this kind of paratrooper, who came down from the sky into a troubled country and has no idea what is happening there. They're constantly saying that we should go somewhere, but we do nothing and go nowhere. Nobody has said to us, "Look over there, that's the goal up there. We can't reach it all at once; we have to take ten steps, or fifteen. Each step is a year. In order to traverse that path, we must work. I cannot make it alone, we'll have to go together. Let's get a person who can lead us on that path."

We hire authorities for ourselves, who organize our common work. It turns out that we not only have to move forward, we also have to lay the roadway. If that's the case, it becomes clear what to do. But, in all this time, not once has a goal been defined: where we are going, in what kind of society we are going to live, what is the role of the state, and what is the role of the individual.

Russia has lived through eleven centuries, and has a path

before it, to travel farther. According to the present logic of things, we are being spun around at will, because the people spinning us are not interested in what has come before. They start each day with a clean slate. Therefore, no matter where we try to go, we get Brownian motion. If, however, what has happened in the past were forged into a vector of historical development, the path for Russia to traverse would be charted.

In books, I have sought our wellsprings, so to speak, the founts of our philosophy. I explain that the most perfectly correct German model cannot be applied in Russia, nor a Chinese model, an American one, or a Swedish. I recall meeting with some Swedes, who asked us, "Do you want to introduce Swedish socialism in Russia?" [Moscow Mayor] Luzhkov replied, "Yes," but I said, "No." "Why?" the Swedes asked in surprise. I said, "Tell me, please, do you think Americans live better than Swedes?" They said, "Yes, they live better, they are richer." So, the question arises: Why don't you live like the Americans? They say, "Because we're Swedes." And we are Russians. Therefore, we can never live like the Swedes or the Germans; we must live by our own wits.

Sometimes we fail to understand, that power in Russia is organized on two levels: state power at the federal level, and state power in the city of Moscow and the constituent territories of the Federation. Have you ever been told, where your taxes go? As an inhabitant of Moscow and a citizen, do you know for which of your taxes the central authorities are answerable to you, and for which the Mayor of Moscow? Everything is all mixed up. Nobody knows, who is responsible for what.

There are three levels, responsible for education. The central power pays, the constituent territory pays, and the local power pays. As a result, nobody pays, and teachers fail to receive their salaries for months on end. With higher education, the federal authorities are supposed to be responsible. You can receive an education in Khabarovsk, then move to Leningrad Province, and you will receive the same Russian diploma, recognized around the world.

The constituent territory should be responsible for secondary and vocational education—the province, territory, or republic. Take the question of standard textbooks. We have a situation today, where someone from Yekaterinburg, who graduated using the textbooks of Sverdlovsk Province, cannot enter an institute in Moscow, because the programs are different.

Let the local authorities take care of pre-school education. It's the same thing with roads. Let's have 12 or 15 federal highways and, finally, Russia will have an auto highway from Moscow to Vladivostok, which should be built with funds from the federal budget. Secondary roads within the borders of a given constituent territory are provincial roads. It should be clear to me, as a taxpayer, what road construction fund is receiving my tax monies, and where I should complain if the need arises.

One other idea, which is not original with me: We still don't have a Russian state. There's a car parked in the driveway. It's a single mechanism, a single system. Cut it into 15 parts, and you'll have 15 pieces. That's what they did with the Soviet Union as a single system—tore it into 15 pieces and declared that, mechanically, 15 countries were the result.

**Muranivsky:** What we got, was 15 pieces.

**Nikolayev:** We got 15 pieces. Russia received the biggest chunk, but it is not a state. Here, I would like to cross over to the Army. There is no doctrine in Russia, and there cannot be one, by definition.

Let's make a matrix, "Nikolayev's matrix," you can call it. [Sketches.] The rows show four levels, from bottom to top. The first is the conceptual level, which encompasses a period of a century. The next is the 15- to 25-year level of doctrine, defined by a new generation of equipment and technology, re-equipping of the Armed Forces, discoveries in science, and so forth. The third level is the level of strategy, which lasts four, five, or seven years, depending on the structure of state power and how planning is done. A five-year period is convenient for us, since we got used to five-year plans, although we have elections every four years. Finally, there is the level of tactics, or everyday life—one year.

What I have drawn here, is how it should be: The conceptual level is the foundation, where the choice of goals is made. The level of doctrine defines what should be done during one generation, approximately 25 years. Then, the strategic tasks for a five-year period are formulated, and tactics annually.

Intersecting all these levels, we construct vertical columns for the interrelated, principal lines of activity of the state: politics, economics, military affairs, science, the social sphere, health care, education, etc. You see, we get a grid like a brick wall.

Now, let us locate military doctrine in this matrix. There is the "brick," the cell where the level of doctrine intersects "military affairs." It is declared that Russia has a new military doctrine, that this "brick" has been adopted. But, can you lay that brick into the wall, when there is nothing around it but empty space? How is it possible to give birth to a doctrine, if the country has no political doctrine, no economic doctrine, no scientific doctrine, and no concept? It's all nonsense. There will be no doctrine, if it has no components, nothing to rest upon, and nothing with which to interact. By the same token, it is impossible to solve any question of payments, or other economic questions, in isolation at the tactical level.

With this example, I try very simply to explain the utter lack of any logic whatsoever, in how decisions, doctrines, and so forth are adopted. I have always said that politics, economics, military affairs, and any other questions should be clearly delineated on three basic levels. The first defines what must be done immediately. Concretely, in our present

situation, what specific steps must be taken in order for the country to live. These are fire-brigade actions. Our house is on fire—Russia. We have called the fire department, or you and I are the fire department. The fire trucks come, and we put out the fire. The Putin government is putting out the fire. Let's say they have put it out. Have you ever seen a fire brigade stick around and start rebuilding or repairing the house? No, they stow their hoses and off they go. Somebody else will work on rebuilding the house. Thus, on the one hand, we do need fire-brigade actions, to prevent the fire from spreading and to solve immediate problems. On the other hand, we need a group of people to develop a conception for the country's development. That is the next level.

**Muranivsky:** All Russian governments in recent years have been working on the fire-brigade principle.

**Nikolayev:** That means that we shall never have a normal life. Things might be settled in one place, while they burn down in another. Why do we put the fire out? What next? Who will build anything? The profession of builder should become the main profession in our country. I don't mean the literal sense of the word, but a builder as creator.

Today, on the other hand, the whole system in our country is organized according the principle: appropriate—divide up—occupy. You have a family, and well may you ask: Will

you live normally, if you can't work, your wife doesn't work, nobody is working, and you divide up what the family has, while trying to take something away from your neighbors? How long can you sustain that? Should that be the national policy? No. The country is facing the questions: What is to be done now, what is to be done in five years, and what is to be done in 15-25 years? These are the three levels, which must be decided right away. I have proposed that a special group be formed for this purpose.

**Muranivsky:** You have posed the tasks. What is the mechanism for implementing the fine ideas, which you have laid out?

**Nikolayev:** I shall not restate our program, which you can read. But, first of all, I'll simply tell you that I am trying to find answers to all these questions in, for example, my work, "The Idea of the Russian State." We must seek the well-springs, in ourselves.

As for a "mechanism," I can note the following. First of all, it means a consolidation of society. Second, a change in the make-up of the State Duma, the representative branch of power—the formation of a majority, which reflects the interests of the majority of society. Then, elections to choose a President for this consolidated majority.

*To be continued.*

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# China takes first step to put a man in space

by Marsha Freeman

For the past 37 years, placing men into orbit around the Earth has been the exclusive domain of the former Soviet Union and the United States. On Nov. 20, the People's Republic of China took a crucial step toward becoming the third country to be able to carry out a manned space program. At 6:30 a.m. Beijing time, a Long March 2F rocket, developed for China's manned space program, placed the Shenzhou spacecraft into orbit. It completed 14 orbits of the Earth, landing 21 hours after lift-off in the Inner Mongolia Autonomous Region in northern China at 3:41 a.m. the next day.

There had been international anticipation of the unmanned test launch, especially since the spring, when a photograph of the Long March 2F with the spacecraft atop was placed on the Internet. While the Chinese would have preferred to carry out the test in October for the 50th anniversary of the founding of the P.R.C., technical problems delayed the launch.

## Made in China

While the Shenzhou resembles the Soviet Soyuz capsules, which carried the first cosmonauts into space, and which basic design is still used today, the Chinese have made significant changes in the systems they first acquired from the Soviet Union. The Chinese spacecraft has two pairs of solar arrays (the Soyuz has one pair), which will increase the amount of available on-board electric power. Shenzhou, at 8.4 tons, is about 20% more massive than the current version of the Soyuz, and it is estimated that the Chinese craft will be able to accommodate a crew of four (the Soyuz has a maximum of three).

The Chinese spacecraft reportedly has a docking system which was built in, even for the first test launch, and an internal transfer system. These two design features will allow China's cosmonauts to dock with another spacecraft, such as a small space station, and to transfer personnel or materials from one to the other internally, without necessitating a spacewalk. The Soviet space program did not have a docking module on the Soyuz until 1971, when the first space station, Salyut 1, was orbited.

The method of the Chinese launch was also different than the Russian program. *People's Daily* reported, according to technical staff members working at the launch site, that the spacecraft was mated to the Long March rocket, the two were assembled vertically, and transported to the launch pad. This

had also been observed through satellite photographs. Integrating the booster with the payload before transport to the pad is similar to the way vehicles are prepared for launch in the United States. The Russians stack the vehicles horizontally, roll them out to the launch site, integrate the vehicles, and then lift them into the vertical launch position at the pad.

Phillip Clark, a British expert, pointed out in the October *Journal of the British Interplanetary Society* that the transport of the new Chinese launch vehicle with its Shenzhou payload in a fully integrated, vertical position, minimizes the time for the vehicle on the launch pad. This will facilitate the rapid reuse of the pad, such as for quick-fire launches during rendezvous and docking missions with two or more spacecraft.

A number of experienced U.S. space experts who have visited China over the last year, report that when they toured space facilities, they were shown simulators and other training devices both for manned orbital flights, and also for space stations and multi-craft operations.

It is known that two Chinese cosmonauts, Li Tsinlung and Wu Tse, spent a year in training in Russia in 1996. In 1998, it was reported that there would be more Chinese cosmonauts arriving for the training course at Zvezdny Gorodok in 1999.

Due to all of the hysteria in Washington, D.C. over the past year, over accusations that the Chinese "stole" rocket technology from the United States, Chinese space officials have stressed the indigenous development of their manned spacecraft. Speaking at the International Space Business Assembly in Washington in early November, Luo Ge, foreign affairs director of the China National Space Administration, insisted that the spacecraft China would soon test "was designed, developed, and produced by ourselves."

To track and receive telemetry from the spacecraft, China had recently put into operation a land- and sea-based monitoring and control network, which includes four tracking ships. The spacecraft itself was developed and manufactured by the China Research Institute of Carrier Rocket Technology, the Chinese Research Institute of Space Technology, and the Shanghai Research Institute of Astronautical Technology. The tracking was done from Beijing by the Aerospace Directing and Controlling Center.

On Nov. 21, after the Shenzhou had returned to Earth, the Communist Party of China, the State Council, and the Central Military Commission sent a telegram to the personnel participating in the unmanned test of the manned spacecraft. It stated that the test's success was attributable to "your efforts in earnestly implementing the CPC Central Committee policy of rejuvenating the nation through technology and education . . . the result of your ardent efforts in bringing the spirit demonstrated by Chinese scientists in developing the country's first nuclear bomb, missile, and man-made satellite, in seeking truth through scientific means, and your aspiration for creativity and improvements." Xinhua reported that this test "once again demonstrates that China is fully capable of independently mastering the most advanced technology."

## Gore, Bush, and McCain all beat the war drums

by Michele Steinberg

The Nov. 19 issue of *EIR* featured as its cover story a foreign policy essay, "Will the U.S.A. Keep Its Sovereignty?" by Lyndon LaRouche, one of the three leading Democratic Party Presidential pre-candidates. The same issue published the transcript of LaRouche's two-hour dialogue on Nov. 9 on the Internet with diplomats from 22 nations, defining a policy of hope for the coming decade.

Contrasted to LaRouche's comprehensive vision of a United States with its sovereignty and national mission fully restored, several other Presidential candidates have, in recent days, advanced their foreign policy agendas, and, to put it kindly, most of their visions are "less than meets the eye."

In fact, Steve Forbes, John McCain, George W. Bush, and Al Gore, in particular, are setting forth policies that if carried out would have only one result: war.

On a daily basis, American voters are pounded with extremist rhetoric accusing China of threatening the Panama Canal, of targetting Los Angeles with nuclear missiles, and stealing nuclear secrets; accusing Russia of war crimes, and being a nation of thieves. The effect is to render Americans unable to think strategically. In foreign policy, a "new McCarthyism" is raging in the Conservative Revolution-dominated Congress, and over the media airwaves, where Presidential candidate television "info-mercials" have already begun airing in New Hampshire and other states which have primaries in early 2000.

The ferocity of the attacks against Russia, China, and the Third World by the "Big Three" Republican candidates—Bush, McCain, and Forbes—has even alarmed Pat Buchanan, now running for the Reform Party nomination, who said, in his address to the Cato Institute on Nov. 23, "Our Republican elite offers only a bellicose echo."

The rhetoric is coming from the same foreign policy estab-

lishment of Trilateral Commission globalists who have damaged U.S. foreign policy since Zbigniew Brzezinski ran the "Trilateral" Presidency of Jimmy Carter in 1976. It's just "old wine in new bottles," as the following rundown shows: for George W. Bush, it's "Daddy's team," including former Secretary of State George Shultz, Richard "Prince of Darkness" Perle, former Undersecretary of Defense Paul Wolfowitz, and former National Security Adviser Brent Scowcroft; for McCain, it's Henry Kissinger (and the latest McCain threat is that he would ask Brzezinski, ostensibly a Democrat, to join his team); Forbes is taking his foreign policy ideas from the neo-conservative think-tanks, including the Center for Security Policy and the Heritage Foundation, which are British to the core).

Ironically, Al Gore has the same policies as enunciated by these fanatical "Cold Warriors," who at every opportunity blast Clinton's "strategic engagement" with China. Gore had his weekly identity crisis early during Thanksgiving week. On Nov. 22, he "reinvented" himself, in a statement wherein he disassociated himself from his role as Vice President. But, Gore's campaigning on an "anti-Clinton foreign policy" has been documented by *EIR* over the last year: Gore lambasted Clinton for cancelling the bombing of Iraq in November 1998; Gore's closest Congressional backers, such as Rep. Norman Dicks (D-Wash.), have played a major role in the anti-China actions in Congress; without prior clearance, Gore *cancelled* the first-time meeting the President was to have with then-Russian Prime Minister Yevgeni Primakov on March 23, 1999, on the eve of the Kosovo war—the last chance for U.S. and Russian leaders to have found a peaceful solution.

In contrast to the Gore/GOP line, LaRouche has captured the support of fellow international statesmen, who see in his campaign a policy with which the United States can be a

positive leader in the 21st century. One of the most dramatic indications of the international friendship that LaRouche engenders, is the letter of endorsement from José López Portillo, the former President of Mexico (1976-82) (see p. 64).

### **Bush: the clown prince**

When the Founding Fathers were struggling with writing the Constitution, they denounced the concept of an American nobility. George “Dubya” is not only a “son of a Bush,” but the son of “Sir George Bush,” who was dubbed a knight in 1993 by Her Majesty Queen Elizabeth II for his “service to the Empire” in the war against Iraq.

It is *against* that kind of foreign submission that Article I, Section 9 of the U.S. Constitution was written. It says, “No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign States.” G.W. Bush’s heritage as the son of a Knight of the British Empire is as alien to the interests of the United States as is his foreign policy — and as dangerous.

On Nov. 19, in his second major foreign policy speech, Bush virtually declared war on China and Russia: “If they become America’s friends, that friendship will steady the world. But if not, the peace we seek may not be found.” From the outset of his speech, Bush blasted China, saying, “China is a competitor, not a strategic partner. . . . We must deal with China without ill will — but without illusions. . . . This means keeping our pledge to deter aggression against the Republic of Korea and strengthening security ties with Japan. This means expanding theater missile defense among our allies. . . . [We] deny the right of Beijing to impose their rule on a free people. I have said before, we will help Taiwan to defend itself.” Bush said that China has to be kept in “check,” and that “China’s government is an enemy of religious freedom and a sponsor of forced abortion — policies without reason and without mercy.”

Bush also spared no effort in delivering threats against Russia, saying, “When the Russian government attacks civilians, killing women and children, leaving orphans and refugees, it can no longer expect aid from international lending institutions. The Russian government will discover it cannot build a stable and unified nation on the ruins of human rights.”

So extremist was Bush’s language that both President Clinton and a top Chinese Foreign Ministry spokesman, Sun Yuxi, criticized Bush for defining U.S.-China relations as adversarial. In a news wire from Beijing, Agence France Presse reported that Sun Yuxi told journalists: “A statesman with a vision and sense of responsibility must see clearly the overall interest of China-U.S. relations.” To Bush’s comment that China “will be unthreatened, but not unchecked,” Sun said, “Any attempt to have China checked does not conform to the fundamental interest of the people of the Asia Pacific.”

### **The ‘Vulcans’**

While Bush’s bellicose language and tough guy posture fits his profile as a bully, *not a word* of this speech was written by the candidate. According to an Associated Press report, Bush had to verify with an aide his statement that Russians “are killing civilians” in Chechnya. The entire speech was written by the “Vulcans,” the nickname adopted by the eight-core-member foreign policy team co-chaired by President Bush’s former National Security Council official Condoleezza Rice. “Vulcan” is the Roman Empire’s name for the Greek god Hephaestus, blacksmith to the gods of Mt. Olympus, who was ordered to forge the “fettters unbreakable of adamantine chain” that bound the god Prometheus to a rock in Aeschylus’ tragedy *Prometheus Bound*. Prometheus was punished for giving fire (knowledge) to man against the wishes of Zeus.

The other co-chair of the Vulcans is Paul Wolfowitz, who is best known for drafting a plan to assassinate Iraqi President Saddam Hussein and to invade Iraq with an exile army modelled on the Cuban “Bay of Pigs” fiasco. Other Vulcans include Bush-league operatives in the national security establishment and Defense Department: Richard Armitage, Robert Blackwill, Stephen Hadley, Dov Zakeim, Robert Zoellick, and Richard Perle, a member of the “X Committee,” the Israeli espionage operation that reportedly controlled convicted spy Jonathan Jay Pollard.

Bush and his “Vulcans” are not that original. On Nov. 12, Steve Forbes gave virtually the same speech on China. Forbes’s rantings have been praised and are being distributed by the Center for Security Policy, a one-man show run by Frank Gaffney, the former assistant to Perle, which has a big advisory board. Gaffney has also been identified as a member of the “X Committee.”

The third of the “Big Three” Republicans is Sen. John McCain (Ariz.), who is breathing down Bush’s neck in New Hampshire. Polls show that McCain could win the first primary, and deliver the kind of psychologically destabilizing blow to Bush that Buchanan delivered to the elder Bush in 1992, leading to the eventual defeat of Bush by Bill Clinton. But McCain offers no alternative to the incessant challenges to world stability but endless verbal confrontations with China and Russia. Washington sources report that he is the “repository” for traditional Republicans who dislike the Bush dynasty, and realize that “Dubya” is a personal disaster. However, McCain retains Kissinger as his foreign policy guru, and says that Theodore Roosevelt, the Anglophile who ushered in a century of war and catastrophe, is his “personal hero.” In several statements since his TV appearance on Face the Nation on Nov. 20, McCain has stated his intention to run a “bipartisan” foreign policy team — by adding Brzezinski. McCain knows full well that to the current Russian leadership, tweedledum-ber Brzezinski is a “red flag,” one who is demanding that Russia give up claim to Chechnya, or be faced with ultimate military action by the West.

# LaRouche holds dialogue with civil rights leaders

Over 25 leaders of the U.S. civil rights movement, including current and former state legislators, trade unionists, religious leaders, and other civil rights activists, participated in an hour-and-a-quarter conference call with Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. on Nov. 23. The dialogue was broadcast “live” on LaRouche’s campaign website ([www.larouhecampaign.org](http://www.larouhecampaign.org)).

The webcast took place in the context of a dramatic battle between LaRouche and a faction of the Democratic National Committee which is attempting to have the 1965 Voting Rights Act (DNC) declared unconstitutional (see press release on the next page). On Aug. 16, attorney John Keeney, Jr., representing former DNC chairman Don Fowler in a lawsuit filed against him by LaRouche, argued that the four Supreme Court justices who opposed the Act, but were outvoted, were *right*, and that their dissent “is going to put into question the constitutionality of the entire Act” (see *EIR*, Nov. 5, p. 64).

LaRouche, in his brief opening statement to the webcast participants, drew out the broader significance of this fight to preserve the achievements of the civil rights struggle.

“We have now come into a period of crisis,” he said, “in which it’s not simply a matter of anti-African-American civil rights—it’s much broader. Perhaps African-Americans are more *sensitive* to this than others, but the problem is broader.

“The question is one of civilization: Is every human being made in the image of the Creator of this universe? If so, they have to be treated accordingly. This principle was called the principle of the General Welfare, which was first established as a policy of government during the course of the 15th century. The United States, despite the fact that we had skunks in New York, and skunks and slaveholders, and people like that in the woodwork, nonetheless, the United States was founded on this principle, this principle of the General Welfare—that government has no authority, nor responsibility, but that to defend and promote the General Welfare for living and future generations.

“What’s happened is, we’ve turned away from the concepts on which the nation was founded, and gone into something more like the old British system—free trade, shareholder values, all this junk—and a growing role of the Southern Strategy, both in the Republican Party, which has profitted greatly from this racist turn, but also among the Democrats who have turned in the same direction, in the name of ‘triangulation,’ or ‘Third Way,’ or whatever they call it.

“So, we’ve come to a time, when the African-American,

who is better organized, in terms of understanding the problem, sees clearly what I see: racism. But the racism is not a product of just anti-black racism. It’s a product of an attitude toward humanity which does not recognize man as being in the image of the Creator, and does not recognize the obligation of government, to defend that principle, as the only legitimate basis for the authority and responsibilities and duties of government.

“So, we’ve come to a time in which it’s not just a civil rights issue. But, Martin emphasized, Martin Luther King, that making the nation *whole*, means that civil rights must be won. Not just for the people who apparently benefit, ostensibly, African-Americans, but for *all* the people. This nation will not be a decent place to live in, until, once again, we accept the policy which Martin typified in our memory.”

## Questions

Participants then proceeded to fire off questions to the candidate on a wide range of policy issues affecting the General Welfare. Here is a selection of the questions; for the answers, see the transcript of the discussion on the campaign website, or in the Dec. 6 issue of *New Federalist* newspaper.

- The Bush boys, the Florida Bush and the Texas Bush, are pushing this notion that the private sector can take care of the General Welfare of the people. How do you respond to that?

- Racism is basically tearing this country apart. Why hasn’t Clinton done more about it?

- If you look at Clinton, in our times, and you look at Roosevelt and Kennedy in their times, I don’t think there was very much difference in the men’s morals. Because Kennedy and Roosevelt—history and sidelights on history tell me that they had some of the same type of affairs, the same type of accusations that Clinton has, but the media didn’t play it the same way.

- Have you been invited to participate in any of the Democratic primary debates? If not, how do you plan to get around, and get your message across?

- When do you think that the big economic bubble will burst in the United States?

- If you were President, what would you do to improve the African-American policy towards Africa?

- As I understand it, Mr. LaRouche, this current attack on the Voting Rights Act stems from your case filed against Don Fowler and the Democratic National Committee, and their imposition of Rule 11K, and around the term of “pre-clearance.” Could you share with the audience Rule 11K, and the pre-clearance issue surrounding your case?

- (From Michigan State Rep. Ed Vaughn): I represent 85,000 people in my legislative district, and Mr. LaRouche has a better than 50% chance of winning the Michigan Democratic Primary, even though the Secretary of State would not place his name on the ballot. We do have a petition drive going. Mr. LaRouche, have there been any other movements

in Michigan, that you can relate to us?

- What kind of heat is recommended that we turn up on Democrats, to get them awakened to this possibility, this tragic possibility, of the Voting Rights Act being ruled unconstitutional, knowing that you've got Republican-appointed Supreme Court justices, dying—licking their chops—to do this?

- How would you protect the Social Security Trust Fund?
- I wanted to ask a questions about the trend, the mega-merger mania trend that you spoke of. And it appears that

everything in our economy is pulling away from the normal people, who need living wages and need to get along. And the question is, basically, how do we address this? I mean, there are too few voices speaking to working folks, and too many economic forces pulling away, sort of alienating us from our economic forces and money.

- You speak about free trade, which I think is a detriment to our economy, but everybody, you know, it seems like most of our political leaders, are in favor of it, on both sides of the aisle.

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## DNC caught lying on Voting Rights Act

*The following release, entitled “DNC Washington Office Caught Lying,” was issued by Democratic Presidential candidate Lyndon LaRouche’s campaign committee on Nov. 23.*

Faced with a growing revolt against a frankly racist court action, in which attorneys representing the Democratic National Committee (DNC) have argued for nullification of the 1965 Voting Rights Act, officials in the Washington, D.C. DNC office have been caught lying to Democratic elected officials and activists who have called the headquarters of their national party to voice their alarm and concern.

At issue is a 1996 lawsuit brought by Democratic Presidential candidate Lyndon LaRouche, and Democratic voters from Virginia, Louisiana, Texas, Arizona, and the District of Columbia. The lawsuit charges that Donald Fowler, who was then Chairman of the DNC, violated the Voting Rights Act, when he ordered state Democratic parties to disregard the votes of thousands of Democrats in the 1996 Democratic Presidential primaries and caucuses, who cast their votes for Lyndon LaRouche.

Fowler hired Washington, D.C. attorney John C. Keeney, Jr., whose father, Jack Keeney (Deputy Assistant Attorney General, Criminal Division, U.S. Department of Justice), has been a key figure in the racist campaigns which the permanent bureaucracy of the U.S. Department of Justice has been conducting against targetted African-American elected and public officials throughout recent years.

The younger Keeney proceeded to argue before a three-judge panel in Federal District Court in Washington, D.C., citing a (dissenting) opinion recently authored by Supreme Court Justices Antonin Scalia and Clarence Thomas, that although national political parties are, indeed, covered under the 1965 Voting Rights Act, the act itself, which represents the crowning achievement of the civil rights movement,

*should be declared unconstitutional.*

Understandably, the Washington office never informed members of the Democratic National Committee, Democratic elected officials, local Democratic Party officials, or anyone else, of the raging legal battle.

Representatives of Democratic Presidential candidate LaRouche have learned, that in an effort to calm a tidal wave of fury directed at the Washington, D.C. office, Duane Ingram, the DNC’s Director of Correspondence, is disseminating what he knows to be false information to the growing number of angry Democratic Party officials and members.

Debra Freeman, Lyndon LaRouche’s national spokeswoman, released a statement on Nov. 23, in which she states, “We have learned that Duane Ingram is responding to inquiries by simply lying to callers.

“Although there seem to be a few variations of Mr. Ingram’s theme, the heart of his comments are that Mr. Keeney’s actual intentions were *not* to support nullification of the Voting Rights Act, but *to save it!*” Freeman, who said she had reason to believe that Ingram was also about to put the response in writing, said she was astonished that Ingram would lie so blatantly, especially when the court transcripts leave no room for “interpretation” (see [www.larouchecampaign.org](http://www.larouchecampaign.org), or *EIR*, Nov. 5, p. 62).

### Something they wanted to do for some time

“The facts are simple and irrefutable. And, Ingram’s lying cannot explain away what every veteran of Presidential politics has been telling us: This is not about a group of misguided party hacks desperate to keep Lyndon LaRouche out of a party convention. We all know that, right or wrong, there are a dozen ways that could be accomplished *without* arguing for nullification of the Voting Rights Act. Keeney, Fowler, and that crowd simply used this occasion to move to do something they have wanted to do for some time, and that is to turn back the accomplishments of the civil rights movement. It is racism, pure and simple,” she charged.

Freeman concluded her statement by repeating Mr. LaRouche’s demand that President Clinton, and the relevant DNC members, effect “a public repudiation of the frankly racist policy of Keeney and his culpable DNC clients.”

# Anti-drug strategy must target bankers behind legalization drive

by Michele Steinberg

In a letter dated Nov. 12, African-American U.S. Rep. Maxine Waters (D-Calif.) confronted Attorney General Janet Reno, demanding an answer to a simple question: Will the bankers responsible for laundering massive amounts of drug money in the case of Mexican political figure Raúl Salinas, brother of the former President of Mexico, and friend of former President George H.W. Bush, be indicted?

Following the Senate Permanent Investigations Subcommittee hearings into money laundering on Nov. 9-10, Waters wrote: "I am today, demanding a response from you about the so-called investigation of Citibank/Citicorp and their alleged money laundering. . . . It is clear that Raúl Salinas, who is now legendary for his criminal activities, deposited not legally earned money, but drug money into Citibank/Citicorp's private banking system."

Waters is one of the highest-ranking U.S. officials ever to demand that *bankers*, the "money-changers" of the international drug trade, be charged with crimes.

The issue raised by Waters was at the heart of debate at the Western Hemisphere Drug Policy Leadership Conference, hosted by the head of the White House Office on National Drug Control Policy, Gen. Barry McCaffrey (ret.), in Washington, D.C. on Nov. 3-4. That conference brought together, for the first time, the heads of the national anti-drug commissions for 34 nations in the Western Hemisphere.

The same issue is at the heart of the battle for Colombia, where New York Stock Exchange president Richard Grasso visited the jungle headquarters of the Colombian narco-terrorists, the Revolutionary Armed Forces of Colombia (FARC), in June. He delivered Wall Street's implicit "stamp of approval" to the narco-terrorist group, which has murdered thousands of elected officials and Colombian citizens, as well as a handful of kidnapped Americans, and supplies the cocaine and heroin which floods the United States.

However, if Waters, or any other official of the U.S. Congress, means business, they will have to go a step further—to conduct a full Congressional inquest into Grasso's visit to Colombia. Anti-drug forces in Congress should also rally behind General McCaffrey's request to get \$1.5-2 billion in anti-drug funding to Colombia—immediately. At present, due to combined sabotage by GOP right-wing "balanced budget" fanatics, and the State Department's Madeleine Albright, funding has been cut from fiscal year 2000 appropriations.

## Naming the names

Maximiliano Londoño, president of the Ibero-American Solidarity Movement (MSIA) of Colombia, and a collaborator of U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche, issued a statement on Nov. 6 which should act as the basis for the needed collaboration among the 34 nations, and for the needed follow-up hearings in the U.S. Congress. In his statement, entitled "No to Wall Street and the FARC," Londoño said:

"What in the world was New York Stock Exchange president Richard Grasso doing on June 25 of this year, meeting with 'Raúl Reyes,' the financial chief of Colombia's narco-terrorist FARC Cartel, in the very 'demilitarized zone' in Colombia where all the coca crops, laboratories, and illegal airstrips are located for the production and processing of cocaine?"

"Everyone assumes that the chief of Wall Street went to offer international backing to the Revolutionary Armed Forces of Colombia (FARC)—Who knows why? But couldn't it perhaps have been the reverse—namely, that the Third Cartel of Colombia is helping to financially rescue its Wall Street bosses and controllers. . . .

"The truth is, . . . LaRouche has warned, the international financial and monetary system is a huge speculative bubble on the verge of bursting. . . . In the course of trying to keep the current international financial system alive . . . Wall Street and its senior partners in London do not hesitate to use any kind of 'bonanza' or liquidity that might serve to bolster this sinking system a bit longer. . . .

"This is the main reason Richard Grasso came to Colombia, to consolidate an alliance with the FARC narco-terrorists, with the transparent backing of the U.S. State Department. . . . [This is] what is behind the fact that for the first time ever, Colombia's National Statistics Department (DANE) will officially include as part of its GNP calculations, the production of illicit crops, on the explicit orders from the IMF [International Monetary Fund], the World Bank, and United Nations."

Londoño, who has led the fight against legalizing dope in Colombia since he founded a leading anti-drug organization there in 1980, also exposes a key Grasso ally, "megaspesulator and drug legalization promoter George Soros, [who] has deployed his employee, Ethan Nadelmann of the Lindesmith Center, and Coletta Youngers of the Washington Office on Latin America (WOLA), to carry out yet another round of

lobbying in favor of legalization.” Indeed, Soros’s penetration operations are so high level into the U.S. and Ibero-American governments, that the “WOLA letter” was allowed to be included in official handouts at the hemispheric conference in the name of “democracy”! As one Bolivian official who did not wish to be identified said, “Soros has a \$550 million mining investment” in his country. How could he be officially denounced?

The inclusion of the WOLA letter was the work of the Organization of American States permanent bureaucracy and the State Department, which co-hosted the conference. Such tragic compromises are the only reason that the drug lobby has continued to make any gains whatsoever.

In fact, the effective collaboration between Londoño and patriots such as former Colombian Armed Forces Com-

mander Gen. Harold Bedoya (ret.), is a nightmare for Soros and his top gun Nadelmann, who deploy hundreds of millions of dollars a year for a well-greased drug legalization “propaganda machine” that is now operating in about 18 countries in North and South America, the Caribbean, Europe, and Australia. For years, the drug lobby has tried, and failed, to legalize the dope economy in Colombia.

### Drug enforcement works

Despite Soros’s slick propaganda that the “drug war has been a failure,” country-by-country case studies show that drug enforcement *works*. At the hemispheric drug conference, a fact sheet on U.S.-Bolivia anti-drug operations prepared by McCaffrey’s office showed a dramatic reduction in coca leaf production. In 1995, Bolivia was the world’s second-largest

## The international drug lobby’s targets

Nineteen ninety-nine was a critical year, as defined by the international drug lobby. The drug-legalization forces of billionaire speculator George Soros, an avowed enemy of nation-states in the Third World, have attempted to consolidate a victory in Colombia, where the narco-terrorist guerrilla group, the Revolutionary Armed Forces of Colombia (FARC), gained control of about 40% of the territory of the country in a “cease-fire agreement” that is pushed by U.S. Secretary of State Madeleine Albright and President Andrés Pastrana of Colombia.

But the legalizers have at most achieved a temporary stalemate. Because of the counterattack by patriotic political and military leaders, it has again been shown that drugs can be eradicated, and that “surrender” to legalized drugs is folly.

On the “social policy” side, however, the rhetoric of the big lie—that drugs are “here to stay”—has gained allies. The drug lobby’s new propaganda is “harm reduction,” i.e., once people are brainwashed into thinking that drugs are here to stay, the dope lobby proposes laws to isolate the *diseases and damage* from drug use. For example, “clean needle exchange” or “heroin injection parlors,” the dope lobby suggests, will minimize the danger of hepatitis, or HIV and AIDS transmission.

The “harm reduction” argument is nothing but carefully crafted psychological warfare that takes hold in an atmosphere of cultural pessimism. Among frustrated law enforcement and military personnel, the argument is made that fighting drugs is like “banging your head against the wall.” Among political leaders in Hispanic and African-

American communities, the dope lobby plays on the unfortunate truth that addicts and low-level drug sellers get long jail terms, but bankers and brokers who launder money are never prosecuted.

The reality is that law enforcement efforts *succeed* where a mobilization by citizens carries the political battle. The best ally is the truth, along with a good intelligence picture of where the drug lobby is operating. While the drug lobby is well-financed and highly organized, with daily Internet news bulletins and fax operations to newspapers throughout the world, in reality, their numbers are few, and their support is limited.

The following is a sampling of recent initiatives by the tightly knit web of organizations financed by the Drug Policy Foundation and Lindesmith Center, which shows that the dope lobby is escalating its efforts:

**U.S. Congress:** June 1999—Legislation was introduced to legalize “medical marijuana” under Federal law. It has met serious opposition.

**New Mexico:** October 1999—Gov. Gary Johnson advocates drug legalization at a Washington, D.C. conference. Despite heavy support from the dope lobby, Johnson has been unable to legalize drugs in his state.

**Maine:** November 1999—A referendum to approve the “medical use of marijuana” passed by 61% to 39%.

**Australia:** November 1999—The Greater Danendong Council, a suburb of Melbourne, proposed “legalized drug” safe areas and heroin injection parlors, especially in areas with large Vietnamese immigrant populations. The move has been blocked by other elected bodies.

**Spain:** November 1999—Heroin injection parlors are officially opened in Madrid under government protection.

**Argentina:** November 1999—A federal judge associated with the newly elected ruling Alianza coalition proposed a drug legalization model based on Denmark’s “legal drug zone,” Cristiania, a counterculture ghetto.

coca leaf producer, with 48,600 hectares of coca planted. After years of gradual reduction, in 1998-99, there was a precipitous drop, down to 24,800 hectares — nearly half of the coca production was eliminated. Even more important, 1999 saw a sharp reversal of new land put into coca production: More than 12,000 hectares of coca was eradicated, and only 800 hectares of new plantings was added. This represents a drop in cocaine production potential during 1995-99, from 240 metric tons to 90 metric tons.

However, the key to the Bolivia coca problem, as *EIR* has documented, was something not officially discussed at the international conference: The rise of the coca trade in Bolivia was never an underground phenomenon, but a *deliberate* move by the financier oligarchy, whose tool, Harvard's Dr. Jeffrey Sachs, served as an economic adviser to the Bolivia government's privatization board in the late 1980s. Only when Bolivia got rid of Sachs, was it possible to decrease drug production. But now, Sachs is operating in Colombia, which has become the world's leading coca grower and cocaine producer. (Wherever Sachs goes, there has been a destruction of the physical economy in favor of dope and the black market. In Russia, Sachs administered "shock therapy," which resulted in setting up the mechanisms for the theft and looting of about \$100 billion by IMF and free market "reformers.")

### Legalizers on a rampage

The Soros networks are on an unprecedented campaign to force through whatever facet of legalization they can muster under the rubric of "harm reduction" (see box). They are using falsified figures, and covering up clear advances in the anti-drug war, such as the coca eradication success in Bolivia, and similar success in Peru. The legalizers, who depend on their disinformation and a "clueless" electorate, are celebrating the gains of 1999, including the Nov. 2 vote that legalized the "medical use" of marijuana in Maine.

The clearinghouse for *all* legalization operations worldwide is the Drug Policy Foundation ([www.dpf.org](http://www.dpf.org)), which receives about \$5 million a year from Soros. The DPF and the Lindesmith Center, which operates out of Soros's Open Society Institute buildings in New York, provide funding to "harm reduction" (i.e., pro-legalization) groups, including in Central and Eastern Europe.

The DPF also announced that it is now providing "fiscal and political support" to the National Organization for the Reform of Marijuana Laws and other groups to establish the Medical Marijuana Network, "MMN," for a big push for ballot initiatives in 2000.

Nadelmann explains it like this: "Drop the 'zero tolerance' [i.e., that drug addiction should not be accepted and tolerated in a republic] . . . and the illusory goal of a drug-free society. Accept that drug use is here to stay, and that we *have no choice* but to learn to live with drugs so they cause the least possible harm and the greatest possible benefits."

McCaffrey has "zero tolerance" for this sophistry. On

Nov. 5, in answer to questions about the legalization drive in America, McCaffrey said, "This isn't going to happen. This doesn't make sense. This would be a violation of the human rights of the individual. . . . I would prefer to leave these decisions in the hands of the National Institutes of Health . . . and the physicians. I don't believe it is a wise exercise of democracy to vote on medicines, or to vote on air traffic control procedures," or in other cases where the "majority opinion" might endanger the lives of 270 million people.

## Nat'l Missile Defense: a Lott of rotten pork

by Jeffrey Steinberg

Sometime before he leaves office in January 2001, President Bill Clinton will decide whether the United States shall proceed with the construction of a National Ballistic Missile Defense system; and, according to several well-placed sources in the defense establishment, the specific proposal being shoved down the President's throat has more pork in it than a "good ol' boys" Southern pig roast.

The deadline was imposed on the President in February, when the Senate, by an almost straight party-line vote, passed the National Missile Defense Act of 1999 (S. 257), a foolish piece of agitational propaganda that stated, "It is the policy of the United States to deploy as soon as it is technologically possible an effective National Missile Defense [NMD] system capable of defending the territory of the United States against limited ballistic missile attack (whether accidental, unauthorized, or deliberate)." The bill mandated that President Clinton make a decision on deployment before his term expires.

Shortly after the bill was passed, Democratic Presidential pre-candidate Lyndon LaRouche, the author of President Ronald Reagan's March 23, 1983 Strategic Defense Initiative (SDI), penned a devastating exposé of the folly of the so-called NMD bill ("The New ABM Flap," *EIR*, Feb. 26, 1999), equating the proposed deployment of outmoded "kinetic kill vehicles" with the earlier anti-SDI efforts of the late Gen. Danny Graham's High Frontier organization, the Heritage Foundation, and other "strategically challenged" right-wing think-tanks.

LaRouche emphasized, "The issue of SDI as I proposed this in 1979 and 1982, and as President Reagan offered this to Moscow in March 1983, is still high on the agenda of nations today, but the circumstances are different. What remains the same, then and now, is that we must never permit any weapons-system to become so much a power over mankind's fate, that such weapons might doom us. . . . We must never permit the world, ever again, to be locked into a state



of relative technological stagnation in which nations are forced to resort to 'doomsday options.' We must never permit, ever again, a state of affairs in which we prevent the development of superior technologies, based upon higher physical principles, by means of which the defense might gain the assured ability to defeat any deployed offensive capability. In that sense, the principle of SDI lives on today, and will persist, in one form or another, forever."

Parenthetically, on Nov. 16, a Pentagon blue-ribbon panel, chaired by Gen. Larry Welch (USAF, ret.), issued a "National Missile Defense Review," in which they warned that the ground-based missile defense program is behind schedule, over budget, and poses too high a risk because of a persistent pattern of test failures. In conclusion, the panel said, "there is a legacy of over-optimism about the state of progress in developing reliable hit-to-kill performance." Cutting through the strained Pentagon lingo: The technology doesn't work.

### **A hoax and a ripoff**

One source, who has spent decades involved with military research and development dating back to the period of President Reagan's original Strategic Defense Initiative, assessed the viability of the NMD proposal being pushed by Congressional Republicans. He said that the system being proposed would probably successfully shoot down one or two incoming missiles — as long as there were no decoys. In short, it would be totally ineffective against anything but the most primitive kind of missile attack against the territorial United States — i.e., the kind that is least likely to occur.

He explained that the program is being heavily pushed by some top brass in the U.S. Army, and by a group of Southern Republican Congressmen whose districts stand to pull in the lion's share of the funding for the construction of the nearly useless "defense shield." The Army's major missile program is headquartered in Huntsville, Alabama, and much of the work on the currently pending BMD system, consisting of ground-based intercept missiles, would be built there and at a string of defense industry facilities that dot the South. Senate Majority Leader Trent Lott (R-Miss.), House Majority Leader Dick Army (R-Tex.), and House Majority Whip Tom DeLay (R-Tex.) are among the leading peddlers of this latest multi-billion-dollar pork barrel, whose effect would be to further jeopardize the national security of America.

The proposal is so ludicrous, the source continued, that the U.S. Air Force, which has been working for years on an airborne laser system, has weighed in strongly to oppose the NMD wing-ding, and continues its quiet, but underfunded work on systems that would at least utilize some "new physical principles."

### **More Bush hypocrisy**

In his foreign policy coming-out party on Nov. 19, at the Reagan Library in California, Texas Gov. George "Dubya" Bush vowed that he would place national ballistic missile



*The first laser lethality test of the vulnerability of liquid propellant ballistic missile systems, was conducted for the SDI on Sept. 6, 1985, at the White Sands Missile Range, New Mexico.*

defense at the top of his national security agenda, as President. The Bush foreign policy team is loaded with "heavies" from his father's administration, including Russia "expert" Condoleezza Rice, former Defense Department official Paul Wolfowitz, and the Reagan Pentagon's "Prince of Darkness," Richard Perle.

This entire crew, President Sir George Bush included, were adamant *opponents* of President Reagan's SDI proposal, which was adopted from Lyndon LaRouche's in-depth plan for a U.S.-Russian joint development and deployment of a global ballistic missile defense shield, utilizing the most advanced principles of science, engineering, and high-speed computing, to end the era of Kissingerian Mutually Assured Destruction (MAD).

The NMD proposal which has won the endorsement of "Dubya," has not even a dim relationship to the original Reagan SDI. It would fully preserve the insanity of MAD, and would, in fact, draw funding away from the research into laser systems and other "new physical principles" that could form the basis for a future global defense shield.

The present NMD plan would, in fact, provoke even deeper strains than already exist in the badly damaged U.S.-Russian and U.S.-Chinese relationships, thus, as LaRouche warned in February, possibly placing the world at the mercy of precisely the "doomsday scenarios" that the LaRouche-Reagan SDI plan sought to eliminate.

## Editorial

### *Wake up, Americans!*

What insanity! Just at the very moment when all leading bankers know that we are headed straight toward a world financial catastrophe—one which will dwarf every previous 20th-century economic disaster—Americans have abolished the protections which they enacted for themselves in 1933, during the last Great Depression, in the Glass-Steagall Act. But does anyone doubt that the reason for that law, was precisely to protect the life savings and incomes of millions of American families from being annihilated in the next financial blowout, as they had just been annihilated during 1929-33?

When folly comes, it comes in buckets. At the same time the Glass-Steagall protections were being removed, the President's Working Group on Financial Markets recommended that over-the-counter financial derivatives—tens of trillions of dollars of worthless financial chain-letters—be kept permanently free from any government regulation.

Treasury Secretary Larry Summers welcomed the taking down of Glass-Steagall, saying that it would enable America to take full advantage of the new "information economy." But to homeless, jobless, and hungry Americans, Summers was really saying, "Let them eat pictures from the Internet." Unfortunately, silly Summers convinced President Clinton, a far smarter and more responsible leader, to join him in mouthing his bilgewater.

The extremes of this lemming-like insanity, of this insistence on removing the roof from the house, precisely when the thunderstorms are gathering, is a lawful product of the financial catastrophe which looms immediately ahead. That future is now determining the present. In the present, turbulent boundary-layer of financial disintegration, your banker, your broker, your health maintenance organization, and your insurer, are intent on stealing every dime you've saved for retirement or any other purpose—in order to ensure that they weather the coming storm, if possible, and that you do not. *Your* savings will be *their* lifeboat.

The effects of the coming catastrophe on the present, are not limited to the spread of immoral obsessions

and mania. For some more fortunate leaders, this turbulence, in combination with 40 years of accurate warnings from Lyndon LaRouche, has helped them to question some of the ruling ideas responsible for the dead-end in which we now find ourselves. Some have reached the elementary, baseline conception, that the institution of the sovereign nation-state is a necessity for the protection of its citizens.

As Helga Zepp-LaRouche explains in an open letter that appears in this issue, France's Prime Minister Lionel Jospin has recently turned against the Thatcherite deregulation and "welfare reform" policies of British Prime Minister Tony Blair, and has harkened back to the 30 "golden years" of 1945-75, when regulated (and more protectionist) capitalism, under the Bretton Woods system, permitted an improvement in living standards, not only in the industrialized countries, but generally throughout most of the world. Italian central bank Governor Antonio Fazio has forcefully recalled government's responsibility for the General Welfare. And even German Chancellor Gerhard Schröder, who earlier this year joined Blair in cosigning an essay in praise of the "Third Way," was forced during Thanksgiving week to rescue the German construction giant, Holzmann AG, against the insane "free market," "deregulationist" rules of the European Commission. Holzmann's workers appropriately sang the German National Anthem when the decision was announced.

The American must now wake up. He must remember his national history: the protectionist "American System of Political Economy," developed successively by the leaders of the Massachusetts Bay Colony, and then by Franklin, Hamilton, the Careys, Abraham Lincoln, and others in that tradition, through Franklin Roosevelt, John Kennedy, and Lyndon LaRouche. Is your neighbor addicted to stock market gambling or "money-management accounts," a.k.a. derivatives, and the brazenly evil, dog-eat-dog economic theories which justify them? If so, he has nothing to blame on "Washington." His own "private" addictions, are enslaving our nation and its posterity, as surely as the opium foisted on China by the British imperialists in the last century.

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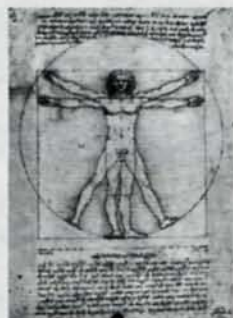
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