

## Press Conference at European Parliament

*Lyndon LaRouche made the following opening remarks to a press conference at the European Parliament in Strasbourg, France on Dec. 17.*

On the 20th of January, presumably the elected President of the United States will be inaugurated. Between now and then, it is extremely difficult to forecast exactly what will happen. The terrorism in India and Mumbai is merely typical of this interim situation and what we must be prepared to deal with. But, in the meantime, the issue which is facing the incoming President of the United States, who has, incidentally, nominated a number of friends and collaborators of mine for his government, starting with, of course, Hillary Clinton as Secretary of State; but the problems that are going to confront all of them, is something I

forecast on the 25th of July of 2007, when I forecast that I expected within a few days or so, we must expect the beginning of the biggest economic-financial crisis in all history. Three days later, it broke out.

The crisis is essentially one of a financial derivatives crisis: that the system of speculation which was launched under Alan Greenspan when he became the head of the Federal Reserve System, of financial derivatives, has reached the point of explosion. It's *quadrillions of dollars of debt*. And there's no possibility that this debt could ever be satisfied or liquidated. This presents the world with a danger, the challenge of a reorganization of the world monetary-financial system, and what I am proposing to my friends and sympathizers in the coming administration, is that we put the entire world through a financial reorganization, in the direction of the policies of Franklin Roosevelt in 1944. Not what Truman began to implement in 1945, but what Franklin Roosevelt presented at the Bretton Woods conference in 1944: that is, to create an international credit system based on a fixed exchange rate of credit among nations, and to proceed to start a program of actual recovery, financial-economic recovery.

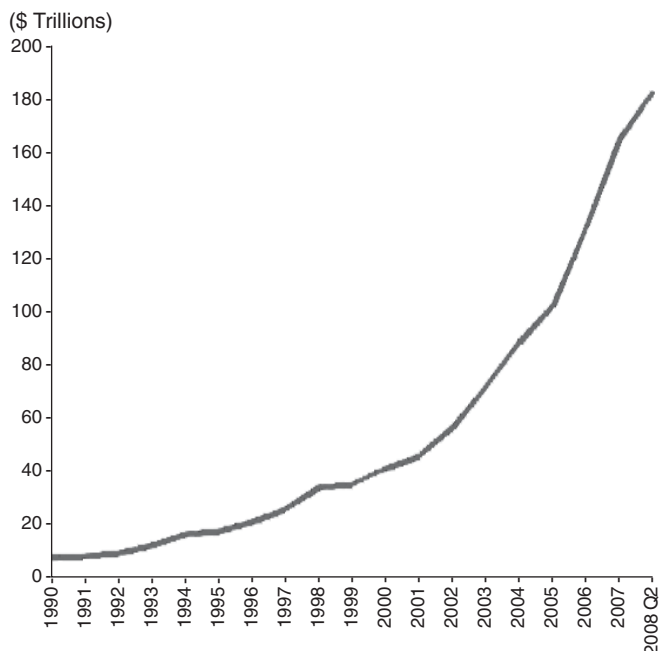
We know what the situation is in Europe; we know largely what the situation is presently in the United States. The insanity of the present government of the United States, in going to a virtual zero interest rate—much like what the yen did some years ago, in the overnight yen market—is a piece of insanity whose results we have yet to see. I would hope that this would be reversed. If it's not reversed, then we have an incalculable situation.

### A Credit System, Not a Monetary System

But in any case, that's the issue. The issue is, we must end the kind of financial system which was cre-

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FIGURE 1  
**Derivatives at U.S. Commercial Banks**



Source: FDIC.

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### Top U.S. Derivatives Bank Holding Companies, at June 30, 2008

(\$ Billions)

Rank	Bank Holding Company	Equity	Assets	Derivative
1	J.P. Morgan Chase	\$133	\$1,776	\$98,827
2	Bank of America	\$163	\$1,723	\$40,624
3	Citigroup	\$136	\$2,100	\$39,935
4	Wachovia	\$75	\$812	\$4,433
5	HSBC North America	\$27	\$461	\$4,081

Sources: Office of the Comptroller of the Currency, Federal Reserve.



EIRNS/Dean Andromidas

*LaRouche at the press conference on Dec. 17 at the European Parliament in Strasbourg.*



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*Cristiana Muscardini, co-chair of the United Europe of the Nations Group in the European Parliament, chaired the day's event. She said that her group is inviting thinkers of diverse views to come to the European Parliament and present their perspectives on the current international crisis.*



EIRNS/Dean Andromidas

*Mario Borghezio, the head of Italy's Lega Nord delegation at the European Parliament, hosted the press conference. In his closing remarks, he said, "I heartily thank Prof. LaRouche, whose words have demonstrated to us that a great economist can also be a great philosopher."*



EIRNS/Dean Andromidas

*A journalist from APCOM interviews LaRouche. During the press conference, he asked LaRouche whether the Italian banking system is in better shape than some others, because Italian banks have less exposure to the subprime mortgage bubble. LaRouche replied that the crisis is global, but that Italian banking has traditionally, to some extent, oriented more toward its regional interests.*



EIRNS/Dean Andromidas

*Journalist Mariolina Sattanino of Raiuno, the EU correspondent for the TGI news program, speaks with LaRouche after the press conference.*



Obama-Biden Transition Project

*President-elect Barack Obama presents those nominated for his national security team, on Dec. 1. LaRouche said that the new administration will include “a number of friends and collaborators of mine,” and that he is advising them to “put the entire world through a financial reorganization, in the direction of the policies of Franklin Roosevelt in 1944.”*

ated since 1971-1972. We must go back to a fixed-exchange-rate system. It must be based on a credit system, not a financial system.

What I mean, is this: The United States is unique among nations, in the fact that we have a credit system, where European nations have financial systems, monetary systems. The difference is this: Under our Constitution, the creation of money, or credit, must be made by the President of the United States, but with the consent of the House of Representatives. This credit can be then used, and monetized, as specified by the legislation and by upholding the President’s power to utter credit.

What I’m proposing, essentially, is that we use the United States’ Constitution, with its provision for a credit system, through treaty agreements with other nations, to create a fixed-exchange-rate credit system. The purpose is largely to generate credit, which can then be used, internationally, for building up long-term investments in the world economy. This means taking much of the financial derivatives, which could never be paid anyway—there’s no possibility of satisfying the demands of this financial system presently; there’s not that amount of money which will ever exist in the world, to pay off *quadrillions of dollars of debt*, which is largely fraudulent debt. And therefore, we have to wipe this aspect of the debt of the world off the books, and go back to a credit system which is based on the idea of the nation-state, as opposed to what we’re getting now, in terms of a new, funny international system, a monetary

system.

Go back to the nation-state, and take long-term commitments, in terms of a quarter-century, half-century, or full century, depending upon the category.

### The Case of Eurasia

We have a problem, for example, in this respect, in Asia: What I proposed, of course, is that the initiative on this, for this proposal, be made by an agreement among the United States, Russia, China, and India, because it’s in this area of the world—in Asia, including Russia’s role in Eurasia—where the greatest amount of poverty and the greatest need for development occurs. We have, in India, for example, 63% of the population is extremely poor, and not likely, on their own powers, to increase their productivity immediately. Without large-scale infrastructure, such as nuclear power and things of that sort, to regenerate that, to build up the infrastructure of nations such as India, to the point that they multiply the productive powers of labor in these countries.

We have a problem in China, as we all know now. China is collapsing; as a result of the collapse of the U.S. market, the entire Chinese system is in crisis. This is going to spread throughout the world very rapidly, which is why the situation is unstable.

Russia is essential, because Russia is a Eurasian culture, not a European or an Asian culture. It’s been that since about the time of Genghis Khan.

So, under these conditions, the raw materials which

exist largely in Russia, in northern Russia, are necessary to supply the minerals needed for building up the economies of countries such as China and India. China and India could not do this by themselves, because this involves technologies which are only known in Russia, in institutions such as the Vernadsky Institute, for example, which is a specialist in this kind of area, of going into an area such as the tundra area, the Arctic region, or sub-Arctic region, to draw out the raw materials which are necessary. It's not a matter of digging in the ground; it's a matter of developing a *system* of raw-materials development.

Also, the future of humanity is going to go increasingly in the direction of Asia—the large populations of Asia; 40%, approximately, of the human race lives there, and most of it is very poor.

So, we're going to have to mobilize the Americas, especially the United States, and Europe, to play, again, a leading role in science and technology, as a part of the process of developing the whole of this planet, including Asia and Africa, developing the whole of the planet up to a condition in which humanity can succeed.

### **Plan A and Plan B**

It's my belief, that under the Obama Administration, from all signs so far, something in that direction will occur. There will be complications, as you know what governments are like, and they're always complicated. They don't provide exactly what you want, but if you get 50% or 60% of what you want, that's considered pretty good these days.

So, that's where it stands. The key problem is that, in the area of economy, there are very few people in the economics profession or otherwise, who have any actual comprehension of this problem and its nature. They didn't forecast it, they didn't see it coming, and they relied too much on statistical forecasting, rather than *real* forecasting. Real forecasting is based on physical science; it's based on taking into account the will of people and deciding what they're going to do, and whether these ideas they have are correct or not. Are they able to forecast the results of what they intend or not?

So that's my position here. My qualifications, which have been proven many times in the area of forecasting, are actually based on a branch of science known as Riemannian physics, a physical economy conception of Riemannian physics. And I've been successful: I've been forecasting for a long period of time—obscurely,

back in the 1950s, when I forecast the 1957 Recession, and then forecast what became the collapse of the Bretton Woods system, and a number of other forecasts, and I've succeeded in this one. And as a result of my success in forecasting, people in the incoming government of the new President have acknowledged the fact that I've been right, and decided that I have to play some very significant role in shaping what will be the policy of the new government.

Now, I can't make any guarantees or predictions on that, because it's a long time between now and the 20th of January, and with terrorism breaking out in India and elsewhere, and the likelihood of more terrorism in various parts of the world under these conditions, we can not exactly proceed on the basis of knowing exactly what's going to happen. We have to be prepared, on the one side, with knowing what we *should* do, what the objectives of mankind should be, what the policies should be, what the resources are that we can use to achieve those objectives; and also have a Plan B, as well as a Plan A. Plan A is what could happen and would be good for humanity. Plan B is what if that isn't provided. You always, in policy, have to have two options: One is the best option that you should follow, and the other is what you have to do in case the first one doesn't work out. I think those of you in politics long enough, know and understand that.

But that's the situation we're in. We're in the most dangerous situation: *In all modern history, there has been nothing comparable to this in European experience*, since the 14th-Century New Dark Age, so-called, when the collapse of the House of Bardi occurred. And with the derivatives crisis, quadrillions of dollars of debt which could never be paid, we're in a crisis which is *worse* than that the House of Bardi and other firms faced, in the 14th Century. It merely means, we have to proceed: Cancel what should not be debt, cancel what should not be paid; continue what must happen, must be done, without missing a step, protecting the people, protecting the individuals; protecting the cultures, as if no interruption had occurred. We can, I believe, do that, under reorganization.

But we have to have, as I said, a Plan A and a Plan B. I'm working on Plan A. And I'm warning people about what Plan B looks like: and it's *awful*—awful. But if it happens, we're going to have to face it, as we have faced terrible things before.

Thank you.