LaRouche Interview Online in Italy: Eliminate Maastricht, Or No Europe

The Italian online daily, Affari Italiani (Italian Business), *on Jan. 20 published this in-depth interview with Lyndon LaRouche on the current strategic-economic crisis. The interviewer was Amedeo Valli, whose questions were translated by Andrew Spannaus for* EIR.

Affari Italiani: Mr. LaRouche, when the markets were at their peak two years ago, you were one of the only economists, possibly the only one, who foresaw the crash. The Italian people are very confused, and they are wondering when they will be able to get their savings back. So can you tell us when you think things might change?

LaRouche: Well, they're not going to change spontaneously. We are in what some economists, especially Social-Democratic economists, forecast or discussed at the beginning of the Twentieth Century—that is, before World War I—discussed as a theoretical possibility of something worse than a depression, a general breakdown crisis of the system. What we're in now, if it is allowed to continue, cannot go anywhere except to a generalized breakdown of the system.

So, therefore the question is, what kind of an intervention could prevent a general breakdown from occurring? What are the measures that have to be instituted to cause a reversal of that trend, at what is now a fairly late date? Essentially, the answer for people who study the history of the postwar period, or from 1933 on, particularly from the inauguration of President Franklin Roosevelt in the United States, [is] that in the postwar period, from 1945—a little earlier for Italy in some respects—but from 1945 until about 1963-64, the world was operating on the basis of international monetary and economic agreements which were highly protectionist, were based on a fixed-exchange-rate system among currencies, and had, at that time, the purpose of utilizing the liberated productive capacity of the United States to supply especially Western Europe with the capital goods and, initially, foodstuffs required to enable a recovery in Western Europe.

So this system, this so-called postwar, Bretton Woods, or fixed-exchange-rate system, worked very well—with injustices, admittedly—but very well for the Americas, for Japan, for Western Europe, during that period of 1945 to about 1964. We had subsequently, beginning really with about 1965-66, but most emphatically in 1971, with the introduction of a floating-exchange-rate monetary system, the entire system has been in the process of long-term decay over a period of about 35 years to date, and what we are now in, is the end-phase of a cycle of decay which started actually in the middle of the 1960s.

So, if we compare what made the 1945-1964 period work, with what has not worked, obviously, at this point, then we can, from that, draw certain conclusions about what policies we should reverse, and what kind of changes we should make immediately in financial-monetary-economic policy to start a recovery process and stop this crash.

Affari Italiani: So, there is no alternative to changing

Italy's daily on-line business journal published one of the most thorough major interviews with Lyndon LaRouche on the global crisis, especially the economic predicament facing Europe. LaRouche's policies are widely debated among business, government, and church circles in Italy.

the system?
LaRouche: None.

Affari Italiani: I would like to ask a question about Europe, and the euro. Europe is changing, the Maastricht Treaty is operative, and we have now changed the currency. Many people say that this is an opportunity for development. What do you think?
LaRouche: No, it's not. Because under the present agreements—now, the agreements could be changed—but under the present agreements of Maastricht and the present policies of the European Union, it is impossible to do what is indispensable to save the economies of Europe from a general collapse: rolling perhaps from Poland, which is the most likely nation to collapse, rolling down across Germany, across France, across Spain, into Italy. So, without a change in the character of this Euro agreement, a change in the Maastricht agreements, to allow for nation-state mobilization of long-term, low-price credit for capital investment in physical production—without those measures, it's impossible that Europe would survive, politically and economically, as nation-states, under the conditions of the euro today.

Affari Italiani: Tommaso Padoa-Schioppa said that in the present [Maastricht] agreements, the thing that can absolutely not be changed is the Stability Pact. What should the Italians do in this situation?
LaRouche: That agreement, on the Stability Pact, should be eliminated. It has to be eliminated, otherwise there is no chance for the survival of the economies of Western Europe. The problem here is, that this idea is a result of radical monetarism, and it's an attempt to maintain the theory of inflation of these radical monetarists, and to impose that upon the future generations of Europe, if there are any; which is the problem. That is exactly what must be eliminated. What is needed is to establish a set of fixed parities among currencies, to establish low-cost credit—we're talking about 1-2% credit, generated by the authority of governments and by agreements among sovereign governments. This credit should not be allowed to float freely on markets, but rather, should be directed into areas of investment which will benefit physical production and benefit the general welfare of households and farms and so forth. That is the way it has to be done. That requires a general recovery program, as opposed to—and in this case you must eliminate that Stability Pact. Otherwise, no Europe.

Affari Italiani: The Nobel economist Franco Modigliani recently said that the situation in Argentina is serious, but Argentina is a small country and not so important, and thus, will not have any significant effect on the world economy. What do you think about this, and how do you see the Argentine crisis?
LaRouche: It is having a tremendous effect, but it's not the biggest effect. The only degree to which the Argentina crisis is being exaggerated is that people are focussing on it so much, that they are now focussing on Argentina to pretend not to see the really big explosion which can sink the entire system. If the Japan yen goes under—as it can, in this quarter, even earlier—if the Japan yen goes under, the Japan banking system goes under, the dollar will collapse with it, and the whole system will be gone. So therefore, Argentina is a warning of the crisis, one of the many warnings of the crisis, but it's not the biggest one.

On Argentina, one should recognize, of course, that Argentina, earlier in the last century, was, at various times, third or fourth in the world in standard-of-living and economy. For example, in the immediate postwar period Argentina developed the first aircraft we called the MiG fighters. These were developed, and produced, about 25 of them, in Argentina, using the plans developed in Germany at the northern end of Peenemünde, in the aircraft development area. So the MiG in Russia was a copy of this German design during the war. It was never built by the Germans, but the design was made. Twenty-five of these things were produced at the end of the war, before the Russians produced one, and were produced in Argentina. That is only typical of the exceptionally high quality of the labor-force, the tradition, the economy generally of Argentina, which has been ruined since then.

What has been done, is that you would never send the IMF, which has ruined Argentina, to tell Argentina how to recover. So, saying Argentina is not important is whistling in the dark; it's extremely important. It portends what could happen to Turkey, or likely to Poland, and it also is a warning about the big bomb, the really big bomb in the economy which is the third largest, in monetary terms, in the world: Japan. Japan goes under? A chain reaction throughout the world immediately. The full force of a general economic and financial collapse will be on.

Affari Italiani: Could you say something about the devaluation? Are the devaluation and the dollar-peg good policies for Argentina? And could you say something about the idea of creating a new, internal currency, the argentino?
LaRouche: First of all, devaluation of a currency because of monetary problems is called "rape." What has happened since 1971, and this has been characteristic of all of the economies of Central and South America—you have the London market, which is the biggest financial market in the world for this kind of purpose, would organize a run against a currency, just on the basis of trading. On the basis of a devaluation of the currency on the market, on the market in currencies. Then, the IMF would be called in to advise these governments how to come into conformity with new rules under which they would be allowed to survive. Now, these rules meant, devalue your currency, but compensate for the devaluation of your currency, compensate your creditors, by creating an artificial debt, a fictitious debt, based on the devaluation of the outstanding old debt.

As a result of this process, Ibero-America—that is, Cen-

LaRouche speaks on the "dialogue of civilizations" at a June 2001 conference with business leaders and parliamentarians in Rome, one of his three major visits to the Italian capital in the second half of the year.

tral and South America—have more than repaid the total debt they have ever incurred to this date, but they still have a greater debt than they ever had before. The reason is because of this swindle. When the IMF comes in and says you have to devalue your currency because you have a financial problem or monetary problem, that is a form of rape, and it is precisely that kind of devaluation of the Argentine currency which brought Argentina into the present crisis. So, it's the worst possible policy you can imagine.

Now, the alternative is very simple. The world as a whole is financially bankrupt. The economy is crashing and is in a deflationary spiral worldwide. The only economies which are still viable, relatively speaking, are Russia, which is enjoying some growth; China, which relies chiefly upon internal resources for growth; India, which is growing. You also have Brazil, which is a model of potential growth; that is, Brazil relies chiefly on its internal market, rather than on external ones, which is a source of strength. But most parts of the world, including the United States, Western Europe, Japan, other parts of the world, are actually financially bankrupt. That is, their outstanding debt obligations, including derivatives, financial derivatives, far exceed any possibility of repaying these debts. What they have been doing is rolling over these debts with more and more borrowings of one kind or another, or printing of money. This won't work, which means you have to put the world system through bankruptcy reorganization. That is, the governments, the sovereign governments and nations must meet and agree to put the financial and monetary system under bankruptcy reorganization. Which means that much of this debt would be simply written off or frozen, and the amount of payments made against the debt would be limited in a way which allows the economies to undergo actual growth. And the economies therefore would be organized with a view to growth.

Now, the method we would use, essentially, would be the successful experience of the 1945 to 1963-64 period, in terms of the reconstruction of Western Europe and other parts of the world in cooperation with the United States. And that would be the kind of model which would: first, work; and second, would be preferred because it has a well-established precedent. And therefore, people who have to make sudden decisions, like to have good models which worked in the past to use in the present.

Affari Italiani: Is this what you call the New Bretton Woods?

LaRouche: Essentially. Governments meet, sovereign governments put the existing IMF [system] into bankruptcy reorganization. Remember, the IMF has no legal basis for existence except as a creation, a treaty organization created by governments. Therefore, when the IMF goes bankrupt—as it is bankrupt as a system right now—then it is the responsibility of sovereign governments, which own the IMF legally, to put the IMF into bankruptcy reorganization, in the same way you would put a bank into bankruptcy reorganization. So you treat the IMF as if it were a bank. You declare the bank bankrupt, you move in, take over the bank, you reorganize the bank in order to continue its proper function.

What you essentially would do, is simply take the IMF system and throw it back into what it was in the 1950s, in terms of general policy. You might make some changes to that, but that would be the basic point. Then you would have to have, as matching that, a general global economic recovery program, a stimulus program, which would be based on creat-

ing credit, to fund investments in large-scale projects, and whole categories of investment, which would be beneficial for real economic growth: agriculture, industry, and so forth.

Affari Italiani: A question on the conflict in Israel, regarding Sharon and Arafat. What bearing does this crisis have on the international economic crisis? That is, to what degree does the end of the economic crisis depend on the resolution of the crisis in the Middle East? And how do you see the situation there?

LaRouche: The danger is not an economic one in a simple sense. What you have [is] the Israeli military command, the Israeli Defense Forces command (IDF), which really is controlling Sharon. Sharon is essentially a puppet of those people and controlled by people who are part of a group called "Mega" in the United States, which is people like the Bronfmans and others, but especially Ronald Lauder, the guy whose mother was an ambassador to Austria, some time past. And Lauder is essentially the chief controller of Sharon from the U.S. side right now.

This group, which is actually responsible for the assassination of Prime Minister [Yitzhak] Rabin, the former Prime Minister of Israel, assassinated Rabin to prevent the implementation of the Oslo agreements which had been negotiated with the help of a number of European governments, including Italy.

So therefore, the idea was, to do—what? The idea was that on the pretext of starting a religious war over the destruction of the [third] most sacred Islamic holy place in the world—the mosque of al-Haram al-Sharif on the top of the Mount in Jerusalem—that would start a religious war under these conditions. And the purpose of the forces behind Sharon and the IDF, and their backers in the world, is to proceed on the Brzezinski-Huntington, et al. policy, of having a clash of civilizations war, centered on a war against Islam.

If such a thing starts, under present conditions, you are not worried about economy any more, because the effect on the world—especially Eurasia—will be similar to the effect of the Thirty Years' War of 1618-1648 in Central Europe. A protracted religious war, or a religious-ethnic war of this type, which Huntington and Brzezinski and the Israelis are projecting: That kind of war would lead to a kind of New Dark Age throughout at least most of Eurasia.

So, it's not an economic question. The issue is: Are forces going to have the courage to shut down these Nazi-like actions by this faction in Israel? Now, there are many sane Israelis—you know many of them—and they don't all agree with each other ordinarily. But more and more voices in Israel, and more and more [Jews] outside of Israel, are raising a protest about the danger of a continuation of this kind of murderous activity targetting the Palestinians, and particularly Arafat. This is the danger, so we're beyond economics as such.

If you unleash on this planet, a large-scale religious war of the type that Huntington, Brzezinski, and others are proposing, and the Israelis are proposing; if you do that, then you're not going to talk about economy any more, you're going to talk about a New Dark Age.

Affari Italiani: The situation which you describe is very ugly and difficult. The question I ask you is this: Should we have hope? In what and in whom can we have hope in this new year?

LaRouche: Well, we can have hope. You have the Pope, who is doing the right thing in his framework of influence. He is showing great leadership, in exactly the right way, to give a vision of a peaceful world, a vision of a peace among religions. This is modelled essentially on Nicholas of Cusa's famous dialogue, *De Pace Fidei*, from the Fifteenth Century. This is after the Turkish victory at that time, and the question of religious war became prominent. And Cusa proposed his dialogue, *De Pace Fidei*, which set forth the ecumenical principles for relations among Islam, Christianity, and Judaism, as a model.

We have in the world, from Iran and elsewhere, you have proposals for a dialogue of cultures: not a stupid one, but the type that the Pope, for example, has proposed; which I have proposed. If we can mobilize people, if they can have a sense of the horror which threatens us, then maybe that sense of horror will shame them into taking the kinds of actions which can be taken, which will bring us out of this nightmare we find ourselves in today.