

# Proposals To Solve The Global Economic Crisis

*Here is Lyndon LaRouche's teleconference address to a standing-room-only audience of some 600 students, teachers, and military personnel, at the Nueva Granada Military University in Bogotá, Colombia, on March 18. The event was sponsored by the Association of Graduates of the Economics Department of the University. He was introduced by Maximiliano Londoño, head of the Colombian LaRouche Society.*

On the 25th of July of 2007, I announced that we were on the verge of the beginning of a general breakdown crisis of the world economy. That is: It's not a recession; it is not a depression like that of the 1930s. This is a general breakdown of the entire world financial-economic system.

The history of the breakdown, briefly, is essentially: It began with the death of Franklin Roosevelt, who had a policy for the post-war period, but, unfortunately, he died, and his replacement, Harry Truman, was associated with the cause of Churchill, which is a cause which Roosevelt had intended to crush. Roosevelt's intention, as he said explicitly—and he said it to Winston Churchill: As soon as this war is concluded, Winston, we're not going to have any more empire. We're going to use the means we have, the vast war machine we have, and convert it back into a civilian machine for supplying goods needed to assist developing nations, or what we call developing nations today, to find their independence and eliminate the function of empire in the world, and form a world of sovereign nation-states developing toward prosperity.

What happened was, that instead of establishing the kind of Bretton Woods system which Franklin Roosevelt had intended in 1944, at the Bretton Woods conference, what was established was a Keynesian system, as a fixed-exchange-rate system, but on a Keynesian basis, a British monetarist credit system, not a credit system of the type that Roosevelt prescribed. Also, at

the same time, Truman immediately took steps, in cooperation with London, to reinforce and defend colonialism in the world.

For example, in the case of Indo-China, the United States' OSS, the Office of Strategic Services, had worked with Ho Chi Minh, so that by the time the war was concluded—the Japanese occupation of Indo-China—the Japanese troops were imprisoned, as prisoners of war, and the United States endorsed the British going into these camps, freeing the Japanese soldiers, giving them back their weapons, and starting the re-occupation of Indo-China as a colony, which, of course, led to the consequences with which we're all familiar today.

So what has happened is, since that time, where Roosevelt had intended to convert our war machine, as a matériel machine, into the production of means of production, to transform the countries from merely developing countries under colonial or semi-colonial status, into fully independent nations, and to create a world based on what his conception of the United Nations was, which would be sovereign nation-states meeting together in institutions in which they would cooperate so we would have a world of sovereign nation-states without any empire. But what happened, in fact, is that the empire—that is, the international monetary system which was centered in Britain—took over.

## The Post-1968 Shrinkage

Now, for a time, up until about 1968, the United States was still the kingpin in controlling the status of this international monetary system as a fixed-exchange-rate system; but in 1968, we went through a change, especially on the basis of infrastructure, in which by 1971-73, the United States was no longer the leading power in the world in terms of financial and economic power, but rather, the British Empire and the nations drawn into its orbit. You still used the dollar, but the dollar was controlled by foreign interests, such as Saudi



EIRNS/Stuart Lewis



EIRNS/ Pablo David Rativa

*LaRouche told the overflow audience at the Nueva Granada Military University: “This kind of problem is solvable. We’ve done it before, and we’re going to have to do it now. The solution is simply: Put a bankrupt system into bankruptcy reorganization, using the standard which we have under our laws in the United States.”*

Arabia, which with London created the London spot market, which most of you know controlled the world for much of that period.

We also made other mistakes. We went to what was called a post-industrial, green economy policy. So what we did, from 1968, in the United States in particular—and this problem spread to other parts of the world—we went to a net *shrinkage* in basic economic infrastructure, from 1967-68 on. That is, the difference between new investment in basic economic infrastructure, and the loss of investment because of attrition, or because of depletion, was such that we were collapsing. Then came, with 1968-71, the green policy, the so-called anti-nuclear policy, the anti-industry policy, the anti-agricultural policy, toward a policy which was dictated by Britain, which was to reduce the world’s population, and to reduce the production of physical goods, especially goods created by high-technology means.

So this meant that, during the 1970s and 1980s, there was a progressive degeneration in the economy of the United States and also throughout most of the world, including the Soviet Union. So that, by 1987, in October, we had a crash, a stock market crash in the United States, which exceeded in relative magnitude, as well

as absolute magnitude, the Crash of 1929. However, instead of taking the obvious measures that should have been taken for reform, in came Alan Greenspan as the new head of the Federal Reserve System. And Alan Greenspan went to a wild kind of inflationary program, which has led to the collapse of the international monetary-financial system.

In other words, we have had a condition where, since the end of World War II, we have actually been shrinking economically internationally, in net effect. Some economies have grown, but others have shrunk at the same time. So we reached a point where we had tremendous debt, a debt beyond anything that could ever be paid, in terms of fictitious debt, but it was listed as debt. We also had a collapse of the productive power of labor, especially in Western and Central Europe, in the United States, and so forth. And you know the situation pretty much in the Americas, in South America and Mexico: They were essentially destroyed by these policies.

### **Put the System into Bankruptcy**

Now, this kind of problem is solvable. We’ve done it before, and we’re going to have to do it now. The solution is simply: put a bankrupt system into bankruptcy



NASA

*If we establish a new international credit system, of the type which Franklin Roosevelt had intended—for the United States, Russia, China, and India as the pivots—we can begin an immediate recovery at any time we choose to do so. Shown: a Russian Cosmonaut at the International Space Station.*

reorganization, using the standard of bankruptcy reorganization which we have under our laws in the United States. You simply put the whole system into bankruptcy; you determine those values which are not worth rescuing at this time. You *freeze* those values; you don't just bankrupt them, you freeze them. At the same time, you take the viable part of the economy, the part that is capable of physical growth, per capita and per square kilometer, and you concentrate your investment in reorganizing the economy around a program of long-term investment in those kinds of investments which will cause the economy to grow in physical output per capita and per square kilometer.

Usually, in a recovery of that type, as in the case of the United States in the 1930s, the concentration *initially* is—since you do not have factories and other things which are immediately productive in that sense—you concentrate on building up the investment in the basic economic infrastructure which is relevant to production—in other words, capital investment—and you use the credit of nations, based on an agreement among nations to recognize each other's credit, so that you can make 20- and 30-year-long investments in basic infrastructure and basic industry, tools, that sort of thing, real things, and you create a fixed-exchange-rate system of the type Roosevelt had planned at Bretton Woods in 1944.

That kind of investment will work. What is required is the will and the willing consent of a relevant number of governments to agree to cooperate in such a program of reorganization. In other words, put the system into bankruptcy. It already is bankrupt anyway. There's more debt out there, in terms of financial debt, than the world could ever pay. No one could ever work off this debt, especially the speculative debt in things like financial derivatives, that sort of thing.

Therefore, what we must do: We must save the viable banking system, which governments require as a vehicle to take state-guaranteed credit, run it through regular banks, and order the situation such that the flow of investment capital goes from government backing, through regular banks operating in a regular way, with concentration on the kinds of investments which will stabilize the social system, but which will, at the same time, build up the investment in basic economic infrastructure to be a genuine increase in the physical output per capita, per square kilometer of the planet. We can do that.

### The Four-Power Pivot

Now, what I've proposed is this. Western and Central Europe at the present time does not function, because Western Europe went into an agreement with London, which was organized around the breakup of the Soviet Union, where Germany was compelled to submit to a Maastricht Agreement. And as a result of this process of so-called globalization, there is no nation in continental Europe, which, according to existing lawful agreements among the nations of Central and Western Europe, is capable of uttering legitimate credit for the purpose of protecting and causing the economy to grow. So, at this moment, there is *no possibility* of a recovery action being initiated from Western or Central Europe.

Therefore, what we have to do, is we have to have the United States take the initiative, with the countries which represent large populations and large territory. These are largely oriented in Asia or Eurasia. They are Russia, they are China, they are India. China has 1.4 billion people, India about 1.1. Russia's significance is not so much its population, but that Russia represents the largest land area of any nation on this planet, and in Russia—especially in the Siberian area—Russia has raw materials which are absolutely essential for meeting the requirements of China and other countries of Asia.



So therefore, we have a natural basis—if we establish a new international credit system, of the type which Franklin Roosevelt had intended—simply put the monetary systems into receivership, bankruptcy reorganization, and on the basis of such agreements, using the United States, Russia, China, and India as the pivots around which we organize, to organize a system of international long-term credit, at interest rates of between 1 and 2%, or 4% on the private market, but 1-2% on government lending for large infrastructure projects. On this basis, we can begin an immediate recovery at any time we choose to do so.

We have to understand that we can not stabilize and defend the present monetary system in its present form. It is hopelessly bankrupt, and just as in any case where you have a firm, which is necessary for a national economy, or a regional economy, you don't want that productive firm to collapse. You want it to keep functioning. Therefore, the state must intervene to provide it protection of state, lawful protection, to prevent that firm from being shut down, and to make arrangements by which the firm can become solvent again. And then build on that, to expand the physical economy, to meet the physical needs of the people and to also make those investments which, in the longer term, will mean an increase in the productive powers of labor and a solution for many of the problems we have.

So, there is nothing in principle, in physical economy, which says we have to go down. However, if we try to defend—as the foolish United States has been trying to do, with no success recently—you *can not save this monetary system*. You have to put it through bankruptcy reorganization and salvage the viable portions of the system out of the system as a whole. On that basis, we can succeed.

## What Is Profit?

Now, another problem here is that people think too much in terms of price, money price. Money is not a measure of value. The problem is, we've had a habit, like a drug habit, of relying on money, and this is also in European civilization. Europe, for example, from about the time of the Peloponnesian War, was based on systems of credit—specie was used as a blackmail to control markets and goods. And on this basis, the assumption was that money was value.

Now, money has a certain value in the sense that some people have it and some don't, and that there are rules by which the monied interests prevail. But intrin-

sically, there is no relationship between money as such, and production; there is a relationship between *credit* and production. And the ideal solution for that in modern society is a fixed-exchange-rate system. That is, nations agree to fix currency values, relatively, at a certain level. On that basis, by fixing the exchange-rate of currency and regulating the currency accordingly, by cooperation among governments, you're able to ensure a permanent low rate of interest on long-term credit for purposes of maintaining and increasing production.

So therefore, what we need to do is go back to the precedent of Franklin Roosevelt, and say that we're going to cut out the Keynesian idea of a monetary system. We're going to eliminate European monetary systems. We're going to credit systems which are based on the power of the state to create and utter money, or the equivalent of money in terms of credit. We then must focus on low-cost credit, that is, reasonable credit but low cost, at a fixed rate assured over periods of one to two generations or more. By doing that, and eliminating the inflation factor in international exchange in terms of these investments, you then are able to maintain a low rate of cost on these investments in terms of interest charges. And this has to be arranged among governments.

Now, what we have to then look at is not the monetary aspect of this, but look at the physical aspect of it. What is least attended to these days, is: How does mankind generate what we can legitimately call profit? I mean, one person calls profit anything you can get a profit on, money profit. But what is profitable for a society, for a nation?

Generally what is profitable is those improvements which increase the productive powers of labor and standard of living of the population at the same time. These involve largely investments, and as society progresses, these investments become larger and larger per capita and per square kilometer. Large investments in capital improvements, both in basic economic infrastructure, and also in ordinary production and in the standard of living. We can do that by agreement among states, if we create a world system—not a globalized system, but a world system of cooperation among states which are sovereign. So you have agreements among a system of sovereign nation-states, which give up *none* of their sovereignty, but which agree, in the common interest, to certain new arrangements under which we can get the growth process going immediately again.

## Increasing the Productive Powers of Labor

Now, this involves investments which must increase the productive powers of labor. The issue is not just a money issue. The issue is, are we creating a society which, given the attrition of natural resources and other factors of that sort, and the growth of the populations—we can not operate on a fixed technology basis. We must have constant technological progress and utilized in such a way that we are actually *increasing* the productive powers of labor per capita and per square kilometer of territory. Therefore, we need *science-driver programs* and related types of cultural programs.

For example: This means we must improve education in such a way that we increase the productive powers of labor through improvement of their intellectual powers in labor. We must protect them by measures which ensure health care, because every time we lose a person from illness, to death, we're losing a person who could be productive. That is an investment also, of a certain legitimate type. So, we want to protect our population; we want them to live longer; we want them to become more productive; we want to shift away from labor-intensive drudgery into the use of productive labor through improving technology, through increasing the supply of power, these kinds of things.

Take a particular example. Let's take the case of Africa. Now the continent of Africa is essentially, really a British colony to this day, or a British victim, which is worse than a colony, and in Africa, especially in the sub-Saharan region, you have very large concentrations of valuable natural resources. But, at the same time, if you look at the map of Africa, look for railroads, look for highways, look for power stations, and take that map and look at it, as this helicopter study has shown, look at it region by region, sector by sector. Africa is largely an unimproved continent. It's unimproved because the British Empire has kept it unimproved, or accomplices of the British Empire have kept it unimproved. But yet, Africa, at the same time, its population is largely agrarian. It's capable of producing a lot of food. *But*, under present conditions, diseases—both animal diseases, vegetable diseases, and so forth—destroy the ability, per capita and per square kilometer, of the African farmer to actually deliver a net crop sufficient to meet the requirements of Africa. If we assist them, assisting them in having long-term investments in basic economic infrastructure—transportation, power, water management, these kinds of things—these poor farmers, these poor African farmers, without any

significant change in their basic education or skill at this time, can already begin to improve significantly the productive powers of their labor.

We *should* do this, because the world needs the raw materials which Africa has. They need to be able to develop them, and to use those raw materials as a way of improving their own internal economy. That's one mission.

China's got a terrible crisis on its hands: 1.4 billion people, and most of them are extremely poor. Most of them are extremely poorly developed, poor means of development. There's no way that China could survive at present, given this present crisis, merely thrown out on its own. So we have to think about the future of this nation, and we have to think about long-term development programs in China, which will enable China to solve that problem. We want peace? We're going to do that.

Now, north of China, we have in Siberia and in adjoining countries of Asia, we have tremendous natural resources which are essential for the development of Asia. Most of this is centered in Russia, which has on its tundra area, and other areas, it has these resources, but you can not simply yank these resources out of the soil. You must develop the territory, so you are developing the region which contains resources, to bring these resources to fruition. Without this cooperation involving, say, Russia and China, China can not solve its problems, because China requires raw materials to solve its problem. China has been working on trading raw materials for assistance, technological assistance, with Africa. China's done the best job of any nation, consistently, in cooperation in developing the economy of Africa. But this cooperation between Russia and China, on this issue, is essential. Similar things in other parts of Asia.

India has a somewhat different problem. India, presently, has a much lower exposure to the world market than either China, or most of the other countries, but India has a very large population of very poor people, and India's people depend on water, and so far, the water resources are the fossil water resources under the continental area of India. So, without nuclear power, which is the only way we can do this, India can not develop new sources of water which are now increasingly urgently needed to sustain the population of India.

## We Have To Correct Our Ways

So we have then two things: Stop the crisis, which we can do: If the United States, Russia, China, and India

decide to take the leadership in initiating a *global* program of bringing nations together, sovereign nations together, for creating a new international fixed exchange-rate credit system, it can happen. It can happen practically immediately. Once we do that, we bring the crisis under control. We're going to have to wipe out a lot of debts, but it's worthless debt, like speculative debt, speculative currency, not real investments. But in that case, we're on firm ground.

But *then* we have to correct our ways. We then have to increase productivity by investment in high technology, and applying it to the kinds of missions which I've indicated.

So, our situation is not hopeless. The problem is intellectual, cultural, and political. There's no reason the United States should not solve the problem. The problem now is, inside the United States, the United States is essentially controlled from London. People talk about the U.S. empire as replacing the British Empire. Not true. The United States is a victim of the British Empire, and anyone who lives in the United States, and knows how things work there, knows that.

So, what we have to do essentially, is take the United States as a power—and it *is* a power, implicitly—its people, its size, its history; it's a great power. The United Kingdom is not a great power, not by its history, not by its territory, not by its number of people or their skill. The United States is a much more powerful nation. And if we, as a powerful nation, and a traditionally powerful nation, cooperate with Russia, China, India, and other countries, in initiating a fixed-exchange-rate system of the type that Roosevelt *intended* at Bretton Woods in 1944, we can immediately stop this crisis. And I'm sure that the countries of South and Central America would agree, especially in Mexico and other countries. They desperately need that kind of alternative. And it's our job, as the major powers of the planet, to clear the way, so that other nations can join such a thing, and realize what had been Roosevelt's intention for a United Nations, not as an imperial institution, but rather, as an assembly of perfectly sovereign nation-states cooperating in their common interest. That we can do.



Mexico Attorney General

*Mexico is on the verge of being totally destroyed, LaRouche stated, through the drug traffic which is going through Mexico funneled into the United States. That must be defeated. "Without that, we don't have civilization." Shown: captured members of the Sinaloa cartel. Inset: drugs seized by the DEA during Operation Xcellerator, in February.*



DEA

The problem then becomes, how do we go from there? Because as the human population expands, as we draw down certain existing kinds of resources based on the use of fixed technology, we're running into problems. So therefore, the next step is, we must have a science driver, a science-technology driver, to increase the productive powers of labor, to compensate for the attrition caused by the passage of time. And that, for me, is the key issue before us.

### Britain's Drug Weapon

We have another problem, which may not seem economic, but it's a crucial one: The British Empire, built in the 1790s, based its growth of power on the use of drugs. A section of the United States was involved in this, but they were actually members or agents of the British East India Company. So the British East India Company, which was a private empire—it was not at that stage, England was not the empire—it was the British East India Company, a private company, which was the empire. The private company took over India, for example, and used the opium produced in India to destroy the nation of China. People in the United States cooperated with Britain in this project.

So the opium junk destroyed China, and destroyed

other countries. Since that time, the drug policy *has been the main weapon of the British Empire*, and they control it to this present day. I could give you chapter and verse on where it's done and what is done. But we must break this! We must break this because this is the one thing that can destroy every other effort to bring civilization back to a peaceful state today. We must break that drug empire.

For example, who runs most of the drugs in the Western Hemisphere? George Soros. Who is George Soros? George Soros is an agent of the British Empire, associated with Lord Malloch-Brown. He is the key who runs the drug traffic in Eurasia. He is the key that runs the drug traffic in the Americas, through his key-stone positions in the Caribbean. We have now a flood of the drug problem going through Mexico. Mexico is on the verge of being totally destroyed unless we protect it, through the drug traffic which is going through Mexico, funneled into the United States. That must be defeated. Without that, we don't have civilization. And the British Empire's main weapon, then as now, then back in the late 18th Century and now, is still the drugs.

For example: terrorism in Southwest Asia, as the recent terrorism in India, the terrorism in the area of Afghanistan and Pakistan and Central Asia, is essentially the same thing. In this case, it's opium, even though other things are going on there. The opium comes in at one price with the farmer on the borders of Afghanistan or somewhere, and it gets into Europe, and it's probably worth a thousand times more on the streets of Europe or the streets of North America. The same thing as with the cocaine. So that this drug weapon, which has been the main economic weapon of the British Empire, is *still* the main economic weapon of the British Empire, as it was in the 1790s and early 19th Century. And we know that in the United States.

So therefore, with the drug problem, we also have a morality problem. If we allow the drug traffic to proceed, then we lack the *moral* ability to realize the recovery we could otherwise have. That's one aspect of the thing.

And we have also the World Wildlife Fund. The World Wildlife Fund, which was formed by a former Nazi, Prince Bernhard [late, of the Netherlands], and the royal consort of England, Prince Philip, is again a weapon for destroying civilization. The whole thing is a fraud: *There is no such thing as global warming*; it's scientifically a complete fraud. But if we allow some-

one to come in with these green programs, which are intended to reduce the present world population—by the statement of Prince Philip of Britain—if we allow that to occur, the population of the planet under present economic trends, will be decreased rapidly from 6.5-6.7 billion people, to less than 2 billion. And this is exactly what Prince Philip has said. His objective is to reduce the world population to less than 2 billion people, as rapidly as possible. That's what he's doing. That's what the green policy is in Europe. That's what the anti-nuclear policy is in Europe and in the United States.

So, in addition to the real problems we have, given the economy, we have also these quasi-psychological problems, with the drug traffic and things like the green policy, which is a complete fraud, and which has got much influence still in the United States today. These things could be sufficient to destroy our chances of a recovery.

## Redefining Economics

At the same time, because of these things I've referred to, we have a problem in economics as a science, what should be a science. We rely too much on monetary theory, and from my experience as a management consultant in the old days and so forth, and doing studies on this sort of thing, there's no sense to that. A credit system is what's required, not a monetary system, as I indicated. But what's happening now is that we have political systems and a population which believes in the monetary theory, like the monetary theory of Keynes and people like that. This stuff is nonsense. Because we accept things like globalization, because we accept things like the green policy, because we accept things like monetary theory, our heads and the heads of our leaders in government are not clear.

You know, mankind is not a monkey. Some people should be able to recognize that. We are not monkeys. Human beings have an intellectual power which no lower form of life has. This intellectual power is the power of creativity, by which we make the discoveries which increase man's power per capita and per square kilometer, to produce, to solve problems, and so forth. These investments in technology and discovery of principles are realized through investment, largely in capital improvements, in capital improvements of the type which are related directly or indirectly to production.

For example: the organization of water systems, like major river systems, which is an essential part of this; the use of new inventions, going to higher energy flux-





EIRNS

*“Mankind is not a monkey,” LaRouche declared. “Human beings have an intellectual power which no lower form of life has. This intellectual power is the power of creativity...” Shown: Members of the LaRouche Youth Movement in Bogotá display pedagogical exhibits at a school.*

density of power systems—this is the way in which we *realize* the potential for increase of the productive powers of labor per capita, per square kilometer. We are *not* gearing up our universities, our educational systems worldwide, to promote that kind of growth any more, the kind of growth which was characteristic of the progress of European civilization. Therefore, we are not making the kinds of investments in the places where we should make the investments, and the kinds of investments we should make, needed to increase the productive powers of labor. And therefore, even a good economic policy from the standpoint of housekeeping, will not succeed in solving the problem unless this includes a determination to mobilize science and technology to enable us to *increase* the productive powers of labor.

And therefore, we have to redefine the way we define the term economics. We should no longer think in terms of just monetary economics. We have to manage money, there’s no question. We have to have a good money system, one that’s reliable, and works. But we’ll not get growth from a money system. We’ll get growth by using the money system rightly, to promote investment and discovery of technological progress, to

move more and more to an energy-dense program, a capital-intensive program. That sort of thing. To increase the productive powers of labor through the education of our youth. To promoting scientific discovery and progress, and the re-experiencing of past scientific discoveries in our school systems. And also, at the same time, to cultivate a spiritual appreciation of the significance of the difference between man and an ape.

Because the things that we do that are important as human beings—the progress we contribute to society—does not occur within the span of the lifetime of a single individual. What happens is that the process of progress is one which goes from generation to generation. This used to be instinctive to us in European civilization, as extended into the Americas. We would

think, we would come into a country poor. The country is barren. We develop growth, we develop progress. Why? It occurs where the father, or the future grandfather, makes a contribution which is carried forward by the son, and a further contribution which is carried forward by the grandson.

So, the human being may be mortal, but the human being—unlike the monkey—has a commitment, a spiritual commitment, which goes beyond life and death, the commitment of a person who is living not merely to do something with their own life, in their own lifetime, but to realize the valuable contributions made by ancestors who may be dead, but whose work is valuable. And we the living, move forward with it.

We move forward by creating the conditions under which our children and grandchildren carry the torch of progress based on what we do. So, we define ourselves as we used to commonly in the United States. We define ourselves as four generations generally, immediately, one generation after the other, with a mortal life but an immortal destiny. And if we don’t have that characteristic in our economy, we’re not going to be able to solve the present problem.