

LAROUCHE ON HYPERINFLATIONARY CRISIS

We Have the Potential To Defeat the Threat Of Fascism Today

Here is Lyndon LaRouche's opening statement to a private luncheon on Jan. 30. His remarks were preceded by the LaRouche Youth Movement's animated report "Fed Copies Weimar Hyperinflation," <http://www.larouchepac.com/news/2008/01/28/fed-copies-weimar-hyperinflation.html>.

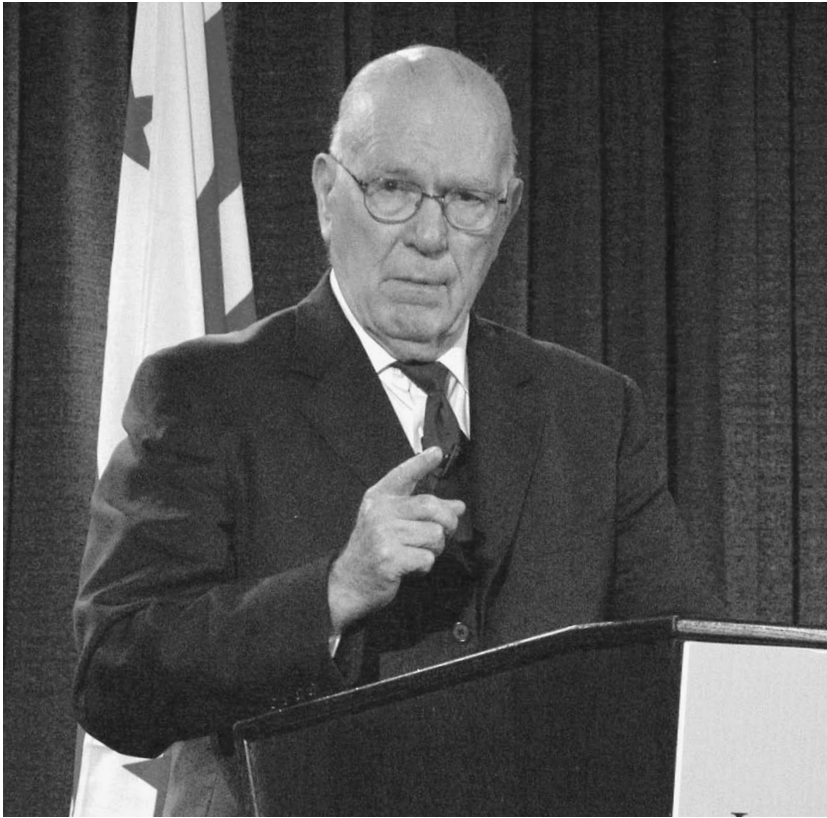
I'll make a few remarks at first, then I'll play this four-minute video which is also on the website, which contributes to an explanation of some of the issues which have to be conceptualized.

This particular video identifies the characteristic features of the 1922-1923 crisis in Germany, the famous hyperinflationary crisis. The significance of this video is to present something that very few economists understand: What was the cause of the hyperinflationary crisis, then? And what is the very similar cause for the hyperinflationary crisis which is breaking out internationally, now? That is, the entire planet's future is going to be determined by the way we deal with this presently onrushing, accelerating international financial breakdown crisis. There are solutions, which I'll speak of today. But the first thing, before understanding the solution, you have to know what the sickness is. So, proceed with the video.

[The video is shown.]

The point of this, is that we are now in a world situation, which is comparable to what happened to Germany, in the period 1919-1921-1923. And most recently, the absolutely stupid mistake, by the U.S. Federal Reserve System, and government, including members of the Congress, led by Congresswoman Nancy Pelosi—that this has triggered the beginning of a steep hyperinflationary situation, not only in the dollar, but in the international financial system. If this were to continue, without change, as a policy trend over the coming months, we would have a *global* situation, a chain-reaction process, which would end up much like the 1923 crisis in Germany.

That's the thing: the same principles, economic principles or mismanagement, which are responsible for what happened in Germany then, with the Hitler



EIRNS/Stuart Lewis

Lyndon LaRouche: The physical preconditions exist for making a shift from globalized fascism, to cooperation of sovereign nation-states. What is needed is the will to make the change, and a political force strong enough to carry it out.

outcome. We have, in the United States, also a Hitler-like phenomenon, or Mussolini-like phenomenon. As you may have observed, there's been a process recently with the collaboration of the financier-controlled press of the United States and London—most of them—in trying to destroy the regular candidates of the Republican and Democratic Party. You have seen Giuliani, the former Mayor of New York just destroyed; you see the attempt to destroy Clinton, Hillary Clinton, as a campaign, a press-orchestrated campaign. You will see Obama, who is being pushed, will be destroyed. The chosen candidate for the United States President at this time is Mayor of New York Bloomberg, an accredited fascist controlled by the relevant people, George Shultz and company. And therefore, a Bloomberg government in the United States, if it lived—and it probably would not—would be very much like the Mussolini government established in Italy in the 1920s. It would be that kind of system. That's what's proposed.

So, you're seeing a vast manipulation.

Europe Has No Lender of Last Resort

Now, the other side of this thing, is that while the schemes are obvious—and to those of us who watch it from

the inside, they're extremely obvious—there's nothing secret about any of this. That is, not secret to anybody who knows how to look for things. Europe is totally impotent; all of Central and Western Continental Europe is impotent. It has no government.

For example: No nation of Western and Central Europe has a lender of last resort. European governments have no sovereignty. The euro system, set up by the Maastricht agreements, as extended to other nations in Europe, has destroyed the sovereignty of the principal nations of Western and Central Europe. They have no lender of last resort, and they're being pushed into very destructive processes of shutting down their economies.

They're totally impotent. Without breaking out of the euro, say by France, Italy, and Germany, which might change the situation, there's no Central European government or Western European government, Continental government, which is capable of dealing with the present crisis. For the present time, the principal governments of Continental Europe, of Western and Central Continental Europe, are totally impotent. There is nothing they can do; they have no political role in the situation, except a collateral role.

The key question lies, principally, with four nations—the possibility of a solution: the United States, presuming we make some changes here, and we are working for the changes on the inside here, big changes; Russia, China, and India. And other countries. If some leading nations of the planet agree to go to something which approximates the Franklin Roosevelt form of monetary order, we could stabilize the planet, but with a new kind of fixed-exchange-rate system. On that basis, by reorganizing the planet as you would organize a firm in bankruptcy if you wish to save it, we could save the nation. But we need a partnership among major powers, as a leading flank, in which to organize—quickly!—the world, to make the kind of decisions, from the top down, which are necessary for dealing with this great emergency, this great threat to humanity.

Now, the other side of this thing is, under no conditions, will what the British, who are at the center of this thing, are doing, work. Those who are scheming to grab power, are incapable of using it for their own survival. What you're looking at is something very much like happened in the 14th Century in Europe, where the Lombard bankers, which were controlled by Venetian interests, plunged Europe into what was called a new Dark Age, beginning with the chain-reaction collapse of the so-called Lombard banking houses, beginning



A Bloomberg government in the United States would be very much like Mussolini's Fascist government of Italy in the 1920s.



with the House of Bardi. *We're headed for a global breakdown crisis.* Not a recession! Not a depression! A global breakdown crisis.

Roosevelt's Intention

The other side is, at this time, the world powers *do* have the muscle, if they ally for this purpose, to reform the system on an emergency basis. Under that condition, we can halt the collapse. We can not bring back instant prosperity, but we can halt the collapse and begin to rebuild, rebuild perhaps on a wiser basis than we have since then.

This process, of course, began at the end of the last war. When Franklin Roosevelt died, certain interests in Europe, the British interests, did not wish Roosevelt to carry forth his intention of liberating the colonies from colonial masters. Roosevelt's intention, as he said repeatedly during the course of the war, at the end of the war, was to take the large war-machine which we had built up for purposing of fighting the war, and reorganize it for production, using the economic power of the United States at that time, as an aid to free nations which had been colonies, and to equip them for economic self-development, creating a world order without colonies or without semi-colonies.

That was Roosevelt's intention originally for the United Nations: a group of nations of sovereign states, which would cooperate with one another to a common purpose, as under the 1648 Treaty of Westphalia, and to free all colonial nations and similar victims, from imperial control. To create a world order of sovereign nation-states consistent with the 1648 Treaty of Westphalia, that was Roosevelt's

intention.

As you saw, at the end of the proceedings of the war, in June of 1944, Britain and the United States had invaded France from the north, and had broken through, which meant that potentially the threatened end of the Hitler system was impending. Britain did not like this too much; Churchill didn't like it. He didn't want the war to be won too soon. He wanted to prolong the war on the continent for more months. And therefore, actions were taken, as by Montgomery in the Market Garden Operation, which prolonged the war in Europe for five to six more months than would have been necessary otherwise, by wasting an opportunity to bring the case to victory before the Winter of 1944, which could have been done. It was stopped by the British.

At the same time, after the successful breakthrough, there was a right-wing turn inside the United States. This right-wing turn brought Harry Truman into the position of Vice President. Truman, on the death of Roosevelt, on the day that Roosevelt had died, made a right turn in the policies of the U.S. government: It went from a Roosevelt *anti*-colonialist policy, to a pro-Churchill, *pro*-colonialist policy. And so, we had either a continuation of colonies, or a continuation in the form of nation-states which had nominal sovereignty, but had no authority to use it. It's like being under British management: You have your sovereign state according to British theory, but the British run your government, and if you displease the British, they'll overthrow your government, or try to do so, as we've seen before.

So this is the kind of situation.

So we've had since the death of Roosevelt, we've had a

European and a world monetary-financial system, the Bretton Woods system, which continued to function in that form, from the end of the war until the assassination of Kennedy. With the assassination of Kennedy, there was a change. The change was expressed first in the launching of the war in Indo-China. This war in Indo-China, which was launched at the end of 1945, continued in effect, in Indo-China, until 1975. This war in Indo-China was used to undermine the United States: in 1970-71, with the Nixon election and its consequences; there were the changes in policy under Nixon's successor, Carter. We underwent a change, so that by 1981, we were *no longer* the United States we had been on the day Roosevelt died. We were engaged, still, in a nuclear conflict with the Soviet Union, which the British had organized. We were destroyed as an economy, our future was destroyed, and the planet was on the road to Hell.

And since that time, despite the fact that some Presidencies and some key institutions *inside* the United States have resisted this, including people in the professional military, in the professional diplomats, in government generally, have been concerned to stop this process, the process has gone on! Even Presidents who tried to change the course of events were not successful.

So now we've come this point: The system, because of a change in economic policy, has broken down. And the British are determined to use this opportunity to destroy the United States. And since they have an idiot as President of the United States—that's not a diplomatic statement; that's a true statement—they've been able to get by with it, as you see! The actual breakdown of this monetary process, the current monetary process, occurred in 2000. And has been accelerated since then. We've had an idiot President, who got us involved in long wars in Southwest Asia, which have been the key to ruining the United States. So we're extremely weakened, by the trillions of dollars *lost* in this kind of adventurism, with a President who's an idiot, with a Congress that doesn't stand up on its hind legs and fight against this sort of thing.

So we've come to the point, the British say, "Ah! We can destroy the United States, now." And the incident you saw, with the so-called "loan assassin" of the Société Générale in France, that was done—yes, inside the Société Générale, which is a very important institution in France, but it was done with the trading in the London market. It was done as a British operation against the United States. Just as the fascist operation in the United States, typified by George Shultz, by Felix Rohatyn, both of whom are famous for their role in putting Pinochet into power in Chile, and have not changed or improved their morals since. We have this thing controlled from London, an attempt to destroy the United States, to create what is called an empire, called "globalization."

It won't work! It will not lead to the establishment of



National Archives

President Harry Truman with British Prime Minister Winston Churchill in Potsdam, Germany, July 1945. When Truman came to power after President Roosevelt's death, the United States underwent a shift from FDR's anti-colonialist policy, to a pro-Churchill, pro-colonialist policy. The world has still not recovered.

a world power. It will lead to Hell. It will lead to disintegration.

There Are Solutions

The other side of the matter is, that there are solutions. There are policy changes which can be made, which would stop this process, and we have people in the United States in key institutions, who are ready to do their job. But we're going to have to break this thing. The most important thing now, is to have a commitment by patriots *in* the United States, in particular, who will engage themselves in friendly discussions with relevant friends in Russia, India, and China, all of whom have their own concerns in this matter. China does not want a collapse of the United States' dollar, for obvious reasons. China's development, which is a so-called 100 years development, depends upon this program going forward. They do not want to disrupt it. India is much slower on the ticket, but they also do not want to become destroyed. Russia is going through a process of making decisions, long-range decisions. And the questions that are posed to Russia for its devel-

opment will be of great benefit to all of Asia in particular, in terms of technological great projects; the China great project, the great rail project, the train from Beijing to Hamburg in 15 days, the freight train. There's a change in the geopolitical character of the Eurasian continent. A change in the economic character of the situation.

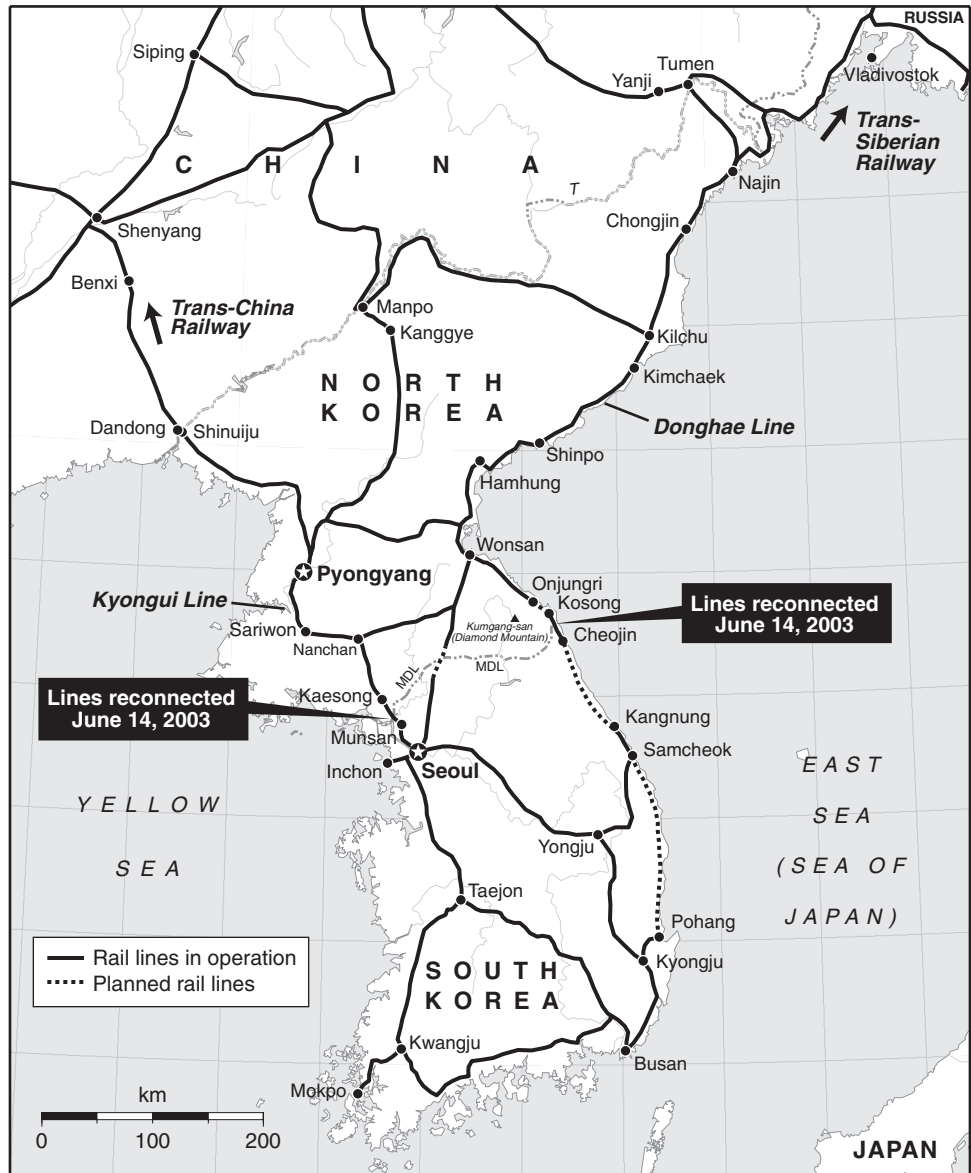
We have a potential in South America, among nations which, on the one hand, are flopping, but on the other hand, are determined to find some kind of cooperation on a continental basis. If we succeed in getting something together in Eurasia, then the attempts to do something in South America can be made successful.

Therefore, we *can*—we have the potential technology, we should have the knowledge, *to escape from this threat to humanity! Hitler shall not come again!* is a way of thinking about it. And we're on the verge: Because if this thing is *not* stopped, we're not talking about a "long wave" of decline; you're talking, we're very close, within a matter of months, to a *precipitous collapse of the world monetary-financial system*. There's nothing that Continental Europe can do to defend itself now. As long as it's under Maastricht, as long as it's under the Maastricht agreements, Western and Central Europe is impotent. It does not *exist* as a nation-state authority. The important nation-state authorities, the major ones, are the United States, Russia, China, and India. And other countries, which would cooperate with them in this project. Those forces can be brought together as national forces, *if they agree*, if they come to an agreement, on a reform, *we can succeed!* And by getting so close to Hell in this situation, we may be more inclined not to repeat the mistake again.

That's our chance. And that's what I'm involved in.

This piece [the animations video] was produced by my

Major Railways of South and North Korea



John Sigerson / EIRNS 2003

Source: Ministry of Construction and Transportation (MOCT), Seoul, Korea.

By extending the Korean railway system north into China and Russia, we open up possibilities for development which would otherwise be impossible. Especially if Japan joins in, there could be a boom for the whole regional economy.

associates who are in a special program we run, a science program. It contains things which will be expanded upon in a continuation—this was put on the website this past week. In a short period of time, weeks or so, it will be presented in a fuller one, about one hour in length—this was four minutes—which goes through the various phases of the elements involved in this analysis of the nature of the crisis of Germany in 1923, and beyond, as the application of those

lessons to the larger world situation, today.

But, what we have before us, is we have the opportunity, in terms of ideas, to keep this planet from going to Hell. If we can get leading nations to agree in spirit, to cooperation in a certain direction, specifically, people in the United States, in Russia, China, and India, and the other states that would rally to join with them.

Let me give you just one example: We had a recent relative success in Korea [Figure 1]. Korea has been divided, as we know, for a long period of time. Now the division involved a yoke, that is, a Y-shaped figure of the railway system, which ran from Pusan north into China and into Russia. At the point of division of North from South Korea, there's a cut in the railroad just below the division of the yoke. By putting together the railway system of Korea, to its pre-war organization, from Pusan, etc., north into China and into Russia, you open up the possibility of development, which otherwise, would be impossible. It would mean that a large part of the population of North Korea, for example, would find opportunities for employment in what is being developed in Far East Russia, in terms of the rail developments and other things that are going on there. And the necessity for raw materials development in Siberia, which is needed for all of Eurasia. Because we can not develop a modern economy in Eurasia without developing raw materials sources we are not presently developing.

So therefore, you have Japan: Japan has to make a decision. Japan's rational decision is to cooperate with China, Korea, and Russia, in development in that region. It would be highly successful. It would be a potential boom area for economy.

We have similar things. India, the use of thorium fission cycle for the use of massive thorium for developing sources of fresh water, desalination, and other things for the village areas of India, particular southern India. It would mean a revolution for India. Cooperation in large-scale Eurasian rail transport, and magnetic levitation transport, development of water resources, would mean it would become *possible*, to take the large populations of Asia which are very poor, and through the development of infrastructure, creating the factors which enable us to develop that population on a continuing basis.

Opportunities for Great Projects

So therefore, the world has a common interest in the use of high, advanced technology, especially in infrastructure. I'll explain the infrastructure role. Take the African case: Africans have a lot of farmers, they have an agricultural area which is one of largest in the world, potentially a great food producer already. The problem is twofold: Many of the farmers have not had a high-technology experience. But they're good farmers, just on a limited basis. The other part is, if they grow food, it's killed by insects, and other things, diseases. Once they harvest it, it's destroyed by insects and similar conditions.

They have no facilities, presently, in large parts of Africa, for controlling these problems. If you control diseases among the existing farmers, if you improve the water supplies, if you improve the mass transportation, if you improve the methods of hauling and preserving foodstuffs produced, Africa has, itself, an increase in its productivity, even without a technological advance by the farmers themselves! Because, what you've done is make the farmers' work more productive, without any changes necessarily in the farmer himself. And let the changes in the development of the farmers' skills come in the next and coming generations.

But simply—as in poorer parts of Asia, as in Africa—if you develop the high-technology general infrastructure, that development of modern infrastructure, itself, is a catalyst which increases the productive powers of labor, without changing the way they work. Typical of the case of the African farmer. We have that in Zambia, for example—exactly that problem, where the British have stopped the development by those means.

So, we're in a period where, if we understand the lessons of European progress, and lessons from more recent modern history, we see around us the opportunities for great projects, of 25- to 50-year, to 100-year duration. And these projects can change the condition of mankind, so that we can say: At last, we are becoming capable of meeting the obligation of humanity, to all of mankind.

This comes, not by globalization, but by cooperation among sovereign nation-states, which cooperate by preserving their own culture as a way of preserving their own technological and cultural potential. Because, if you globalize them, they lose that cultural potential! And they can not develop. If you act to *protect* the culture of a nation, its people, you protect its ability to develop. Then, if you supply large-scale infrastructure, of the type we know we can do now, in terms of new technology—provide that!—we have the formula for giving humanity an uplift in the direction intended, implicitly, by the 1648 Treaty of Westphalia. And that's the change that we have to make.

That change can be made suddenly, because all the physical preconditions for making the change exist. What is needed is the *will* to make the change. The will to make the change, can not come from a small country, because the world is dominated by a system which is imperial in character at this time. You have to have a force, a political force strong enough, *to break that imperial power!* That force is, the United States, Russia, China, India, and the other countries which would readily cooperate with them in this kind of project.

So therefore, we have to change our way of thinking, from the habits of the present which are destroying us, into dealing with this mess, which I will deal with, as I say, more in detail after this. This is a prologue. Because, in it, is contained the essence of what the problem is, and the essence of what the solution is.