

payments with countries one by one; but rather its trade with the entire external world. Therefore, the essence of the U.S. trade deficit “problem” with China is the overall U.S. trade deficit with the outside world. The U.S. trade deficit reflects, to some degree, its economic history as a nation. In the 100 years’ time after its founding in 1776, the United States had suffered consistent trade deficits. Beginning from 1876, as it became a real industrial power in the world, America witnessed trade surplus for the first time, and this situation continued through to 1970. Commodity trade deficit again emerged

China is facing very rapid changes of its economy and society. Now, the influence of the U.S. and U.K. dominates economic policy, but the government does know that these “ideas” are of no great use. What is of great importance, are the “physical economy” ideas of Lyndon LaRouche.

in the United States as of 1971 and in the ensuing 30-plus years, a trade deficit all along assumed a trend of sustained expansions. This is the same 30-year period in which U.S. industrial production has declined more and more, and it has become a huge consumer of international production.

Trade deficit is the result of the counting of balance of payments. According to the accounting principle of the balance between income and expenditure, a country must have the means of payment, if what it buys in the world market surpasses what it sells. Historically, various countries usually make up this difference with gold or silver. But in today’s world, the United States possesses a kind of privilege, which enables it to pay around \$400 billion worth of trade gap annually with U.S. dollars it issued. But this kind of privilege is only a necessary condition allowing the incessant expansion of the U.S. trade deficit; its ample conditions lie in the aspect of demand, i.e., the unlimited pursuit of extravagance.

Extravagance is a relative concept: exquisite product, splendid house, elegant environment, and even sport, art, and the vanity of nationals can all be listed in the category of extravagance, so long as the level of consumption surpasses the level of output. From the perspective of sociology, consumption is the aim of production; consumption and luxury are the real objectives which people are pursuing. The essence of trade deficit is that the total value of a country’s consumption surpasses the gross value of its production. That is to say, the American society as a whole has long been in a state of extravagance, either in quantity, or in quality or in both. In

history, what any hegemonic country, or core country pursues, is by no means the maximum welfare for the whole world, but rather is extravagance for its ruling clique and all its nationals, the United States is no exception.

Britain became a world factory in the middle of the 19th Century and was a productive society. Later, the country gradually changed toward a nonproductive society. Today, Britain’s manufacturing industry has long been lagging behind that of the United States, Germany, and Japan. The United States was also the world factory 20-30 years post World War II, but, over the past 30-plus years after the 1970s, the process of U.S. change from a productive society to a nonproductive society, has been visibly speeded up. Mr. Lyndon LaRouche has often described the economic and social processes behind this transformation of the United States. Today, America’s advantageous position in the world economy has switched over to the fields of circulation and finance. In the future, perhaps the United States may use its service trade surplus to offset its commodity trade deficit, but the United States can in no way shake off its dependence on foreign commodities. Extravagance has gone deep into the bone marrow of U.S. society, the real objective of the U.S. government’s foreign policy can only be how to maintain and further raise the extravagance level of the U.S. society as a whole for the longest possible period of time.

Maj. Gen. Vinod Saighal (ret.)

‘The Globe Is Facing A Discontinuity’

Maj. Gen. Vinod Saighal (ret.) of India was, among his other responsibilities, the head of the UN peacekeeping forces in Gaza for eight years. He gave this presentation to the Berlin seminar on Jan. 12. Subheads have been added. In a future issue, we will publish a longer contribution, in which he develops his views in more depth.

I must compliment Mr. LaRouche for his presentation. I’ve been reading his papers over the years, and to the best of my knowledge, in the last hundred years of U.S. politics, I have never come across any Presidential contender having articulated his views so concisely, cogently, and clearly. I have a slight difference of opinion with him, because the past is not going to project into the future at this point in time. In fact, the new book I am working on, is titled *The Future as Discontinuity*. The globe is facing a discontinuity.

Kautilya, a few thousand years ago, in his *Arthashastra*, said, it is the nature of power to assert itself. And we’ve been

seeing this throughout history. What the United States is doing now, is nothing out of the ordinary. The difference is, at this point in time, as never before in history, power is concentrated at a single point on the globe. Any decline in this power, is going to affect the globe. So therefore, at this point in time, regardless of what evil that has overtaken the United States, a catastrophic decline of U.S. power is in nobody's interest: not of America, America's friends, and America's adversaries. I have said that in almost all my books, which have sold more in the U.S.A. and Canada, and the West generally, than in India.

Now, I am going to be flagging off two points: the impending financial crisis, and externalities that impinge on the likely U.S. decline, which translates into a temporary global decline—unless we're prepared for it.

The Elites Can Delay a Financial Breakdown

Taking first the financial crisis: Don't you think, ladies and gentlemen, that the powers that control the U.S. establishment today, as so clearly brought out by Mr. LaRouche, are aware that their policies, their economic policies, are pushing the United States into a head-long decline? Do you think they're not aware of it? Do you think there's not a deliberateness to it? The answer is: They're aware of it! And they are preparing to take over and benefit from a global collapse!

Today, the United States is hugely indebted to the powers that hold the global financial reserves: China, Japan, Saudi Arabia. Do you not think that these countries know that these reserves—in the case of China going up to \$800 billion—are not worth the paper they're written on? Does Japan not know it? Does Saudi Arabia not know it? But, they are all part of the global system. The governing elites of China, Japan, Saudi Arabia, have been co-opted into the system. So, they're not in a position to pull the rug from under the feet of the United States, and bring in that collapse—because a collapse of the United States *ipso facto* translates into a collapse of China's ambition to be a global power by about 2025. So, China is not going to do it. Although these U.S. Treasury receipts may be worthless pieces of paper, China is using those assets to build itself as a global power. The same is the case with the others I'm referring to. Where I differ with Mr. LaRouche is: The collapse is not necessarily imminent; the decline can be artificially stretched for some time.

Once again, who are the people pushing for this decline? I think Mr. LaRouche knows them. Today, in the United States, they are putting their money into an area which is already defunct—as known to them. The National Missile Defense (NMD) effort, over the period of its life-span of 25 years, is going to cost \$1.2 trillion. Kindly see, who are the people who have bought up and control the firms and entities that are going to support this NMD system. They speak of an axis forming around China, India and Russia threatening the United States.

Ladies and gentlemen, as I have written in my books, this triangular relationship is a laudable enterprise—but it's a non-

starter. Just go to the establishments who run China, India, and Russia. Take the establishment that runs India. Where do you see India sacrificing its bilateral relations with the United States in order to augment this triangular relationship, beyond a point? Where do you see the Russian establishment, in the ascendant after the Yeltsin years, going to sacrifice its bilateral relations with the Atlantic community, to build up China and the triangular relationship? Go to Beijing: Where do you see, in the establishment currently running China, the bilateral interests of China being sacrificed to build up the triangular relationship? I don't see it, at all.

In the manner which Mr. LaRouche proposes this triangular relationship, I'm all for it. But, look at the people who are running China. their wards, their sons and children. Do you know how many billions of dollars they've invested into joint enterprises with people from Taiwan and the United States?

We must appreciate the subtle change that has taken place in the outlook of the middle classes who have been slowly sucked into the maws of free market capitalism in one country after another. The essence of capitalism being self-indulgence, conspicuous consumerism, and instant gratification, parts of society experiencing greater affluence have joyfully taken to the "who cares what happens tomorrow" syndrome. Something similar is happening at the other end, due to extreme deprivation by people who are starving and who do not know where their next meal is coming from.

Will U.S. Society Implode?

My greatest worry, is an implosion of U.S. society; America's demoralization over the longer term, if its policies that are being followed in the Middle East continue for any period of time. In September 2003, when Abu Ghraib was not yet known, en route to a conference here in Berlin, I was passing through London and the BBC asked me to come for a live presentation. I said, when people talk about American casualties and the body bags—there were 600 U.S. casualties at that time—this means nothing. For people who are ready to invade another country, 600 casualties are no casualties; 50,000-100,000 casualties might be different. *But*, I said, the problem that America is going to face, is the psychological disorientation that has come about in the people you have deployed in Iraq. A psychological disorientation deriving from what they were told about Iraq, and what is happening there in reality—and this I said before Abu Ghraib.

The psychological disorientation has already gotten into these 150,000 people in Iraq. Once they go back to America, it will diffuse through the bloodstream of American society and will demoralize America. Throughout America's history, there have been parades in New York and Midwestern towns when the soldiers returned from foreign wars. They were welcomed back as heroes. This time, when the soldiers go back from Iraq, there are going to be no yellow ribbons on the trees. They're going to slink back! They will not be welcomed as heroes. You've destroyed them psychologi-

cally in Iraq—which in turn is psychologically wrecking and demoralizing America. . . .

Sri Aurobindo, the great philosopher-sage, a little before his death, had presciently warned humanity on the need for urgent remedial action. In April 1950 in a Postscript Chapter to *The Ideal of Human Unity*, he wrote: “The indwelling deity who presides over the destiny of the race has raised in man’s mind and heart the idea, the hope of a new order which will replace the old unsatisfactory order, and substitute for it conditions of the world’s life which will in the end have a reasonable chance of establishing permanent peace and well-being. . . . It is for the men of our day and, at the most, of tomorrow to give the answer. For, too long a postponement or too continued a failure will open the way to a series of increasing catastrophes which might create a too prolonged and disastrous confusion and chaos and render a solution too difficult or impossible; it might even end in something like an irremediable crash, not only of the present world-civilization but of all civilization.”

The digression, not being a descent into pessimism, should serve to highlight the urgency for immediate action, to very simply resume the destiny of humankind from the handful of people who have taken control of the levers of power in the superpower and some nations around the world. An enlightened leader with the attributes required to reverse the dangerous decline might not find it possible today to come to the fore and win election to the office of the President of the United States. The interests that have taken an iron grip over the Washington establishment, the media, and wealth formation will simply not allow such a species to co-exist.

Yet, as I said, the challenge before the world is not so much to diminish U.S. power—a catastrophic decline at this juncture not being in anybody’s interest—but to change U.S. mindsets and channel America’s amazing vitality toward productive ends—ends that will allow for the speedy revitalization of the planet. Once again, the globe is facing a discontinuity.

Dialogue

Here are excerpts from the discussion that followed the morning panel on Jan. 12. The moderator was Michael Liebig.

Michael Liebig: [thanking General Saighal] And you presented the crucial concept of *discontinuity*. I would propose that before we engage in the general discussion, I would ask Lyn to comment, because a number of very specific points were raised within the last 45 minutes of so. And then open the floor for general discussion.

Discontinuities and Revolutions

Lyndon LaRouche: Fine. Well, simply to concentrate upon what the General just said—it’s true, but it’s not true.

What you have to take into account in history, is the factor of mass insanity. That’s how discontinuities occur: They occur in revolutions and outbreaks of mass insanity. That’s how discontinuities occur: They occur in revolutions and outbreaks of mass insanity.

The government of the United States today, the present government, is a case of mass insanity. That’s where the discontinuity lies.

Yes, you’re right about the returning troops—that is a factor. That is a coloration, which betrays something much bigger.

Look, you have a President of the United States, a position which is presumably the leading power in the world: The man is clinically insane! And stupid! Not merely wild—but *stupid*. You have Cheney, a gum-chewing version of something or other. The man is—he’s a thief! He was picked off a campus, he was a wreck; picked off a campus as a high school football star, rescued by his wife, who’s a British agent, and picked to go into this track of representing these corporations, and these [types]. Yes, he’s a thug. He’s a killer. But you can find that on the streets of New York, in terms of the organized crime types. He’s no different.

The point is, the government of the United States is clinically insane. Look at the reality: We’re bankrupt. We’re hopelessly bankrupt. Now, these financial derivatives are not something they can roll over. They have to be cancelled. The whole system’s coming down. So, it *is* an absolute discontinuity. This is what might be called, a classical revolutionary situation, in the United States and the world. That’s what I’m dealing with. I’m a revolutionary, of a special kind. This is my meat—I may be a little bit old, but this is my meat, this is what I’m good at. And we’re trying to make a revolution in the United States.

Look, this happened before in U.S. history. You had a role by John Quincy Adams, who, when he grew out of his father’s and mother’s influence, became not only a skillful diplomat, but a bit of a genius. John Quincy Adams in a sense created the United States: It was his work as a diplomat who defined the United States as a continental nation, from the Pacific to the Atlantic and with northern to southern borders. One of his protégés, Abraham Lincoln—at the time that he died, Abraham Lincoln had been his protégé; Abraham Lincoln represented John Quincy Adams in opposing Polk on the war with Mexico. Abraham Lincoln was a revolutionary. He re-enacted the American Revolution, one of the greatest changes in world history, by any individual.

We had others who were of a similar temperament and qualities: Franklin Roosevelt was a revolutionary. He didn’t change anything in the Constitution, he *upheld* the Constitution. His policies were those of his ancestor, Isaac Roosevelt, the founder of the Bank of New York, the collaborator of Alexander Hamilton. And Roosevelt proceeded from an understanding of a Hamiltonian principle of the American System.