LaRouche holds dialogue with Peruvian accountants

Democratic Party Presidential pre-candidate Lyndon H. LaRouche, Jr. gave the keynote speech on Feb. 25 to a conference at the College of Public Accountants, in Lima, Peru. He addressed the audience of 500 people via videoconference from the United States. Among those present were public accountants, economists, foreign diplomats and other embassy representatives, high-ranking officers in the Armed Forces, politicians, and students. The speech and subsequent discussion were broadcast live on the Internet, in both Spanish and English (www.larouchecampaign.org.). The moderator, Virgilio Melgarejo Hinope, is the Director of Finances of the college. In the following transcript of the event, the questions have been translated from Spanish and somewhat condensed.

Virgilio Melgarejo Hinope: Ladies and gentlemen, a very good evening. In the name of the Finance Committee, I have the great pleasure of bidding you a most cordial welcome to the fifth session of our committee, at which we are going to present an international telecast from the United States, by Dr. Lyndon LaRouche, Jr., an expert in finances and Democratic Party pre-candidate for the U.S. Presidency, entitled, "International Finances and Economic Development for the Americas."

With us at this time is the dean of the College of Public Accountants of Lima, Dr. Julio César Trujillo Meza. Also with us are the invited panelists: Dr. Patricio Ricketts Rey de Castro, former minister of state, political analyst, and journalist; Engineer Luis Vásquez Medina, executive director of *EIR* in Peru; Engineer Guillermo Runciman Saettone, international debt negotiator and leading professor in this specialty at the Pacífico University; and public accountant Luis Lizárraga Pérez, expert in finances and professor in that specialty at the University of Lima.

We greet our invited guests and are now going to request the signal from the United States, to hear the main speaker. Go ahead, United States.

Opening statement

Lyndon LaRouche: We're in a situation in the world, now, which can best be described as being at the brink of a disintegration of the existing world financial system and monetary arrangements. This is not a matter of predicting the day of a crash. The crisis is systemic, it is not cyclical, and there is no possibility that the world system in its present form could survive the immediate period ahead.

This is a result of a change which occurred especially since August of 1971, when the world abandoned a workable system, set up by U.S. President Franklin Roosevelt, called the old Bretton Woods System. There were many injustices practiced, especially toward developing nations, under that system; *but the system itself worked, with some reservations, up until about the middle of the 1960s*.

In 1971, President Nixon took the first step to end the condition of fixed currency rates, or adjustable fixed currency rates, by a floating exchange rate system. And since that time, the progress that was made in the United States, Europe, and to some degree elsewhere, under the postwar monetary system, ended. And since about 1971-72, in point of fact, the world has become generally poorer. We've been living off past capital investment, past real physical capital, draining it down.

We've now reached the point, through a series of steps, at which the system is doomed.

Now, what we have at the moment, is a situation best compared to Germany in 1923, especially during the period from the spring and summer into the autumn of 1923. During that time, Germany, in order to meet unpayable reparations debts to the Versailles System, was printing money on a large scale. *This printing of money was bleeding the German economy, and building up a potentially hyperinflationary explosion*. The worse the situation became, the more the German authorities printed money. Until about the spring of 1923, that printing of money did not produce noticeable or conspicuous

Bolívar Square in Lima, Peru. Lyndon H. LaRouche, Jr. briefed Peruvian public accountants, economists, and public figures on the world economic crisis and what must be done to turn it around, in a Feb. 25 videoconference.

inflationary effects inside the German economy, because the pressures were also deflationary in the economy at the same time. But beginning about the end of the spring and through the summer, the German economy began to explode in a hyperinflationary spiral, such that by October-November of 1923, the Reichsmark was bankrupt. The printing presses could not keep pace with the rate of hyperinflation of prices.

We're in that kind of situation now. Since especially 1997, with the troubles, so-called troubles in Asia, and then the crisis of mid-1998, the world has entered the terminal phase of this sick system. However, like the German authorities in 1923, the central banking systems and other institutions, have been pumping monetary aggregate into the system at fantastic rates, and looting everything in sight to maintain this.

So therefore, you can not exactly predict the day this system will collapse. Any accident can cause it to collapse. But in general, we can say this is going like the 1923 hyperinflation in Germany. The madmen will keep pumping the money in, to try to keep the system afloat from one day to the next, until the system simply disintegrates, or until some event in the meantime intervenes to bring the system down.

Therefore, we must expect that we're going to have to face the reality of a general reorganization of the world financial and monetary and trade system in the near future. We will have to scrap globalization, we will have to return to a system of relatively fixed parities among currencies, and we're going to rely largely upon reestablishing the role of the perfectly sovereign nation-state, and its sovereign currency and monetary system, as the partner, or the system of partners, which will build the new system.

Toward a New Bretton Woods System

What we will have to do, is to essentially revive the pre-1971 or pre-1966 type of Bretton Woods System on a global scale. And I would propose there are a number of differences that have to be included in that.

First of all, we'll have to repeat the successful experience of the postwar period, up till 1971, because that, for us, is a proven precedent of a workable system. *Extending the system to include developing countries in the way we did not in the postwar period, is one of the fundamental changes that will have to be made.*

For example, I've emphasized that you can not build a workable system, without including major powers, such as China and India, as partners in managing the new monetary system.

We're going to have to put much of the world through financial bankruptcy reorganization. Much of the world's debt, including the so-called derivatives and related debt, will simply have to be written off. This is now, total, well over $300 trillion of short-term debt, in a world whose estimated global gross domestic product, is in the order of $41 trillion. Obviously, you can not carry this debt.

Other debt will have to be reorganized, especially honorable debt, especially the debt of governments. However, we have to recognize, for example, as in the case of the states of the Americas, that under the floating exchange rate system, if you look at the figures, you find out that the nations of the Americas, have paid more in debt retirement than they have received, in total debt due, formerly or in the subsequent period.

This anomaly has developed, precisely because every time there was a run on Ibero-American currencies, and international markets, international authorities would come to these countries and tell them to devalue their currency and take other measures, but at the same time, not devalue the debts which had been denominated earlier, the foreign debts.

And therefore, this rewriting of foreign debt, and the issuance of new credit against this rewriting, caused a debt crisis, such that the Ibero-American states have paid more in debt retirement, in the past thirty years, than the total debt which was actually incurred by them.

So, much of this debt will have to be reorganized. The ideas of His Holiness, Pope John Paul II, for a Jubilee Year, will have to be examined as one of the measures.

The other side of this, is, we're going to have to reorganize our approach to an economy. We're going to have to go to a fixed exchange rate system, to an emphasis on long-term credit; not loans, but long-term credit, trade credit, by which, in particular, developing nations, which need capital imports, will be able to buy these on long-term credit of 1% interest per annum or on that order, and with some grants as well, in order to incur capitalization on the order of 5 to 10 to 15, 20, or 30 years, as in the terms of long-term infrastructure.

In other words, we must think about building up economies, which could not pay for such things now, to the point that in the future, through the increase of their productive powers of labor, they are able then to retire some of that capital debt incurred through these long-term extensions of low-cost credit.

So therefore, we need that kind of a system.

Also, we can not do this under the present trends of globalization. You must have protectionist policies for all nations, otherwise, they can not guarantee the prices for their export commodities which will enable them to meet the old debts, or reorganized debts, and also carry the new debt incurred through long-term credit at low interest rates.

Therefore, we must have a protectionist policy, particularly in respect to building up the infrastructure of countries which are largely importing countries, technology-importing countries, to building up their agricultural system through necessary capital technology imports, to building up their private businesses and their government businesses through these measures, to increase generally the productive powers of labor in these economies.

And this means essentially, in my view, that countries such as the United States, or the core countries of western continental Europe, to some degree Russia, which has a large technological potential if it is mobilized, and Japan, are going to have to specialize in building up their capacity to export high-grade-technology goods, and also exporting long-term credit, to countries which are presently classed as "developing" or "semi-developing" countries.

Therefore, we will need a new international division of labor. We're going to have to think in terms of 20 to 30 years of rebuilding, and building the world economy, and under those conditions, we can prosper.

We must, however, in the meantime, apply some new conceptions as to how to do our financial accounting. Instead of counting things merely in prices, money prices, we're going to have to think in terms of physical content and the functional nature of physical content of costs.

For example, in order to produce a person, as a member of a family, who is capable of professional high-tech performance, we require, from the time of birth, about 25 years or more. That person requires a certain standard of household living, of family life. That person requires a certain quality of education. A population in which we're making that kind of investment, requires a certain quality of health care and sanitation. It requires public works, which facilitate these developments.

So, it means that the costs of labor are not determined by the lowest cost, which someone can hire labor at in any part of the world. *We must think in terms of what is the standard income, in physical terms, in services, and so forth, of households, in order to produce the kind of labor which represents the higher levels of technology for which we're shooting.*

And therefore, we have to establish new standards of finance and accounting, to make these measurements. A lot of this will have to come through discussions among governments, as to how we are going to set trade levels, or trade price levels. But we must think in terms of capital investment: how much capital investment, in terms of what quality of goods are required to raise production of a certain country to a certain level of productivity?

We're going to have to think of measuring more often, in terms of per-capita household consumption and productivity of the members of families and the employed members of families.

We're going to have to think more in terms of per square kilometer of productivity, in terms of human productivity and human conditions of life.

We're going to have to set new standards, new economic standards, both for the private sector and the public sector, which conform with the task before us. These will have to be supported by actions by sovereign governments, and will have to be supported, in some conditions, by either laws or by general professional understandings among the relevant professional groups.

The difficult conditions we face

My view of the possibilities is optimistic. I know how bad the world is, I probably know it as well as anyone. I think that most countries in the world today, especially most developing countries, are on the verge of the same kind of condition which we've seen in neighboring Ecuador, a nation whose sovereignty is being crushed under the process of semi-dollarization at this point.

We have the disintegration of Colombia in progress; the

onrushing threat of a general disintegration of Venezuela, similarly. We have the crushing of Argentina's economy, its virtual dollarization. We're on the verge of an explosion in Brazil, a political and economic and financial explosion.

Africa: Most of Africa is a disaster. Indonesia is disintegrating. India is a country with some power and some progress, but it has many poor people in a nation of about a billion people.

China is making progress, but without high technology, it can not maintain its present estimated 7.5-8% rate of growth. And if it can not maintain that, it can not meet the popular demands of its own people, in the interior areas of China, let alone the more remote semi-arid or arid regions. The same thing is true for the world in general.

So, I'm aware of the conditions. The United States is economically, internally, a disaster. We have an upper 20% of family-income brackets, who have more money than they thought they had before, in general. We have more millionaires than ever before. But most of the money they perceive they have, is money based on borrowing, either their own personal borrowing, which they can not repay, or through the United States borrowing in net from the world, to keep its economy functioning internally.

Look at the current balance of payments of the United States, both on trade accounts and other accounts. *We can not continue to do that*. We're running over $300 billion a year in virtual current account deficit. We are living on yen, which the Japanese economy is issuing so that people can buy dollars and European currencies to invest in the U.S. market. The U.S. market is a bubble. The financial market is ready to pop.

We have a situation in Europe, which is a disaster. The United Kingdom is supported by invisible income, invisible earnings, whereas, the core nations of continental Europe, they're a disaster: Italy, France, Germany—all the nations of continental Europe, are a disaster.

And Russia is, for the moment, temporarily stabilized, partly by the increase in international oil prices, which, for many nations, is also a disaster. The problems of Asia, will become worse. Who knows what will happen this week or next week?

So, we face a disaster. The United States is not a great power enjoying great prosperity. We have, on the contrary, 80% of the family-income brackets of our population, have fallen far below the levels they had 30, 20, or 10 years ago.

So we have a social disaster. We've lost our industries. We're losing our farms. So we in the United States, who are reputedly rich, as well as countries such as Ecuador and other countries, face a disaster. We're going to have to rebuild.

A shock effect is needed

I am optimistic. Let me just say why I'm politically optimistic about the feasibility.

I recall, in particular, since I'm of that age, December 7th, 1941, which was the day that the Japanese bombed Pearl Harbor. I knew my fellow citizens at that time, in 1941. And the day before the bombing, I could tell you, most Americans believed that there was a war going on in Europe and elsewhere, but they believed the United States would not necessarily be drawn into it.

On the day that the bombs dropped, and the day after, the day when President Roosevelt announced the Declaration of War to the Congress, the American people suddenly changed. The bombs had dropped. A shock had been administered. Illusions had exploded, and people had to face reality.

And we did face reality. We had a capable President, and we survived. We survived quite well.

We are now in a situation where the American people generally are living in a world of delusion. I've compared the behavior in the electoral campaign so far—even though I did get, a few days ago, I got a larger vote in the city of Detroit than George Bush did, George Bush, Jr., under difficult circumstances. So that indicates that some things are going on. But I've indicated also that the American voter is behaving like Roman proletarians in the First Century B.C., or under the early Caesars, in which they're living on subsistence, handouts, and illusions, and going into the Colosseum for entertainment, watching lions tear Christians apart, and things like that.

The American people are living on a diet of entertainment-driven delusions. Their voting behavior, their political attitudes, their outlook on the world outside the United States, is largely based on these values. But the day the bomb drops, the day that the American people realize that the financial system is disintegrating, there's going to be a fundamental change.

I see also, in Europe, similar things: that the instant it's perceived that the financial bomb is dropping, there will be a sudden shock and a change in the attitudes of people in western continental Europe. We see that in other parts of the world.

So we are faced with a situation like the Depression, which elected Franklin Roosevelt as our President, back in 1932, where he became President in '33, and like the impact of the bomb dropping on Pearl Harbor, where a sudden shock, this time produced by the combination of social disaster spreading around the world, financial crisis, and the spreading of wars in various parts of the world, in the Balkans, in Transcaucasia, in Central Asia, and between Pakistan and India, and elsewhere, and similar kinds of crises, have brought us to a kind of crisis which we last saw perhaps during the 1930s, as we moved toward World War II. A combination of depression, a period of economic crisis, which leads to social crisis, which leads to upheavals within nations, and leads to general wars among nations.

We're coming to such a situation. And under these conditions, as these threats, combined threats, are perceived, and as illusions are destroyed, a sense of reality will appear, provided, as we see from past experience, not only must you have shocks which bring people back to a sense of reality; but,

people can not long sustain the shock of a painful reality, unless they have optimistic leadership and capable leadership to inspire them to rally themselves to great undertakings.

I think that's the situation today. It's the situation throughout the world. I realize that in a country such as Peru, or neighboring countries, and around the world, people are waiting for the United States to do something good, to give the signal that we can get together and begin to decide how to turn around some of these problems we're facing today.

I've had my hopes in President Clinton, I've had my disappointments. Right now, most people wouldn't guess that the United States would do much of anything in that direction. We seem to be going in a different direction.

But I think that under conditions of shock, that we can turn that around, we can change. I would hope that shock hits well before the nominations of the candidates for the Presidency, this year. It would be the best thing that could happen.

I would also hope, that people in other parts of the world, would be prepared to respond to a suitable initiative from the President of the United States, an emergency initiative, say, "Let us meet together, in a special plenipotentiary session, among nations, to agree to a minimal number of changes in world policy to get us out of this great world crisis." And I would hope that other nations would be prepared to accept such an offer, if the President of the United States were able to offer it, and were inclined to do so.

I would do so. But right now, it may not seem that the United States is likely to do that; but, maybe we can, with a crisis, induce the United States to do so.

That's my hope. I think, perhaps, maybe I'd better answer questions, rather than continue beyond that summary of my views.

Questions and answers

Melgarejo Hinope: We are now going to turn to our panelists, and listen to their questions. First, we will hear Engineer Runciman Saettone.

Why a gold reserve standard?

Runciman Saettone: Good evening. I am pleasantly surprised by this telecast; Mr. LaRouche's comments are very interesting. I, nonetheless, have certain concerns regarding Mr. LaRouche's main proposal. The first is: Why don't we first evaluate, why the system of fixed parities was abandoned between 1971 and 1973? Perhaps, to simply wish to return to this system of exchange parity could simply be a longing for something which sounded or seemed more stable before. But it would be interesting to know the reasons this system of exchange parity was abandoned in those years. My understanding is that there were problems in the basic concept of the value of goods produced, such that it couldn't continue to work based on gold, as if it were the only product that existed in a world that was changing and with an ever-growing number of products. Therefore, if the value of goods is now defined by the quantity of labor they represent—an old theory from the era of Adam Smith—and the number of goods is always growing, we can not strictly return to a concept of gold value. So, I would like to know more about the implications of returning to that scheme.

LaRouche: First of all, go to the historical aspect of this thing. Until the 1930s, we had a gold standard system that was dominant, from the 1870s to the 1930s. Roosevelt, when he came in, recognized that we could no longer tolerate the British gold standard. That the basis for issuance of currency is not gold, as such, but rather, as in Hamilton's conception, and the conceptions of Lincoln; and the greatest burst of technological growth of the United States, and economic growth, was during 1861 to 1876, under a Lincoln program, under conditions, initially, of warfare, in which the United States, as a nation-state, became the most powerful economy and the most technologically advanced in the world.

Now, this was done on the basis of the modernization of national credit, through a system of national banking or an approximation of a system of national banking, similar to the National Bank system we'd had under Hamilton, and then again briefly under Monroe and John Quincy Adams.

So, the British gold standard system, said you could only put currency into circulation on the basis of a unit of gold in circulation.

The United States: All these great periods of growth, including the one I just referred to, 1861-1876, or the period under Roosevelt, or the United States in Europe under the conditions of the immediate postwar period, 1958 and so on, was entirely based on the emission of a dollar, a U.S. dollar, as a unit of U.S. national credit, not against a gold backing, but the backing of the United States economy.

For this purpose, what Roosevelt did, was introduce a gold reserve system. Now, this happened first as an emergency action inside the United States, during the 1930s, and then, at Bretton Woods, we agreed on a gold reserve system, in which gold would be treated as simply another commodity, but of a special type: that we would use gold at its fixed price, which presumably was its production price, as a standard of measure of currencies.

We would fix currencies to that standard, except when adjustment was really needed, and thus we would settle our imbalances in accounts, either with trade, or, if there was a deficit beyond that, we would settle the balances by transferring title to an amount of gold.

Now, during the 1960s in particular, except for the Kennedy period—where Kennedy attempted to return to a Roosevelt approach to international relations, particularly with the Americas, and to economic policy. Now, he was killed. And immediately after his death, the United States went into a predominantly negative trend, in terms of long-term trends.

On the one hand, we had the benefit of the space program, which Kennedy had activated, which has been the most successful driver of the U.S. economy in modern history; that is, the spillover from public investment in the space program, space research, into the private sector, had given the United States the greatest return on investment of any time in our history.

But at the same time, we were going through the Vietnam War, a 14-year war, debilitating, wasteful. We went through a cultural change, under the pretext of this war, of destroying our economy.

We followed another event, which was not in the United States. Remember, the U.S. has never been the dominant financial power in the world, except briefly, during the immediate postwar period. Today, and throughout most of the past 40 years, the dominant financial power in the world, has been London, the British financial system. For example, today, about 90 to 95% of financial transactions, are London transactions.

So, when the coup occurred in 1963, the scandal which brought down the Macmillan government, after an indecent interval, we had the Harold Wilson government. And Harold Wilson, in two governments, did more to destroy the English economy, and the British economy, than any other man alive I think today.

And in this process, of our inflation, in the process of the pressures of the war in Vietnam, and other debilitating factors, we began to go through a very significant inflationary trend in the United States, contrary to our earlier trends. Under these conditions, when Nixon came in, we made stupid decisions.

Johnson capitulated, in 1968, on monetary reform. What we should have done at that time, is increase the price of gold as a reserve unit, to correspond to the actual inflation. Then the gold reserves would have been adequate to meet with the imbalances.

The other part of the problem was that we'd gone, as a nation, from a policy of *encouraging* the developing sector, to 1966-67, we went to a policy of *discouraging* the developing sector.

So therefore, when we should have been high-technology drivers, together with Western Europe—Germany, for example—in order to export technology on long-term credit at low prices to the world as a whole, which would have built the whole world up, we went in the other direction. And we had a policy of saying, "We must not allow developing countries to utilize the national resources they have, which we, Europeans and the United States, will require for future generations of our own people."

So, we became rather piggish. And we made stupid decisions. And also, another factor involved in this, was the 1962 missile crisis. Coming out of the missile crisis, the United States and Britain, and the Soviet Union also, made a turn in their economic policies.

Until 1962-63, one of the arguments which prevented the Roosevelt policies from being overturned, was the persuasion on the part of the Soviet Union, the United States, and Europe, that we were engaged in a great potential nuclear conflict between the two superpowers.

In 1962-63, the policy changed. The negotiations, which were struck through the representation of Bertrand Russell from London, which were struck in that period, resulted in a shift in policy in the United States and in Europe. The ouster of Adenauer in Germany, was a change in German policy, which became accelerated with the later coup against throwing out Erhard in Germany. The ouster of de Gaulle in France, the undermining of him in '63 and his ouster in '68, was part of the same process.

So, we underwent a very foolish policy, made a change, which we should not have changed. My estimate, our figures are that the world as it functioned prior to 1971, was a better world than anything that has resulted since.

Now, some of this stuff is buried under our living on past capital investments. But today, I would say, if you look at the figures from this standpoint, from the history of it as I know it, you would say the world system, under the old Bretton Woods system of fixed parities based on gold reserve principles; that if that system had been preserved, and the price of reserve gold increased to correspond to the real inflation which is hitting worldwide, the inflation in gold value, then, we would have survived quite nicely.

The problem is, that with the introduction of the floating exchange rate system, we have gone to what has become accepted as a trend, as a new policy. The present disintegration of the world monetary system globally, what you see in Ecuador today, and other places, is a reflection of a long-term, thirty-year trend in self-destruction of the world economy, by people who should have known better than to make that kind of mistake.

The key thing that fools people about this, is economic cycles, that long-term cycles occur in the span of generations. The mistakes of a generation, come to maturity a generation or two later. What we made in the late sixties, and what we did in the early seventies, was a profound, stupid mistake. We are now faced with a crisis which is the result of that mistake.

What we have to do, is recognize we should go back to the turn in the road where we made the mistake, and build from that starting point, not try to preserve the existing system.

Prospects for development of Peru

Luis Lizárraga Pérez: Good evening, Dr. LaRouche. You have truly painted a very disturbing picture of the future for us.

In this scenario you present to us, of this crash that is going to occur, among other things, you mentioned also that derivatives, for example, investment funds dedicated to derivatives, have reached high levels, and that there is a severe risk crisis regarding the coverage they are meant to provide. But our countries, the countries of Latin America in general, and

ours in particular, are at this time very much dependent on the flow of foreign capital, as you mentioned, due to the effects of globalization.

What would your position, and your opinion, be with regard to the future role of the International Monetary Fund and policy toward Latin America, within this crisis and within this change you propose? Perhaps you could visualize, or we could propose or think that perhaps, within the Monetary Fund, there could exist a special subdivision for Latin America, to be able to visualize or develop policies that truly help the financial development of the region which is facing a marked recession, in part the result of what you have already explained.

We recall that another prominent economist from your country, Mr. Jeffrey Sachs, also severely criticized the International Monetary Fund, regarding its policy parameters of structural adjustments.

LaRouche: I appreciate very much what the outgoing head of the IMF had to say recently. It was not much reported in the United States, where we like to hear illusions in our mass media and from our politicians at this stage. But Camdessus, like many people in Europe, said the system is on the edge, and that the thing they're worried about, is the immediate collapse of the financial market in the United States, especially the so-called NASDAQ, the so-called Internet stock bubble.

We're also concerned, in Europe, and among real people around the world, about the Japan economy. Leading people in Japan have said the thing is ready to blow, and they're right, it is ready to blow. Japan is rotten-ripe for a financial explosion, like Germany, a hyperinflationary explosion, or something tantamount to that.

Europe admits that. Leading voices in Europe, bankers I know, top bankers, central bankers and others I know in Europe, say the same thing. Only in the United States and in the U.S. press, do you have an outpouring of these delusions about the stability of this market.

What was called derivatives, I think there are two kinds of them. What these are—I don't know what goes on, I don't know how much gambling goes on in private life in Peru these days. But in the United States, you have a phenomenon which is called "the crap table," where people throw dice. And some people bet on the throwing of the dice, directly. But you generally find, in these gambling centers, that more money is spent on the side bets, than on the actual investment in the throw of the dice: people gambling as to how the thing will turn out.

Now, the derivatives market, the major financial market today, the over $300 trillion of short-term obligations which are crushing the world, the most explosive part of the thing, these things are nothing but gambling side bets. My approach to these, is, cancel them. Tell the debtors and the creditors—just mutually cancel the whole thing. It's a pure waste of time, it's only gambling. It is not investing, in the sense of investing in production, investing in product.

Peru's Huaynapicchu Mountain. "If we look at some of the undeveloped areas, the highland areas," said LaRouche, "we realize that Peru is an excellent investment proposition, if it's given the means to build the infrastructure, and also get the credit to develop the kinds of industries which fit its opportunities, and which enable it to raise its productive powers of labor."

Now, what will have to be done, and Camdessus is already aware of that, obviously, in his outgoing manner, shall we say; and, what we're going to have to do, is, since the IMF is nothing but a creation of nation-states as powers, is to enlarge the club of the nation-states, who are the controllers of the IMF, and to bring in more representative participation of so-called developing countries, particularly major developing countries, in having a voice and actual control over the new IMF system.

We're going to have to reorganize the whole thing. We're going to have to put the IMF itself through financial bankruptcy reorganization, and other kinds of changes in bankruptcy.

Now, what I would do on the question of the Americas as

such, under that arrangement, is, as I proposed back in 1982, in a book which was called *Operation Juárez,* which had some popularity in the hemisphere at that time, but not with Henry Kissinger; that, what we should sponsor, is a special monetary trade arrangement, within the Americas, among the states of the Americas, which the United States could co-sponsor.

And, on some general idea and agreement on development projects, we would then be able to write off paper on a long-term basis at nominal charges, and use otherwise unpayable debt, as a negotiable asset, financial asset, which is then used for the purposes of facilitating these kinds of long-term investments or long-term credit structures.

Now, for example, let's take the case of Peru, concretely. Anyone who's been there, as I have some years ago, knows exactly what infuriates me, as an economist, about seeing the condition of Peru. And when I look back to these aerial maps of what Peru was a long time ago—before the Spaniards arrived there, a long time before—we realize that this area, which is now considered semi-arid and undeveloped, can be developed.

And if we look at the sources of water in the area, if we look at some of the undeveloped areas, the highland areas, we realize that Peru is an excellent investment proposition, if it's given the means to build the infrastructure, and also get the credit to develop the kinds of industries which fit its opportunities, and which enable it to raise its productive powers of labor.

So I think that what we need, is what I said in the opening remarks, is a redefinition of some of the standards of the cost-accounting and finance, in accord with these ideas.

The question is this: What is the source of wealth? The source of wealth is not money. You could put money on the table all day long, and it will not create wealth. What the source of wealth is, is the productive powers of labor, a quality which exists only among human beings; that by educating the human mind, and by the discovery of new physical principles and other principles, and through cooperation on the basis of these principles, we are able to increase man's power in and over nature per capita, and per square kilometer. It is that increase in man's power over nature, per capita and per square kilometer, which is wealth.

Therefore, when we invest, we should be investing on a large scale, and on the small scale, in ways which take advantage of that principle. Our object is to educate people, to develop people, to foster scientific and technological progress, to foster cooperation in investment around these things, in order to increase physically, the net usable output per capita, so that people produce more than they have to consume to produce, essentially; that we get more out of production, than we have to invest to produce that increase in production.

Therefore, we in the Americas, must have a plan, in a sense, an indicative plan, as de Gaulle would call it, where we say there are certain things that these nations agree that they should do, and their partners agree they should be able to do. And therefore, we must organize trade agreements, investment agreements, financial systems, monetary agreements, in order to facilitate a 20- to 30-year long-term view of the development of another, next generation of those nations, assuming that if we develop one generation successfully, the next ones will help take care of themselves.

But that's my approach. We have to reorganize the system. It's going to be an emergency. Go back to the old Bretton Woods System, with learning the lessons and mistakes and advantages from it. Orient toward real value, orient toward the human individual, the sovereignty of the human individual, and the human individual mind, develop that mind. Engage in scientific discovery, use the discoveries of principle to increase man's power over nature. Take the desert and make it bloom.

Large-scale infrastructural projects. And promote industries, promote everything that causes people to be inspired to go out and make things grow. And on that basis, we can define a set of policies, which say, "This is sound accounting. This is sound financial practice. And wherever these policies are undertaken, we support them."

But we have to have, I think, a new definition, a redefinition of sound financial and investment practices and accounting practices, to fit the lessons that we should have learned from the catastrophic experience of the past 30 years.

What's wrong with U.S. policy?

Patricio Ricketts Rey de Castro: Dr. LaRouche, once more I have listened to you with great pleasure, and I am delighted to confirm your good health and your intellectual brilliance. I think that they are important today for the United States, and certainly for the Western Hemisphere, for the future relations of the United States and America. What concerns me is that these ideas of yours are presented in the course of an electoral campaign—they are not academic—you are a U.S. Presidential pre-candidate. And I was greatly surprised to read in the magazine of your organization, that your campaign committee on Jan. 24 issued a very strong statement, saying that the efforts of the U.S. political system to obstruct your campaign, had turned this United States election into a farce of all those principles which are universally recognized for free and just elections in a democracy. This statement is long and detailed with regard to the concrete facts behind this argument. [See *EIR,* Feb. 4, 2000.]

Now, Mr. LaRouche, you know that we are six weeks away from elections in Peru, and various U.S. institutions have come here as observers of Peruvian reality, and have made highly critical observations. The National Democratic Institute, the Carter Center, the International Republican Institute, the Washington Office on Latin America (WOLA), and other institutions have made very sharp criticisms of the Peruvian system.

My question is this: Are these institutions, which are so worried about the Peruvian elections, also worried about the

legitimacy of the U.S. election? With regard to your participation, are they helping the effort of American institutions so that the election in which you are involved is free, clean, and in accordance with international standards? What are these institutions which are proposing democratic solutions in Peru, doing in the United States? Thank you.

LaRouche: I'll give you an example of this. These institutions are generally associated with what's called Project Democracy, or the National Endowment for Democracy. They're offshoots. The International Republican Institute and similar things on the Democratic Party side are of that species.

Now, I've known this group for a long time, and they're not exactly the people I'd recommend. For example, this is the same group which is pressing for legalization of drugs in the hemisphere, as in Colombia, for example. They would like to do the same in Peru. They would like to bail out Ecuador, by using an Ecuador in great trouble, bordering the Amazon region, to bring Ecuador into a functioning part of a big surge of cocaine and heroin production, in this part of the world.

They don't like Peru, because they don't like the fact that Peru has defended itself against Sendero Luminoso [Shining Path] and its offshoots so successfully some time ago, under a President who I think has behaved courageously and correctly in that situation.

This idea, anybody who proposes the legalization of drugs, as some people in the United States, including people associated with the Carter group, implicitly, are doing, or the International Republican Institute, in Colombia and elsewhere, *are doing the same thing to the Americas, and to the United States, too, but to the Americas, that Palmerston and the British East India Company did to China in the Nineteenth Century*.

Palmerston's demand, which was the issue of the wars against China, was a demand that the Chinese legalize drugs! The Chinese did so, under gunboat pressures, and they destroyed China internally, and it took a long time before China was restored.

The same thing is being done in the case of the Americas. So, what they do, is they take a government, like the government of Peru, which defended itself ably with its military, with limited resources, against a major threat. It may not have eliminated the threat, but it brought it under control. And you compare the condition of Peru today with that in Colombia, where we know that our friends in Colombia had essentially the same ideas as the people in Peru, but in Colombia, they weren't able to carry it out. In Peru, they did. Some people can not forgive Peru that. It's that simple.

But, to understand it more deeply, people have to understand what the United States is. The United States is, was at one point, and is still implicitly, a temple of liberty and a beacon of hope for mankind. It was the first successful nation-state, durable form, constitutionally, which was committed to establishing a state on the principle that the only authority of government, is its promotion of the General Welfare of all of the people, and their posterity.

The Americas were inspired by this, or the United States in its best years was always concerned that the republics of the Americas would enjoy those same rights of sovereignty.

But we also have another group in the United States. This group, which is much closer to London than it is to my heart, are typified by New York bankers in the tradition of that great traitor, Aaron Burr, once a Vice President of the United States and the founder of the Bank of Manhattan, and by the Southern slaveholders.

Now, what we're seeing today, in terms of Project Democracy, in terms of the National Endowment for Democracy, in terms of what Carter's speaking for, what he spoke for as President, when he represented the Trilateral Commission, which is the same thing; what they represent, is the tradition of bankers and slaveholders, which have always been what I call, frankly, the treasonous element in the United States.

My problems inside the United States, have one cause: *I am outspoken, and fight for what I believe is what the United States should stand for*.

On the other side, I, just like Abraham Lincoln and just like John Quincy Adams, or James Monroe, or James Garfield, or President [Franklin] Roosevelt, in his policy with the Americas, or Kennedy, in his short term as President, say that the nation belongs to the idea of the General Welfare. Our power as a nation, is to be the nation which best represents the General Welfare of all of the people, and our posterity, and which wants an alliance, as John Quincy Adams articulated this, with other nation-states of the hemisphere around the same side, with the idea of the *common General Welfare* as the basis for our mutual relationship.

Well, these people don't want that. They have a utopian idea, and they want to shove that utopian idea on the world. They wish to disintegrate the existing nation-states of the Americas. They started by targetting the military: Eliminate the military, then you could easily break up the nation-states with various kinds of insurrectionary activities, as they're doing with the aid of the drug-pushers there.

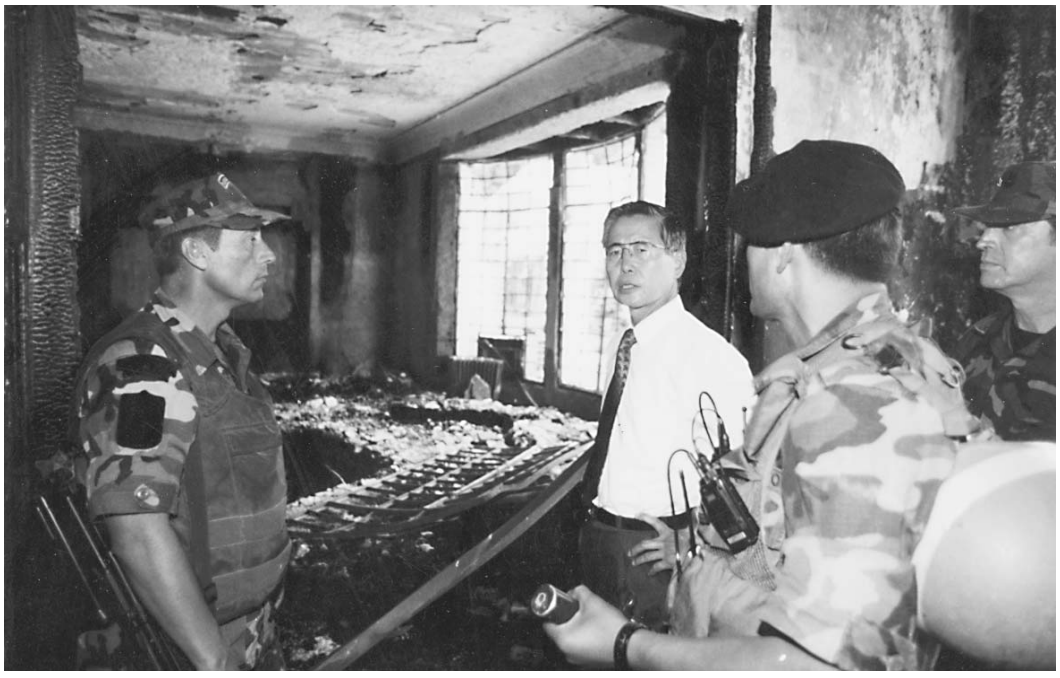
So one has to recognize: Yes, there are some people from the United States, including the Carter group, which are a little corrupt. And they don't like actual sovereignty of nation-states in the Americas at this time, or elsewhere. And they criticize any government, and want to destroy any government, that wants to stand up on its hind legs, as President Fujimori did, on the question of the drug issue in the last great struggle in Peru against the drug pushers.

That's the issue. And we, who understand that, should stand together, around the world, for the same principles.

The defense of national sovereignty

Luis Vásquez Medina: Hi Lyn, I am delighted to see you so healthy; the auditorium here is nearly full and most attentive.

Following the Peruvian situation, from your point of view,



Peruvian President Alberto Fujimori inspects the Japanese diplomatic residence in Lima on April 23, 1997, after the raid which freed the Embassy from control of the MRTA terrorists. Fujimori acted "from the standpoint of the political integrity of the country, that it must be sovereign; and it must be defended and must maintain its own internal affairs," said LaRouche.

I would like you to expand on the issue of economic policies recommended at this time. It is a moment in which the bubble has not yet burst, but we are undoubtedly heading in that direction. What measures should be taken?

President Fujimori has done very well, and is clearly recognized both at home and abroad, for his anti-subversive policy. In a certain sense, it is the basis for his popular support. But on economic matters, Fujimori has had a liberal program. The fact is that a country like Peru has a very small margin for being able to move within a situation like the present one; more so with all the assaults of globalism right now. But, it is also undoubtedly true that this system is going to collapse worldwide. In fact, what Camdessus is doing when he says that we are in the "twilight danger" of this whole system, is a recognition of this situation. A situation which, in the months, even weeks to come, could bring not only economic effects, but also political and social.

If Fujimori is reelected, it is very probable that we will be facing a government that will have the chance to make a policy reversal, when a critical situation occurs on the international level. But I also think that we are losing time. What chances are there to prevent the international effects from being so dramatic, or can the effects be diminished to the extent that measures of economic resistance, measures to defend the nation, are taken before the explosion?

What would be the measures that you would recommend, in the short term, that Peru or any other countries should take within the present situation?

LaRouche: The first line of defense, under these conditions: We're in a condition of extreme international turbulence, and therefore, you have to treat it like a war situation. That, if you can not control your own borders, you can't solve any of the problems within it. And thus, the first line of defense, economic defense, or any other defense, is the upholding of the principle of perfect national sovereignty, and the absolute integrity of the borders, as an expression of that sovereignty. If that condition is not maintained, nothing else is possible.

What I think that President Fujimori has done, so far—the reason Carter and others are attacking him, is that he's done just exactly that. He's said, from the standpoint of the political integrity of the country, that it must be *sovereign;* and it must be defended, and must maintain its own internal affairs.

The problem is, is how do you do other measures? You know, at an earlier time, particularly back in 1985, when we were there, and talked with people at that time, we had a number of things, which attracted us as being things to be done. Now, those things are not practicable in the same way, because we're in a war condition, and we don't have the resources which have been expended in the meantime.

I would think that, in Peru, what we will have is a practical defense of sovereignty, in which the state will be obliged to decide on economic matters, from one point to the next, *how far are they going to capitulate to the pressures coming on them from international institutions, which want to globalize and dissolve them.*

And, this is going to be a *gut matter*. It's going to be the intestinal strength of the chief executive officer and his people around him: Do they have the courage to defend the nation, when horrible demands are coming down on them?

For example, this attack on Peru, by Carter and others, is

an *attack!* It's an attack upon the sovereignty of the nation! Can the Peruvian people, can the Peruvian government *defend* itself—even a rear-guard action—against those and the other attacks that are going to come? You're going to have a major attack on the human rights issue: You have the filthiest human rights organizations—which might be called the New Opium War Policy people—coming down there, and trying to disrupt these states on the basis of human rights. The so-called "rule of law," coming out of Blair in Britain, is going to be coming down hard.

I think we have a very short time-frame, in which to talk about interim measures. I think interim measures will be *national defense measures,* where the will of the nation and its government will be *tested,* as to whether it will defend its borders and defend its *sovereignty*—pure and simple sovereignty. And whether it simply defends the welfare of its people, when foreigners come in and demand, that the people be sacrificed because of some economic or financial conditionality.

That's going to be the issue.

The issue in Peru, is going to be decided—What happens in Brazil? What does the Ecuador example mean for people in Brazil, who are looking at what's happening to Ecuador? The instability in Ecuador is a threat to the security of Peru. People are going to look, especially at Brazil, as well as at Bolivia. They're going to look at other states in the Americas, and states around the world. A state which is not powerful enough to stand up *directly* to major powers, is going to seek allies.

My concern, at this point, is to say two things: First of all, we're on a very short fuse. There is no long-term perspective. We have a short-term period, which is crucial, in which we must defend national sovereignty, by any means possible. We must look toward *new arrangements,* which can be established under conditions of crisis, which you will probably have to wait for the crisis to do. We must, at the same time, think about what we will do *after* the negotiation of new conditions, and think about committing ourselves, now, to those policies of development which are necessary.

For example: The first foundation of economics, is education. The development of the cultivation of the cognitive powers of the mind of the individual, is the *first* foundation of true economy. The health and welfare of the family, is also part of the same thing. The programs of education, programs of technological improvement, programs of national self-sufficiency in food production—all of these measures—programs of infrastructural development—all of these things must be considered, *and a plan must be developed, for what we will do, when we have the opportunity to do so.*

In the meantime, use those intentions as a guide, to the kinds of emergency actions we take from step to step, as we go along.

I use, as you know, a model of what Lazare Carnot did, in 1792-1794. When Carnot was faced with a nation, which was invaded from all sides, by armies of all the rest of Europe; France was about to be overrun and dismembered, by these conquering armies. Carnot, who was a genius, acted, with almost nothing to work with, to *improvise* solutions, to defend the nation, to secure victories. But, in the same context, proceeded *immediately* with a plan of technological mobilization. He made an economic, as well as military science *revolution,* in the technology of warfare, within two years. And France became, for a long time, an undefeatable force, on the continent of Europe, as a result. And, had Napoleon not wasted the opportunity, France would have never had the problems it had later.

The same thing applies here: We have an impossible situation, with *very* limited resources; we *must* have a clear view of what we want to do, once we get to the point of negotiating a new world economic order, a new monetary order.

We must defend ourselves in the meantime, with *those ideas in mind.* And, when choosing a policy, choose it on that basis; try to build into the future.

But, the key thing is: We need a unity among forces around this planet, who are committed to the idea of the *sovereign nation-state,* the idea that the individual person, is made in the image of the Creator. And, nations have legitimacy, governments have legitimacy, *only to the degree, that they defend, and develop, that quality of the individual.*

That is our essential program.

What I would do—you know what I would do, in terms of Peru—I would say: "Let's take the water—let's match the water supplies with the areas that have no water. Let's look at the maps of the past, and look to the future, and see what can be done. I think we can have a beautiful job there. I think that the President would have to change many of his views, to a more dirigist, or, shall we say, a more Gaullist, approach, to the situation in Peru.

But, I think, in reality, apart from measures of national self-defense, that will occur, out of the process of defending the nation against the attacks on its sovereignty today. Including the political attacks, such as those coming from the so-called human rights organizations, or Carter, and the economic and financial attacks, coming from the globalizers.

And, my view is one of solidarity with Peru, and every other country of the Americas, and elsewhere, which is trying to defend itself against that onrush.

As in war: You get to the point, you fight the war, you fight to maintain the integrity of your fighting forces—number one. But, you're waiting for the opportunity, when, like Frederick the Great at Leuthen, you find the opportunity, even with limited resources, to outflank the enemy and crush him. And, that's the way I would play the game.

Yes, I think you know what my long-term ideas are, for Peru and other countries. My concern now, is to *maneuver,* to defend sovereignty, defend these nations, and *prepare to act,* with a certain amount of élan, when the opportunity presents itself.

Runciman Saettone: Now things are getting a little hotter. We are now able to understand a little better not only your economic, but also your political proposals. I have concerns similar to yours. I believe that the situation in the world today is not totally under control. There is an international situation that could be compared to a balloon that could explode at any moment in this financial environment.

But what struck me, and that is why it was my first question, was why would one want to return to a monetary system, if the problem in our country is not monetary, but one of production? The issue is production. The issue is the capacity to generate resources to guarantee life, to guarantee food security in a country like ours. This is the kind of preparation we should have for any situation of war, how to have our granaries filled, to be able to guarantee life during a difficult period in the world.

Now, why, on the political level, should we opt for a person who, despite being a professional agronomist, has not made an agrarian policy adequate to generate the resources needed to have these warehouses, these granaries filled? Why concentrate on mining? Why, if we have reached a very interesting level of net international reserves such as we have never had before—in 1998, we had reached a record level of net international reserves, according to the information provided by President Fujimori himself—we can see that they have been used to buy weapons, even though the conflict with Ecuador had already ended.

I don't understand why we aren't using, not only foreign investment, but also our own reserves, that are in our international net reserves, to better our productive activity, to analyze and to live on the basis of the geography that we have and to be able to protect ourselves from any world-class explosion. First question.

Second question, on the political level: I don't want to sacrifice human rights in Peru on the basis of someone wanting to remain in power for a third term. I don't know if you are in agreement with me.

LaRouche: That's not the problem. The point is, sovereignty is the primary thing I'm concerned with. And, in this economic matter, when I say monetary system, I mean a system, which involves prices, setting up price levels; it involves lines of credit; it involves long-term investment policies. It involves also a conception of what the nation needs to do. For example: First of all, as you say, national food, economic food security, is a primary concern. A nation that can not feed itself, is not efficiently sovereign. It's vulnerable. The development of food production, per capita: the increase of the productivity of farmers; the increase of the productivity of land-area—extremely important. The ability to produce enough food for the whole population, without maximizing the number of the farmers.

On the military thing: I've emphasized that, I would hope, that we may be coming—hopefully, in the near future—to the time that warfare is a thing of past history. I would hope that we can establish, on this planet, out of the *horrible* experience we're now living through globally, a sense of what John Quincy Adams proposed, as a community of principle among nation-states, sovereign nation-states.

But, in the meantime, we still need military forces. We've had a view, in the past, about what military forces ought to be: You had two groups—the oligarchical group, the cavalry, or the infantry, throwing the peasants into warfare in great numbers; the cavalry charging. But, then, you had the engineers and the artillerymen, the science. And, in Europe, in the course of the Eighteenth Century and earlier Nineteenth Century—and in the United States, too, after 1814, in particular—we developed a military system, which, at that time, was based on engineering training: that the military cadres should be engineering cadres, officer cadres should be engineers; and that the army, the military, should be *nation-builders*. That, not only should they be capable of defending the nation, but that they would be better able to defend the nation, if they were also nation-builders as engineers. Undertaking large-scale projects, like the Corps of Engineers used to do in the United States—water projects, large public works. That, also, in the military area, science is crucial, and military people should be trained as scientists, because they're not going to remain in uniform forever. They should be trained as technologists and scientists, so as they have an interchangeable relationship between their functions as defending the nation, and building it. That military forces should be a *resource of the nation*—they should be an engineering force, which is building the nation, helping the nation to build, not just preparing to shoot.

And, as Carnot demonstrated, and others, those militaries, which are the best engineers, will become the best soldiers, when they're needed as soldiers.

We have many things—like roads; in Peru, we have many other things, infrastructural things. So, I think these are not contradictions. It's a question of what gives policy its shape.

We also have to have a conception of plan, in terms of monetary policy: What percentile of our labor force, at this time, should be optimally employed in each category of production—infrastructure, various aspects of that, maintaining infrastructure, agriculture, light engineering, heavy engineering, science as such, science-driver programs, education, and so forth? That one should have a general conception of the division of labor, the physical division of labor, within the population, among the adult population and among families, which is necessary at this time, to realize the optimum result of economic growth.

Monetary policy should flow from an appreciation of those considerations. International monetary policy should flow from an appreciation of the same kind of considerations, in terms of division of labor among countries, and their respective and mutual development.

I think that should be the standard.

"Monetary" should not mean *"money."* Monetary means

the creation and management of a monetary and financial system, to ensure a society to be able to *consciously organize itself* by certain criteria of nationally chosen objectives. These may not be *planned* objectives; they may be *indicative* objectives. But, the idea, that, when someone comes into a bank to get a loan, the banker knows what the national policy is, and can encourage the fellow: "Yes, I'll give you the loan," or make some other suggestion.

So, when I say monetary policy, I do not mean just a money policy: I mean that there's a *clear conception* on the side of the economic authorities, as to what is good for the nation, and what is good for the world. And to try to take scarce resources and scarce investment resources, and to create credit, so these resources can flow to the areas which are our agreed consensus objectives. With a great deal of flexibility for individual initiative in undertaking, in picking up on these options.

International trade policy

Lizárraga Pérez: Dr. LaRouche, you have very clearly explained that one of the strengths we are going to have in the future is fundamentally going to be in production. It is a very interesting concept, within the crash that you predict is pending. My question, first, is a reminder that, during the sixties and seventies and part of the eighties, both Latin America in general and Peru in particular, applied the ECLAC [UN Economic Commission on Latin America and the Caribbean] policy of inward-oriented development of the economy. If we are to encourage a growth of our production, as you recommend, where we have a series of zones of agricultural feasibility, among others, for example, and besides our characteristic of mineral and other production to which we add value, our need is also to share these products with other countries of the world. One of the main markets which every country seeks, is always the United States.

In an eventual government under your Presidency, what would your policy be with regard to trade, to a policy of international trade that we could have, especially the nations of Latin America, and Peru in particular? Because there are our products which have export quotas, such as textiles for example, where we would like to have greater participation, but we have a lot of Asian competition, and as you have said, it would perhaps be convenient to have an inter-Latin American or pan-American preference or support. And we also would like to know your opinion as to how we could channel this trade, and this policy of international trade, with this new vision that you propose to us.

LaRouche: Well, I'm a protectionist. I would say, we should set—the idea is to have prices inside an economy, which allow that economy to maintain conditions of life of its employed productive labor, prices which foster investment in technology in that production, and negotiate price levels, on trade and tariff levels among countries, which foster the development of those industries and their prosperity in *each* of the countries which are producing and exporting.

So, the first thing is, to set minimal price levels, which assure that.

The other thing is different, that I would change, fundamentally—

Let me give you an example of China, because it's a very hot issue with this WTO issue, right now, in which I consider the policy of China and the United States a mistake, concerning the WTO. Now, there may be many people in China who don't agree with that, but I'm not going to get into that, here. China's had an indicative growth of about 8% per annum, in the most recent period. I think it's a fair estimate. But, that's a gross figure. That is not really a net figure. Because China's better-paid population, has been concentrated traditionally along the coastal areas, which is probably from the time that the Chinese were visiting Peru, many thousands of years ago, when they were a transpacific maritime culture, and, they, of course, developed what became known as Quiché Maya in Central America. But, the interior of China, is very poor people—lots of very poor people. They're very diligent, they're very industrious; China's food production is a miracle, when you consider their technologies and their situation. They're very efficient. But, the condition of life of the Chinese is very poor.

Now, if the objective is to raise the standard of living, and the standard of productivity, in China, what they need is *not* to use cheap labor, in China, to export goods, to dump them cheaply on the world market. What China needs is the ability *to retain,* not to sell at the cheapest prices, but to retain its revenues through capitalization. Because what China needs, is more capital. They need the capital to develop a million new towns and cities. They need the development of the countryside. This requires *capital*. This requires technology.

Now, under those conditions, China can prosper.

India has a similar problem. India has almost a billion people, with one of the highest population-densities in the world—unlike Peru, or unlike most of the countries of the Americas. And, it has increased the urban population. Among the urban population increase, there has been some improvement in the standard of living in India, in recent times. But, the number of the poor has grown more rapidly—and the desperately poor—than the number of those who are better-off. So, therefore, the problem, again, is *capital development*. Large-scale infrastructure, water projects, power projects, things of that type.

Peru needs the same thing. Peru needs a large capital infusion of the things that enable the productive power of labor to increase.

Therefore, as I said before, my view of what we must do, in creating a new monetary system, is to *think rationally in terms of a world division of labor,* whose purpose is to take those parts of the world which can contribute high technology—capital goods technology—to deliver these at the lowest credit rates, like 1% per annum, to those countries which

need this technology. And, to deliver it on terms appropriately to 5-, 10-, 15-, 20-, or 30-year terms. With grants. With special conditions. So, those parts of the world, including *within* nations, which can develop high-technology capabilities, must specialize in exporting those things — not going into competition with their neighbors on other things — export those things to countries which need that. To create that export market, we must have *a large growth of credit,* to replace the big debt bubble we have now. That large growth of credit must be at the lowest interest rates, on long term, and must be a 5-, 10-, 30-year capitalization of the increase of the productive powers of labor, in the countries which are importing technology.

Under these terms, we would raise the prices on world market of goods, to end this dumping tendency with cheap labor. You see what's happening in the *maquiladoras* district of Mexico: This is slave labor! People there are working to produce for the U.S. market, but they can not maintain their own bodies, on the wages, the standard of living they're getting in those conditions, in many cases. *We must not have that!* We must not have a cheap-labor paradise.

We must build up the populations!

So, therefore, the basic conception, is: Go to the conception of *physical capital,* as opposed to just money capital.

We must organize our trade relations, our production relations, our tariff relations, in order to enable *each country* to pick its objectives, and to obtain agreement, to tariff and other trade agreements, which will enable it to meet those targets. In order words: If Peru wishes to build up a textile industry, then we should set trade agreements and tariff agreements, which foster its ability to do so, and help provide the credit needed, to capitalize that development, and make it more efficient. The same thing for agriculture.

We also should be concerned, at the same time, not to have an absolute division of labor, between high-tech and low-tech countries, but, rather, as in Peru: The concern would be to take and build up more science, in Peru itself. Because, it's from the science and engineering education in Peru, that we will get the cadres who are able to lead the population in their general development.

So, that would be my general idea. Think of a world division of labor, a *rational* division of labor. Think in terms of a 30-year term — a generation, or so. Think about a rational division of effort, and markets, and, of plans. And let the nations themselves say they wish to do this, they wish to do this. And let us come to agreements, which enable that to work out over the next 20 to 30 years.

The basis for a continental dialogue

Ricketts Rey de Castro: Nearly 40 years ago, in Latin America, we thought in terms very similar to those you have been explaining today. Since the Kennedy era, when the dream of getting closer to the United States seemed to gel, and the Alliance for Progress came, and all that, a tendency emerged here in Latin America toward a continental dialogue, so that your protectionism and ours could somehow coordinate and reach an advantageous solution for both sides. There were attempts to advance, in this sense; I remember there was much talk about a Latin American agreement in Santiago in the sixties, and the beginning of a dialogue with the United States appeared.

And it wasn't until the era of President Carter, among others, that it was said: "No, the United States doesn't have to have a dialogue with the continent. They are going to talk with each individual country, and we will understand each other, one to one."

And then came the thesis of the market as the universal solution, but we all know that in the market, as in the ocean, the big fish eat the small. So much so, that this became a little disturbing to us, that instead of a rational solution, we were offered the market and the ocean.

Well, so things went. The institutions of dialogue disintegrated. The OAS [Organization of American States], for example, is a shell which is practically useless, and to replace the idea of dialogue, they have come with this idea of human rights. Thus, the theme of dialogue with the United States is going to be human rights, instead of all the other issues — economic, financial, etc. — that concern us and could help resolve our problems.

So, my question is this, Mr. LaRouche. Following the thread of your thoughts a few minutes ago, what do you believe should be, if you were President of the United States, the agenda for a continental dialogue? What is it we must do to truly improve relations and become a little more rational and have a more human, more real, relationship, instead of these human rights missions that come every six months to tell us what we should do? Thank you.

LaRouche: Well, Mr. Ricketts, this is easy for you and I, and people of our generation, because we remember, we remember a time when certain things *worked*. We lived in a society, where we took for granted that certain things were supposed to be policies, and they worked. We had our criticisms; there were shortcomings — this was not a paradise. But, we had a society we could tolerate, because it *worked,* even though there were many things wrong with it.

And, we come now to a situation, where it's difficult for people under 55 years of age — because of the changes that have occurred, because they were not mature people at the time these changes came in. These changes came in, in the middle of the 1960s to the beginning of the 1970s. They came in throughout the Americas; they came in differentially, at different rates, in various countries. But, they came in. So, the generation which has grown up and grown up into many leading positions today — the professions, and so forth, and in politics — does not really have an adult knowledge, an adult memory of how things used to work, better than they do today. That view that these things are wrong! These are not different things, that we've learned to do differently; these were mistakes! But, people who've grown up adapting to mistakes,

basing their careers, their life, national policies, on mistaken ideas. And, they've become conditioned to it.

Now we come to a time, which is typical in the history of civilization. Let me just put it this way: There's a general problem of humanity. All people are capable of cognition; every person is capable of recognizing that discoveries of ideas, universal principles, which is not possible among the lower animals, is possible for all human beings. Provided that we, as human beings, through a process of education, and family life, assimilate those lessons of universal principles we obtain from our forebears.

In that sense, we think of ourselves as improving upon this, and passing on improvements, with the benefits intact, to new generations. And, therefore, we think of ourselves—if we're like that—in terms of living as individuals, in the simultaneity of eternity. We think of ourselves as a *living part* of a long process, such that we are permanently part of that process, just as our ancestors were before, and people who come after us. It gives us a sense of *a moral sense of being*.

If you have a society, in which people live for a sense of pleasure, greed, satisfaction, entertainment, rather than from a sense of the fact that they're going to die, and think about what their life will mean, having been lived, once they die; think of what they should do with their life, to make it meaningful in the larger scheme of things.

What happens, because people are small, as Solon of Athens wrote in a famous poem, which is sometimes called a constitutional poem, to the people of Athens. He said: I led you out of a terrible mistake, out of slavery. I removed the mortgage stones. I freed you. Now, I see tendencies, you're going back to your old ways.

The problem in history has been, that, despite the net progress which has occurred (as in European civilization, for example), that civilization and nations have, again and again, after coming through a period of liberation from great troubles, have gone back to their old, selfish, greedy, foolish ways. New fashions come in. Generations acquire habits, which they call the *vox populi*—popular opinion. And, like the Romans, they walk their way to *doom,* in their own pleasure-seeking, and their own conceits, with habits! Then, in a crisis, sometimes, leaders come forth who are able to cause a population to recognize the crisis, and to adopt polices that are workable, to get out of it.

And thus, nations like the United States, which has gone through this a number of times, have gone to the edge of doom, because of the follies of a whole generation, or two generations, and then have been led out of that doom by leaders—when we are fortunate enough to have the leaders to do so.

We're in such a time now.

And those who are senior, or those who have the imagination, to understand that our problem is not just a financial problem, it's not a this-problem, it's not a that-problem. The problem is, the nations of the planet, the people of the nations of the planet, have become corrupted, like the Roman proletariat, corrupted by going to the Colosseum to enjoy the spectacle of lions tearing Christians apart. That's what our problem is.

And therefore, we come to a time, when people of imagination and wisdom, must reach out to people under 25, especially, the young people who are coming up in the universities and other capacities—under 25—inspire the young people, and reawaken and educate those between 35 and 55.

I think that's the situation we're in. That's what we're really about.

Yes, this is a terrible crisis; it was caused by the folly of almost two generations. We can get out of it. The ideas exist, if we awaken people to these ideas, and if a crisis gives the opportunity, for such leaders to lead people, we can survive.

My hope is, that finally, we can get to the stage where *we do not keep repeating that cycle of recovery and sliding into doom once again*.

And this is what we're faced with right now. That's the way I view this. I've been through this experience; I'm an older person: I lived through World War II. I lived through the Great Depression, as a cognitive person. I saw the changes that happened in the 1950s. I saw the changes in the 1960s. And, I can say, with absolute certainty, and the ability to prove it, that the policies that prevailed up to 1970—while they had many defects in them, injustices—were far superior than the *failure,* which has predominated in the trends of the past 30 years.

And, *that's the issue*. And, I would hope, that, somehow, we would not only overcome this crisis, but I would hope that humanity would finally learn a much-needed lesson, the kind of lesson that Solon of Athens, in his poem, tried to convey to his fellow Athenians.

Let us lead us out of this mess! And, let us hope, that in solving these problems, we lay the basis for future generations, which will not go into some kind of depraved, hedonistic kind of degeneration, as the past generation has done. And think about themselves as individuals, who live in the simultaneity of eternity, and find, in this mortal life, some *meaning,* some durable meaning, which enables them to go to their grave with a smile on their face.

I would hope we can do that.

Reverse the decline in education

Vásquez Medina: Following up on your last statement, which was the most profound and the most important. The problem of the economic crisis we are experiencing, has a spiritual element, a cultural side. And our countries of the Third World, Peru among them, have many cultural deficiencies. What is transmitted as culture in our countries, is a reflection of the worst of U.S. culture, which by itself is bad enough. Undoubtedly, education has much to do with this.

We have a great many deficiencies; I think that for a long time—I'm speaking of Peru—there has not been any proposal

"What we need," said LaRouche, "is a spiritual kind of education, which is emphasizing the one quality of the person, which sets the person apart from the animal! Now, animals can learn; chimpanzees can learn. But, no animal, can convey a universal physical principle or artistic principle." Shown here: participants in a UNICEF literacy program in neighboring Bolivia.

for generating a genuine cultural leap. There is also pragmatism on the part of the government, in this respect. Clearly, many new ideas are needed. What is needed is the best of culture, the best of the spiritual advances of humanity, to be able to understand the kinds of changes, the kinds of alternatives, we need to undertake in educational terms.

I would ask that you continue with this idea of education, and concretely, tell us what you would propose regarding what needs to be taught our youth, and with what methods. And also, if you could speak in terms of higher scientific strata, what do we need in this sense?

LaRouche: Well, Peru, as you know, and as I observed in my short stay there, has—a part of the country is fairly arid. And therefore, children can easily go out in the evening, on many available clear nights, and can look at the stars, and the planets; and, with the help of good guides, can discuss things, such as, "Well, how did people living in Central Asia, 6,000 or more years ago, measure the vernal equinox cycle of nearly 26,000 years, with rather credible precision, when, apparently, they only had very simple things, like pieces of rock and wood, with which to construct instruments, to make the angular measurements necessary to build such a fine system of astrophysics?"

The problem is, we depend today, particularly, with television, with other methods—we depend too much on teaching children to repeat what they read in a textbook, or on a blackboard. We don't take them out (or adults, either), to develop their minds, by showing them that they are capable of an *act* called cognition. That they are capable of reliving the discoveries of the great, universal physical principles, discovered by people thousands of years before. If a child is educated, not on the basis of textbook learning, and formalism, but on the basis of concentrating on *reliving the act of discovery,* of often-known personalities, sometimes thousands, or hundreds [of years before], or the shorter-term past, the child will get a grounding.

The same thing is true, in the sense of art. I've used recently, as an example of that—I think it's a wonderful experience, if people are capable of showing children how this works. If we could take a good photograph of the Leonardo da Vinci *Last Supper* in Milano, and put it on a large wall. And have the children walk in front of that, or even adults, as they could in this Milan chapel, where it's located, and see the wonderful changes which Leonardo introduced to his method of painting. In that case, their eyes would open up, and they would realize that there's an artistic principle here.

They get the same thing from the great Classical compositions of Bach, if they're understood, if they experience them, and things like that.

So, what we need is, a spiritual kind of education, which is emphasizing the one quality of the person, which sets the person apart from the animal! Now, animals can learn; chim-

panzees can learn. Mother chimpanzees can teach the children chimpanzees tricks that the mother has learned. *But, no animal, can convey a universal physical principle or artistic principle*. No animal can do that.

It is that quality, in the individual human being, which, from the standpoint of science, sets man absolutely apart from, and above, all other species. And defines man as even Genesis prescribes, as given the power to exert dominion over *all other things in this universe*.

Now, if a child has an appreciation of *that,* through the experience of cognitive experiences, by teachers who have insight, and do that—like taking children out to look at the stars, and actually try to understand the principles of laws of nature, by looking at the stars, and seeing how they change. If we do that, then the child has not only knowledge—in the sense of knowledge of physical principle—but, the child has direct knowledge of that quality in the child himself or herself, which sets him apart from all animals. And thus, defines the relations among human beings, as relations defined in terms of that quality which sets the human individual apart from the beast.

That simple core, of principle, in a general educational policy, is what I envisage as the basis for rebuilding society morally and intellectually.

Trujillo Meza: Mr. LaRouche, good evening. As dean of the College of Public Accountants, I want to greet you on behalf of my board of directors, on my own behalf, and on behalf of the president of the Finance Committee and its members, and on behalf of those attending this event, and to tell you that your presentation was truly extraordinary, and is consistent with the position you frequently expound in your magazine and in your newspaper.

I have always thought, when reading those documents, that you were a radical, politically speaking—perhaps we could say a revolutionary—within the Democratic Party on the economic and financial world level. And President Clinton, who is a Democrat, should hear you and improve the policy of the United States, above all for Latin America and for the rest of the world.

On behalf of the board of directors, on my own behalf, and on behalf of the Finance Committee, and those attending this event, we want to congratulate you for your participation and for your excellent speech. Your position is very interesting and favors the developing countries. We hope that you become President of the United States, and are able to make your ideas a reality, that we could benefit from that opportunity.

The event has really been a success, and I especially want to thank the participants whose attendance has underscored the importance and relevance that such a conference merits.

I thank you very much, Mr. LaRouche, and want to say good-bye with this affectionate applause, to which I invite all those attendees as well as the panelists to participate.

Peru is under fire from the globalists

by Luis Vásquez Medina

With a scant month to go before the Peruvian Presidential elections on April 9, and with President Alberto Fujimori certain, according to all the polls, to be the winner of the first round, a furious international campaign has been unleashed against him, headed by a cluster of international organizations which claim to be defenders of human rights and democracy. Behind this campaign is the intention of the international financial oligarchy to destabilize and, if possible, overthrow the Fujimori government, and to install in Peru a regime more servile to its plans for the region: to establish a chain of narco-nations through the South American Andes, including Venezuela, Colombia, Ecuador, and Peru.

This oligarchy has never forgiven the Fujimori government for:

1. In April 1992, he temporarily closed the Congress and Supreme Court, in order to conduct a successful war against narco-terrorism.

2. In September 1992, he captured the top leader of Shining Path, Abimael Guzmán, who received a life sentence.

3. In April 1997, he recaptured the official residence of the Japanese Ambassador to Peru from the hands of the Tupac Amaru (MRTA) narco-terrorists, without caving in to their demands.

4. By the end of the 1990s, Fujimori had reduced coca cultivation in Peru by more than half.

In early February of this year, the Carter Center and the National Democratic Institute for Interntional Affairs (NDI) of the United States each sent commissions of "observers" to Peru, which included two former Ibero-American Presidents. In the joint report issued at the conclusion of their "observing," they declared that "there do not exist the necessary political conditions for free and just elections," and that the Peruvian electoral process "does not comply with the international standards necessary to be qualified as democratic."

On Feb. 11, the two delegations held a joint press conference, presided over by former Costa Rican President Rodrigo Carazo. Also at the podium was Guillermo Márquez, former president of the Panamanian Electoral Court; Gerardo Le Chevallier, NDI director for Latin America and the Caribbean; and Shelley McConnell, associate director for the Carter Center on Latin America and the Caribbean. Their report was immediately embraced by U.S. State Department spokesman James Rubin, who said: "The United States government welcomes, and essentially agrees, with the recommendations is-