

LaRouche Explains Systemic Crisis to Milan Bankers at Catholic University

During a visit widely reported in the Veneto region of Italy's industrial Northeast, Lyndon LaRouche also spoke on July 5 in Milan, to the Association for the Development of Banking and Stock Market Studies. The meeting took place at the Catholic University, also drawing students and others. The report and translation of the welcoming remarks, come from Andrew Spannaus, EIR correspondent in Milan. Subheads have been added.

Dr. Federico Kerbaker, of the Association:

On behalf of Dr. Giuseppe Vigorelli, the president of the Association, who unfortunately has an urgent and very important engagement today, and thus will not be able to join us, I welcome Prof. Lyndon H. LaRouche, who by now is famous not only around the world, but also in Italy, for the breadth and depth of the subjects which he addresses, of which today I believe he will give us an enlightening example. This is not the first time that Professor LaRouche has been in Italy; he has also been presented in various important national newspapers, his theses are well known, and have been circulated in our country. Today, we will have a further example of this. We will listen to him and then we will be able to ask questions, which I think will come naturally from the subjects addressed, which are not predominantly economic, but of a wider scope, and which touch on the moral nature of human beings and peoples, and thus are particularly interesting. Before giving the floor to him, Prof. Alberto Banfi, of the Catholic University, wishes to thank the participants, and then Mrs. Gorini will give us an introduction to the theories of the Professor [-LaRouche].

Prof. Alberto Banfi, Catholic University of the Sacred Heart:

Thank you. I will speak very briefly, as the host of this event. I must first of all thank Professor LaRouche for his availability and for his presentation. These seminars, for those who are familiar with them, are part of the collaboration among the Catholic University, in particular the faculty of banking, financial, and insurance sciences, and the Association for the Development of Banking and Stock Market Studies, which thus attempts to create relations with the outside world. I would say that this is a fairly important opportunity, and that we should fully exploit this occasion. I thank the speaker, those of you who are present, and in a certain sense also the university itself, which has made the facilities available, and which is honored to receive these people. Mrs. Gor-

ini will now make a short presentation, and I once again thank especially Mr. LaRouche.

Liliana Gorini, Italy's International Civil Rights Solidarity Movement:

I thank Professor Banfi, the Association which has given us this opportunity, and in particular Dr. Giuseppe Vigorelli, who cannot be here, because as Dr. Kerbaker told us, he was called to go to the Banca d'Italia. Dr. Vigorelli, however, asked me to emphasize the importance of this initiative and the project of Mr. LaRouche, not only for the banking world, but also for this university, which is a Catholic university. . . .

Mr. LaRouche cites an extremely important principle, which he emphasized yesterday at the Italian-Russian Chamber of Commerce here in Milan; that of the Common Good, the General Welfare laid out in the Preamble of the United States Constitution, and it is an extremely important idea also in the interventions of the Holy Father [Pope John Paul II]. . . .

Lyndon LaRouche

Thank you very much. I have addressed this subject in various forms before a number of fora, as well as in written form, recently in Moscow, where, significantly, I was invited to address a commission on economics and business of the Russian Parliament, the Duma, by an acquaintance of mine, a friend, Dr. Sergei Glazyev, who is the head of that department of the Duma. I can say that the reason, in part, I was there, is that the Academy of Sciences of Russia, is predominantly in agreement with the fact that there is a global crisis and that certain reforms have to occur. There are other currents in Russia, of more of the liberal economics type, who disagree, and this, of course, is obvious to those who follow the Russian press and various discussions between East and West.

And also, it just happened that the schedule of my appearances in Italy, at three occasions here, came in the same framework. So, I come somewhat fresh from Moscow—speaking there last Friday [June 29] in particular, and in a press conference on Thursday; and I shall address the same general subject, but from a somewhat different standpoint, emphasizing what I think are concerns that ought to be prominent in the minds of both the faculty and the students of a university of this kind. There are certain problems which are not different in their essentials from what I have discussed elsewhere, but,



The hall of the Catholic University in Milan, during the discussion period following Lyndon LaRouche's address to the Association for the Development of Banking and Stock Market Studies.

under these auspices presently, it is more appropriate to get into the meat of certain questions—certain moral and related questions.

Generally, among competent leaders, of governments, professional economists, around most of the world, it is generally agreed—personally among them, if not in press reports, if not in official statements by governments—that the present international financial system is doomed to an early collapse. This opinion has been building up since 1996, and it is more so today since the recent developments and the collapse of the fabled “New Economy,” which is about to become something of the past economy, while the old economy continues to stumble on.

A Cyclical or Systemic Crisis?

The disagreement among these economists and governments—the competent ones, in general—is not whether there is a financial crisis and a monetary crisis and an economic crisis: Most agree. The difference arises as to whether this is a cyclical crisis, such as the Depression of the 1930s, or whether this is a systemic crisis. Now, what I shall do today, is to indicate to you, in terms which I think you will appreciate, why this is a systemic crisis, not a cyclical crisis; that is, there's no possibility that reforms within the framework of the present system, the present IMF system—there's no reform which could save this system. If we attempt to cling to this system, we can plunge into a Dark Age which would remind European historians of what happened in the Fourteenth Cen-

tury in Italy and elsewhere when the houses of Bardi and Peruzzi of the Lombard banking system went bankrupt. We're in a similar situation today.

Therefore, if we try to treat this as a cyclical crisis, we shall be crushed by the threat of a new Dark Age. Whereas, if we treat this as a systemic crisis, and recognize the errors of policy which must be removed from the system, as cancer from a person, then we can survive.

It is also a moral crisis, because the systemic errors of assumption in the present system, are errors which are moral errors as well as technical errors. And those errors must be corrected; the cancer must be removed—or the patient will not survive. However, if the cancer is removed, the patient can survive.

In a cyclical crisis, you try to make a few changes which bridge the depth of the crisis and resume business as usual, as before the crisis. In a systemic crisis, you must pull out axioms of the system—remove them, introduce new axiomatic assumptions.

Now, the nature of this present global crisis goes back to the death of President Franklin Roosevelt in April 1945. Roosevelt had saved the United States, and led in saving the world, from the horrors of the last Great Depression; from a world which unfortunately was taken over by things like Hitler, and other problems.

Roosevelt's intention was to return the United States to the principles upon which it had been founded, with great emphasis on what is called the General Welfare principle of

the Preamble of the U.S. Federal Constitution. Also, if you look back further, there is nothing unique in that Preamble relative to the 1776 Declaration of Independence. The first three paragraphs of the U.S. 1776 Declaration of Independence affirm the same principles as argued exactly previously by Gottfried Leibniz, who is the author of the famous expression “the pursuit of happiness,” as a principle, a moral principle. And this is the foundation of the U.S. system.

The American System of Political Economy

However, the United States was divided into two great currents. One current, which is called the American intellectual tradition—it derived from Europe. It is derived, in the general sense, from the Fifteenth-Century Renaissance of Italy, and derived directly, or indirectly, from Cardinal Nicholas of Cusa, who is one of the architects of the Council of Florence, who set forth the principle upon which the modern nation-state is founded, the *Concordantia Catholica*; who founded modern experimental physical science with his work *De Docta Ignorantia*—and these principles as mediated through followers of Cusa such as Luca Pacioli, Leonardo da Vinci, also Johannes Kepler, Leibniz, and others—were the principles on which the United States was founded.

The reason the United States was founded as it was, is because of the crises of the Sixteenth, Seventeenth, and Eighteenth Centuries. It had become impossible to build a system of sovereign nation-states in Europe. The political conditions did not allow it. And therefore, some of the greatest European intellects looked toward the United States in particular—what became the United States—to found there a republic, whose existence would become a model for bringing the idea of republican society back into Europe, in the form of European nation-states.

In particular, after the success of Lincoln, and his followers and associates, over the period of 1861 to 1876, in making the United States not only the victor in a war against a British puppet called the Confederacy, but making it the leading agro-industrial economy in the world, the most advanced in technology of application—not necessarily in all features of science, but in technology of application. With the Centennial Exposition in Philadelphia in 1876, where the fruits of this accomplishment of 1861-1876 were presented, many Europeans immediately adopted what was known as the American System of Political Economy, as the context for reforms in Europe. For example, Bismarck, in 1877, made reforms in Germany which are based on the experience of the 1861-1876 reforms in the United States.

In Russia, Mendeleyev, who attended the conference in 1876 in Philadelphia, went back to Russia, to his Tsar, Alexander II—who was pro-American—and persuaded the Tsar to launch the great program, based on the American model, which resulted in the Trans-Siberian Railroad and the industrial development of Russia, resuming what had been attempted earlier by Peter the Great, in terms of institutions.

Japan, in the late 1870s, was reformed from a feudal society into a modern industrial state, based on the direct influence of Henry C. Carey, the leading economist of the United States, and a close collaborator of President Lincoln beforehand.

There were movements in China. Sun Yat-sen, the American-backed sponsor of the creation of modern China, was a follower of these American principles. His writings contain that, emblematically. And so forth and so on.

So, we had a great movement in Europe, which included the influence of Cavour and others in Italy, in the development of modern Italy as a united nation. The science of Italy, the hydrodynamic school, of people such as Betti and so forth, came out of the same circles which made the Italian state, the Italian Republic. The art: Verdi, is an exponent of the same ideas, the same sense of statecraft—his great artistic works are works of statecraft, which are to be understood not only as art, but art as statecraft.

So, these were the great accomplishments. And the American intellectual tradition in the United States shared this view, which is also a European view.

But, in the United States we had another current. The other current is called—among American historians—the American Tory tradition. The American Tory tradition is traced officially back to about 1763, at a time when the inevitable break between the American colonies and the British monarchy was clear. At that point, certain forces inside North America adopted the position of Benjamin Franklin, for an independent republic, following the principles of Leibniz. Other forces, based in Boston, Massachusetts, based in New York, had a contrary view, as did those who were slave-owners in the Southern states—Southern colonies at that time.

These were sympathetic to London. Some of them stayed with the United States when it was formed, but they remained sympathetic in their philosophy, to London. They were pro-slavery, or sympathetic to the rights of slaveholders. They believed not in the American System of Political Economy, as typified by the writings of Alexander Hamilton as Treasury Secretary, but they believed in Adam Smith.

And so, these elements, which have been often a treasonous role in the United States, were the people who supported the creation of the Confederacy—were typified by the Democratic Party of the Nineteenth Century, which was the party of American treason, the American Tory party; pro-slavery, pro-free trade, and that sort of thing; totally opposed to the American System.

Then, at the beginning of the century, with the assassination of President McKinley, we had, again: Theodore Roosevelt, who was a protégé, an heir of the Confederacy in his tradition, his thinking. Woodrow Wilson, who was not only an heir of the Confederacy, but who promoted the revival of the Ku Klux Klan while he was President of the United States, from the White House. Coolidge, President Coolidge, also a disastrous man, and an evil one.

So, Roosevelt came back into power in 1933, having been

Milan Asks LaRouche About the G-8 Summit

The Milan Chamber of Commerce, in an interview distributed to the participants at the July 4 meeting of the city's Italy-Russia Chamber of Commerce, reported the following:

For LaRouche, the [Group of Eight] Summit will be a failure, both internally and externally. Internally, because the United States is not yet ready to formulate or accept intelligent proposals, and the Europeans are not ready to openly challenge Washington. LaRouche says: "Maybe something will change when the next phase of the world financial collapse will offer the opportunity — I believe not very far from now.

"Externally, the protest movement is what, in English, we call a countergang operation, led by figures like Teddy Goldsmith, which essentially tends to produce chaos. It expresses no beneficial alternative to globalization. Nevertheless, we must oppose globalization because, without a protecting role of the state, in its role as credit generator to promote industry, agriculture, science, etc., a globalized free-trade system would be a disaster. The alternative to globalization is a system of partnership among sovereign nation-states, committed to a mission of medium- to -long term economic development, along the lines of what de Gaulle called 'indicative planning.' There is already something moving in this direction, but the fruits are not yet ripe."

elected in 1932, determined, on the basis of the failure of Teddy Roosevelt, Woodrow Wilson, and Coolidge, to restore the United States, under conditions of Depression, to the American System. He based himself on a struggle to restore the principle of the General Welfare, which is otherwise known in European history as the principle of the Common Good, as the basis for government — which means essentially that the difference is between oligarchical society and republican society.

The Great Issue

Oligarchical society, which is a term that the Greeks developed, in discussing what Sparta meant, or what the Babylonian model represented, meant that a few people, or a small group of people, called an oligarchy or a caste, a ruling caste, reigned over the mass of humanity, who were either hunted down as animals, enslaved, or otherwise turned into virtual

human cattle—as in the case of ancient Rome, where the *populari*, where it became the actual human cattle who marched into the Colosseum and places like that, and cheered for the lions eating the Christians, for the edification of Nero.

The treatment of people, with the manipulation of mass popular opinion, as the opinion of cattle, to control the subjugation of the mass of the people, for the pleasure and convenience of a ruling oligarchy and its lackeys—that's the great issue.

The United States was supposed to be an institution to free mankind from that, for the principle of the Common Good. The principle that no government has the moral right to rule, except as it is officially committed to protect and promote the General Welfare of the living and their posterity—all of them. The responsibility to develop the entire land area, for the use of its people, and their posterity, the responsibility to develop and nurture the living population, and their posterity, for the benefit of the future. That every government is obliged to serve that principle morally, and not to violate it. And a government which does not serve that principle is not a form of government which is fit to survive.

We see this demonstrated in the nature of the systemic crisis in the United States and worldwide today. Because for historical reasons, the world has been dominated for the past period, since 1945, since the death of Roosevelt, by dominant Anglo-American powers, as virtually imperial powers.

Roosevelt's intention had been, had he lived, to eliminate all relics of Portuguese, Dutch, British, and French imperialism. He was explicit on this during the period of World War II. He told Churchill clearly that was his intention. At the end of the war, Roosevelt told Churchill: Your empires are going to disappear. We are going to build a world of a community of principle of sovereign nation-state republics. We are going to eliminate your Adam Smith system, your free-trade system. We are going to not use British Eighteenth Century methods any longer. We are going to assist, in the postwar period, the nations which have been enslaved, or subjugated otherwise; we are going to free them to become republics. And we, with our economic power, are going to develop that power to assist these nations in doing for themselves that which serves the interests of their people and their posterity.

When Roosevelt died, that changed. As you see, immediately, the British, with the complicity of Roosevelt's successors, including Truman, used the force of arms to restore colonization—in what is called Indonesia today, in Southeast Asia generally, turned Japanese troops in to recolonize Indochina; did the same thing in Africa. The French, the British, the Portuguese, and the Dutch used the force of arms, supported by the government of the United States, to suppress the aspirations of colonial peoples. And, even though in the 1960s a number of these colonial powers began to get conditional freedom—that is, they would have the right to call themselves nation-states, independence, and to have some of

their local figures, as the governments of these nations—the control of these nations remained largely in Paris, New York, and London; through financial control, international monetary and financial institutions were the actual rulers of these nations, which were never truly freed.

But, nonetheless, in looking at systems, we observe in the relations between the United States and Western Europe, over the period of 1945 through 1964 or beyond, as in Italy, we saw a progress in economy through certain modes of cooperation associated with the old Bretton Woods agreements, those prevailing during that period. Especially the forms of the 1945-1958 period. We saw in France, and saw in Europe generally, the influence of Monnet, in shaping the relationship between the United States and Western Europe in the postwar period. We saw the Schuman plan in France. We saw the fruit of this in the role of de Gaulle in founding the Fifth Republic, with his policy of indicative planning. We saw this in Italy, with De Gasperi, and others who collaborated with him. We saw this in the work of Mattei, who expressed the same kind of aspirations and progress.

So, up until about the middle of the 1960s, despite the evils and wrongs which persisted under the Bretton Woods system, between Europe and United States, there was a general, net progress in economy. A legacy of the reforms which had been introduced in the United States under Roosevelt, which continued in that form under the special conditions of that period.

Nixon's 'Southern Strategy'

Then, in the middle of the 1960s, it began to change. The signal of change was the first [Harold] Wilson government in England, which was a disaster for Europe as well as for England, the United Kingdom. The same thing emerged in the United States around the candidacy of Richard Nixon. In 1966-1968, Nixon ran for President under a strategy which was called the "Southern Strategy." Nixon met with Ku Klux Klan leaders in the Southern states, met with figures such as Trent Lott, who until just recently, was the Majority Leader of the Senate, and met with these people, to do two things: to eliminate the American System of Political Economy; to go to a radically free-trade system—a British system—the system which Roosevelt had opposed, and the system from which Roosevelt had saved the United States in overcoming the Depression in the early 1930s.

So, you had this racist, radical, liberal form—radical, liberal economic form—which took over the United States, and with a series of measures, tore up the General Welfare clause of the Preamble of the Constitution, tore up the idea of the Common Good, and went for an economy based on what is called today "shareholder interest." The interests of shareholders in stocks and major corporations and similar kinds of institutions is primary. The welfare of the people is secondary.

You see this in the question of health-care reform. The

United States in the postwar period passed the Hill-Burton Act. The Hill-Burton Act meant that the Federal government mandated a priority on the provisions of adequate health-care institutional facilities in every county of the United States; and prescribed Federal assistance to ensure that combinations of local physicians, private hospitals, public hospitals, and other institutions would collaborate, jointly, in the sense of an annual budgetary planning, to ensure that there were certain improvements achieved in the health-care provisions in that county per capita, per square kilometer. And that succeeded, up until about 1975. In 1972-1973, under Nixon, the Hill-Burton Act, under which these improvements had been made, was repealed, with a new act, called the HMO Act. Since that time, the health care system we had in the United States has been destroyed, and is now being destroyed at an accelerating rate.

You have the same thing that's occurring in Germany, where a similar postwar health-care system was installed. Particularly because of the great number of war injured and other sufferers at the close of the war, Germany had a real health-care problem, in terms of veterans of the war and other things. But they created an excellent system of health care, which worked, and has worked, and which is now being torn apart. You see the same thing in every part of Europe, the same thing in every part of the world. The health-care systems which we had developed to promote the Common Good, the Common Welfare of the population, are being destroyed.

We see the same thing in the pharmaceutical field, where we no longer say that we fight disease as we would fight a war—we fight it throughout the planet, we mobilize resources; if some country has a disease, we help them. We don't say, what is profitable and what is not profitable? We say, our mission is to combat disease for the sake of the General Welfare, not only of our nation, but to collaborate with other nations to defend the General Welfare of humanity in general.

We have the outbreak of disease now. People say, "We can't treat the diseases in Africa," say, AIDS, and so forth. "We must protect the financial interests of the stockholders of the pharmaceutical companies." These are moral questions.

This is systemic!

So, the difference is, we went from an imperfect form of a world system, led by the United States, which was committed to promote the General Welfare, to a system which was corrupted but still worked into the middle of the 1960s, and into a system, beginning with the Wilson government in England and the Nixon Administration in the United States, with a destruction of the commitment to the General Welfare. That's what's the problem is, and that's the systemic change.

Free Traders Are Not Christians

Now, there are other aspects to this, of an economic nature. People who talk in terms of free trade are two things:

They are not Christians, and they are idiots.

Why are they not Christians? The idea of free trade is not new to Europe. It's not new to ancient Europe. It's not new to feudal Europe. One of the characteristic impressions of the origin of the idea of free trade, the philosophical idea of free trade, the idea of freedom of Friedrich von Hayek and so forth, goes back to the followers of Paolo Sarpi, the founder of British empiricism—or then it was called English empiricism—through his two dupes, Francis Bacon and Thomas Hobbes. The introduction of modern empiricism.

Under this theory, an old thing was revived; the doctrine of the Bogomils, who spread out of Bulgaria, through the Bulgarian empire, who spread into Northern Italy, and spread into France. They had the doctrine of the invisible hand, as we call it. The doctrine that, underneath the floorboards of the universe, there are little green men, or something similar; a power, a spiritual power, like the Eleusinian mysteries of the Gnostics, of the Babylonians; a secret, mysterious power, which arranges statistics, so that some people are rewarded and other people are not rewarded. This was the theory of the Bogomils; the theory of the elect. The theory of the elected ones. And this is the source of the doctrine of free trade, created, for example, by Bernard Mandeville, a Dutchman, who went to England, who was the spiritual founder of the Mont Pelerin Society.

You have also, the case of the Physiocratic doctrine of Quesnay. Quesnay says, explicitly, that the elect, those who are appointed—and, he said, by God—to become the feudal rulers of the states, are the ones to whom all of the profit of the land belongs, and all of the profit of society belongs, because they are the elect. Therefore, the peasants, the serfs on the land, are nothing but cattle, and make no more contribution to the human income of society, than cattle do, toward the state.

So, we have the doctrine of *laissez-faire*, of free trade; which in France is an echo of the Bogomil tradition, of the Cathar tradition in France. That free trade, because some deity, some maleficent deity, prefers some people over others, the others we treat as human cattle, as contemptible. And he condemns them to live as human cattle, but gives a bonus to those specially elected people who are chosen to be benefitted by the invisible hand underneath the floorboards.

You see what kind of a religious belief that is? Is that Christian? No, of course not. That's what Adam Smith represented. Read Adam Smith! Read the writings of Bentham. Read the writings of the school, the British East India Company school, which is called British economy. All liberal economics comes from this particular application of the empiricist doctrine of Paolo Sarpi, as expressed in these forms: typified by Mandeville, typified by Locke, typified by Thomas Hobbes, typified by Adam Smith, and so forth.

Whereas, the other view is, what? The other view is that man is naturally good. That man has a likeness to the Creator.

He is in the image of the Creator. This likeness, which no animal has, is the power to create discoveries of true universal principles, through the powers of cognition. And that by applying these powers of cognition, we are able to solve problems which animals could not solve; we are able to increase the dominion of the human species in and over the planet. We are able to improve the planet as a whole, for animals and plants as well as human beings. We are able to produce what we would recognize as physical economic growth, per capita and per square kilometer of land-area.

We do this through creativity; through the development of the child, the development of the infant as a child, the development of a child as an adolescent, and bringing the adolescent safely through that period of insanity which is called adolescence, hopefully, into post-adolescent maturity, adult maturity.

We do this by making improvements, in land, by building infrastructure, by improving land areas, by large-scale works in water management, in production of power, in the improvement of places of habitation, in cities, in educational institutions, discoveries of physical principle, and discoveries of similar principles of how man can deal with man. Even though the individual creates—or should create—and has the power of goodness to create, if properly developed, if the individual is redeemed in that individual's natural-born potential; it's not the individual as such who makes the discovery in and of himself, and applies it to nature. It is the transmission of these discoveries of principle among people, a transmission where we owe discoveries to people who have been dead for centuries, thousands of years before us.

A Lesson from the 'School of Athens'

If, in a competent university, in a competent secondary school, the child relives the actual original act of discovery of a universal principle, as that act occurred in the mind of someone long dead. And, as in the famous *School of Athens* that Raphael shows in the Vatican library, you look at the faces as portrayed by Raphael in this picture; you say, now put a date on the time of life of each of the figures in that picture: They're not all contemporaries. You have two dominant figures—you have Plato versus Aristotle. They are approximately contemporaries, but not really. Plato is actually an earlier period, overlapping the life of Aristotle.

Then you have other figures, scattered in groups, discussing, in this painting, this mural. What do you see? You're seeing a reflection of two things: You're seeing a reflection of the principle of education. You're also seeing a reflection of another principle, called the simultaneity of eternity. That, when we are able, through discoveries, to reach back thousands of years, and relive a moment of the actual original discovery in the mind of a person long dead, we study that person. We have a competent education. We know the place in which he or she lived. We know the experience. We may



LaRouche used the metaphorical effect of Raphael's famous masterpiece from the Vatican Museum, "The School of Athens," to illustrate his fundamental idea about how the individual—each person in his audience—can come to locate his own life, in history as a whole.

have a picture of that person, or a portrait, a representation, a statue. So that as students, these people become living people in our minds, in our memory. They live in our memory as if they were speaking now, because we have relived a thought which actually occurred in their mind, hundreds or thousands of years ago.

And therefore, what Raphael portrays, is what is typical of a good education. The important minds, the important discoverers of past history, are living in our mind, in the simultaneity of eternity. And if we are good students, and good practitioners, they become part of our conscience. We may not agree with them, all of them, but we don't do anything which is shameful before them. Therefore, we act that way.

We also realize that this is human; to think about history, the development of mankind in this way, is human; true humanity, in the Classical humanist sense. We turn from education to look at our fellow creatures in that way, to look at our fellow creatures as persons with whom we share such conceptions. We look at the future generations looking back at us. We see ourselves in that simultaneity of eternity, with the future. And that's part of our conscience. That is what is a sense of mission, helped by education, which gives society the ability to organize itself in ways which promote the General Good. Whereas the individual, as an individual discoverer, individual per se, could not do that.

Therefore, these things which we should celebrate in education, and practice in education, are an essential part of the moral principles of society, and they have the same universal authority as universal physical principles.

The creation of the modern nation-state is such a principle. Think of the struggle in Europe to build the modern nation-state. Start with the Christian mission. Start before Christianity, with the Classical Greek mission, as typified by Plato's dialogues on this kind of question. The notion of government; the notion of the Socratic conception of truthfulness and *agapē*, as opposed to the ideas portrayed by the figures Glaucon and Thrasymachus. Christianity proclaiming the universality of mankind, as a child of God, an idea in struggle, which we can trace in the history of European civilization. This conception of man. This conception of man's relationship to man; of man's relationship to God. This is what built us.

Republican vs. Oligarchical Principle

Then you have, over a thousand years, a struggle constantly in Europe, to supersede feudalism, to supersede a system based on human cattle, of serfdom, a system of human cattle, with a true modern society. A recurring struggle in this direction. And then the great significance—after this terrible catastrophe of the Fourteenth Century, the Dark Age—of the emergence, via Padua and so forth, through this school, of the great Renaissance.

You see the discovery of America, done how? The discovery of America was organized by Cardinal Nicholas of Cusa. How? He influenced the conditions in Europe at the time, said we must reach out across the ocean to people's across the seas. And he, with his associates, developed the maps and plans, which were then directly adopted by Columbus, and adopted also by Isabella I of Spain, which sent Columbus out

to discover the Americas. From that time on, the same thing, the struggle for a republic, of a society based on the Common Good, went forth with ships into the Americas and elsewhere, with the idea that, perhaps in these new lands, we could develop a republic which we could then bring back, as an idea in Europe, and establish the idea of a true republic, consistent with those principles in Europe itself.

So, that's a system. A systemic difference. A systemic difference in the conception of man. The oligarchical conception, which says these are nothing but human cattle. Society exists for the elite, for the shareholders of society, the aristocracy and their lackeys. We'll be good to the people, but we must consider the rights of the shareholders first, and the people second. If the people have to suffer for the sake of the shareholders, that's too bad. Unfortunate, but that's the way things are. That's one system.

The other system says, "No." We as human beings have the ability, to transform the conditions of life of society, to transform human relations, to create states — sovereign states, which undertake this responsibility, for the promotion of the General Welfare, of all the people, of caring for everyone. We have the ability also to form unions, communities of principle among sovereign states, which become then the only government of mankind on this planet: communities of perfectly sovereign nation-states.

Now, Roosevelt was not a perfect man in this respect, but he understood these principles in general. All of the great leaders of the United States, especially people like Abraham Lincoln as President, or John Quincy Adams, understood this. The greatest thinkers in Europe have understood this. That's a system.

The other system, is the system under which man is subjected to the oligarchical conception, which is what we have today. And that is the change that occurred in the middle of the 1960s, the change from an imperfect form of a system that actually worked, to the evil form, the corruption of that system, and a system that could not work.

What Is Physical Economy?

Now, look at this same thing from a physical economic standpoint. The way in which an economy works: It works in cycles. For example: What's an economy based on? A modern economy, 50% or more of the total activity of a modern economy, is concentrated on what is called basic economic infrastructure: water management, transportation, power generation, public sanitation, urban development, hospitals, education and so forth. These are all things which we do, not because they make an immediate profit — they have to be managed in a responsible way — but they do not make a profit! They're not supposed to make a direct profit. We don't subject them to accounting standards of profitability. We will sometimes create arrangements under which private investors, or private entrepreneurs will undertake this work, under regulation of government. We will create the conditions so the entre-

preneur can successfully do that financially — we'll give them terms, and protection to do that. But it is the responsibility of the state for all of the people and all of the land-area, which is reflected in what we call basic economic infrastructure. Social infrastructure, such as education, health care. Physical infrastructure: water management, land management, transportation, power, sanitation in general. These are functions which are unique to the government as a whole. Otherwise the General Welfare is not deliberately served.

The General Welfare and the Individual

Now, all of these things involve cycles which generally run about 25 years. That is, for example, if you want to create a human being, it takes about 25 years to create a proficient adult human being in modern society. As I said, you start with an infant, who has all of the biological and other potentials of a creature made in the image of the Creator. You try to turn that infant into a child, a successful child; who has certain limitations. It's only a child. You try to turn that child into an adolescent, and that's a terrible thing to do to any child, to turn it into an adolescent. But you try to help them get through that. Universities are supposed to participate in this process. Successfully, so they don't commit suicide; they don't do other terrible things to themselves.

We try to produce, through education and other things in society, we try to produce a matured adult. Now, what is a matured adult? A matured adult is a person whose mind has the kind of qualities which are epitomized by Raphael's portrait of the *School of Athens*. A matured adult is person who, from personal experience, from educational experience, has assimilated the mind of history in personalized form into the child's own mind.

Now, he goes forth in society, educated, with a depth of developed conscience of knowledge acquired in this personalized way. A mind which is an enriched form of what Raphael portrays with the *School of Athens*. It takes 25 years to produce a person who is that matured and solid and confident in their ability to do that.

So, therefore, you have an investment you must make in the infant, an investment in the parental household to ensure the standards of living in the parental household are adequate, to ensure the development of the child, to get the adolescent through adolescence safely, without having to be subjected to Nintendo games, which might turn him into a killer, and into adulthood, as a qualified member of adult society, not only in proficiency to do a job, but morally — to function as a citizen of a republic. Whatever it costs, we must expend that cost, by society, to produce that result, among all our children. That takes about 25 years of investment.

To make a power system, before you can liquidate the investment in a power system's construction and operation, will take about a 25-year cycle. Twelve years at least, before you're ahead. Any water-management project is a long-term project. So, everything that is important about infrastructure,

is about a quarter-century long, as a cycle of investment; during which you must make the initial investment to provide the facility, you must anticipate the point at which you will have to renovate it, replace it or renovate it, maybe 25 or 50 years ahead, and in the meantime you have to maintain its operation and functioning.

So, you have these long cycles—the first thing in economy. Then, you get into the private entrepreneurial sector. Now, if a farmer wants to produce a crop, a farmer does not produce a crop this year. A farmer must develop the land, must have a crop program, a cattle-raising program. For example, if you want to develop a prime cattle herd, starting from young cows, it may take you 25 years, as a farmer, to develop a good, stable herd of cattle. To develop sheep, you have to develop a stock. Other livestock. You want to develop a fishery, such

as an artificial fishery, which is very important these days, you have to develop the conditions. These do not pay out in one year. An annual accounting system won't account for it. You have a cycle, a crop cycle, three-year crop cycles, seven-year crop cycles, which must be invested, otherwise you don't have the economy.

Investment in Technology Cycles

So, to understand an economy, you have to look in terms of cycles, long-term cycles, generally 25 years or longer, of investment. You have cycles of investment in productive capital, in industries. You don't pay these out by the year, you don't slice these out like sausages. You have to make the total investment—it takes time to develop the investment. You have to reach a point where the investment begins to pay off.

Veneto's Truly High-Tech Firms

In Italy, Lyndon LaRouche visited the SAID industrial plants in Altavilla Vicentina, a suburb of the city of Vicenza. SAID is a typical middle-sized firm of this area, owned by its manager Giannino Bonato. It is a world leader in cutting diamonds for industrial uses such as cutting granite and ceramics, and in producing diamond tools for machine tools. With 130 workers, SAID uses very advanced technologies, and has a laboratory for materials analysis, which uses a plasma atomic photometer, a revolutionary machine which is able to read molecular composition through an atomic beam (a sort of atomic molecular scanner).

For the last 15 years, SAID has run an experimental center for research on new technologies applied to agriculture. This center, under the leadership of Dr. Giancarlo Costa, has developed a new greenhouse process for growing soil-less plants, known as aeroponics. Plant roots, inserted into appropriate supports, are regularly sprayed with a nutrient solution, which is recycled through a closed-circuit hydraulic system, in order to minimize water and chemical dispersion. Aeroponic farming allows productivity increases per square meter which are three times higher than traditional farming; the closed-cycle nutrient solution permits 90% of the water to be saved, with zero pollution.

Originally, aeroponic techniques were studied by the U.S. National Aeronautics and Space Agency to solve problems of feeding personnel employed in space exploration and colonization. Today, SAID sells and builds aeroponics plants in the Canary Islands, in southern Spain, in Italy's Mezzogiorno in the south, and in Arab countries. Dr. Costa explained to LaRouche that about ten years of

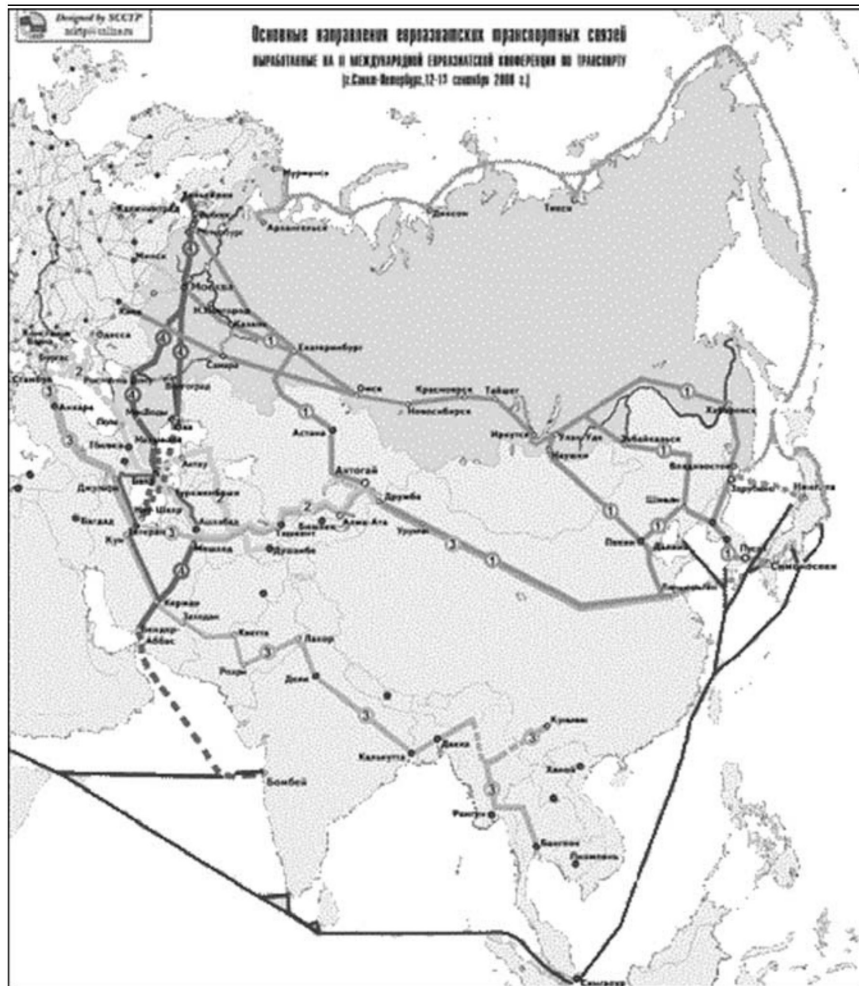
studies and research were needed to solve problems which hindered a profitable application of aeroponics on an industrial scale, such as acceptable costs for the management of the nutrient solution and of the electronics applied to plant management.

Today, aeroponics is competitive, not only with respect to traditional agriculture, but also against hydroponic agriculture. LaRouche, who has studied results and advanced theories in the field of biophysical optics, in the context of a proposed world mobilization against AIDS, discussed with Dr. Costa some possible applications of this science in greenhouse agriculture. Dr. Costa has been active for years in ground-breaking scientific research to defeat cancer, in opposition to the narrow and anti-scientific approach of molecular chemistry, which recognizes no difference between inorganic matter and living cell tissues.

LaRouche attributed a strategic significance to his visit to SAID, and explained it to a Italian Channel 3 TV team, which accompanied the visit and introduced LaRouche as "the possible next U.S. President." Firms like SAID, LaRouche explained, are the concrete example of what really creates wealth and profit in the economy: the application of new scientific and technological discoveries to labor productivity, through the development of machine tools, industrial machines, and new design processes.

Liberating the full productive potential of this sector of small and middle-sized enterprises, where industrial plants are often accompanied by advanced research laboratories, could stop the collapse of the world economy. Once the pseudo-economy of speculative profits has disintegrated, economic growth could start to be measured not on free-market mysticism but on scientifically based physical categories such as, LaRouche proposes, the density of innovations per entrepreneur.—*Claudio Celani*

Russian Ministry of Transportation's 'Main Directions'



Russia's more aggressive policy as "the Eurasian nation," as LaRouche names it, has included its plans for the further development of the Eurasian Land-Bridge. Russia has spearheaded the Eurasian Transport Union; and to the three main east-west Eurasian Land-Bridge routes conceived during the 1990s, has added a fourth, north-south route, from Europe to India via Russia and Iran.

You have a cycle in which that investment will be successful or not successful. So, therefore, when you plan an economy, you have to think about cycles. Don't say, "Well the economy is going to go up because such-and-such happened yesterday." Not true. You have cycles. You have to think ahead 25 years, 10 years, 3 years, 7 years. Different periods.

Now, also, another thing about economy: No accountant, as an accountant, can understand an economy, because nothing an accountant deals with has anything to do with an economy. What an accountant deals with is money, and, of course, keeping money in balance is important for an economy, but money is not what makes an economy work. It's people that make an economy work. It's intentions.

For example, there is no such thing as a sustainable econ-

omy, sustainable development; it doesn't exist. Anything that is fixed is inherently entropic. Anything which you try to maintain the same, the same ecological relationships, your society will decay, because of entropy, an innate entropy in the process. Human society succeeds as life itself does. Life succeeds because life is intrinsically anti-entropic. That's the characteristic difference between life and what we call abiotic processes. Human beings, unlike biological processes generally, have the ability to change themselves as systems. No lower species can willfully change itself into a higher species. Human beings, in effect, in economic effect, are able to change themselves into higher species; through scientific, technological, and cultural progress. Society is based on that progress. That progress is reflected as growth, and improvement of the conditions of life.

For example, how many years can you afford to send a child to school? In very poor countries, you can't send them to school for long. Their development is aborted. Therefore, if you can increase the demographic conditions of households with respect to things like education and health care, you've grown. You increase the productive power of mankind over nature, which you can measure per capita, physically. You can measure in terms of land-area. Improvement, increase in the anti-entropy, man's power of nature increasing.

Now, what we do, therefore, is we measure these things properly in terms

of cycles. We say: We make an investment, a new technology, an improvement, a change in practice, increasing the school year, intensifying the program of education. All of these things are investments, which don't pay off in the same year usually, they pay off in four years. Or 15 years, or 25 years. And it's by a pattern of growth, of planned growth in society. Promoting policies that work. In the former time, we did that.

There's a famous case in Germany, of the Lautenbach proposal in 1931, which was released in 1992; a secret proposal.

When you face a crisis, you do not cut your costs, your operating costs, the way the accountants tell you. You tell the accountants to sit down and be quiet, and listen. You say,

“We’re going to increase our expenditure for public employment. We’re going to increase our facilities for education. We’re going to increase our expenditures for research and development. We’re not going to cut them. We’re not going to try to balance the budget. What we’re going to do, is the state will create long-term credit, as a state responsibility, not to print money. It may print money, but as a long-term responsibility. Create credit which anticipates the cycle of development which will get us out of the mess.”

The Dialogue of Cultures

Now, today where are we? We’ve come to the point at which Eurasia is the center of potential for man’s escape from a new Dark Age. The Pope has addressed this in various ways, in the dialogue of cultures, in the ecumenical approach.

What do you have in Eurasia, which is the center of the world land-mass, the center of world population? We have one the one side, we have European culture. Globally extended European culture, as in the Americas. We have on the other side, the other extremity, South Asia, Southeast Asia, and East Asia. These are different cultures, with different conceptions of man, generally than we have in European culture. There are axiomatic differences.

We have the observation of the President of Iran, recently in Berlin, President Khatami, about a dialogue of cultures. This should be studied very carefully, this lecture of his. It is one of the most important statements to come out from any statesman in the recent period. Read it. Study it. Think about it.

The challenge, therefore, is: How do we, with the world economy disintegrating, how do we put Eurasia back together in such a way, that the poor people of East Asia, Southeast Asia, and South Asia, are able to participate, as a market, in a sense, for the higher technology which we’re able to develop in European culture, to make that available to them on a long-term to medium-term basis, as investment. That is, how can we export, on a credit system—and it has to be long term, 1% to 2% simple interest-rate loans; how do we export the masses of technology which people in China, India, Southeast Asia and elsewhere—as also in Africa—require in order to get out of this mess? Where do we generate the credit?

The central banking systems of Europe and the United States are totally bankrupt. All of them. I know them. They’re bankrupt, hopelessly bankrupt. You look at the telecom sector, investment sector, and you see it very clearly. They could never pay these debts.

How do we generate the credit, then, to provide in China, which is a great market, Southeast Asia, a great market, India, also a great market, and Africa too, for the long term—how do we generate the credit to get our people out of unemployment, out of poverty, employed in producing things that these parts of the world need? In a cooperative venture over 25 years, 10 years, whatever—depending on the type of investment we’re talking about?

Eurasian Role of Russia

We have in the middle, between these two things, East Asia, Southeast Asia, and South Asia, Europe on the other side, you have a middle country, a middle nation, called Russia. Russia, which emerged in its present form, is a product of the same time at which the Renaissance occurred in Italy—when the Mongol occupation retreated, or the Dark Age in Europe had ended. In this period, Russia emerged, to become a characteristically Eurasian nation. So, anything else you think about Russia, the key thing is Russia is a Eurasian nation. It has the characteristics of European culture, but it also has an interface, a deep interface, with Eurasia, in general. Especially with Russians, you have lots of Russians who are Asian, you have Russians who are all over Asia.

Therefore, for now our option should be: Okay, the system is collapsing. The collapse was inevitable, and systemic. Don’t try to pretend it didn’t exist. Don’t try to pretend it’s cyclical, it’s systemic. We have to change. To what?

First of all, since we are in European culture, with European traditions, we have to propose first of all, an approach which is based on the experience of European culture. Now, the most recent example of the success in doing that occurred under Roosevelt, in the recovery of the United States from the Depression, and the subsequent reconstruction of Europe under the old Bretton Woods system, of the period of 1945 to the middle of the 1960s, until the disaster of the Wilson Administration in the United Kingdom.

Therefore, we know that system worked. So, therefore, what do we do? We say, let’s eliminate the system which didn’t work, which is the 1971-2001 system, which has been a disaster and which is about to collapse, and return to a precedent which in our experience did work: the old Bretton Woods system. What we do is, we take the principles of protectionism, and regulation, fixed exchange-rates, which were used for the old Bretton Woods system, as for the Monnet plan, as for Italy under De Gasperi, in France under de Gaulle, as in France and Germany under the Schuman plan; we take these experiences, we say, we go back to that because it worked. Politically, that’s feasible because you’re proposing something that worked—that experience tells us did work. Therefore, it’s easy to get that acceptance.

We must, however, extend the provisions of that, to adapt them to Eurasia as a whole in particular, and trade with Eurasia. We must integrate Africa into that same procedure. We don’t have the means to take on Africa directly, but if we have a successful development program in Eurasia, Eurasian development will, with Eurasian cooperation, finally spill into bringing justice into Africa.

So that’s the basis of the point. But the first thing to recognize, is that are deep scientific and philosophical reasons underlying both the reason we’re in a crisis, as a systemic crisis, and also underlying what determines successful and failed proposed solutions to that crisis.

Thank you.