

# Balkan Peace and World Economy: The Case for a 'New Marshall Plan'

by Lyndon H. LaRouche, Jr.

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## 2. An Engineer's Duty

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. . . The West Point, and matching traditions of an Annapolis established under the influence of Benjamin Franklin's great-grandson, Alexander Dallas Bache, served the U.S. very well during two World Wars, and the immediate decades of post-war reconstruction. A study of the way in which the U.S. Corps of Engineers and its achievements served both our peace-time economy, and our war-time requirements, is crucial for pin-pointing the approach which must now be taken, at U.S. initiative, for the economic reconstruction of southeastern Europe.

Typical of the impact of that West Point tradition, is the personal report of a since-deceased friend, a regular army officer who, as a Colonel, had led the advance of General George Patton's Third Army toward Austria—as the Colonel put it, "With Patton's Third Army coming down on my heels." He detailed the actions of his units in establishing functioning self-government of the economic and related affairs of the localities taken over by advance Third Army elements. Under that West Point tradition, also the republican tradition of Lazare Carnot and the general staff and *Auftragstaktik* tradition established by Germany's Scharnhorst, professional officers and their units were not merely combat forces, but engineering units, whose ability to build an economy was as exceptional as their ability, like that of our greatest World War II military commander, General Douglas MacArthur, to defeat an enemy force.<sup>1</sup>

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1. A collaborator, Andreas Ranke, has pointed out, that the first thing to notice in the common features of the contemporary military reformers Lazare Carnot and Scharnhorst, was that they were typical of the moral superiority of plebeian officers from engineering and artillery, over most of those from the landed aristocracy which commanded the other military arms. (Notable, is the role played by Germany's Moses Mendelssohn in shaping the institution which produced Scharnhorst. Anti-Semites must wish to denounce the creation of the German general staff system as a "Jewish conspiracy.") West Point as reformed under the influence of Monroe and John Quincy Adams, the West Point of republicans such as Grant and Sherman, typifies the quality of the military professional which separates a Scharnhorst and Carnot from the cabinet-warfare inclinations exhibited in the U.S.A.'s disastrous Indo-China war of 1964-1975.

That often-repeated lesson of the West Point tradition of engineering officers, is absolutely indispensable for a successful reconstruction in southeastern Europe today. Any other approach would fail, miserably. It is as necessary, in such situations, to smash through bureaucratic obstacles—as to get the job done—as might have fit the late General George Patton's disposition. What is needed, is a centralized command of a quickly mobilized and deployed, peace-time military crash-program type of engineering effort. Otherwise, the Balkan region will rot in a spiral of death and decay lasting as long as decades, or even longer.

The cutting edge of the reconstruction, which must be assembled and deployed immediately, will be a military engineering spearhead.

A military engineering force must be deployed to clear up to as many as a million land-mines in the Kosovo region, and elsewhere. Means required: coordinated military teams drawn from several participating nations, teams aided by sharing technologies for this purpose.

The Danube River must be cleared immediately for not only normal but expanded barge traffic, and other relevant rivers, too. Ball-park cost of an immediate emergency rough-cleaning of the transport waterways: \$1 billions equivalent.

Rail and truck connections must be restored and improved immediately, otherwise the entire peace-building effort will turn quickly into a catastrophe, that within months.

Adequate power generation and distribution must be restored immediately, otherwise the winter will be a panic-stricken carnage of death and epidemic disease.

Hospitals and related facilities must be established immediately. The nature of the wounds suffered by military and civilian victims alike, including children, requires a restoration of the kind of rehabilitation programs the U.S. Veterans Administration used to muster, and which are being curtailed, for budgetary reasons, in Germany and other nations today.

These and other elements of basic economic infrastructure must be provided immediately. The strategy for doing this, is a crash program. The means for injecting that program, is a military engineering command functioning as the U.S. Corps of Engineers used to function under war-time-like conditions of emergency—as my late friend, the veteran of the Third Army advance, would have understood the mission.

We have at hand, the prospect of a multi-national military



Gen. Douglas MacArthur (foreground), in October 1944. Under the West Point tradition, “professional officers and their units were not merely combat forces, but engineering units, whose ability to build an economy was as exceptional as their ability, like that of our greatest World War II military commander, General Douglas MacArthur, to defeat an enemy force.”

engineering team, as the spearhead of the reconstruction efforts. The military side of the joint effort must emphasize responsibility for the immediately needed infrastructural measures. The form of the mission is, to secure and restore essential functioning of government and economy in the assigned areas. The assigned officers must apply the Scharnhorst-Moltke principle of *Auftragstaktik*—also Carnot’s method, to get the job done. The Carnot mobilization of 1792-1794, is the relevant French model to be considered.

The reconstruction, thus, has three principal elements in general.

1. A multi-national military-engineering authority, which must have authority and responsibility for the emergency basic economic infrastructure mission, and will serve, for the initial period of operations, as the agency primarily assigned for liaison with authorized private economic initiatives of reconstruction.
2. A special financial facility, operating with independence from presently existing monetary and related institutions, and modelled upon the success of the Kreditanstalt für Wiederaufbau (KfW) [see article in this section—ed.], for coordinating the funding of both the public and private enterprises of economic reconstruction. Otherwise, very little of what need

be done would ever be accomplished.

3. A Private Contractors Authority, assembled in memory of former U.S. Secretary of Commerce Ron Brown, which mobilizes public and private vendors of materials and engineering services for support of the infrastructure-building effort, and on behalf of fostering development of private enterprises relevant to the mission of economic reconstruction.

The functioning of such three cooperating agencies will inevitably vary among the nations directly participating in such a program for southeastern Europe. For example, special cooperating agencies would be needed for relations between the Yugoslavia teams and those of adjoining nations such as Austria, Slovakia, Slovenia, Croatia, Bosnia, Hungary, Romania, Bulgaria,

Macedonia, Turkey, Greece, and Albania. The European Union might provide assistance to this effect.

The principal physical difficulty of such an undertaking will be, that none of the military or private facilities available to be deployed in this mission, has, today, better than a small fraction of the military and industrial engineering-type capabilities the same nations had as recently as ten years earlier. The level of competence is less than that available ten years earlier, and the quantity of the relevant types of capabilities is only a small fraction of that which existed ten years earlier. The general level of literacy of military and civilian personnel, has fallen significantly below even the levels which prevailed ten years earlier. Much emphasis on forced-draft “on the job training” of military and other personnel will be indispensable. The accompanying feature and purpose of the program must be to foster the reawakening of the interdependent factors of morale and morals within the military forces deployed.

Nonetheless, there are some impressive technologies and skills currently lying fallow. Ukraine, for example, could contribute from its store of such potential additions to the reconstruction repertoire. Italy’s engineering design for the construction of a bridge across Messina strait, is an example of a relevant technology and skills applicable to the problems posed in the Balkans.

This brings us to the most critical of the political issues: How shall it be financed?

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### 3. The Carnot Principle

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The effort will fail unless we exclude the use of what have become conventional financial accounting practices from the designing of the program of reconstruction itself. This means the exclusion of the present leadership of the IMF and World Bank from control over the program. This brings us to the most technically sophisticated feature of this report, but a feature which must be understood if the reconstruction is not to degenerate rapidly into a far worse failure than the Dayton accords have suffered so far.

The essential function of good accounting, is to detect theft and looming potentials for financial bankruptcy, especially the kind of theft on a grand scale, by which today's criminally inclined, liberal financial carpetbaggers of the U.S.A. and Europe have employed a criminal "mafia," to loot post-1989 Russia, and other eastern European states. This crime has been committed in the name of a form of theft called, euphemistically, "liberal reforms." Therefore, the accounting firms, if they are honest and competent, will not have to beg for their proper work as auditors of financial institutions and of the pilfering by the "liberal" carpetbagging mafia.<sup>2</sup> Under the City of London's direction, the bankers of much of the world, even formerly austere scrupulous bankers, have been turned into thieves, as the only way in which they can maintain their positions as bankers under the present, London-dominated IMF system. Honest accountants will be busily occupied with such matters.

Merely conventional accounting and related auditing practice, has no comprehension of the kind of real economics needed to get the world out of the economic depression, unleashed by the presently accelerating world financial catastrophe. The delimitation of the competence of financial accounting, on this account, is that financial accounting is currently based on a set of virtually "flat Earth" assumptions (definitions, axioms, and postulates) which are intrinsically linear forms of deductive relations. Thus, what passes customarily for good accounting principles, is worse than useless for defining, or judging how real economic processes, including the generation of real (e.g., physical) economic growth works. Such incompetence intrinsic to present-day financial accounting, is reflected in the scandalous misuse of the funds intended for the proposed reconstruction of Bosnia, in particular.

In economic policy, financial accounting must be reduced to the rank of servant and hod-carrier for real economics. I mean real economics as typified by both the policies outlined

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2. It is relevant, that the Vice-President Al Gore who acted as partner of Russia's Viktor Chernomyrdin in the Golden ADA mafia-scheme, has recently been a principal in other swindles, including the LTCM-related scandals, and Gore's lunatic proposal to denounce as "corruption," any resistance to the actual corruption practiced by the hedge funds and their mafia accomplices.

by U.S. Treasury Secretary Alexander Hamilton, and scientific principles of economic growth introduced to practice, during 1792-1794, by France's Lazare Carnot.

Admittedly, some financial accountants develop useful insights into features of industrial and other economics matters as such, but, as in the related case of exceptionally insightful persons among the common run of contemporary academic economists, this reflects their individual, personal cognitive qualities of insight of persons able to rise above the limits of current academic doctrine. The generally accepted, deductive principles of current accounting practice as such, are axiomatically incompetent in the matter of defining and assessing net economic growth. Any design of a Balkans reconstruction plan based upon such accounting principles would be a mass-murderous tragedy in effect. In the field of economics, science and engineering must compose the tunes to which the financial accountants march.

Today's financial accounting practice and good economics practice are founded upon mutually exclusive, often directly contrary principles. It is possible for some individuals to become skilled in both, but, otherwise, speaking of the analytical functions applicable to analysis in the two respective professions, the two fields have nothing substantially in common.

To understand how a successful economic reconstruction of southeastern Europe might be devised, the absolute difference between responsible auditing and economics must be clearly emphasized, as I summarize that distinction at this point.

For the competent economist, and for the physical scientists generally, the world of accounting is, as I have already forewarned you, a domain of virtual reality, a "flat Earth" world, in which the relations among economically significant magnitudes are reduced to systemic misrepresentation, and thus assumed, falsely, to be simple, linear, deductive relations among magnitudes measured in prices. Monetarism, such as that of Friedrich von Hayek, Milton Friedman, or John von Neumann, is the outgrowth of carrying that specific kind of "flat Earth" mentality to fanatical, radical-positivist extremes. Except for bare distinctions between the simple notions, the mere empty Aristotelian copula, of plus and minus,<sup>3</sup> accounting has no notion of the actual physical functions (transformations) by means of which the shrinking or growth of a real economy is actually determined.

For example, the notion that reducing costs (e.g., "cost-saving," cutting budgets) will directly and simply cause an

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3. Or, more exactly, the wildly positivist linear system of Bertrand Russell's contributions to the *Principia Mathematica*, which was Russell's outburst of hatred against Carl Gauss and the *Disquisitiones arithmeticae*. Russell acolyte John von Neumann's lunatic notion of economy as a zero-sum game, and the Black-Scholes formula adduced from von Neumann's lunacy, pinpoint the incompetencies spilling over from excessive reliance upon today's methods of financial accounting.



*The Main-Danube Canal in Germany, with one of the locks shown in the background. A priority for Balkan reconstruction is that the Danube River be cleared immediately of debris from the war in Yugoslavia, for not only normal but expanded barge traffic. The Balkans cannot become economically and politically stable “without developing commerce around the Rhine-Main-Danube artery from the North Sea to the Black Sea, and without developing a high density of transportation and power conduits, south from the Danube to the Mediterranean and Black Sea.”*

economic process to grow more successfully, is typical of the kinds of delusions upon which former Speaker of the House Newton Gingrich’s “Contract with America” folly was propagated; precisely the opposite effect, directly contrary to that projected by Gingrich et al., has already occurred, as similar logic has been a principal contributing cause for the presently accelerated budgetary crisis in Germany, and the collapse of that recently established Euro system, set into operation at the beginning of this present year.

For example, in earlier times, one of the more frequent causes of bankruptcy, or near-bankruptcy of formerly well-established companies, was the cutting of capital-intensive advances in technology, as a means of increasing disbursements to Wall Street interests or company stockholders who had grown soft-headed and greedy in younger generations. The various expressions of obsolescence which resulted from looking at corporate budgets in principally simple budgetary terms, sometimes pushed a firm over the edge, beyond which it could never reverse the damage it suffered as a result of such medium- to long-term policy blunders.

For example, the present, lunatic fad of computer-based “benchmarking,” as a cost-saving substitute for engineering testing of design principles, has plunged numerous formerly outstanding corporations to the brink of irreversible degeneration. The “flat Earth” side of the financial accounting mentality, is a leading contributing factor, if not the only element of

incompetence underlying such disastrous trends in performance.

Never impose upon the financial-accounting profession, the responsibility of stating how real economic growth is generated. One might begin, instead, by reading U.S. Treasury Secretary Alexander Hamilton’s December 1791 Report to the U.S. Congress *On The Subject of Manufactures*. Or one might study the way in which an American, Benjamin Franklin, not only personally directed the original industrial revolution to occur in England, but took his protégé, Scotland’s Watt, to France, to learn from the circles of Lavoisier, how to design a steam engine based on the principles of steam-engine design earlier developed by Gottfried Leibniz and Papin.

With this sort of difference between accounting and economics under consideration, now focus upon the problem of generating the self-expanding pyramid of credit needed for even the bare minimum of immediately required economic reconstruction in southeastern Europe. The problem is, since Europe

(and also the U.S. economy) are now virtually bankrupt, how could Europe and the U.S. combined fund the needed reconstruction of the Balkan region? How can we generate the growth in real wealth, which would enable us to sustain the funding of even the minimal level of necessary reconstruction? Accounting will never give the answer. Economics, instead of accounting, is required.

Politicians and other laymen will wish to learn: Since wealth is not created in the ways in which financial accountants describe such growth, how is real wealth actually produced, with or without the presence of accountants? The founders of the Massachusetts Bay Colony and others understood those principles, in an elementary but accurate way, during the Seventeenth Century.

### **Lessons from History**

When the Spaniards arrived in Central America, the area of today’s Mexico supported not more than about two millions individuals. The vaster area of Canada and the U.S.A. today, sustained a population of much lower population-density than did the Mexico founded by the Spaniards. Today, the population of Mexico is about fifty times the number existing when Cortés landed. The area of the United States, which could not support more than a few millions persons before the colonists landed, could now support three to four hundred millions in prosperity, indefinitely, if nothing more than existing science

and technology were intelligently applied to this purpose, as it has not been during the most recent decades.

This has involved an American principle which was already understood by English colonists such as the leaders of the Massachusetts Bay Colony.<sup>4</sup> Here was a vast, economically infertile wilderness, a virtual wasteland, as measured in terms of the potential relative population densities of the existing cultures encountered by the English colonists. The first economic task of the settlers was to tame the wilderness, to develop the agricultural and other basic economic infrastructure needed to provide both the settlers and pre-existing populations a standard of living and culture soon superior to that enjoyed by those who remained behind, in England.

Thus, largely through the methods described by Hamilton's *Report on the Subject of Manufactures*, by the time of the first U.S. decennial census, the per-capita income and economic output of the U.S.A. was twice that of Britain. Much of the reason for this economic success, was the fact that the literacy, and, therefore, the productivity of the U.S. citizen, was more than twice that of the Englishman. This achievement reflects the fact that the first government of the U.S. Federal Republic had inherited national bankruptcy, but rose, through the methods described by Secretary Hamilton's reports, to be envied abroad, by the turn of the century.

It is the type of economics thinking which Hamilton's report typifies, which must be chosen, instead of conventional financial-accounting methods popular with today's miseducated, monetarist, and other financial-accounting-oriented professionals. It is the methods of Leibniz, Franklin, Hamilton, the Careys, and List, as enriched by the revolution in Leibnizian principles of machine-tool design introduced by Carnot, which are the foundation of all of the successes of the American agro-industrial model defined by the U.S. developments of 1861-1876, the American model upon which the successes of the economies of Japan, Germany, and many other nations have depended crucially.

Admittedly, there were political setbacks. Nations which had adopted this American System model sometimes abandoned it, much to their sorrow later.

Thus, it must be acknowledged, that the economic policy of the U.S. itself, under Albert Gallatin's President Jefferson and Madison, who had abandoned the economic policies of Franklin and Hamilton, led to a national economic disaster. The same kinds of ruinous effects, but far worse, the 1837 Panic, were the result of the policies under President van Buren and his protégé and predecessor Andrew Jackson. Such was the U.S. under Polk, and far worse under the treasonous Pierce and Buchanan.

Nonetheless, when the U.S. returned to the American System, during 1861-1876, we returned, more or less effectively, to the economic policies of what Hamilton had termed "the

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4. Some wags might say, the leaders of the Massachusetts Bay Colony had the good fortune not to have graduated from St. Albans.

American System of political-economy."

That recurring story of ups and downs, does not end there. Anglophile New York bankers such as Morgan and the treasonous August Belmont were not pleased with the success of the 1861-1876 transformation into the world's leading national economy. Those bankers, in concert with our nation's London adversaries, rammed measures such as the Specie Resumption Act through, driving our national economy to the brink of ruin. The assassination of President William McKinley brought pro-Confederacy ideologues such as Presidents Theodore Roosevelt and Woodrow Wilson to power.

But, the American methods which Teddy Roosevelt and Wilson hated, and attempted to uproot, were forced upon Confederacy and Ku Klux Klan buff Wilson, employed to the degree needed to support Britain's cause in World War I. The same American System methods seen in the form of the 1861-1876 industrialization of America, were employed to foster the recovery of the U.S. from the Depression, and to enable the U.S. to perform what envious other nations viewed as economic miracles during the period of World War II.

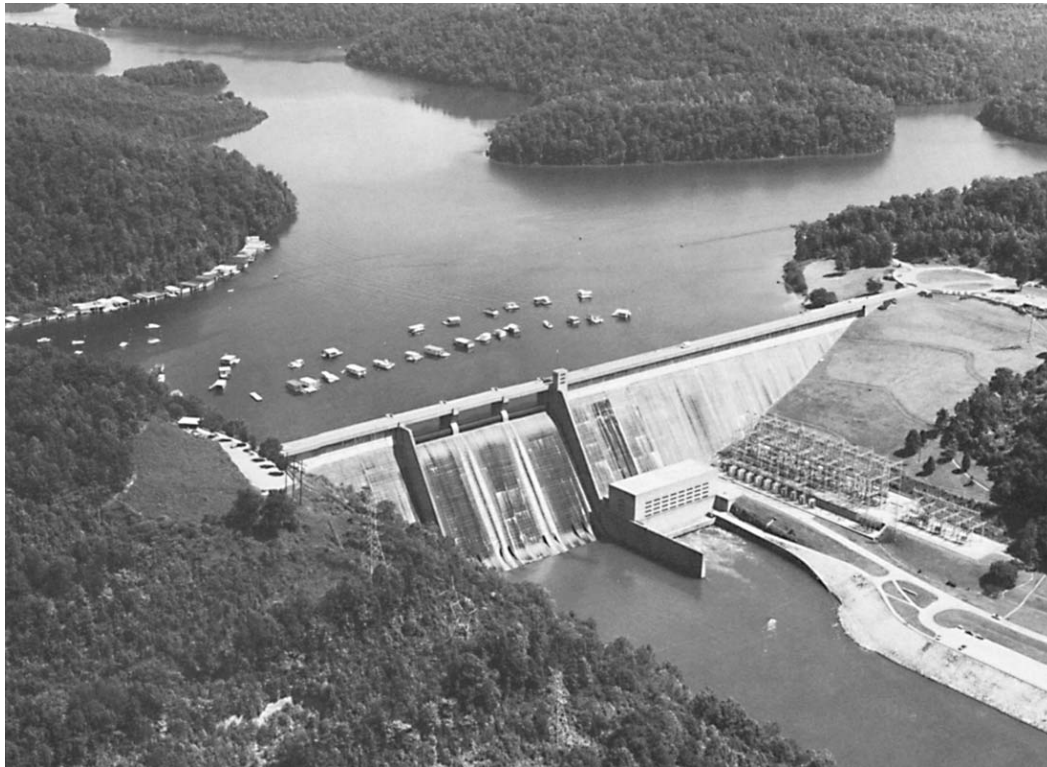
Today, the ration of persons in the world who understand the secrets of the periods of former U.S. economic leadership, is shrunken far smaller than at any time during this century. Nonetheless, the principles still work; under present circumstances, they are the only guides to economic policy which will actually succeed.

In reviewing the span of the history of modern national economy, a certain pattern has prevailed until now. Notably, it was only under conditions of wars and other revolutionary changes in circumstances, under conditions of urgent need for an exceptional economic mass mobilization, that those always successful American System methods of Leibniz, Franklin, Hamilton, the Careys, and Friedrich List were used. We should never have abandoned those methods; suffering Americans, and many others, are suffering increasingly today, because we went back to the old ruinous British "free trade" methods, instead of the American System. We shall not come out of the present crisis, without returning to the "economic mobilization" methods which served us so well during the grave crises of the past.

That said, turn now to the way in which those same American System methods — incorporating the Carnot principle, as used so successfully by Germany's post-war KfW and related institutions, provide a unique solution for the problems posed by the urgency of a general post-war economic reconstruction of southeastern Europe.

## Physical Economy as Science

I shall now describe the general method by which "economic miracles" such as those of Germany's Marshall Plan-aided post-war reconstruction were accomplished. I focus on the way in which a self-expanded volume of secured investments, brought about the growth of stable credit needed to bring that so-called "German economic miracle" about, in



*The Clinch River Dam, one of the first projects begun after legislation approving the Tennessee Valley Authority (TVA), was signed in the 1930s. The role of the TVA, “in making possible the scale of the mobilization for war later, illustrates the means by which successful economic mobilizations succeed.”*

contrast to the relatively much poorer performance of Britain and France during that same period.

After outlining the method of financing to be used, I shall summarily define the physical principle upon which the success of this method depends.

The method of economic expansion used, is not dependent primarily on borrowing from some “primeval hoard” of miser’s money on deposit. The method of the American System of political-economy, places the primary emphasis on the issue of state-guaranteed, and kindred forms of bank credit, as the basis of fostering investments in which the resulting rate of growth of secured assets is far greater than the credit originally advanced.

Thus, as the economy expands under such credit-stimulus, the volume of new credit which can be created increases, without causing the kind of inflationary effects which inheres in monetarists’ reliance on a simple financial-accounting “multiplier effect.” The expansion of credit and investment does not risk the inflationary devaluation of the total volume of secured assets, which must occur under a simple financial expansion under conditions of “free trade” rules.

This was the same method at the core of the means used by Franklin Roosevelt’s U.S.A. to produce what seemed to many at that time as “a miracle” of war-production for World War II.<sup>5</sup> It is the kind of method to which capable modern

5. Roosevelt saw himself as compelled to cooperate with his deadly adversaries of the Wall Street crowd, in arranging the financing of war production

governments turn for successful war mobilizations.

The role of the U.S. Tennessee Valley Authority (TVA), launched during the 1930s, in making possible the scale of the mobilization for war later, illustrates the means by which successful economic mobilizations succeed. It is the same general approach proposed by German economist Dr. Wilhelm Lautenbach, in a secret report adopted in 1931 by Germany’s Friedrich List Society, the report whose policy could have prevented Hitler from being brought to power. It is broadly the same method at the core of the success of the KfW in fostering the so-called “German economic miracle” of Chancellors Adenauer’s and Erhard’s Germany.

Let us take as illustration, the way in which a group of nations, chiefly the U.S.A. and continental Europe, should approach the financing of an economic mobilization for the reconstruction of the area of southeastern Europe. I shall outline some of the highlights of this approach, and then, as I have promised, explain those scientific principles which might be called the “secret” of the success of such methods.

Let each of the participating nations pledge a line of credit made available to the kind of master financing facility, modelled on the success of the KfW, which I have indicated above.

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and warfare itself. Had he lived, he would almost certainly have handled the resulting U.S. war debt, politically, in a much happier way than occurred during the immediate post-war years. He would not have objected, nor could I, to the manner in which the U.S. deployed the Marshall Plan for the reconstruction in western Europe, in particular.



*Artist's representation of China's Three Gorges Dam project. "Large-scale construction programs in infrastructure are the most natural rapid stimulant of levels of employment and of all other economic activity, in the region where such infrastructural developments are operating. The impact of the U.S.A. TVA, and a comparison of the TVA with China's ongoing Three Gorges Dam project, is a suitable illustration."*

The U.S. Export-Import Bank was a facility designed to perform this kind of function for the U.S. economy. This is not a pledge of money, but rather, a credit which can be used to purchase relevant goods from the national economy which has provided a line of credit for this purpose.

This line of credit has two primary financial-economic impacts. It provides the delivery of goods from the national economy extending the line of credit. As the U.S. Marshall Plan experience illustrates the point, it also serves as a stimulus of real economic growth in the nation which provides that line of credit. A large program of this type is a leading source of increased productive employment in the economy which extends the line of credit.

The credits extended by the vendor nations are of two principled types: grants in aid, and loans. Under the conditions of the U.S. during the 1930s, or a revival of the regulated exchange-rate system of the pre-1958 Bretton Woods agreements, the latter type of lines of credit, when used to build up assets in the Balkan-region nations, are convertible into long-term bonds at nominal interest-rates (1%-2%), and built-in grace periods, earmarked to the assets built up in the recipient nation. These obligations are either secured by sovereign guarantees, or private securities. Twenty-year maturities—more or less—for such bonds would be typical. This will work as a sound economic and financial arrangement, only under the condition that fixed exchange-rates, like those operating during the pre-1958 period of the Bretton Woods

agreements, are in operation for the life-span of the bonds and other securities issued as part of the reconstruction process.

The operation begins with heavy emphasis upon developing essential basic economic infrastructure in the nations of southeastern Europe. This has two immediate functions. First, the development of functioning basic economic infrastructure, as typified by public works and utilities, is the precondition for viable agriculture and industry. Second, large-scale construction programs in infrastructure are the most natural, rapid stimulant of levels of employment and of all other economic activity, in the region where such infrastructural developments are operating. The impact of the U.S.A. TVA, and a comparison of the TVA with China's ongoing Three Gorges Dam project, is a suitable illustration.

Mass transportation (especially water-borne and railway networks), water management, power production and distribution, typify, but do not delimit the leading elements of mass development of basic economic infrastructure. These programs of reconstruction can usually be successful only in the public sector. If this is limited to private sector ventures, the entire reconstruction effort would be a catastrophic failure.

These and comparable crash-program developments of basic economic infrastructure, perform three leading functions.

1. Without such infrastructure's development, the development and functioning of the private sector will



be largely a failure, especially so when we recognize the rates of economic growth which southeastern Europe must experience to overcome the more than \$1 trillions of economic deficit, left in the wake of the recent Balkan wars. The provision of cheap and reliable efficient transportation, adequate power, water management, and sanitation, to the entirety of the land-area of a nation, is the absolute precondition for successful economic growth of the private sector as a whole.

2. Large-scale infrastructure programs of this type provide an immediate, direct boost to the economy as a whole, providing the conditions and economic-growth stimulant required for emergence and growth of private ventures.

Of course, as the painful experience of such programs in the new federal states of Germany ought to remind us, without a concomitant fostering of large-scale agricultural and industrial development, especially in the relatively higher technology, closely-held middle-sized ventures, such as the machine-tool sector, the growth potential contributed by infrastructure programs may “rot on the vine.”

A note of caution, here. It is necessary to set priorities, which ensure that the economy emerging from the reconstruction program has the structure of the composition (infrastructure, agriculture, general manufacturing, machine-tool) which characterized the most successful national economies coming out of the 1950s period of post-war reconstruction in western continental Europe and Japan. What is to be avoided, is the disastrous effects which the so-called “structural reforms” of the 1964-1998 interval have introduced into continental Europe, as this trend began in Prime Minister Harold Wilson’s United Kingdom.

3. Among the leading factors of stimulus, which infrastructure programs provide to growth of the private sector are two: employment of the labor-force in the infrastructure programs, and the role of private vendors in the construction and maintenance phases of the infrastructure program.

As the cases of Croatia and Bosnia should remind us, among the leading special considerations to be faced in reconstruction of the economy of a war-torn area, is the rebuilding of housing and small shops. The same lesson is to be observed from the experience of reconstruction in post-war Germany. Assistance to households for the rebuilding of their own homes, is usually the most efficient administrative approach to the most pressing social problems of the economy during the immediate post-war period.

The extension of reconstruction credits for loans to private

enterprises, is best handled through coordination with the financial agency responsible for the reconstruction program, but in coordination with a facility of the sort which former U.S. Commerce Secretary Brown was working to assemble for Bosnia at the time of his death.

The general program of reconstruction which ought to govern the immediate, emergency economic restoration of southeastern Europe, can be viewed broadly as emphasizing three interrelated economic missions.

First, the rapid establishment of the basic economic infrastructure required as the foundation of a viable economy in and among each of the nations involved.

Second, the development of private enterprises essential to the day-to-day life of the economy of each nation.

Third, private economic development aimed to provide each and all of the nations of the region a rational basis for earning international revenues, at a level needed to enable these economies to sustain themselves. Focus on this third mission for a moment. I shall return to this important sub-topic below.

Just as I did in my Berlin Columbus Day address of 1988,<sup>6</sup> as my associates and I did in our 1989-1990 development of guidelines for a European Productive Triangle Program,<sup>7</sup> and, as we have done, beginning 1992, in defining the objectives of the Eurasian Land-Bridge policy,<sup>8</sup> and as Friedrich List defined the policy upon which both the development of the U.S. transcontinental railway and the original Eurasia Land-Bridge proposals were based,<sup>9</sup> the proper design of the development of any very large land-area must be based on certain geographical principles. In modern history of the past two centuries, the center of these geographical principles is transportation routes, chiefly for water-borne commerce and trunk railways, still the cheapest and most efficient modes for move-

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6. Lyndon H. LaRouche, Jr., Presidential candidate’s broadcast, “The Winter of Our Discontent,” Oct. 31, 1988, which included the candidate’s press conference at the Berlin Kempinski-Bristol Hotel. The full transcript appeared in *EIR*, Oct. 21, 1988.

7. Dec. 10, 1990, LaRouche issues memorandum on “Economic Development for Eastern Europe,” later published as part of an *EIR* White Paper, “The Crucial Role of Lyndon LaRouche in the Current Strategic Situation,” April 1993; Jonathan Tennenbaum et al., *Das ‘produktive Dreieck’ Paris-Berlin-Wien: Ein europäisches Wirtschaftswunder als Motor für die Weltwirtschaft* (Wiesbaden: EIR Nachrichtenagentur GmbH, August 1990); “The Economic Geography of Europe’s ‘Productive Triangle,’” *EIR*, Aug. 3, 1990; *EIR*, “High-Speed Railroads Will Transform Europe’s Economy,” Aug. 31, 1990, p. 22; “High-Speed Rails Planned in France, Germany, Italy,” *EIR*, Sept. 14, 1990.

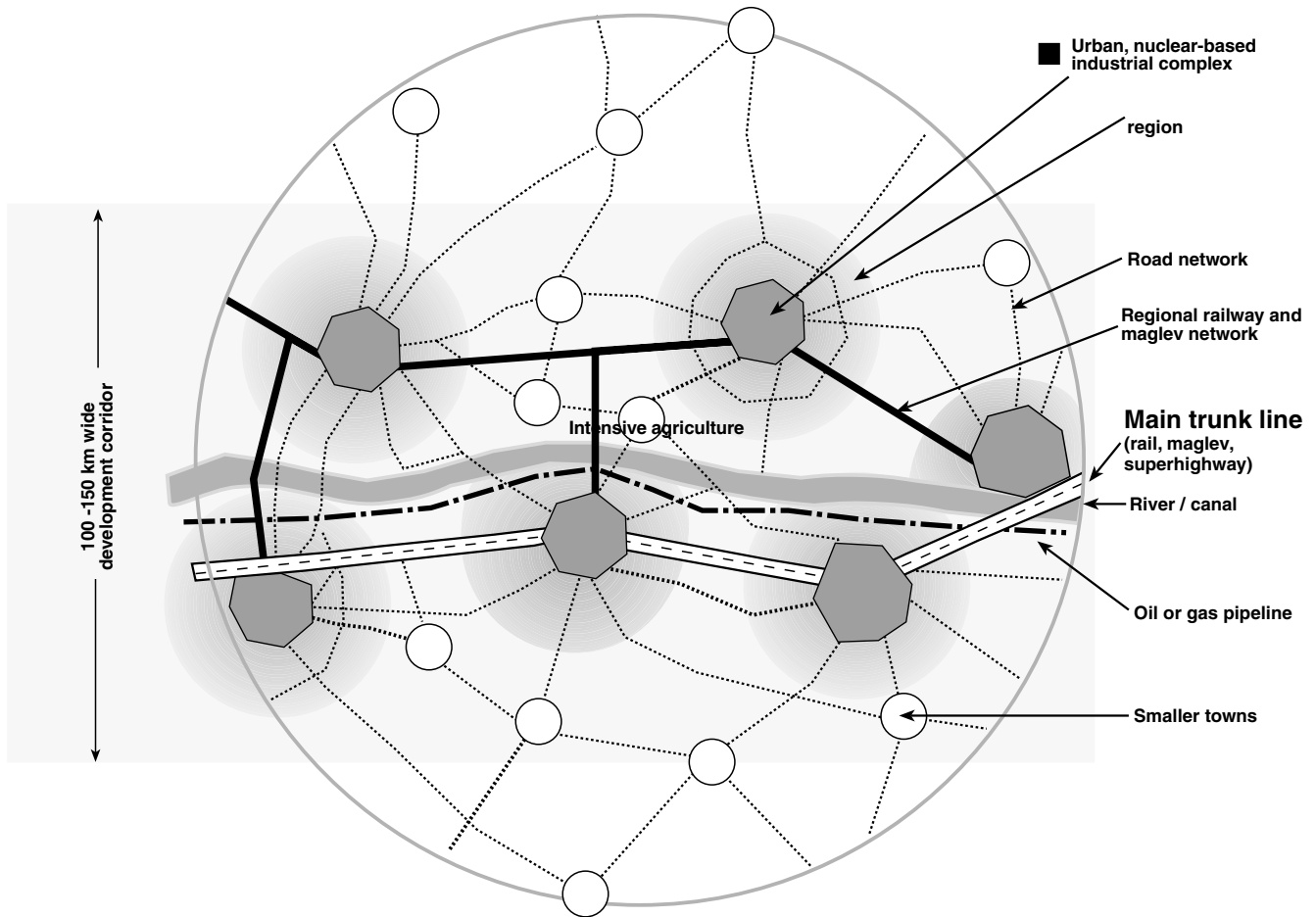
8. Jonathan Tennenbaum, “Beijing Promotes Grand Design for Eurasian Progress,” Helga Zepp-LaRouche, “Building the Silk Road Land-Bridge,” *EIR*, June 14, 1996; Jonathan Tennenbaum et al., *The Eurasian Land-Bridge: The ‘New Silk Road’—Locomotive for Worldwide Economic Development* (Washington, D.C.: EIR News Service, Inc., January 1997).

9. Friedrich List, *Outlines of American Political Economy* (Wiesbaden: Dr. Böttiger Verlags-GmbH, 1996).



FIGURE 1

Graphic Representation of a 'Development Corridor'



ment of produced goods.

Just as my associates and I have detailed this within our prescriptions of design for both the Productive Triangle and the Eurasia Land-Bridge, and as the 1861-1876 Lincoln reforms defined the development of the U.S. transcontinental railway system, begin with the natural routes for trunk-lines of trade.

These lines often turn out to have a history going back to medieval, or even more ancient times, as the Silk Roads did. Do not think of this as merely passage-ways for transportation; think of them as development corridors, just as the U.S.A.'s Lincoln reform of 1861-1876 defined the relationship between transcontinental railways, and economic development of the land-areas through which the railways passed. Think of these as *strategic development routes*.

Today, such a strategic development route features a modern high-speed, high-capacity railway spine: the cheapest method of rapid transport of manufactured goods, and the

fastest economical route for movement of perishable refrigerated and other agricultural goods.<sup>10</sup> Attached to the lengths of that spine, are subordinated railway and automobile routes, and also trunk-lines for large-volume water and power development and transmission.

Think of these routes as not merely conveyer-belts of people, goods, water, and power, but as like production-lines: a zone of efficient, high-density production of agricultural,

10. Magnetic levitation systems of mass transport are not merely an upgrading from friction-rail systems. Although the speeds achievable do relieve the presently excessive reliance on passenger air transport for medium-distance travel, the revolutionary impact of magnetic levitation shows itself in the transport and classification of freight shipments. Of course, on the horizon, there is the prospect of magnetic-levitation transport within long evacuated tunnels, and well above ordinary supersonic speeds. We would rely on the latter for sub-surface transport among centers in a science-city form of astrophysical research and development, and production colonies on the Moon or Mars, for example.

mining, and manufactured goods, running the length of the trunk-line and with a width of up to approximately a hundred kilometers. [Figure 1]

Within this zone, there are nodes, such as cities and towns, areas of intensive agricultural and industrial production. Think of this trunk-line zone not in terms of the cost of moving transported goods, but, rather, in terms of the net social (physical) profit generated along each hundred kilometers' length of the movement of productive activity, along the route of that trunk line.

These trunk lines are the proper location for most of the agricultural and industrial output of the nations through whose territories they pass. We should have brought together here, in these zones, the most efficiently provided basic economic infrastructure required for high-density, diversified production. The effective economic development of adjoining areas, outside the width of these trunk-line zones, is fostered by the functional relationship between those wider areas and the trunk-line zone.

This plan for development of the Balkans was included in the first Productive Triangle plan designed by my associates and me.<sup>11</sup> This is what I have endorsed as an outline of the policy for the immediate economic reconstruction of southeastern Europe.

Unlike the time when accountants favored alleged economies achieved by use of super-sized thermonuclear warheads, this approach gives us the "biggest and best economic bang for the buck." It is the only really efficient economic approach.

Now, look briefly at the way in which this approach benefits the other nations of Europe, especially from Brest in France to Ukraine, Russian Siberia, the Trans-Caucasus—and beyond.

Since the time of Charlemagne, the civilized minds of all Europe have aimed at criss-crossing Europe with a well-connected network of improved riverways and barge-canal links, to provide efficient barge-transport waterways linking Europe from France and the old Hanseatic seaports and their riparian tributaries, and, by way of the Danube, to the Black Sea. Ironically, the main spine of the barge-system, the Rhine-Main-Danube route from the Netherlands ports to the Black Sea, was not completed until about the same time as the breakup of the Soviet Union. Since about 1992, that link has been effectively jammed up by the recent Balkan wars. *What a terrible, disgusting waste of economic opportunity we have tolerated, all too long!*

By combining modern rail trunk-line systems with improved waterways, the long-locked-up economic potential of southeastern Europe can be suddenly freed to work. The formula is rather simple.

First, remember that efficient transport through an area under economic development is not a net cost, but a source

11. Jonathan Tennenbaum et al., *Das 'produktive Dreieck' Paris-Berlin-Wien*, op cit.

of net physical profit in and of itself. Think, as I have said, of transport trunks as the main conveyer-belts of a productive enterprise. Real profit, as profit is defined in physical terms, is generated every hundred kilometers of trunk-line length. This defines the link-areas, such as the Balkans, as areas of rich economic potential, because of their highly useful role in linking adjoining regions. Second, the critical margin of growth which will define the prosperity of the region's future, is those kinds of industries which are designed to serve as source of inputs to their immediate neighbors along those trunk-line routes.

Take as an example, the shipments of foodstuffs and other bulk freight along the Rhine-Main-Danube barge-route to the Black Sea. These and other, related considerations show how improved trunk-lines through the region of southeastern Europe, tap the economic growth potential of now largely idled or underutilized labor-force in the impoverished portions of this region.

Think also, of the desperately needed stimulant to the economies of France, the Benelux nations, Germany, Italy, and others, through the fruits of such economic reconstruction of southeastern Europe. It must be conceivable even to some hard-headed Republicans in the U.S. Congress, that a U.S.A. now suffering an already catastrophic and growing balance-of-trade deficit, might have a vital national economic interest, both directly and indirectly, in fostering such growth in southeastern Europe and beyond.

Someone in Oshkosh needs a decent job? Economic reconstruction of southeastern Europe would work in the same general way as Marshall Plan reconstruction of war-torn Europe earlier. . . .

Whether or not the relevant political authority fully understands the principles of economic science which I have once again reported here, he or she, by aid of relevant experts who do, may be assured in a choice of policies, by means of which self-replicating, non-inflationary increases in state-backed creation of credit, may solve problems such as that posed by the crisis of southeastern Europe today.

The catch is, that the effort to aid southeastern Europe could not succeed, unless a hopelessly bankrupt present world financial system were radically reformed, through politically directed reorganization in bankruptcy, to be capable to adapting to such tasks as the urgently needed tasks of a "New Marshall Plan" for southeastern Europe as a whole.

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