

LAROUCHE WEBCAST

Urgent Changes Needed in World Financial System

This is Lyndon LaRouche's webcast speech to a town meeting of the LaRouche PAC in Washington, D.C. on June 16, 2005. Mr. LaRouche spoke from Europe, by video-conference. The meeting was chaired by Debra Hanania-Freeman.

Freeman: Good afternoon, ladies and gentlemen. My name is Debra Freeman. As some of you know, I serve as Lyndon LaRouche's national spokeswoman and his representative here in Washington. And on behalf of Mr. LaRouche and the LaRouche PAC, I'd like to welcome you to this afternoon's event.

It's really hard to believe that the last time we gathered here, was just eight weeks ago. Because, indeed, the pace of events over the course of just those few weeks has been nothing short of absolutely breathtaking.

On May 23, here in the United States, in an extremely important victory for patriotic force, a bipartisan group of United States Senators delivered a very significant defeat to the Bush Administration by putting down what came to be known as the "nuclear option." The event was significant not only because it meant a defeat for the Administration, but in fact, because it was a defeat for what was nothing short of an attempted coup against the Constitution of the United States.

Just a few days later, on May 29, voters in France, in what would otherwise seem to be an unrelated event, overwhelmingly defeated the newly proposed European Constitution. In and of itself, it might have been difficult for Americans to understand that, in terms of its significance. But the French vote was perhaps more than anything else, driven by the absolute disgust by the citizens of the nation of France, with the economic disasters that they have been faced with since the adoption of the Maastricht Treaty Stability Pact, and the policy of globalization that it characterized.

The French events themselves had been foreshadowed a week earlier by a very significant election in the North Rhine-Westphalia region of Germany, where the German Social Democrats suffered a significant defeat, and a defeat that was attributed, above all else, to the failed economic policies of the Schröder government there.



EIRNS/Finn Hakansson

Lyndon LaRouche delivers his webcast speech on June 16: "I propose that the United States government must step forward now—before it's too late—and . . . make the decisions which will bring together the nations of this planet, or at least many of them, to establish a new world monetary system, modelled upon the Bretton Woods system, with the intention to make this planet a place that's fit to live in."

When Mr. LaRouche addressed this audience back in April, he reiterated a warning that he had first delivered in mid-February, concerning the significance of the impending bankruptcy of General Motors. At that time, many people in the United States thought that Mr. LaRouche might be exaggerating, or might be a little bit off in his timetable. But, I think that recent events here in America have made absolutely clear, that Mr. LaRouche's forecast was more than accurate. And in fact, we find ourselves in a situation right now, where the intensity of the crisis, although it frightens many people, has actually set the stage for long-overdue fundamental change in global, and American, economic and financial policy.

Mr. LaRouche, who, as most of you know, is principally a physical economist, has called most urgently for the revival of the American System principles that governed FDR's reversal of the last Great Depression that our nation faced. The fact of the matter, is that the situation today, however, is really far worse: The post-Bretton Woods 1971-to-the-present system has brought the United States, and really the world, to the brink of total monetary collapse. More importantly, it has gutted global production of the vital physical goods, both industrial and agricultural, that the human race needs to survive and to prosper.

LaRouche, in a series of statements that he has released, has identified the conjuncture of the political shocks in Washington, in Paris, and in Berlin, and the accelerating disintegration of the financial crisis, as a moment of great opportunity. While it might be frightening, for someone with Mr. LaRouche's competence—and Mr. LaRouche's courage—

this really presents a moment of great opportunity, not only for the United States, but for all of humanity. It gives us a moment, in which we actually have the potential, and the possibility, to return to sanity in our economic policy.

The fact of the matter is, that if we don't, the alternative is something that probably none of us wants to consider.

I think that during the course of this afternoon's event, Mr. LaRouche will more than adequately address these questions—and a lot more. This event is being broadcast over the worldwide web. Mr. LaRouche will be addressing us from Europe, where—although he has an extremely tight schedule of meetings and activities—he felt that it was absolutely critical to address the United States in particular, at this moment, and to do it before we reach the end of this fateful quarter.

So, ladies and gentlemen, without further ado, I'd like to take this opportunity to introduce to you, Lyndon LaRouche.

Lyndon H. LaRouche, Jr.

I must repeat to you, today, what Franklin Roosevelt said to the American people under similar conditions. Because, what I'm about to say, now, would terrify you, unless I showed you, there is a solution for this problem. Roosevelt said, "There is nothing so much to fear, as fear itself." And that's the case now.

And let's take the top of the list right now: What faces us presently, as of July 1, is a termination of certain existing contracts, involving hedge funds, which are in the process of going down. In point of fact, what happened as a result of the

General Motors crisis, the process in which the announcement of the pending potential bankruptcy of General Motors was announced, along with Ford, and in which, then subsequently, the General Motors stock was dropped to a junk-bond status, which means that the people who have invested, as institutional investors, in those bonds *have* to pull out of them, because they can not legally remain holding stocks which are in junk-bond status.

Now, this runs out by the end of the July—according to present schedule. No one can say exactly what's going to happen. But we know what the shape of things to come is, and we know what has to be done about it. So, if I say definite dates or timetables, the timetables are flexible, but we're in a very tight schedule, and however much the schedule might change slightly, the time for decisions is not going to be far off from what I indicate to you. All right.

During this period, there was an approximately 40% collapse, minimally, in the value of hedge-fund holdings, which were in lots of things. This is now getting worse. The reason you're not hearing much about the hedge-fund problem, as much as you *should*, if you realize that the fate of the whole world monetary system now hangs on it, is the fact that major banks, which are associated with the hedge funds, are now, at this moment, trying to decide which of the hedge funds to dump and which to support: Because the magnitude of the crash of the hedge funds, is so large that they can not be bailed out as a whole. The banks are going to try to protect *themselves* from the hedge-fund collapse, by throwing some hedge funds to the wolves. And are now in the process, from all we know, of still deciding which ones—whose throats they're going cut, in order to protect the banks themselves. And the banks we're talking about are the world's biggest commercial banks. These are the ones that are in jeopardy.

Now, the hedge funds are a form of insanity, which was introduced in 1987, approximately, after the October 1987 general stock market crash in the United States. In that period, when Paul Volcker was then going out of his position as the Federal Reserve Chairman, and about to be replaced by Alan Greenspan, Alan Greenspan said, "Ho-o-ld everything, until I come on board!"

What Alan Greenspan did, was he brought in a system called "financial derivatives." Now, financial derivatives sounds like some kind of investment. Well, it's not an investment. As every crooked gambler knows, this is nothing but a side-bet on the real action. Financial derivatives are side bets on the economy. Just like a bunch of guys up an alley, some people are shooting craps and putting their money on the ground. And beside them, a bunch of people are betting *against* the bettors, with side-bets.

Now, this is called, also, a "hedge fund," to dignify the thing. You can imagine a bunch of gamblers up in an alley, saying, "I'm investing in hedge funds!" This is an organized-crime type of thing—"I'm investing in hedge funds!" Great dignity, right? Big, important stuff!

No! But it's big. And right now, the financial derivatives bubble in the world is about to collapse. And the hedge fund collapse is right at the tip of it.

If the hedge funds go down, and the banks may be pulled down with them, or at least some banks, and may have to be bailed out as banks, or put into receivership by governments, then, against what are the side-bets placed? Things like mortgage portfolios of major banks, at a time that the mortgage portfolios of the United States, the United Kingdom, and some other places, are in deep trouble. As much of the major press has indicated, in parts, what the nature of the problem is.

If the mortgage bubble goes, as the result of a collapse of GM, then you're in trouble.

In the meantime, the GM crisis has created an additional problem: We have a Congressional institution which was created some years ago, to try to give minimal support to pension funds, which might be in trouble because of a corporate failure. Now, recently, a bankruptcy judge told United Airlines that it could dump its pension responsibilities to its retirees and to its current employees. The danger, of course, is that, with that decision, that the next step would be that Delta—which is already in a bankruptcy situation—and American Airlines might do the same! And it is known that General Motors management is planning to dump the pensions of its retirees and people onto the public funds.

This means an inundation of the public funds, which affect largely people in the lower 80% of family-income brackets. This means, that if you are an average person—not in the top brackets with special kinds of funding, but in the normal course of funding—your pension may be gone. The only safe pension you have left, is your Social Security pension! And the President of the United States, as you know, has been trying to rob you of that: by asking you to switch your Social Security assets into the private funding market, where these private insurance funds, these private pension funds, *are collapsing!*

They want to bail out the stock market, by taking your Social Security assets away from *you*—and giving them to somebody in the financial community.

That's what the President of the United States says he wants to do. Now, I don't blame the President for too many things, because I don't think he knows what he's doing. I think other people are using him. I don't think the man really knows what time it is, in a sense.

Now, the situation is, such that people now generally realize that the United States is in deep trouble. The U.S. economy's in trouble. It's about to go under in a chain-reaction collapse. When, nobody knows exactly. But we know it's oncoming. That's why I say, as Roosevelt said, "We have nothing to fear, as much as fear itself." *Because there are things we could do about this.* There are things the United States government could *do* about this. There are things the American people could force the United States government to do about this.

But the average person doesn't understand this problem. Therefore, they're not sure of what to do, and they're not sure about what kind of a proposal they should support. But they know they've got to get some action, from government, to protect them from the danger of a collapse, which, in point of fact, is much bigger than the 1929-1933 collapse; 1929-1933, which was given to you by Presidents Coolidge and Hoover, was relatively mild in its effect compared with the threat, to the world, as well as the United States, from the presently onrushing crash.

The situation is this: The entire world system is coming down. Not just the United States' system, but the entire world system. Now, there're many people who're whistling in the dark, and saying, "It's not going to happen. It couldn't happen"—well, it is going to happen! It's inevitable!

What do we do about it?

The United States' Responsibility

Well, we in the United States have the principal responsibility for dealing with this. Why? Because, the world system, the world monetary system, and the world financial system therefore, hangs on the basis of a monetary system, *which is still a dollar-based monetary system*. The holding of U.S. dollars by foreigners—China, Japan, South Korea, and so forth; Europeans: If the United States dollar were to collapse by 30%, this would be a *catastrophe* for the rest of the world. Because it would cause chaos, a chaotic collapse of the monetary system *of the world*. We, in the United States, have the legal responsibility for defending ourselves and cooperating in defending other nations, by taking appropriate actions to protect the world monetary system from collapsing.

Now, there are some people in various parts of the world, who are cheering, especially after the Iraq War and a few other things like that—they're cheering for any catastrophe that happens against the United States. They don't *like* the United States! They're happy to see the United States going down, because they think the United States has pushed them around much too long, especially since George Bush became President. But that's a very foolish attitude. There *is no substitute* on this planet for the American System.

Therefore, the responsibility lies with us, to prevent world chaos, *by taking actions which will lead to a stabilization of the value of the U.S. dollar as a unit of monetary reserve, worldwide*. That means, we're going to have to go back to something which was proven: the methods of Franklin Roosevelt in getting us out of the last Depression, and transforming a bankrupt U.S. economy of 1933 to the most powerful economy the world had ever seen, by 1945. We did it then, we can do it again. It's a tougher job now than it was then. We had more railroads, we had more farms, we had more industries, we had more places in which we could put people to work, then as now. But we can do it!

What does this mean? This means, we take these U.S. obligations, U.S. Treasuries—that's the principal obligation

of the system: We must secure that *the U.S. Treasuries maintain their value on the world market*. We must make this as an arrangement, and a guaranteed arrangement, in cooperation with other nations on this planet.

Now, as I said, some other people say, "Let the United States go." That's a very foolish thing. Some people say, "We need a system to replace the United States." It's a very foolish idea. Any such ideas will lead to a crash of the entire world economy. Not a financial crash, an actual chain-reaction crash of the world economy: Because, some idiots, in their great wisdom, have tried to *globalize* the economy. What we did, is, we took our industries from the United States and Europe, we shipped the work that was done by our industries, out to countries where labor was cheapest. And we kept going, trying to find a cheaper, and cheaper, and cheaper labor market in various parts of the world.

Since we were no longer producing, since the lower 80% of our family-income brackets were going down, and down, and down, in terms of the physical value of their income, and their job opportunities, we began to lose infrastructure. What government did, under this silly policy, especially since 1971-72, we began to destroy the infrastructure on which our productive power depended. At the same time, we were shutting down our plants, and putting our people out of work, *into cheaper-paying jobs!* People moved from skilled productive jobs, into jobs at Wal-Mart, and things like that, which are not particularly productive. Producing cheap goods, which we would have been ashamed of, in old times, as what we consumed.

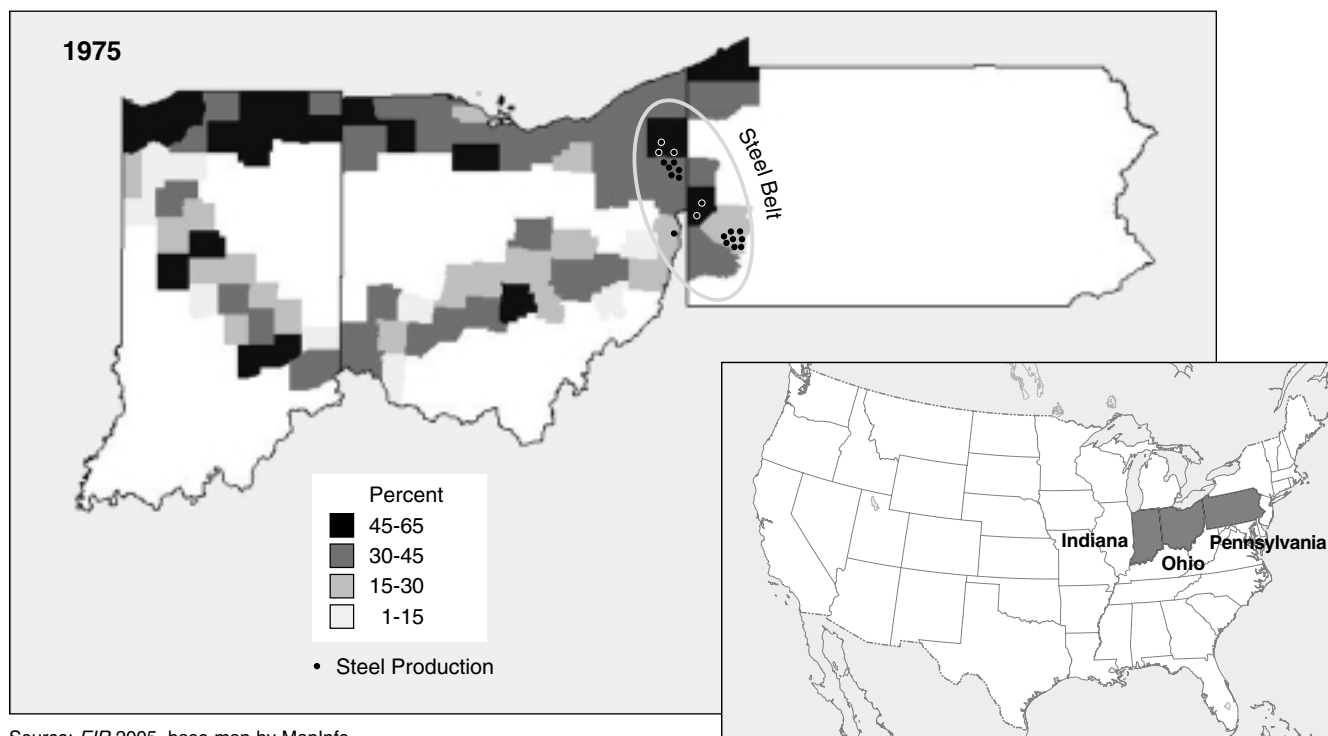
And we let our infrastructure collapse: We collapsed our railroads, we collapsed our power systems, we collapsed our water-transportation systems, like our river systems; we collapsed our municipal systems, we collapsed our educational systems; we've shrunk and destroyed our health-care system. [See **Figures 1-3.**] All these things, which were the basis, and basic economic infrastructure, for skilled and productive employment were destroyed, as we destroyed employment, and shifted people from productive jobs, into make-work jobs, at low wages. We took people who were one-and-a-half persons of the adults in a family, which support the family, and now you've got the people having several jobs! Each of them, all members of the family!

You have real estate bubbles, where you have shacks in the Washington, D.C. area, around it, where people have moved in from all over the world, to live in the D.C. area: And they pile into these places, and combine their incomes, and they put up money for a shack—put together, not with nails but tacks!—and this shack goes at \$600,000 mortgage up to \$1 million. And these are just poor-class shacks, around the entire area. You have people tumbling into these places and out of them, living no regular family life, going to bad schools, with poor health care which is worsening all the time: These are the conditions of life! [See **Figure 4.**]

And this thing is about to come down. And more and more

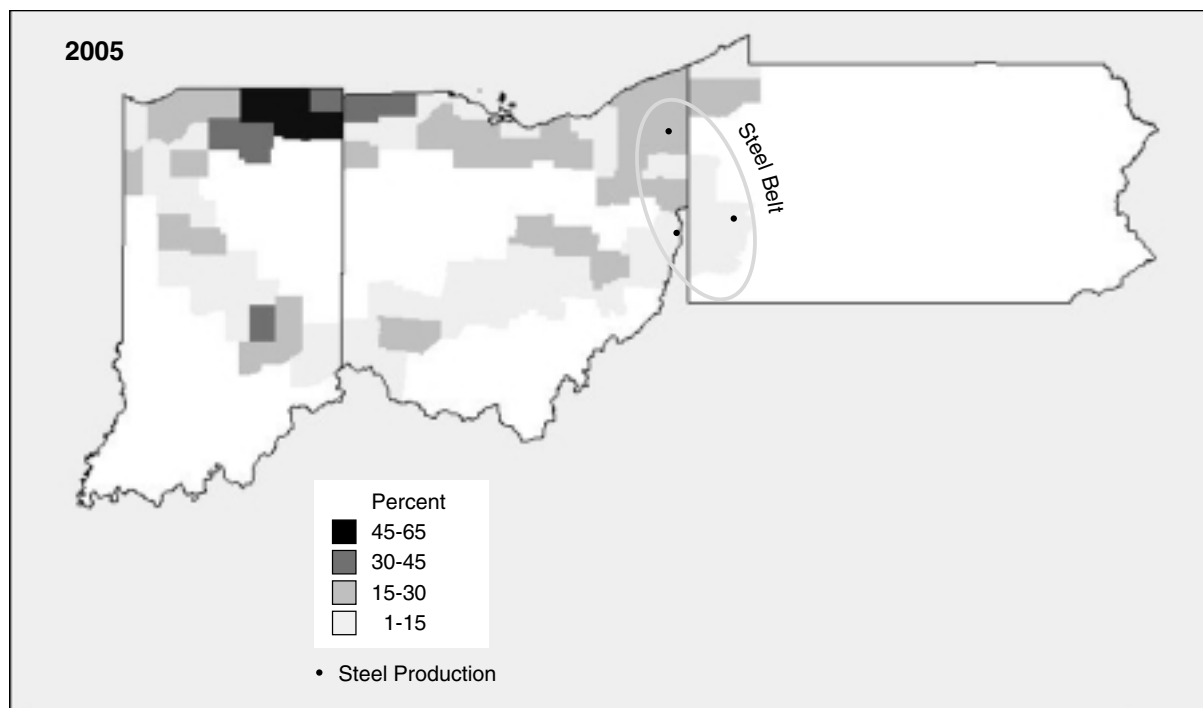
FIGURE 1

Decline and Revival of Manufacturing Share of Total Workforce, by County Along Two Main Corridors for High-Speed Rail



Source: *EIR* 2005, base map by MapInfo.

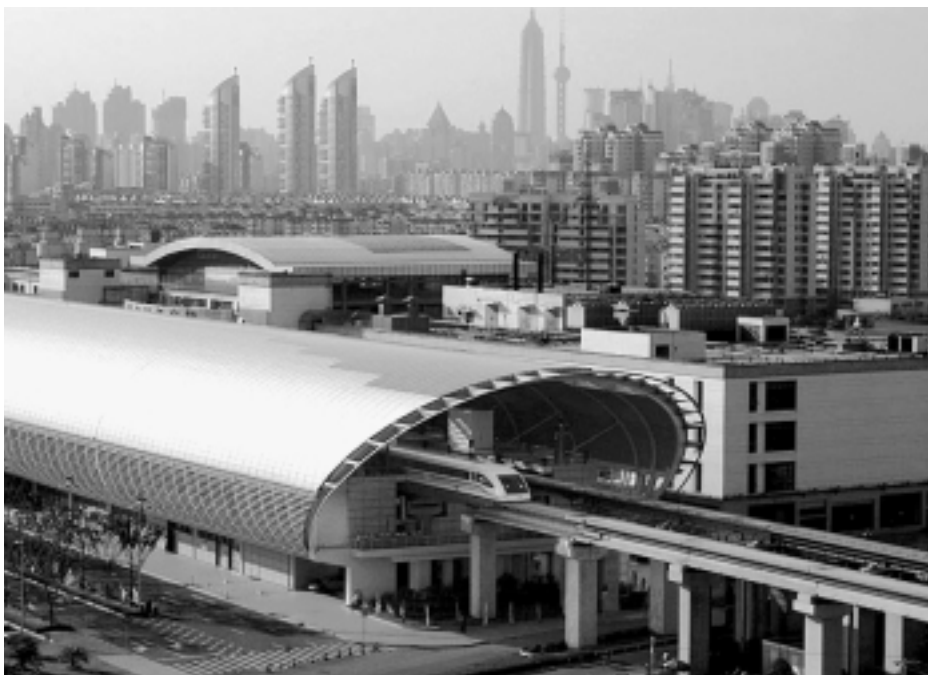
FIGURE 2



Source: *EIR* 2005, base map by MapInfo.



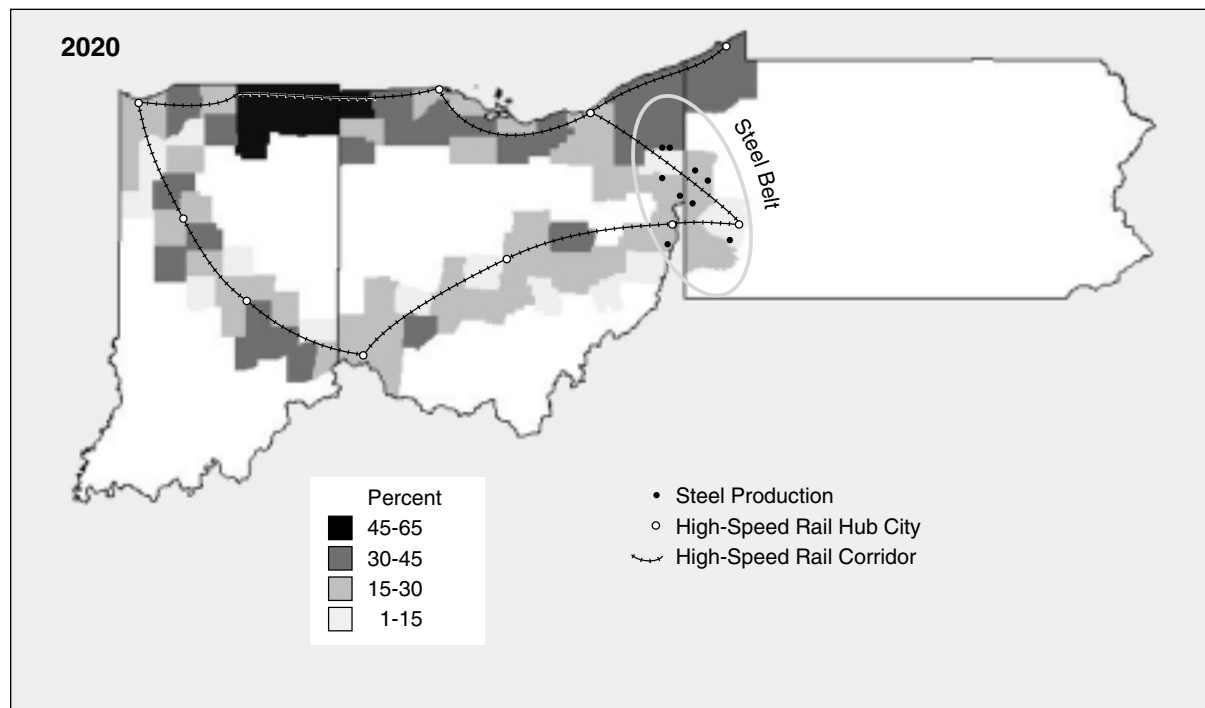
transrapid



transrapid

The Siemens magnetically-levitated, 225 miles-per-hour Transrapid (above) opened in Shanghai in 2003. In the Pennsylvania, Ohio, Indiana corridors shown, building high-speed rail lines, especially maglev, would revitalize the heavy industrial base. Over the past 40 years, the Midwest steel-belt was drastically taken down, as shown in the Pittsburgh-to-Youngstown, Ohio region. Now, to construct high-speed rail, and the nuclear power plants required, means re-establishing high-output, integrated steel production with the most advanced technologies. See a color animation of this process on www.larouchepub.com.

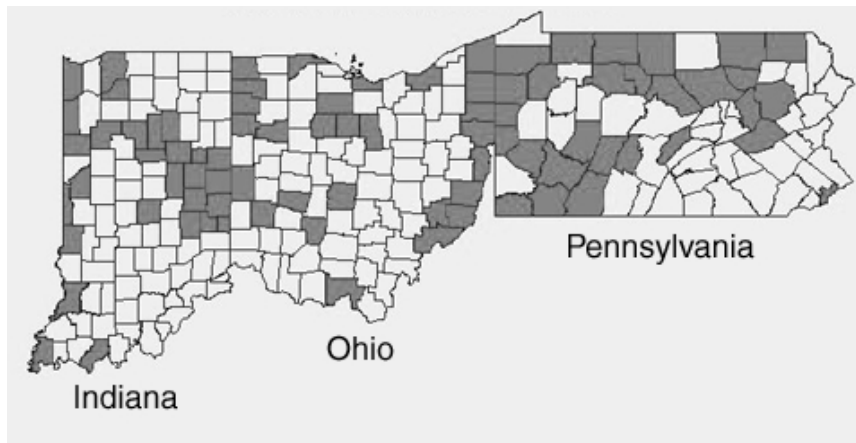
FIGURE 3



Source: EIR 2005, base map by MapInfo.

FIGURE 4

Counties Which Have Lost Population, 2000-2004



Source: U.S. Bureau of the Census, *EIR*.

Population declined in this three-state region, from 29,714,679 in 2000, down to 29,691,466 in 2004. One-third of the counties in the three states—84 out of 246 total—lost population (shown with dark tone). Ohio saw a 2.8% loss, from 11,353,140 state residents down to 11,050,605 in 2004. Extensive areas were depopulated within the other two states. An animation on solving the economic crisis behind this trend accompanies this webcast transcript on www.larouchepub.com.

is being done, to say, that when you can't pay the mortgage any more—they kill you, in effect. They throw you out, they milk you. This is what we've become!

Murderous Effects of Globalization

Now, what did we do to the rest of the world? We shipped production out of the United States, and out of Europe, into the poorest countries in the world. Into countries, for example: India is a respectable country, in many respects. China is a respectable country, it's a power in many respects. But, 70% of the Indian population is desperately poor, and has virtually no infrastructure to support them. China, 70% are still desperately poor, despite the success of China's growth in many other respects.

The other countries from which we take labor, as part of globalization—what are they doing in Europe? They're taking labor in Eastern Europe, in countries like Poland, where skilled people are working as stoop labor in Central and Western European countries. And now, they're moving people from those countries, at the wage levels paid in those countries, into France and Germany and so forth! And destroying the infrastructure of the countries of Western and Central Europe, which were once powerhouses of production in their own right.

So, what we've done with globalization, which is one of the most *evil* ideas that was ever conceived: We have lowered the productive power of the world per capita! We destroyed the infrastructure and employment in countries which were the powerhouses of production of wealth, the United States

and Europe.

We destroyed the levels of productivity which existed, and standard of living in Mexico, and in South and Central America, while we put the employment there. We couldn't get enough cheap labor in the United States, so we got Mexicans to be driven across the border—by hunger!—as illegal immigrants, into the United States. We took the jobs which cheap labor, brought into the United States legally, was doing, and we took the jobs away from them and gave it to immigrant labor—illegal immigrants! The illegal immigrants are coming to us, because they were driven from Mexico: They're coming to us, because somebody sucked them into the United States, because they weren't satisfied with the cheapness of labor here! Even with what had been the cheapest. That's what's been done to us. [See **Figure 5**.]

That's what's been done to the world.

And now, we're on the verge, where you've seen your health care, your public utilities, your education in the United States are collapsing. And you look around the world, you look in Argentina: Argentina had the fourth highest standard of living in the world, back at the end of World War II. Where is it today? What's happened to Mexico, which was on a track for growth, back in 1982, when we *destroyed* it, by imposing a policy upon it? And we've virtually destroyed a country, which was a growing, powerful country. We did the same thing to Venezuela, or we're doing it. We did it to Colombia; we did it to Peru; we destroyed Ecuador; we destroyed Bolivia. We're undermining our friends in Brazil. And what we're doing in the Caribbean is—

What we're doing in Africa, especially Sub-Saharan Africa, *is deliberate, conscious genocide!* And spread of disease, because they want to help the genocide by spreading diseases, to get rid of the Africans. This was a policy from the 1970s; the policy was, that Africa has a lot of raw materials, and those raw materials are going to come to *us, back here, in the United States!* We're not going to let the Africans eat up those raw materials! We don't want their population to grow, we want it to shrink! We don't want the Africans to get a higher standard of productivity, because *they'll use up more raw materials, which we're saving for us* in the future.

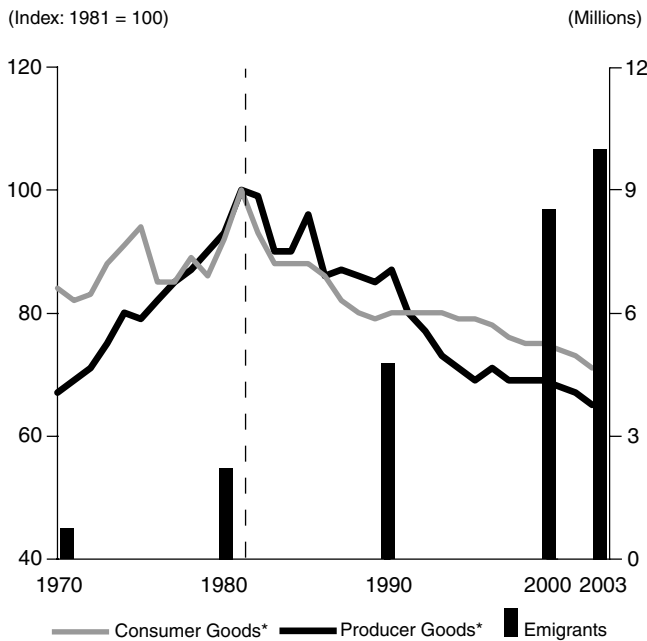
That's what we've done.

We don't *care*, about the 70% of the population of India, which is still in worsening conditions of poverty—despite the progress of India in other respects. We don't *care* about the long-term prospects for the people of China. We don't care, about the people of Southeast Asia.

FIGURE 5

Economic Refugees' Flight From Mexico to the United States

(Index: 1981 = 100)



* Mexican production, excluding the maquiladoras for export only.
Source: EIR, 2004.

The real "great sucking sound" under NAFTA, as LaRouche explains, has been the forced economic exodus of millions and millions of Mexicans, and Central Americans, to the United States, as those nations' economies and consumption levels have been devastated by the wonders of "free trade." See color animation of this and related physical-economic process maps on www.larouchepub.com.

You see this tsunami thing. What does the tsunami represent, the tsunami crisis? You have these areas along the coast, which were hit by this tidal wave, caused by a major earthquake. What happened?

Well, the waves came in, and all the poor people, who were living virtually on the beach or next to the beach, in order to provide cheap labor service for tourists, were struck—and many of the tourists, too. But why were the people living there? Because there was no infrastructure. Why was there no infrastructure? People in the United States and elsewhere, said, that the policy for this area of the world: There will be no investment in infrastructure. The labor of this part of the world, will work in hotels, or in entertainment industries, and be the cheap labor, and the sexual recreation supplied for tourists!

So we created by our policy, instead of developing this part of the world, as we intended at the time that Roosevelt was still President, as his post-war policy—instead of helping these nations to develop, *we actually lowered* the conditions

of life of the people of this part of the world, because we *used them up*, for cheap labor and entertainment, in resort areas.

That's what our criminality is. We did it! *This is globalization!*

And what it does, it's hit us. Because the values we are counting on, in terms of financial values, are not real values. They're fake values. They're highly inflated values—speculation.

Use the Roosevelt Model

What we have to do, and we can do, by using the success of Franklin Roosevelt's policy as a model, and that experience of 1933 through 1945, we have to guarantee the stability of U.S. Treasuries, which is the basis for the security of the U.S. dollar. We have to enter into agreements with Europe and with other parts of the world, on a fixed-exchange-rate system, which can be fairly described as a New Bretton Woods system. The kind of system which Roosevelt created at the closing period of the war, the fixed-exchange-rate system which worked, it worked fine until the middle of the 1960s. It was the system under which *we* in the United States helped Europe rebuild itself from war, especially Germany; which, with its Kreditanstalt für Wiederaufbau policy, created what was called an "economic miracle." With similar benefits in France, similar benefits in Italy, and so forth, during the period from the late 1940s, 1950s, 1960s.

We have to go back to that kind of system, which was destroyed by Nixon, where our troubles really began. And by getting long-term credit, instead of having short-term credit, we have to have agreements on long-term credit: credit in terms of investment in infrastructure.

Now, infrastructure's long-term stuff. A power station is 25, 30 years life-cycle, physical life-cycle of a power station. Maybe 50 years, with certain improvements in design. Water systems are 25- to 50-year systems. The water systems in the United States today are crashing, because of their old age; they have not been fixed. You used to be able to get fresh, drinkable water out of a faucet. You can't—in more and more places in the country, you can't get safe water out of a faucet. Because the water systems have been destroyed. You're not guaranteed the access to the power you need, for the things you need. We don't have a public transportation system. We have super-highways which are used as parking lots at rush hours. We have people out on the highways, spending more time on the highway, and other forms of commuting, than they are with home life, with waking home life—because of these conditions.

So what we have to do, is we have to rebuild the world economy. We have to build new infrastructure for places that don't have it. We have to rebuild the infrastructure of the United States and Europe. This is going to require long-term investment.

So, what's the plan? Well, we're now operating below breakeven. The basic problem, apart from the people that



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Mexican cheap labor produces for the U.S. consumer market. "What we've done with globalization, which is one of the most evil ideas that was ever conceived: We have lowered the productive power of the world per capita!"

aren't paying taxes and should be—I'm talking about the really upper brackets, who, as you observe as they come out of court, didn't really earn it. Like Enron. They never really earned that income. They stole it. And this is your high-paid stuff. Look at the salaries people are getting at General Motors, who mismanaged that thing into the ground! Look at what they're getting for pensions! Look at what they're getting as executives. It's a parasite economy.

We have to rebuild the economy. We have to build up the industries, and so forth. We have to employ our people productively. A lot of the employment has to be in *basic economic infrastructure*: Building water systems; building mass transportation systems; improving our cities; building water systems; building new industries and expanding old ones.

You take one example—let's take the example of the auto sector: Now the automobile industry is a *strategically crucial part of the U.S. economy*. We are now producing too many automobiles—and we've been doing it too long. And as a matter of fact, the automobile manufacturers have been *paying* people to buy automobiles. And the people buy into a longer-term debt, but they're getting *paid* to buy an automobile. It's the only way that these companies can sell the automobiles they want to sell—and that's not working too well. That's why General Motors is bankrupt; that's why Ford's in trouble.

But let's look at the industry. Let's look at the large number of people who work in this industry and its associated industries, the people who depend upon those industries. What do they represent? Well, they represent, in part, the core

of the machine-tool capacity of the United States. The United States power in World War II, was based on our ability to mobilize our machine-tool capacity. We won the war with sheer tonnage of productive power.

We didn't have the best army in the world. Most of us were just called into service a year or so, before getting into battle. But we won the war because of our power of logistics, the logistics we used to support our own forces, the logistics we gave to other forces of other countries of our allies. We maintained a two-front war, to defeat the Hitler empire. And without us, it wouldn't have happened. Without the U.S. economy under Roosevelt, it couldn't have happened.

We did that. We came out of that as the most powerful country in the world. We can do it again.

What we have to do, is use government credit, the power under our Constitution of the government to create Federal credit—long-term and low-interest-rate, 25- to 50-year bonds, loans. We have to get other countries to do the same thing, either by issuing credit in the form of state credit, or the form of credit in treaties, long-term trade agreement treaties. Such as those between Western Europe today, and countries in Asia, such as China, India, and so forth.

China needs everything. Seventy percent of the population is still poor. They must build new cities. They must build new transportation systems. They must upgrade their population, by development. They need long-term credit. They can generate much themselves, but they need to build their country.

Southeast Asia is a similar situation. Indonesia's a similar problem. Malaysia: They're building up fairly well, but they



U.S. Navy/Photographer's Mate 2nd Class Philip A. McDaniel

Devastation in Banda Aceh, Indonesia after the tsunami of Dec. 26, 2004. The storm's death toll was so high, because "people in the United States and elsewhere . . . said that there would be no investment in infrastructure. The labor of this part of the world, will work in hotels, or in entertainment industries, and be the cheap labor, and the sexual recreation supplied for tourists!"

can do better—and will do better. India, Myanmar. These parts of the world need to be rebuilt.

The so-called Middle East, Southwest Asia: A cockpit of war and death now, it needs to be built up by water systems and other things, so a decent quality of life is available to people in that part of the world.

These are long-term investments of one to two generations. We must generate, together with other countries, the new forms of long-term credit, of state-guaranteed credit. We must organize this credit, into an international monetary system, modelled on the old Bretton Woods system, but adapted to the new conditions of today. We must have a fixed-exchange-rate system; we must peg these currencies and stabilize them. Therefore, under those conditions, we can guarantee the future payment against the bonds we issue in the form of debt, to do what? To put people to work today, such that we bring the U.S. economy *above breakeven*, in terms of current operations. If enough people are working, and earning money, a large enough percentage of our population are earning money, in productive occupations, in infrastructure and other forms, manufacturing and so forth, then, we are generating enough income per capita to carry this economy above breakeven.

If we can operate on that basis, above breakeven, and do it over a period of one to two generations, *we can guarantee, therefore, the repayment of the debt that we issue and create in order to do that work.* Under that basis, with agreements among nations to that effect, we can then say, we have a fixed

value for the U.S. dollar, and you can count on it for 50 years to come. And other countries can do the same thing.

But we are in a situation, where it is *our* responsibility. No other country or group of countries on this planet could do that, without the United States. And since we took charge of this thing, and created this as a dollar system, we are morally and otherwise practically responsible. We are the ones who must step forward to save the world: Because, without us, if we go down, we'll be like Samson—we'll bring the world down with us.

So, this is our responsibility.

Foreign Development

Now, what is involved in terms of foreign development? What lessons do we have to learn from this? Well, for example, it'd be easy to do this, in one sense, because—take Germany: Germany is the key country of Western Europe. It is the country which is best able, if allowed to do so, to generate within Europe, a pattern of growth. It did it before. Germany, in the post-war period, accepted Roosevelt's terms. And Germany created an institution, under a leading banker there, but modelled upon the U.S. system of Roosevelt. It's called the Kreditanstalt für Wiederaufbau. It works.

If you put enough credit into the German system, and take the people who are becoming unemployed—take what are called the *Mittelstand*, these small private businesses which are the great producers of engineering and other things, which the large corporations depend upon; you get them back into



National Archives

"The United States power in World War II, was based on our ability to mobilize our machine-tool capacity. We won the war with sheer tonnage of productive power." Here, workers turn out parts for bombers at Willow Run, Michigan, in 1942. Where are Michigan's factories today?

business. Then you have a driver, an engine of growth. As long as Germany is operating above breakeven, which it's not doing presently, *Germany works*. When Germany works, with its connections with its neighboring countries, Europe works—at least Continental Europe does.

If Germany works, then Germany is going to follow the trail it's now started under Schröder, to extend cooperation with Russia, the countries around Russia, in a triangular cooperation among Russia, China, and India; bringing all of the countries of Asia into a system of cooperation with Europe.

My view is that *we*, as the United States, must be the *partners* of Europe, and Eurasia as a whole, in this kind of arrangement. We should bless their efforts to do that. We should seek to cooperate and participate in what they're doing. Under that basis, we can bring Europe back to life. We can make commitments to countries in Asia, that we, together with Europe, to perform the acts of justice that they need from us.

We, together, have the power to deal with the problem of Africa. The problem of Africa is one of great crimes, committed from Europe, and particularly since 1492. Since the Spanish introduced chattel slavery, treating Africans as animals who were hunted down to be captured and used as slaves. And that process has gone on. And relics of that process continue in Sub-Saharan Africa today. The human race outside of Africa has committed a great crime, in what it did, and what it contin-

ues to tolerate. And we are not going to be able to live with ourselves in the future, unless we do something to fix that.

And therefore, if we, in Eurasia and the Americas, are taking care of our own shop, then we jointly must intervene to help Africa.

What Is Our Conception of Man?

We must have a conception of man, which is associated with the idea: We're going to *build* the future; we're going to create a new future for humanity out of the dregs of the mistakes we've made so far. And because, you know, people think that the purpose of economy is money. And when they think the purpose of economy is to get money, they don't understand what it is to be human.

The purpose of economy is to realize what man is. Man is not an animal. No animal can discover a physical principle, and apply that to increase its power to exist in the planet in the universe. Only man can do that. This is done through the power of reason. We are not animals, we are creatures of reason.

The net thing that we do with our lives, the very conception of immortality, the practical conception of human individual immortality, is that, while we're alive, we can contribute something which will last into the future, as a foundation, benefit for generations to come. That what we're producing therefore, if we are wise, is not products. We're producing

infrastructure; we're producing means of manufacturing; we're producing improved technologies; we're raising the standard of living; we're increasing the potential for the intellectual and moral development of the individual in future generations. What we're producing is man. What we're producing is culture. What we're producing, is better human beings—not simply better because they're moralized into being better, but better because they have risen to a higher level. They have more access to knowledge. They are able to make better judgments. They're able to be more productive. So that you can say, as many immigrants to the United States thought, when they came here—they sacrificed, so their children and grandchildren could have a better life.

The greatest motive in economy, is to use scientific and technological progress to improve, not just the standard of consumption, but the *quality of existence*. If we can say, that those who were born who come after us—our children, our grandchildren, and those beyond—are going to have a better life, as human beings—not just as consumers, but as human beings—than we have, today, then we have discovered the secret of economy.

Look at the world as a whole. Look at us from the United States, from South America, Central America, from Europe, who are on this broadcast today. Look at us. What's the meaning of our life? We're all going to die! When we die, what has the meaning of our life *been*? What have we done, now, in which we can take pleasure, can rejoice, that our lives *have meant something*? That we can face death, knowing that we have accomplished something while we lived!

How many people in the United States and other parts of world, *have the right to think that way today*, in practice? The conditions of life of people today, is, you think about your future. You think about the people in the United States, as having a *worse future* than you grew up under! That's been your experience for two generations, during the past 40 years. So, you can foresee your grandchildren as living, almost as animals, relative to your standard of life. *Things are getting worse, under George W—much worse.*

What we used to think, even in our own crude way, we used to think we were making things better, the community was better, the state was better, the nation was better; our children were rising to a higher standard of living and importance; your grandchildren were the promise of the future. And you could look beyond that, to say, we're going to *build* this nation. We're going to jointly build *other nations*, to make this planet a better place: And say, "*I can go to my death with a smile on my face, because we're doing that.*" And that's the great purpose of economy.

It's not profit! Yes, we need to have a profit, we need to have a gain in productivity over what we put in in the first place. Yeah, we need that kind of profit. But the purpose of life and economy is not profit. The purpose is to build a better society, to develop human beings who could do what we never

could do. And to hope that they would do the same for those who come after them. And we can say, "We mean something in the scheme of eternity. We have a right to think of ourself as something more than an animal."

That's what we really need.

The Crisis of Anglo-Dutch Liberalism

Now, we face a great crisis, right now. Evil has overtaken us. And, being a person who's plainspoken, I have to say that Dick Cheney is evil. The President of the United States is a mental case. And the Vice President of the United States is a

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morals case. They're evil. What Cheney did—I don't blame poor George W. Bush; I don't think he had the brains to know what he was doing—but Cheney did. Or his wife did, and maybe she told him.

What he tried to do, in the Congress, is the following.

Very few people around the world know what the Constitution of the United States is. Because of the educational situation, nowadays, very few people do, still, even today—*younger people*. Only some of us older folks really know what the United States is. And a few, very sharp younger folks, who are beginning to come along.

The United States was a creation of Europe. From 1492 through 1648, Europe was immersed in religious war. Now, it was a Europe which had come out of a terrible period, and was beginning to develop modern society, the modern nation-state. But this was being destroyed by religious warfare, which ended in 1648. During this period, people in Europe said: What're we going to do? Well, let's get out of Europe, and go, as Nicholas of Cusa proposed, go across the seas to other areas. And so, they came across the ocean, across the

Atlantic, to North America, with the idea of building up settlements here, which would form a kind of society here, which would then feed back into Europe, and become the model for the freedom of Europe from the terrible conditions which existed there. That's what the United States was intended to be.

And from the Massachusetts Bay Colony's founding, in the 17th Century, on, that was the thing that guided all the best leaders of the United States in their thinking: to build a republic, not simply to have something that is our own, but to build something which we could not do in Europe, at that time! By building something here, and inviting people to come here, and join us, and be part of us. To build up a republic, which would then become a model and a force of influence for the rest of the world, *to cure* the great evils which had take over Europe. And continue to take them over.

So, in the course of time, when Europe became evil because of the spread of this Anglo-Dutch Liberalism, we became desperate. And we launched, beginning 1763, a struggle for our independence. It was a dangerous struggle, and we drew upon friends in Europe who knew what we were doing, and supported it. We won that war. We established a republic. And once we had won the war, we then had to think about putting our house in order.

The Indispensable Role of the Senate

So, in the course of the 1780s, we had a process which centered around a number of institutions, including the military veterans of the war, the so-called Cincinnatus Society. And we met, our leaders met, to design a republic, an institution for the future. This republic was based on knowledge of the best experience of Europe. And it came to the time, as to what kind of a state apparatus we were going to have. The big fight on the Constitution was that: What kind of a state would we have?

And it was decided to have a Presidency. And when we decided to have a Presidency, we came to an argument. We said: "Wait! But, the Presidency, as we've designed it, is a very powerful institution. What if that institution fell into the hands of somebody who used it maliciously? Would our republic survive?" So, what we did, among our other checks and balances in our constitution of government, was to give certain powers to the *permanent body of elected government*. Now, the permanent body of elected government, is the U.S. Senate: It never goes out of existence. Approximately one-third of the Senators come up for election every two years.

So, the Senate, unlike the House of Representatives, never goes out of business. The majority of the Senate always remains seated, before and after the election. And the Senate is supposed to reflect. That's why this two-thirds rule existed on certain issues, that if one-third of the Senators said "no" on these issues, they could block the decision of the majority. Because the assumption was, the next two-year election will give the Senate the chance to reflect, and the people of the

United States the chance to reflect, on whether that proposal was right or not. And to select their representatives they put into Congress, into the Senate, on the basis of settling that question.

So therefore, what Cheney tried to do—and it wasn't just he, it was people behind him; but he's just the thug, that led the charge—was try to overthrow the Constitution of the United States. Because this question of powers of the Presidency is crucial. The power to make war: *We are still engaged in a war in Iraq, which is an unlawful war, in violation of our Constitution!* A war we got into because we were lied to! Or, because members of the Senate believed the liars, who were the President and Vice President and others. That was a *subversion* of our Constitution! That was not a lawful act of war! Apart from being an act of war, done by *authority of lies!* Lies by the President! Lies by the Vice President! Lies by many others in government!

Then they come along, they say, "We want a dictatorship." Well, how do you get a dictatorship? "We got a majority in the House and Senate, and we just stole the Presidency, again. So therefore, if we could get a straight majority vote, in the Senate, *by overthrowing the Constitutional provision, against precisely dictatorship*, we can establish a dictatorship."

So, what happened was, men of conscience in the Republican Party joined with the men and women of conscience of the Democratic Party, in the Senate, and said: "No!" *We just saved ourselves from a dictatorship.* We'd be under a dictatorship today, if these men and women of the Senate had not acted to block Cheney.

Now, the President himself is now a lame duck. He doesn't really function. It's the duck that doesn't fly. He gets flown, but he doesn't fly.

But we're in danger still. Because in times like these, in most parts of the world, in the case of a financial crisis like this one, you often get coups. You get assassinations of heads of government, and other important people. This is characteristic of Europe! It has never happened in the United States. We've had a few Presidents assassinated—quite a few—for political reasons, by powerful interests, usually powerful financier interests. Often European-based, powerful financier interests, who have killed a number of our Presidents, because they didn't like our policies.

But never has our form of government been overturned by dictatorship. Europe's often has been. We're in a time, where that is the danger. Cheney and company tried once. If they get a chance, they'll try it again. You see the mood for it, all around you.

And therefore, you understand something else, perhaps, then: How important the United States is. So far, even on the 23rd of May, we did not become a dictatorship. Whereas during such periods of time, many times, most of Europe has gone into dictatorial systems.

Our system of government—which is not a capitalist sys-



murray.senate.gov

Democratic Senators mobilized in defense of Social Security at the Franklin D. Roosevelt Memorial in Washington, D.C. in February. "We'd be under a dictatorship today," said LaRouche, "if these men and women of the Senate had not acted to block Cheney" in his bid to eliminate the Senate filibuster with the so-called "nuclear option."

tem: It's the American System of political economy, which is what our Founders called it. It's not a socialist economy. It is not a capitalist economy. It's an American economy: a unique form of economy, a unique form of Constitutional system in the world. And this system of government, a nation which became a power *because it had this system*.

What are we? We're largely Europeans! We come from Europe. Some not, but most of us come from Europe. They came here, because there was a better opportunity to develop here. This nation was built up, because it created a better opportunity for development of economy and development of its people, than *any country* of Europe. That's why we became the power we were. For that reason. We are a unique institution! And there is a place for patriotism, in the United States: patriotism about our historical role in the past, and what our historical role must be today.

Toward a New Bretton Woods System

I've looked at the governments of Europe, South America, Central America, Asia. I don't see the capacity to make the kind of initial decision, that some great nation of this planet must make, that I propose that the United States government must step forward now—before it's too late; and after July 1, who knows when "too late" will come?—step forward and make the proposal, and make the decisions, together with that proposal, which will bring together the nations of this planet, or at least many of them, *to establish a new world monetary system*, modelled upon the Bretton Woods system, with the

intention to make this planet a place that's fit to live in; to eliminate globalization; to promote the sovereignty of every people and every nation, but to promote in terms of *cooperation*, collaboration among sovereign nations, *not* trying to put us all into one minestrone soup. And to break this system up.

So, that is my message. This should be a time of hope. We are a great nation, or a great nation is somewhere hidden among us. We collectively can become a great nation, any time we decide to do it again. The members of the Senate who blocked the coup d'état on the 23rd of this past month, demonstrated that virtue among our people.

I would propose that that same body in the Senate, and others who agree with them, in the Congress and in other institutions, must now begin to cooperate and unite with an understanding of the great peril which threatens us, but also the great opportunity which stands before us.

The great opportunity is: *We have made the most stupid mistakes imaginable during the past 30-odd years*. We have, now—recognizing that stupidity, which got us into all this mess—we should now decide we're going to end it, and stop being stupid. And go back to being what we're supposed to be: Being a United States, again. And being the United States to which the rest of the world looks up, as the one which they turn to for action, when they need somebody to step forward and take leadership, in providing the kind of action needed to save the world from Hell.

And that's exactly where we stand, today.

Thank you.