

LaRouche: The Planet Needs A New Financial Architecture

Lyndon LaRouche videotaped these remarks on the global financial/economic crisis, Sept. 17, 2008. His opening statement is followed by a portion of a discussion with members of the LaRouche Youth Movement. The video and a complete transcript are available at www.larouchepac.com.

In 12 days from now, on Oct. 1, we're going to have an international webcast, as usual, but we're not quite sure that it's going to occur, because the U.S. economy may have entirely disintegrated, by that time. And, in a sense, I'm being witty, but not entirely, because that's actually a possibility, the way the government has been behaving recently, in dealing with these bailout situations.

We're now in a hyperinflationary process, caused largely by the measures taken under this government. Of course, as you know, back on the 25th of July of last year, I warned that this was about to break out, and I expected it to break out by the first of August. It broke out by the 28th of July instead of the 1st of August. So I'm wrong sometimes, hmm?

But, the system since that time has gone into a hyperinflationary mode, and it's accelerating. The measures which I proposed then, were, first of all, the Homeowners and Bank Protection Act. It had a lot of support, in the cities, and counties, and states of the United States, it was never voted up because of the Pelosi problem in the Congress, and similar kinds of things prevented it from happening. A bunch of pieces of stupid legislation that were reckless were adopted in the meantime.

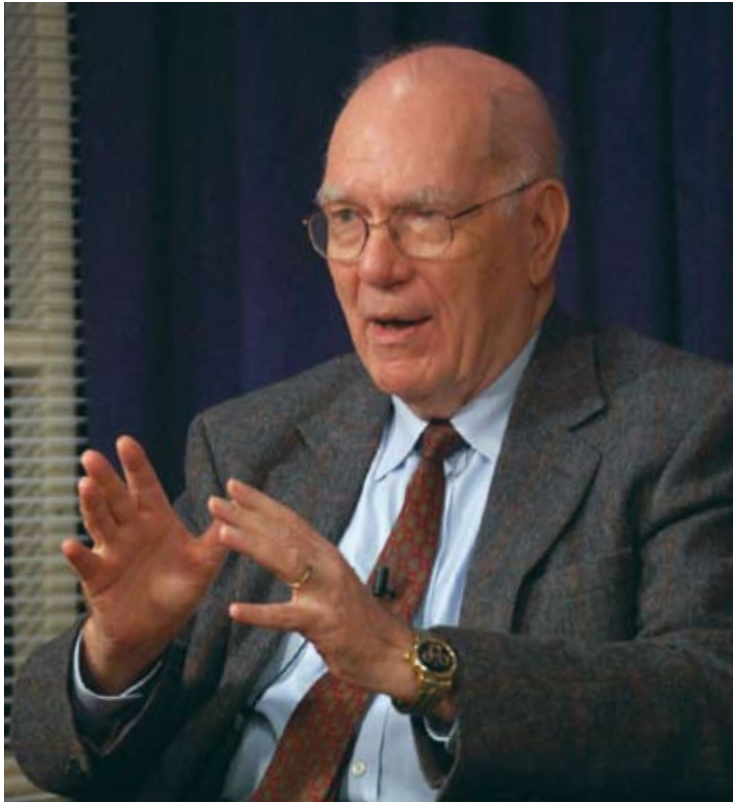
We're now in an aggravated mess. The recent series of bailouts, *which never should have occurred*—these entities should have been put into bankruptcy reorganization, in the normal way. Many of the assets that are listed, as the lost assets from these things, were dubious assets. Some of this may have been criminal, and should have been investigated for potential criminal action

against those involved; we have a lot of bankruptcies, which there's a suspicion of criminality involved, recently, coming out of this kind of speculation, which has been going on recently.

But the essential thing is to save the United States. That involved, as I said last year, it involves, first of all, the Homeowners and Bank Protection Act. We must not shut down any essential bank, which is an essential institution of credit, within the chartered banking system, whether Federal or state. Even if these things are bankrupt, their doors must be kept open, their assets involved, their communities involved, they must continue to function.

I also proposed that we have a minimum of 4% basic interest rates—that was not done. We're now operating at 2%. Some idiots are trying to reduce it to 1 1/2%, which is hyperinflationary nonsense.

We also proposed, and I proposed in particular, that we approach Russia, China, and India, as prospective partners of the United States, in initiating a new international monetary-financial system, based on the precedent of Franklin Roosevelt's Bretton Woods system. This would mean that we would, instead of relying on the present financial systems, which are hopelessly bankrupt, we would again create a credit system, which is only possible under the U.S. Constitution, because we are not a monetary economy; we are a credit system. That is, this country can not print money, except by authorization of the Congress, and by the Executive Branch, with the authorization of the Congress. We are a credit system. We are not a monetary system. We have an approximation of that under the Federal Reserve system. But essentially, our constitutional authority is that of a credit system. No other country in the world has this kind of system, that we have by our Constitution. We're completely different from Europe, the parliamentary systems and so forth.



EIRNS/Stuart Lewis

Here, LaRouche addresses a studio audience, during the videotaping of his address on the global financial/economic crisis. “The essential thing,” LaRouche said, “is to save the United States.”

Therefore, we represent, for Russia, for China, and India—which are directly, or indirectly, major trading partners of the United States—something unique for the world, in reorganizing a new monetary-financial architecture for the whole planet. We together, if these four powers agree, and other countries would then join them, we can create, as if on a dime, a new international credit system, and begin to rebuild the world which is shattered now.

So, that is what we’re going to discuss on the first of October, approximately 12 days from now. Am I clear?

Dialogue with LaRouche

Q: You’re discussing the Four Powers—implementing this right now, with the prospective Presidential candidates. It doesn’t seem too likely that either of them would be willing to adopt that kind of proposal, but in the U.S. there are more institutions than just the Presi-

dency. But how, how do you see us...?

LaRouche: A thing like this happens only under one kind of condition: They’re scared to death. And what is happening now is going to terrify nations, and it’s going to terrify the people of the United States. They’re going to be screaming for a solution, knowing that the present institutions and the present policies won’t work. And frankly, the two candidacies now are both failures. As it stands now, there’s little likelihood that Obama would win the election. He’s lost his trust fund, so to speak, that he was relying upon. There are problems with McCain. I don’t know if he can shoot caribou from the air or not. But anyway, there are problems there. Neither of them has addressed, so far, or even threatened to address, any of the real issues on which the continued existence of the United States depends.

So therefore, if something happens, it’s not going to happen because of a Presidential candidate, these candidates. It’s going to happen because the country is scared, and because people in Europe and elsewhere are scared, and see that there is no hope for them, unless the reform is made. Under those conditions, whichever dummy were elected in the United States, he would have to follow, carry out this kind of

policy if it were adopted. That’s reality, and we’re now come to the area of reality.

A Short Window of Time

Q: You mentioned in the very beginning, that basically, within the next 12 days, you could see the complete disintegration of the entire economic system. Now, what does that mean? Because that means that we have a very short window of time in which to organize. How must we act now with the population?

LaRouche: Well, the issue is: The bailout, the AIG bailout, added to the previous bailouts, which I think, in many cases, are actually unconstitutional, and possibly involve potential criminality. But the question of investigation, to see if there is potential criminality under our Constitution, is there.

But apart from these considerations, these bailouts are *insane!* They are intrinsically hyperinflationary. What should have been done, is, these entities should have been put into bankruptcy reorganization, not liquidated, not bailed out. And so, we’re at that point,

where the whole system can be blown out by these kinds of measures, that brought us to this point. This AIG thing was one blow too many. I don't think the system can withstand it for long. One or two more such cases, and the entire system can blow out. We could find a situation, therefore, in which there would be no election, because there would be a complete financial breakdown of the system, conditions under which you couldn't conduct an election. You'd have to postpone it for reasons of rain, like a baseball game.

So, we're in that kind of situation.

What's happening now, is, behind the scenes, not everybody in this country in power is stupid. We have actually people in some positions who are reasonably intelligent. They may be reluctant, but they're intelligent. They are capable of recognizing what I've just described. They see the facts correspond to it. People in the Congress, people in other institutions. And in this case, if they come out and say this, together, the changes will be made. Because everybody's ready to accept the fact that the President is an idiot, and nearly everybody in his administration is an idiot, and that what the two leading Presidential candidates are saying is totally incompetent and silly.

Under those conditions, the people who are threatened by this kind of situation, will tend to get, suddenly, very reasonable, and very demanding about it. And it has to happen *now*, not next January—*now*. If the United States is going to be saved, it's not going to happen in January. It has to happen now.

So, we are about at the limit, on Oct. 1. We're about

Sports Tuesday, C15-18 **Business Day** TUESDAY, SEPTEMBER 16, 2008
The New York Times

DOW FALLS 504 POINTS... BIGGEST POINT DROP SINCE 9/11

The Street After Lehman Brothers

A Race For Cash At A.I.G.
By MARY WILLIAMS WALSH and MICHAEL J. DE LA TORRE
Major credit ratings agencies downgraded the American International Group (AIG) late Monday, warning its financial health, as Federal Reserve officials and two leading investment banks were in urgent talks to put together a \$70 billion loan of credit to shore off a crisis at the company.
The move threatened to force the company to turn over billions of dollars in collateral to its conservative trading partners.
Without the financing, which was being arranged by Goldman Sachs and JPMorgan Chase in talks with the Federal Reserve of New York, A.I.G. might be forced to declare bankruptcy, according to two people familiar with the situation.
The talks, which began late week and continued through the weekend, added to the sense of optimism in the stock market on Monday, as investors grappled with the implications of the bank's report of Lehman Brothers, which, like A.I.G., was a large counterparty to subprime securities held by American financial institutions.
Shares in A.I.G. plummeted more than 80 percent on Monday, marking an historic low that the first failed company to withdraw out of the stock market, which were borne out later in the day. The company's potential workouts are mounting and may
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Who Will Be Next
Lehman Brothers? Citibank? Merrill Lynch?
UBS? Wachovia? Washington Mutual? Santander?
Credit Suisse? Royal Bank of Scotland? HSBC?
Will you be next?

Change Arrives, With a Sense That Wall St's Boom Times Are Over
By LOUISE STORY and EMMETT L. ANDREWS
The old Wall Street is giving way to a new one.
As the historic streets within the American financial industry shook,

After a Losing Battle Against Bankruptcy, Workers Pack Up and Wonder, 'What Now?'
By BEN WHITE and MICHAEL H. GRYNNBAUM
Even in the first hour, Dick Fuld could not let go.
As twilight approached on Tuesday and the world anticipated a

Sorting Out the Changes
What partners and investors at Lehman Brothers and Merrill Lynch should expect in the immediate future. Your Money: Ron Loken 100/10

The only way U.S. institutions will adopt his proposals is when they are "scared to death," LaRouche said. The lower right photo on the front page of the New York Times Business section Sept. 15 is captioned, "In New York, the scene took on an air of protest, with a sign by the LaRouche Political Action Committee...."

at the limit for the United States: Either we can do something by approximately that time, or I'm not sure we can say we're going to have a United States. It will just go away, all by itself. It's that bad.

Q: Could this sort of bankruptcy reorganization happen with the current Democratic Party and Republican Party leadership right now?

LaRouche: If they're sufficiently terrified, yes. And I think they're about to become sufficiently terrified. I think in the next dozen days, we'll probably get some stroke of that kind of terror, screaming terror: "Save us! Save our butt! Save our butt!" Americans don't say, "Save my soul" anymore; they say, "Save my butt!"

Q: This situation that we're in right now, where there are many recognizing, that there is no hope for this system, and are starting to freak out, is there also an understanding, then, from those relevant people, that it is the dollar system that they have to save, and there's no longer this delusion that you can go and divert towards other forms of currencies as a primary form of currencies?

LaRouche: Well, the point is, that I can know from Russia, from China, and from India, and from other countries than our own country, that there is no competence to design the kind of system which is necessary for this situation. Therefore, this is not a matter of trying to get a consensus among contending opinions. This is a time that someone—me—knows what to do, and maybe some people out there are intelligent enough to recognize that I'm right, and they would act upon my suggestion.

As far as I can tell, unless what I'm proposing is accepted, there's no hope for the system. So, they're either going to take my suggestions, or they're going to fail. And there might not be a United States, by the time the smoke clears.

The New Bretton Woods: How It Will Work

Q: I was also wondering if you could explain how this credit system could work along with Russia, China, and India. How would the New Bretton Woods function?

LaRouche: What essentially we would do, is we would say, *we're going to do it*. That's number one. Now, you're going to then discuss what that means. And we're going to say, we're going to take a point of reference for a recent relative value, of the national currencies of the United States, of Russia, and China, and India. We're going to say, "Let's fix a fixed-exchange-rate system, based on negotiating among what we agree is a fair estimate." We're going to, in that process, bring in countries like Japan, Korea; Giulio Tremonti, I think, in Italy, will be happy to join the discussion; he's talk-



EIRNS/Christine Schier

This is not a matter of trying to get a consensus among contending opinions, LaRouche said. The hope is, that there are intelligent people out there who will recognize that he's been right while everyone else has been wrong, and act on his suggestions. Shown: LaRouche PAC organizer Therese Mallory, in Philadelphia, August 2008.

ing in that direction; probably somebody in France will be happy to join that direction. And we will get enough nations to agree to this process; to say that approximately this level of pricing—we're not going to try to come up with the best price; we're going to come up with a price that is acceptable, and can be gotten through with the least controversy.

Then, we're going to say, we're going to operate on the basis of the U.S. Constitution, and that's key: We are not a monetary system. What we're going to do, is essentially *cancel the power of monetary systems*, such as the British system. We will no longer have money operating by central banking systems, outside the power of government. All money will be accountable *to government*, and we will operate on the basis of a credit system, as the U.S. Constitution provides for a credit system. We will then set a system of issuing, of uttering credit—. We will put the whole system into bankruptcy reorganization, take all of the old values and say, "they're inherently bankrupt, the world is being operated in bankruptcy."

We are then going to create credit for things which should be created credit for. It will be largely long-term infrastructure investments, large-scale projects—like

the rail projects of the United States—we're going to bring back the rail system, power system; we're going to fix our rivers, so they function again, and as they never functioned yet before, because they never did north of St. Louis, they never got part of the system.

We're going to do these kinds of projects. And these projects will be the drivers for the use of technology, to develop new industries. We're going to talk in terms of a 25- to 50-year perspective on utterance of credit over that term. We're going to get enough projects of this type going, to use up the productive powers of labor, otherwise idle labor; we're going to take people out of a lot of white-collar jobs. We may ban white collars, just as a matter of sanitation. But we're going to do that sort of thing, and get people back into factories, back into engineering, back into basic economic infrastructure, back into agriculture: Produce some wealth, physical wealth, again! Raise the standard of living.

Recognize, that in the United States, since the fiscal year 1967-68, there has been a net decline in the economy of the United States, consistently, from that time to the present. There's been an increase in so-called dollar value, but that increase is purely inflationary. There has been no increase in *physical* value, of product of the United States, since 1967-68. And that is the year, in which we had a decline in basic economic infrastructure. And this is the infrastructure needed for production, not just infrastructure for people to look at, or gaze at.

So, we're going to have to go to that kind of system. For example: We will create the entire Eurasian system, in terms of rail and magnetic levitation. We will open up the development of raw materials development. We'll make an international rail system, where you can go by rail or maglev, all through Eurasia, all through Africa, and through the Americas. We'll open up the Bering Strait. We'll have a rail connection: You can go from France, into Alaska, down through the Americas to Tierra del Fuego. You can go from Europe into Africa, by rail, all throughout Africa, the main routes



creative communications/JakeLM

It's time to reverse the collapse of basic economic infrastructure that has taken place since 1967-68, such as by moving to advanced rail systems, including maglev, as pictured here: the Transrapid Shanghai maglev train.

in Africa. We will have power stations, especially nuclear power stations, being developed throughout the world.

We're going to change the character of the planet! And it'll be a mission for the next 50 years—it'll actually be 100 years, but we'll take the first 50 years as the first slice of this thing.

And on the basis of creating a credit system, a debt system which is supported competently, we'll be able to do this. We'll increase, first, infrastructure: We'll use the development of infrastructure projects to create industries, new industries, to expand agriculture, to develop raw materials. Then out of that, we'll get a secondary layer of industries. We'll restore our educational system, because people will have something to learn then. Under the present system, you go to university, not to learn, but to become brainwashed. And it's not a good brainwashing, there's a lot of dirt that goes with that.

So that's what we have to do. That's our direction.

Use the idea of credit, which is inherent in the U.S. Federal Constitution, a work of genius in the U.S. Constitution: Use that method of credit, building up a tremendous debt, but accountable debt, to change the world through productivity; to mobilize people to pro-

duce what they're qualified to produce, in terms of infrastructure and industry; and to use that to develop people, to develop new skills beyond that, to open up new industries, new types of industries, fundamental scientific progress. Change the character of the planet, a planet of nation-states, but co-operating nation-states, connected by interconnected power systems, interconnected mass transit systems. And that's the way to go! And agree to do that, and have the guts to carry it out.

The Fantasy Is Over!

Q: The only opposition to this, isn't simply that people have never heard of these policies before, but there's actually witting operatives trying to stop this sort of bankruptcy reorganization and development: people like George Soros, Felix Rohatyn, prominent members operating behind the scenes in this country and abroad. So, as this thing breaks down, hour by hour, how do we make sure that this commitment to a credit system, and development, and changing the character of the planet, is clear to the people whom it needs to be clear to, and that these operatives are put to sleep, once and for all?

LaRouche: You got several things going for you: First of all, look back to 1927-28, before the 1929 Crash. Look at the change in the attitude of the population of the United States, between 1928-29 and 1931-33: You had a change in the population which had lived in fantasy-land to a large degree before then. The fantasy was over. Today, the fantasy is over! Today, with the collapse of all these giant firms, these super-firms, you're going to see thousands and tens of thousands of people coming out of each of these places that are being closed down! The streets are going to be full of white-collar people who no longer can afford to wash their collars.

This is going to destroy the illusion of the system. And people are going to want some kind of employment, and security. They're going to demand it. And they won't put up with anything less.

And we saw that in the early 1930s, also. It'll work the same way. People are down on the ground, grovel-



National Archives

As after the 1929 Crash, the population today will be confronted with the fact that the fantasy is over. "The streets are going to be full of white-collar people who no longer can afford to wash their collars." This photo shows a breadline in New York City during the early years of the Great Depression.

ing in the dirt. Their illusions lost. That is the time to say: "Okay! Get out of the dirt! Stand up! Here's something for you to do. Stop being an idiot, and you'll survive." And that's how it's done.

But you've got to mean it! Because people can smell out a fake in situations like this. You can't promise it, unless you mean it! You can't convince people to do it, unless they think you mean it. And there's a little problem in leadership in certain circles on that basis: Obama would never convince anybody of that! Nor could John McCain. And I certainly don't think this lady from Alaska [Sarah Palin] would convince anybody of anything. She probably would be running from caribou who're seeking vengeance on her, or something. You'll see a lot of caribou out there with guns trying to shoot

down small planes that they suspect are coming to kill their children!

You should see the British press cartoons on her: She is the biggest object of ridicule in the international press today. They had this six-gun, in the *London Times*, a six-gun; you have these six little cartridges, and the bullet is a lipstick!

She really is something. Anyway, she fills a hole.

Thinking Two Generations Ahead

Q: We know that during the first Depression, they still had some manufacturing industry and workers around, whereas today, we've lost a large part of that. And as part of the educational problem in the United States, we've elected leaders who are incompetent. So the question I have is, are there layers of competence in the institutions, such that we could actually carry out these kinds of projects. Because, as it stands right now, I don't see that the Congress would be trustworthy on this question.

LaRouche: A lot of this is located in the military right now. You have certain medical potential, certain medical science potential, which is bottled up because of the present policies on medicine. But there is competence. But it's a small quantity; it's a cadre core of capability.

That's why I say, you have to start with major projects, engineering projects. You take your major engineering projects and you use that to get your driver going. As you get your driver going, then you spread it.

One looks at the history of what was done under Roosevelt from 1932 on. And look at that process, what Harry Hopkins did, for example, and you find exactly how this worked. It's going to be the same thing again. It's not instant gratification: It means a change from going down to a change to going up. And going up means you're going to have to go up, step, by step, by step. Do the things immediately that can be done immediately with an orientation to get to the net thing: And think two generations ahead. And you need people who can think two generations ahead.

And I hope that what we're doing in the Basement [the LYM's core scientific work] is going to set the precedent for exactly that. Because I see what our people are doing in the Basement: They're *way* ahead, of what's coming out of the universities in scientific capability. So we have a little monopoly on that, on

the idea of how to do that. And, we're going to use it.

You Have To Be Eccentric

Q: This is a question that I've had for a while: What actually qualifies someone, or makes someone qualified to be able to lead? To be an actual leader in society, especially today?

LaRouche: First of all, you have to be eccentric. If you're not eccentric, you're not going to be a leader. You may be considered a leader, but you're not one, you're a misleader. Which is not a feminist concept. And that's the issue: It's the experience of the act of insight of discovery. For example, anyone who believes that there is a tragic personality in Classical drama, is not qualified for science, or for Classical drama. Because the tragedy in society, is the tragedy of the population, not of an individual. And if you look carefully at all Classical Greek tragedy, or Shakespeare's tragedy, or Schiller's, there is no such thing as the idea of the tragic personality. This is a *Romantic* conception: "If the right person had been there, everything would have been just right." Crap! Often the right person was there! But the society wouldn't let them function. This is the lesson of tragedy. It is the people who are stupid. It is the culture which is stupid! It is the culture which is corrupt!

And the business of creativity is changing the culture: The individual who knows, who is able to change the culture, not to change the behavior of leadership of society, except by changing the culture. And that's lost. The idea of creativity is lost! People talk about creativity, they don't know what it is, they've never done it. But they decide to "call" certain things "creativity."

For example, if you follow the *New York Times* Style Book in editing, you can't think. Why? Because, by sticking to those conventions, which now are made abhorrent—"Oh! He made a solecism. He violated the *New York Times* style book; he made a solecism." You're conditioned to believe that that's bad, and you will correct somebody who does something competent, because they considered a solecism, by *New York Times* standards. What the *New York Times* does, is eliminate the idea of creativity. If you go by that kind of style, you are "not allowed" to use irony in the way that corresponds to creativity.

All creativity involves concepts which lie outside formal logic. And it's those concepts which are scientific principles. It's those concepts which represent creativity. It's those concepts which carry man forward.