Lyndon H. LaRouche, Jr.

New Alternatives in the Face of The End of Globalization

Lyndon LaRouche addressed the Nov. 5 simulcast conference organized to bring him to the Autonomous University of the State of Coahuila, in the city of Saltillo. The questions in the discussion session which followed have been translated from the Spanish.

LaRouche was introduced by Jesús Ochoa Galindo, Dean of the University, who said, "Globalization is a strategic phenomenon, but where is it taking us? On this specific topic, I present the prestigious economist and former candidate for the U.S. Presidency Lyndon LaRouche, Jr. No one can treat the economic aspects of the phenomenon of globalization, and the anticipation of changes in current tendencies, better than Mr. LaRouche.

We are going to hear one of the most prestigious individuals in the world with regard to economic analysis and forecasts, upcoming strategy and intelligence. His curriculum is filled with successful experiences in this field with regard to economic and world phenomena.

Today, we will have the opportunity to learn about and ponder the perspective with which Mr. LaRouche examines globalization, with specific regard to the world economy from the systemic and global standpoint. We are confident that this presentation will help us understand more fully the economic reality our country faces, and we will be able to better explain some of the developments that will come in the near future. . . . To make experts and thinkers in this house of study, better understand the economy and society, is an important part of its mission. This event which we attend today is the program of commemoration of the 45th anniversary of the founding of this university."

Thank you very much. I shall address four topical areas, which are related. First, I shall identify the systemic characteristics of the crisis. Secondly, I shall identify the causes of this systemic crisis. Thirdly, I shall indicate the remedies of the crisis, with emphasis on Mexico and the United States. Finally, I shall turn to the question of the institutions in this crisis. It is the failure of the economic policies of international institutions, and most definitely that of the United States, especially over the period from 1964 to the present. It is obvious that the economics profession and the politicians have failed to understand and anticipate the kind of crisis that they were creating by fostering policies which have led to this present situation.

That means that in the academic environment, especially in the teaching of the students, in the age intervals between approximately 18 and 25, the crucial layer of generating the next generation of leaders in the nation, we must make certain improvements, and shift from so-called monetarist theory of economics, back in the direction of the so-called protectionist model, or what I prefer to identify as a physical economic model, rather than a financial-monetary one.

Today's crisis is typified, throughout the hemisphere in particular, by the current crisis in Brazil. In South America, we see that Argentina has been destroyed, especially since 1982. We see that Bolivia is now in danger of going back under a drug dictatorship. We see related crises on the borders with Brazil and Argentina, Paraguay, and Uruguay. We see the loss of sovereignty of Peru, by a coup organized under the direction of President Clinton. We see Ecuador as a nation which has been denied any actual sovereignty over its international affairs. We see what has happened in Central America. We see the continuing disintegration of Colombia. We see a new crisis erupting in Venezuela. We can see the state of the Caribbean, in general. And Brazil typifies the center of this.

Brazil: The IMF Is Finished Either Way

At the present time, Brazil faces an impossible burden. There's no possible way that Brazil could carry the debt which is now being imposed upon it. This debt was not really self-incurred. The debt was imposed by international institutions under strong pressures of the United States, including the dollarization of Brazil's debt in 1989, which was a tragedy for them. There's no way they can pay this debt under these terms. The IMF demands that concessions be made by Brazil to all of the requirements of the markets, markets which are essentially corrupt. J.P. Morgan, Chase, and Citibank are implicitly bankrupt, and but for the power of the United States, as a physical power, they *would* be bankrupt. They have no hope for the future, under their present conditions. This is true of the banking system of the United States in general. The Federal Reserve System of the United States today is bankrupt in fact, and is sustained only by the political power of the United States. The banking systems of Europe are bankrupt. The central banking systems are bankrupt, and this is the condition throughout much of the world.

U.S. Presidential candidate Lyndon LaRouche meets the press of northern Mexico in Saltillo, capital of Coahuila state, on Nov. 5—the beginning of wide regional and national coverage of his visit to Mexico, which was his first since his fateful meetings with President José López Portillo in 1982. One observer made a play on words with the city's name ("small leap" in English) calling the trip "a 'Saltillo' for Mexico, a great step for mankind."

Now, the IMF—which has been the organizer, together with the World Bank, of this bankruptcy, which has developed over the years—now comes to Brazil and says, "Brazil, you are bad. *You're bad.* You have to accept our tutelage. We, who ruined you, have come to help you by ruining you some more." What would happen if Brazil capitulated to the IMF, and accepted anything in any way resembling the demands which have been made upon it by the IMF? Brazil would die! It would disintegrate, rapidly. Not over several years, but over months! Look at the figures. Take the ratios. Take the debt service charges. Take the effect of these conditions and collapse of the economy of Brazil. Look at what's happened to Argentina, and see that what happened to Argentina is now in the process of unfolding with full force in Brazil.

Look at the conditions in the hemisphere. Look at what threatens Mexico, in the next round. There are 5 million Mexicans working in the United States, or losing employment because the United States is bankrupt! There's a general collapse of the financial markets in the United States. Only the political power of Washington keeps the markets appearing to survive. The wipe-out of monetary values is enormous. It will become greater. Then you have Mexico's particular regions, which have come to depend largely upon exports to the United States, notably in categories that are collapsing, such as electronics and automotive parts. The market in the United States—the automobile market—or other countries, is vanishing. The so-called New Economy, the information society—they're dead. There is no future for them in their present form. This threatens Mexico with being plunged into a condition similar to that which is being experienced by Brazil. This is true of the world, the world at large.

So, if Brazil submits to the IMF, it will commit suicide in quick order, and the rest of the hemisphere will follow after; most of it's already gone. However, if Brazil were to collapse, the entire banking system of the United States would be forced into bankruptcy. It would collapse. The Federal Reserve System of the United States would be bankrupt. Bankruptcy would be forced. We have a real estate bubble waiting to explode inside the United States, which would wipe out much of the United States. So, if Brazil submits, Brazil dies quickly. As Brazil dies, the United States goes into a collapse, the U.S. banking system, which is overripe. If Brazil resists, and does not submit, it could survive. If the average interest rate were kept below 10% in Brazil, and suitable conditions of refinancing the debt were instituted, Brazil could survive, and could be part of a recovery prospect for the hemisphere. But if Brazil were to survive under those conditions, the IMF would go bankrupt. It could not, under present circumstances, absorb that kind of financial reorganization.

Either way, the IMF is dead, in its present form. If it succeeds, it dies. If it fails, it dies. This gives you an indication of what we've described as a systemic crisis, as opposed to people who study the statistical phenomenon called boom-bust cycles. This is not a cyclical phenomenon. With the cyclical phenomemon, you have financial speculation, which acts like a parasite on the economy. It comes to the point of collapsing the economy. Then some of the financiers are forced into bankruptcy. The economy is relieved of the accumulated financial debt by bankruptcy, and the economy that has not been structurally destroyed, will tend to bounce back. Farming will go back to the farmers. Manufacturing will go back to the manufacturers—maybe not all of them, but they'll come

back. Other things will be restored. There's a certain kind of human resilience to these kinds of episodes. That's a cyclical crisis. We do not face a cyclical crisis; we face a systemic crisis.

Origins of the Crisis

There are solutions. Let us first see how this happened. Where did this systemic crisis come from? In the immediate post-war period, 1945 to 1964 approximately, until the end of the Indochina war, the United States remained the world's leading productive society. That is, in terms of physical output per capita and per square kilometer. The relative productivity of labor and output of the United States was the highest in the world. The United States cooperated with the hemisphere, from which many of the countries of the hemisphere benefitted, not equitably, but they benefitted. They utilized the conditions created by the post-war IMF system, the Bretton Woods system, and utilized that under various imaginative governments, to improve the conditions of life in these countries.

It was true of most of the countries. It was true of Brazil. It was true of Argentina, which already had the fourth-highest standard of living in the world at the end of the war. Argentina was a marked success, but they set out to ruin it in various ways, to destroy it. But generally, most of the countries progressed. In Europe, under the influence of the U.S. model, post-war reconstruction, Western Europe prospered. Other parts of the world prospered. Japan was reconstructed with U.S. support, and prospered. Korea came from oblivion into freedom, and prospered.

Then it changed, starting around 1964. What was the change? Approximately 1964, about the time of the launching of the Indochina War, there was a cultural change in the United States, which was imposed upon a generation of adolescents then in secondary schools or entering universities. This generation, then adolescents or very young adults, are now running the world. They are occupying most of the top positions in government and other institutions, in corporate institutions. They have never in their adult lives lived in a society that was dedicated to production.

The idea of income in the United States is credit card debt. U.S. citizens do not have incomes, they have credit card debt, and they use the income they have as a monetary flow to carry the debt service on their credit card debt. They buy their housing virtually on credit card debt. People do not buy houses, or mortgage houses, on the basis of what they can afford, to retire the mortgage. They base it on, can they carry the monthly charges? We have built a tremendous real estate bubble in the United States, of tar paper shacks assessed in mortgage value at $400,000 to a million dollars, which are about to collapse. We have a 30-40% rate of collapse in the Washington, D.C.-Dulles area, in the so-called New Economy or information industry corridor. We are faced in that area, with approximately a 30% mortgage foreclosure rate which is about to hit people who are now unemployed, and who depend on two incomes, and are now going to lose their houses. We will have a dead area. California and other areas in the country are similar.

This happened in Europe; we destroyed industry. We destroyed the indigenous industries in Mexico and in other countries. We crushed them. It happened in the 1970s, when President Echeverria, here in Mexico, had an emphasis on infrastructure development, which involved negotiation with Japan, on the exchange of Pemex oil for steel plants and other internal developments. This orientation was maintained in Mexico by President López Portillo. The same program. These programs were crushed under the pressure of Henry Kissinger, first as U.S. National Security Adviser and Secretary of State, and then by his successor who actually ran the Carter Administration, Zbigniew Brzezinski. Japan was told it would break the deal with Mexico, it would get its oil from Alaska, not from Pemex, and Mexico would not be allowed to make such agreements with anyone.

Japan was transformed from an industrial country, which was oriented toward developing nations with industrial technology, such as Iran, which had a large oil-for-technology deal with Japan. Same thing that happened with Pemex, here; it stopped. And then we went into a period, under the IMF floating-exchange-rate system of 1971-72 on, in which these countries—in particular Central and South America—were looted financially by rigging a crooked system called a floating-exchange-rate system. The London financial market, a private market, would make a run on currencies such as the Mexican peso. Then someone would say to the Mexican government, "You must call in the IMF or World Bank and so forth, to advise you on what to do to deal with the fact that your paper is no longer any good, because the London speculative market has devalued the value, in this case, of the peso."

So, the IMF would come in as advisers, as blackmailers, as extortionists, and they'd say to the Mexican government, "Here is what you're going to set your peso value at, otherwise we'll crush you." Well, the Mexicans said fine, okay, we'll continue to pay our peso debts with pesos. "Oh no you won't!" says the IMF. "You will not pay your peso debts with pesos. We are going to go to an indirect form of *dollarization.* We are going to re-write your debts, so that your foreign financial creditors do not lose on the devaluation of the peso. As a result, as we know, over this period, from 1971-72 to the present, the countries of South and Central America owe nothing on the foreign debt, because the amount they have paid against the actually incurred debt—the contracted debt, the paid-in debt—has been more than fully paid by debt service payments through today. By probably double. The debt that exists is a residue of artificial debt imposed, not by incurring debt, but by having it imposed by IMF and similar kinds of looters.

We drop your currency, we organize a run against your

Coahuila University Director of Graduate Studies Dr. Rafael Arguello introduces Lyndon LaRouche (listening, right, to translation by EIR *Ibero-America Editor Dennis Small) to the audience of 500 at the "New Alternatives Facing the End of Globalization" conference.*

currency, we stick your currency artificially on the London market, you then come begging, from your various governments, for assistance. We say, "We'll let you live, if you accept our dictate in dropping the value of your currency. Then you will increase your debt to make up for what your foreign financial creditors have lost by the reduction in the value of your currency." So this was the condition in Mexico and in other countries in 1982, when the Mexico crisis was organized in Washington, under the friends of Henry Kissinger. And this was the second phase.

Now the countries are reduced to a loss of sovereignty because of this kind of debt manipulation. Countries said, we have to submit to the IMF all of our internal and other economic policies, to conform to these imposed conditionalities, and having crushed the credit of these nations, they came in like vultures to pick the flesh from the bones. Then they came back, and they said, "Well, you need some income. We're going to take your population, and we're going to employ them to work as cheap labor, to replace the production we used to do inside places like the United States." So, what we did was, we collapsed production inside the United States, for the sake of cheap labor from South and Central America, and from Asia.

The Youth Made a 'No-Future' Generation

We destroyed the economy of the United States. We destroyed our railroads. We destroyed our power-generating system, all of our basic infrastructure. We destroyed our health-care system, we destroyed our education system. We invented a so-called new kind of "services employment." We said, "Eliminate all protectionism, and sell the cheapest," which means you can not make capital investments, to improve technology, you can not develop the infrastructure of your country. You must concentrate everything on putting on the world market, at the cheapest possible prices, what the United States, in particular, wishes to consume at bargain prices. And the United States will not pay you for this. We will run a current account deficit. We don't pay for imports. We will borrow money from Japan, and Japan will print money at virtually 0% interest rates overnight. The Japanese, having borrowed the yen at zero interest rates, will then convert the yen into dollars, deutschemarks, and so forth. These funds will then go chiefly back into the New York financial market, and they will be used to prop up the New York financial markets.

So, we come to a point that you are collapsing the world physical productivity, per capita, per square kilometer, as measured in physical terms. You are actually threatening life-expectancy rates in many parts of the population. All is done for the sake of globalization, which it's called today. NAFTA was brought in in the 1990s. The Soviet Union collapsed. The only superpower was the United States, and the United States doesn't have to produce anymore. "We have world power, we have no adversary with credibility. We can steal from everybody." But we destroyed the United States inside, at the same time that we were picking the bones, like buzzards, of our friends to the south and in other parts of the world.

Obviously, that comes to an end. You can not rely upon accounting. Accounting is not economics. Accounting is "connect the dots." By the rules, you connect the dots. You say, this is the bottom line. It does not tell you what is going to happen.

For example, one of the crucial problems we have today is a generational problem. We have created a situation in which young people between 18 and 25, those of us who are either in universities or could be in universities, have a sense that they have no future. And they look at the older generation, and they say, "You gave us a world in which there is no

future." They're angry, disassociated. Some of them go to pieces, some disintegrate, but others rebel.

The thing that we used to understand, is that to appreciate what an economy is, you have to look at it from a generational standpoint. For example, you have in Mexico, poor people who are agriculturally backward. You wish to develop Mexico. How do you think of the development of the people of Mexico, per capita, per square kilometer—starting with a very large part of the population which is in this poor agricultural area—without hiring people who have developed mmodern skills. You start with a program of infrastructure, education, and so forth, health care, other improvements, and you hope that the generation of the children of these poor agricultural workers, that they will begin to prosper. That they will become an improved, more powerful labor force. They will have more knowledge, more skills.

And then you have a third generation, the children of these children. And the children of these children will represent a nation that is coming into full parity with other nations in terms of technology, which is able to promote an idea of the general welfare: That we take care, efficiently, of the needs of all of the population, because we develop a process of *improvement,* not only improvement of technology, but improvement of the cultural development, the education and the skills of successive generations, from the parents, to the children, to the grandchildren. The normal process.

That process has been aborted. We talk about the short-term; what we have on this year's return on investment; what kind of a house *we* live in today. We've lost sight of what kind of a world we are giving our children. What kind of a world, in the development of our children, are we giving to their children, our grandchildren? This is real economics, not the economics of the cash-flow, of the accounting men, but the economics of the conditions of life, of the development of humanity, of a species which is not a monkey, but is a human being, for whom development of the mind, development of the culture, is everything, and for whom the transmission of culture, the transmission of what improves culture, is everything.

There Are Solutions

So we've come to the point, now, in which the system—over several generations, especially since 1964-2002, we have a system that is failing. It has been failing all along. No profit was actually made by nations over this entire period. We're living like parasites on the remains of our past. We were depleting this, letting infrastructure collapse, letting health care disintegrate, and so forth. We've come to the point at which the clock has run down!

Meanwhile, we say "profit"! Profit on accounting income is by crooked accountants, who figure in financial terms, but not physical terms, and build up tremendous debt. To what? To that accounting system. And now, the amount we produce, as in the case of Brazil, could not possibly, at current prices, ever pay off the debt. Under present conditions, the growth of the debt would be at greater rates than is physically possible with growth of production. Worst of all, the first thing we do is say, "In order to reduce costs, we have to reduce labor." We cut wages, and then we lay them off. Thus, we lower the average productivity of labor in the national economy by reducing the number of people who are producing. It's a scene of destruction. Insanity!

So, we come to a point, like the Brazil crisis in this part of the world.

Now obviously, there are solutions. I've been pushing such solutions. We had most recently in the Italian Chamber of Deputies, a majority vote for a proposal which I had made; the Italian government is implicitly, by this vote, committed to working with other governments, to reorganize the world monetary system, to return to a Bretton Woods formula of the type we had in 1945-1964. To use that model: fixed exchange rates, protectionist system, to promote production, and similar kinds of programs, to ensure that we get back on a growth pattern again. This means that we have to put the world through bankruptcy reorganization, the same way you'd do any bankruptcy: You call the debtor in. The debtor in this case is the financial system. The financial systems, central banking systems, are bankrupt. We say, "All right, we're going to *wipe out* your assets, because they're fake assets. They're based on claims which can not be met, and therefore you're bankrupt.

"We, as governments which have a responsibility for the people, will mercifully put you bankrupts through bankruptcy reorganization. We, as states, will create the credit; the credit needed for large-scale infrastructure programs and for promotion of private investment. This credit will be used over a long-term basis, that is, 25 years or so, in general at 1-2% simple interest rates, as state credit, to be used for large infrastructure; to build up the level of employment; to build the railroads, the water systems, the power systems, and so forth, which are needed for society. This will stimulate private employment. We will also put credit into creditable areas of private investment, to build up agriculture, to build up manufacturing, to build up other necessary things, and we will build our way out of this mess."

Infrastructure and 'Fountains of Technology'

Now, who's fault is this? We have, right now, meeting in Phnom Penh, Cambodia: We have a meeting of a number of Asian governments, which includes China, Japan, Korea, Southeast Asian nations, and India. This group has organized what might be called the Asia Free-Trade Zone. It is not a free-trade zone, in the sense of NAFTA. It is a cooperative system of co-development among these nations. This agreement involves Russia, directly through the so-called Shanghai Cooperation Council. It involves other agreements which I had a part in recommending and which were adopted by

LaRouche's address at the state university was video conferenced to four other universities throughout the north of the country.

these countries.

It involves countries in Western continental Europe. For example, Western continental Europe is bankrupt. Western Europe depends upon the margin of profit, export profit, of Germany. Germany, under agreements reached in 1992, was systematically looted, and is now bankrupt. That is, the level of requirements to maintain Germany are below its income. This is the condition throughout Western Europe. This is Central Europe, Poland, other countries of Central Europe, formerly part of the Soviet system, are now in worse condition than they were under the Soviet occupation—Poland, for example, much worse than it was in 1991-92. These countries can not survive under the present system and present programs. Germany's only growing market is China. Germany has a large market, but its only growing market is China—high-technology projects, such as magnetic levitation rail systems, and so forth. That's the market.

What I propose is, that we look at the world in terms of certain countries which are, technologically, fountains of technology. Within other countries, including China and India—which are *not* prosperous countries, relatively—there are also fountains of technological progress: certain industries, certain techniques they have, but not enough to meet the total needs of their population.

Our proposal was, you take these areas of Eurasia, build up the fountains of technological progress, for a long-term transmission of capital, technologically necessary capital, into areas which have low technology potential. And thus, take areas like the interior of China (as opposed to the coastal areas), and of other countries, and you begin to build these up, in terms of their productivity over a generation or so. And on this basis, by long-term credit on a 25-year basis, or in that order, we can create and extend credit to fund the flow of high-technology exports from those areas which are fountains of technology, into countries which are in desperate need of these technological diffusions. We could organize it in such a way that, when comes 25 years from now, they will be able to buy their way out of what we advanced as credit to them.

I proposed in 1992 and so forth, and these countries came to accept, what I call the Eurasian Land-Bridge. That is, as we did in the United States under President Lincoln—both before he was President and as President—the idea in the United States was to build a Transcontinental Railway system, which was not just a railway system; it was a development corridor; because athwart the lines of the railroad, agricultural and other development became possible because of the existence of the transport system. The United States' emergence as a great world power in grain, in agriculture generally, and other ways, came as a result of that.

This idea was adopted in Europe and used for the Trans-Siberian Railway development, for example. It was this idea. This was aborted by two world wars.

But today, we have new technologies. And what I propose is the creation of development corridors, from areas such as Rotterdam in Europe, to places like Pusan in the tip of Korea, on the other side of Asia. These development corridors would run across the northern part of Russia and Kazakstan, to the central part into China and Central Asia, and the southern part

along the coast of the Indian Ocean, India and so forth, into Indochina, and by other routes.

These development corridors would be 50-100 kilometers in width, that is, they would incorporate mainline transportation, water management routes, power generation and distribution centers, and thus, create industrial centers and agricultural centers along areas which today are largely underdeveloped or wasteland. And by criss-crossing an area which is largely wasteland, which contains the greatest concentration of mineral resources on this planet of any part of the world, North and Central Asia, we would transform this into an area of growth for all Asia.

This program is now being put into effect, step-wise, gradually. The efforts of China and Russia, among others, to force the building of the railroad connections between North and South Korea, which is actually a railway connection from Pusan to Rotterdam, through China and through Russia. And this is already in place.

Back To Producer Society

We have the same situation here in the West. We have 5 million Mexicans in the United States, whose economic situation is jeopardy. We have a section of the population of Mexico in northern Mexico, whose welfare is currently in jeopardy because of the collapse of the U.S. market. We have a vast shortage of transportation, water management, power generation and distribution, in parts of the United States, as well as in Mexico. Half the Federal states of the United States are currently bankrupt. We have a state problem of state management in northern Mexico, in particular. The debt ratio and the income do not match. Therefore, development is needed; it's needed on both sides of the border. We have to take care of the Mexicans in the United States who are not working, or who are losing their jobs. We have to take care of the northern Mexicans, who are being put into jeopardy by this situation.

So therefore, large-scale infrastructure projects of a concrete form, which increase employment in large-scale, rapidly, as a first: step-transportation, such as rail systems—you see in the northern part of Mexico the lack of an efficient rail systems. It's a crushing difficulty in this part of Mexico. We have lost our rail system in the United States. Our air travel system is in jeopardy. Our power systems are disintegrating. And so forth and so on. So we have comparable issues.

We're pushing a program now, an anti-depression program, to have the federal government create, under emergency conditions, a system of credit, in law, to assist the states in projects of rail, transport, water, and other development. This kind of program is the kind of program in which the United States should be cooperating with Mexico.

This is only one aspect of the world situation. But *physically*, under the right kind of financial reorganization, *we can reorganize the situation* and deal the physical problems.

What we require is a change in the monetary system.

We need to have a psychological change *away from* the idea of consumer society and globalization, back to the idea of a *producer society*, a society that produces wealth, is able to produce the equivalent of its own needs, increasingly, largely through large-scale capital investments. Capital investment means 10-, 15-, 25-year credit. It means a banking system which is sound, which can administer and work with local communities, to handle the credit and lending practices of these communities. We can do it. We've done it in the past. What have to do is abandon the idiocy of the 1964-2002 period, and go back to what we once said were our objectives, which are the old objectives of the Mexican governments in the days before this crisis, '71 and then '82 moved in.

We can do it. *We have no alternative, but to do it,* because the United States is bankrupt. It is not the all-powerful success. The IMF is bankrupt. The IMF is a collection of central banking systems, which rest on banks, which are bankrupt! Which rest on credit claims which are bankrupt! The mortgage bubble in the United States is a bubble; the assets of the United States in terms of real estate assets are largely based on a bubble! This is worthless paper, kept up artificially by the belief that it's worth something. It's worth nothing! Or next to nothing. So, physically, we have the experience, we have the knowledge, we could *physically* turn the tide and go back to the success, rather than this.

What Only Governments Can Do

The problem is, getting people to accept, and governments in particular, the fact that this *is* a bankrupt system; that it's hopeless under the system. Don't try to adapt to the system, *replace the system.* How do you do it? The authority of government, of sovereign government; a group of sovereign governments. Groups of sovereign governments who will put their banking systems into a bankruptcy reorganization, create a new system of, effectively, national banking, under national government; mobilize credit; reorganize to protect the general welfare to maintain stability; to promote full employment; to find areas of growth in which credit can be concentrated, both in the public sector, in infrastructure, and in the private sector.

Only governments can do that. That is the *sovereign power* of government as a true sovereign. That is the great contribution of the 15th-Century Renaissance, where we created the idea of the modern nation-state, the sovereign nation-state, as having absolute sovereignty in its own affairs. Sovereignty over everything, but also *responsibility,* for the general welfare of present and future generations. That is the moral power of the government. We must affirm government in that power. We must instruct government to utilize *that power,* in that way.

We come to the final point: This means, that we must take a new approach to the education of our young people, focussed on the secondary and university level, especially.

Left: University of Coahuila dean (right) greets Lyndon LaRouche, with Dennis Small and Dr. Arguello; and (right) LaRouche meets with Coahuila's Gov. Enrique Martínez y Martínez.

Because if we do the job right there, it will spill over into the rest of the population. We have, in the United States, incompetent teachers. We have teachers, who are teaching on a university level who are not qualified to graduate from secondary school at former standards. It's unbelievable. Just to give you an example of how bad it is. (I don't know the conditions inside Mexico—you do, so just compare what I said about the United States.) What we do is this. We have a guy called the "Education President." He's called that because he badly needs an education. He couldn't read a map. He knows where Mexico is; he knows it's south of Texas. If you drive down to Alamogordo or something, you can get across into Mexico—he knows about that.

We are producing an absolutely stupid population among our young people. What we do is this: We don't teach any more. We used to have a Classical humanist approach to teaching in all good schools. That is, the idea of teaching was to transmit culture, with an emphasis on scientific and Classical culture, and the way it was, that to encourage in the families and the communities, Classical types of cultural activities, which a people could integrate their cultural heritage as people, with modern knowledge. That was largely done by transmitting within the family, within the community, but also in the school system, to enable little children to re-experience the act of discovery of knowledge of older generations. So these children would then come to modern maturity, where they carried forward to the next generation, the experience of the discovery of knowledge, between these generations; were able to relate this knowledge that they acquired, to the cultural background from which they came. And this was the principle of sovereignty. A people which knows itself, which knows how to talk to itself, which can communicate ideas with itself, as people from other cultures will have more difficulty in doing—the same ideas you have in other cultures, but you need to be able to transmit that culture *within* your culture: the idea of sovereignty.

Science and Education

We used to have the idea, in science, that you would replicate the great original discoveries of universal principles of Classical society, and other discoveries. You would replicate that in teaching, not by telling people through words, "repeat after me," but by experiencing, by *re*-experiencing the actual, original act of discovery. For example, how did Eratosthenes measure the circumference of the Earth along the Great Circle, before 200 B.C.? How did he do it? Are you going to tell a child, "Learn this from a book"? Or are you going to take a child out, and show him the problem, and help him walk step-by-step through the steps that Eratosthenes did, by looking up at the sky: To be able to calculate with amazing precision the circumference of the Earth along a north-south Great Circle, and then later to be able to measure the Great Circle distance from Alexandria to Rome?

That's teaching, as you know. It's to try to recreate the circumstances under which the original discovery occurred, to induce the student to go through that experience, and thus coming out, not having *learned* to pass the course, but *knowing* what the answer is.

Remember, when you had good questions in good courses? You—never in a serious examination at the university level, would you ever limit the questions to questions which had been taken up in the class, or textbook. Never. You would always do—you want to know if this child can think, if the student can think. Not if they can imitate. Monkeys can imitate. Chimpanzees can teach their children to imitate, to make tools, but they can't think. You want to know, can the student think? And has the school found, that it has been successful in enabling this student to think, in this subject-area? So, what you would do in a good examination, you would design the test questions that would not be a whole list of do's and don't's and multiple choices, but rather two or three very crucial questions. On a university level, you say, "You sit there. You have three hours. We'll

give you three questions or five questions; you could choose three out of the five." And every question on that, is one that has been never presented in class or in textbook, in that course. Because you're now determining, have you trained that pupil, and educated them to the point that they can solve the *next* problem, which they should be able to solve, as if it were a discovery? If they can't, you haven't properly educated them. If they can, they'll not only go out of that examination feeling they've done the job, but they're proud of themselves. They feel good about having the examination, because it was a challenge, which caused them to have intellectual respect for themselves.

They also, then, if you then send them out as a physician or a scientist into society, when faced with reality, in which the answers to the questions were never rehearsed: No engineer, no scientist ever really solved the problem, for which the answer existed beforehand. They were prepared to solve the problems, which they had *not* experienced, by creative powers. That's what used to be, in our youth—in my youth in particular—every time we had a course that was any good, *that's the way it was done.* And that was the quality of education provided. Not to learn to repeat what is in the textbook, but to be able to solve the next problem, which you should be able to solve on your own, because you've progressed so far. The test of whether you actually knew what you've learned, or not.

We don't do that any more. We wouldn't dare. We don't really teach anything to anybody any more, except animal behavior. Monkey see, monkey do.

What we do is we use multiple-choice questionnaires. Multiple-choice questionnaires are rehearsed. The subject of most classes in the United States, is preparing to pass a multiple-choice questionnaire, whose contents are generally known in advance. The student goes in, checks off a list, the computer scores it, and the score comes out for the school, and for the student. Does the student know anything? Probably not. Does he know what he wrote down? No. He's trained. Monkey see, monkey do. What you do in the United States today: Everyone is concerned in the school, and the students, to have a good grade. The schools want a good grade. They don't want to flunk all their students! Somebody's going to say, they're obviously not doing a good job. So what they do is, they cheat. You lower the standard of testing, to fit the lowered level of education you're providing. And thus, you show improvement in test-performance scores, by that kind of fakery! Fraud! The so-called Enron principle, the Enron accounting principle!

Source of Real Productivity

The problem is, to a large degree, the culture we have developed in society, as a by-product of being a consumer society, rather than being a producer society. When we were a producer society, we were concerned about putting out children, who were qualified for a job in the nearby factory, or something else. Now, you don't have to worry about it—they're not going to work in a factory. They're going to stand in a Wal-Mart and point in this direction or that direction, when a customer comes in. They're going to engage in services which require no skill, no competence, whatsoever. We invent jobs for people, to pretend we are creating employment, for which no one is qualified, because the job itself is not qualified—it shouldn't exist! Useless jobs.

So, we use this thing as an education. In the United States, the quality of university education: As parents' tuition payments for their students increase, in an inverse proportion to the quality of education delivered. I've done a survey of some of these cases in Europe and in the United States: I look at the course content, the topical area of course content—there's almost no education occurring! They're what we used to call garbage courses, with no real content to them. I look at the areas of subject-matters which are crucial for society—take, for example, science and technology areas: They're just not there. You can not produce a competent engineer out of the engineering training which is typical in the United States and Europe today. You can't. And, maybe that's not important, because they don't do engineering any more. They sit at a computer and produce stock formulas. And when they try to put these things together, the thing they built doesn't work, because science is not performance. Science is research, it's experimental method, of innovation, new discoveries, finding new ways, new principles, to make things work.

So, we produced an incompetent generation. *We don't think in terms of a physical economy any more:* physical economy measured in terms of per-capita, per-square-kilometer performance; the ability to produce; the ratio of what it costs to produce an individual equipped, as opposed to what you get out of the process on a national scale. People say, you save money by cutting out infrastructures. You cut out rail systems. What's the cost, for example, in northern Mexico, for not having an adequate rail system? Of relying upon trucks and a few routes, of not having a passenger system? How long does it take to get from here to Sonora, by bus?

So therefore, I don't care what the productivity is at the point of production, in Sonora or here. As a manufacturer, if I'm shipping to the United States, how do I build cooperation with neighboring parts of Mexico, in order to organize production on a division of labor in Mexico? If you don't have a transportation system; if you don't have an adequate energy system—energy *and* distribution system which is integrated;

an integrated transportation system. The performance of an individual firm is not there. Therefore, you must build up the *base* of the economy. And, 50% of any modern economy, that's competently devised, is investment in *infrastructure*, not in production: Transportation, power generation and distribution, water distribution and management, sanitation, health-care systems, educational systems, these are the gut of an economy. Libraries, access to this kind of thing, are an essential part of the productive power of labor. The ability to transmit goods efficiently and quickly, over large scale in any area, to go from one place to the other, *these* are the essentials. We've lost that sight.

Entrepreneurs and Infrastructure

My specialty in this area, of course, is what I've concentrated on all these years, is *physical economy*. Financial economy? That's nothing. Accounting? That's nothing. That's connect the dots; that doesn't require any skill whatsoever. What's required is to understand how we invest, in a combination of infrastructure, and other things, to get the effect of this multi-generational progress, increasing the productive powers of labor.

The other thing that's least understood, is how entrepreneurship works. Most people who are called entrepreneurs today, are not considered entrepreneurs. They're sociologists; bullies; cheats; accounting swindlers.

No, what do we mean by entrepreneurship? Take a simple farmer. A simple farmer is a typical entrepreneur, if he's any good. I don't care what level of literacy he has. He is intrinsically an entrepreneur, and *thinks* like an entrepreneur. He is trying to prepare the land, to prepare the crop, to manage it in a way, that he gets a result, which can feed his family, and to sell enough to pay for the things his family needs. He is innovating. He's constantly innovating. Trying to find better ways of doing things, to *improve* life, to improve his family, to be able to support another child with this miserable plot of land. To make it more fertile, better seed, whatever. He's an entrepreneur. What is a good manufacturer of small industry? The same thing: He's trying to prepare the product, not to sell. Yes, to sell, but not to sell. He's trying to use his ingenuity and knowledge, like a small machine-tool man—to use his knowledge to devise a product that fits your need. He's designing a product. He's training people.

So, what you need in society, we need infrastructure as a general process. We also need entrepreneurs. Entrepreneurs, who are not guys who are in there to make a profit. Obviously, no entrepreneur wants to operate at a loss. But his motivation is not profit. He's an entrepreneur, because he believes in what he's doing. He's trying to develop a firm, an enterprise, which will be successful in producing a product of which *he need not be ashamed*, which is useful. And he must be able to survive in the process of doing it. Typical entrepreneurs I've known, have often been spending years, trying to develop improved products. They may get a profit out of it, they don't get a profit because they're out to make a profit. They're out there to take pride in building better products. As entrepreneurs in closely held firms, they want to be able to transmit to somebody in their family, or to some young employees they like, to transmit this firm when they quit, and turn this firm over to somebody who's not going to make a shameful mess out of it, to continue what they've built. A good entrepreneur, like a good farmer, is proud of what they built, with the accumulated years of their work over a generation; who's proud of what they do in generating the next generation.

An International Youth Movement

And, what I've done with young people, especially in recent years—we've been organizing an international youth movement, concentrating especially on people 18-25 years of age, the crucial age, the pivotal age, that connects one generation to the next, around things like Gauss's fundamental theorem of algebra, which has implications for education, which are pervasive. If somebody does not understand what Gauss meant in 1799 by attacking Euler and Lagrange and d'Alembert, as committing a fraud, in establishing the concept of the complex domain, you could not have modern science today. And most people even in universities and science organizations today, especially mathematicians, *don't know what that was.*

So, my concern is, that if you can get a grounding among students, where they can understand *what an idea is,* in Plato's sense of idea—discovery, hypothesis, experimental proof, the method of Kepler—once you know what an idea *is,* you're capable of a physical scientific idea. And it's easy enough to demonstrate. Then say, "How is culture developed?" It develops on the basis of transmission of ideas, which correspond to such discoveries, from one generation, to the next generation. . . .[audio break] That is culture! Ideas of Classical drama, which communicate insight into how human beings behaved and misbehaved. How do you manage that? This is what we need.

Accounting is simple. Playing with mathematics, adding and subtracting and so forth, that's simple. That is not economics. Economics is based on *human beings*, which are not monkeys, which have the power to generate, to assimilate, replicate ideas; whose purpose with ideas is, knowing we're all going to die—we all die—so, what is our expenditure of our *talent* in life? What does our life mean after we've left it? What have we invented in the coming generations, which gives us a permanent place in the space-time spectrum? That's human. And to try to get the knowledge, in every possible area that your appetite can reach, to be able to relive and discover the wonderful discoveries of the people before you, and transmit them to others, to have a society in which this is the standard of practice—*that* is economics.

Economics is what one generation is capable of doing, for the benefit of two generations hence.

Thank you very much.