

## Surviving the Collapse: The New Bretton Woods

*Here is Mr. LaRouche's speech to the conference on "Surviving the Era of Imperialism," at the Monterrey Institute for Technological and Higher Studies (ITESM), in Monterrey, Nuevo León on March 20, 2004.*

What I shall do is describe the situation: We are now in the worst financial breakdown crisis in several centuries. It's now ongoing. The time that the collapse will occur, the full monetary collapse, is not certain. There's always the possibility, up to a certain point, of printing money to try to postpone a financial collapse. Right now, as you probably know, Japan and the United States are printing money at rates that have never been seen in history before, all for the purpose of trying to hold up the dollar until the election this coming November in the United States. I'm not sure that's going to work. As a matter of fact, I doubt that it's going to work. But we're in that crisis. And therefore, since this is an inevitable event, the crisis itself, the question becomes: How do we get out of it? And in the matter of forecasting: How can we know, whether we're going to succeed in getting out of it, or not? How do we know that certain method will work, or which will not work?

So, I've divided the presentation into seven subtopics, which may assist you in following me, as I make the presentation.

First of all, I define the history, the origin of the present crisis, where it came from.

Then, how and why it developed, what the changes were, secondly.

And then, thirdly, the strange mixture you get, especially from the United States and Europe, where, behind the scenes, there's tremendous anxiety about this crisis; but publicly, with a few exceptions, the press and the politicians are acting as if the crisis would not occur, or that it is going away.

What I want to do, is look at the issue of Mexico-U.S. relations, economic relations over the period from 1982 to the present, not in detail, but the general picture of what the problem is, because this is characteristic of the situation throughout the Americas, and reflects a process going on in the rest of the world.

Now, indicate, then, the financial-economic reform, which is necessary to deal with this crisis, a reform which resembles the measures taken by President Franklin Roosevelt from 1933 on, to deal with the last Great Depression.

And then, the question about the new method of forecast-

ing, which should be taught in universities, as opposed to what's taught now: forecasting based, not on monetary analysis, or monetary forecasting, but on the forecasting on the basis of physical economy, and I'll make that clear.

And then, I shall conclude by indicating what the present situation is now, what we should be doing, and I shall indicate something about the state of Nuevo León, and particularly this city, and what probably is the prospect for growth and recovery here.

### The Global Crisis

Now, the crisis—we came out of World War II, the world did, with a fairly successful U.S. economy, and a U.S. dollar, under the original Bretton Woods system, which enabled much of the world to prosper. The United States continued to grow; most of the countries of Central and South America, as Europe, continued to prosper, increasingly, over the period into the 1960s. Now, this was not a period of *justice*. The post-war world was not a just world. Nor was it just in this area. But, nonetheless, despite the injustice, the inequities, the economy worked: It worked in the sense, that there was improvement in the general trend of opportunity, of conditions of life, health care, and life-expectancy, over this period.

That began to change in the middle of the 1960s.

Now, what happened was this: As you probably know—you're younger; it started before your time, and you don't take any blame for it, therefore—that, at the end of the last war, World War II, the United States went from the policies of Roosevelt, and during the summer of 1944 began to adopt right-wing views, which were like those, somewhat, of the Nazis. And we got into a so-called "Cold War," a U.S.-British nuclear conflict, under which there was a great terror inside the United States, especially under President Truman, who was a very terrible President, even though he was a Democrat and I'm a Democrat. But, the fact that you're in the same party, does not mean that you agree; as a matter of fact, you form a party, in order to have regular disagreements.

But, this was replaced by Eisenhower. Truman was for preventive nuclear warfare. He was for preventive nuclear warfare against the Soviet Union. We did not have the nuclear weapons *yet*. We had dropped the only two we had on Hiroshima and Nagasaki, unnecessarily; but we had not yet a production line, adequate for nuclear warfare against the Soviet Union. But, Truman was for nuclear war. And the reason we dumped him in the United States, was that reason. We were fed up with his nuclear war. We were fed up with his right-wing terror against the U.S. population, which was terrible. And, we discovered, also, that the Soviet Union had developed a thermonuclear weapon, and it did not make sense to attack a nation with a thermonuclear weapon, with nuclear weapons.

So, they decided to go for "détente" instead. And therefore, the decision was made, to tell Truman not to run any more, to go away, and to leave the room for President Eisen-



*LaRouche addressing over 300 students at the conference "Surviving the Era of Imperialism," at the Monterrey Institute for Technological and Higher Studies (ITESM), in Monterrey, Nuevo León, Mexico, on March 20, 2004.*

hower. President Eisenhower was opposed to these wild-eyed methods of warfare. But, he was very poor on economics. So, we got through the 1950s for about eight years, of relative peace, and relative stability in world affairs.

But, then, the time came that Eisenhower left office—he'd finished his two terms—and in came President Kennedy. Now, President Kennedy was a good man. They killed him—good men often get killed, you know. But, he didn't understand the situation adequately. And he was hit, first of all, with what you know of as the Bay of Pigs, when the U.S., Allen Dulles, the right-wing fanatic, invaded Cuba with a special army. And, that wasn't too good. Then, we had the Cuban Missile Crisis of 1962. And this was a terrible shock. And to understand what went wrong with the United States, you have to understand the impact of this terror on the people in the United States, and in Western Europe. Here you had, all during this period, more and more, from 1945 on, the people of the world, especially the United States and Europe, were *terrified* by the idea that there was going to be a nuclear war. And their fear of nuclear weapons increased. They believed that somehow, this would be the end of civilization.

Then, you had movies in the United States, Hollywood-produced movies about strange monsters from outer space, or great ants, giant ants, 10 feet tall, to come to eat people—and this was shown to children, on television sets! This did not produce a very good effect.

Then one day, in 1962, suddenly the announcement is: We're going to have a thermonuclear confrontation with the

Soviet Union. And for a period of days, in the Missile Crisis, people were convinced that they were going to be cooked in the morning. And this went on, for about five or eight days. So, you take children (and they were not really children, they were young people, adolescents), who had been living under terror; they were in a society where the nuclear weapons were going to eliminate civilization. The great nuclear ants were going to eat the little people, this kind of thing—the television terror shows.

And suddenly one day, it all becomes real: We're about to have a general thermonuclear war, over the question of Cuban missiles. This struck these young people with terror, for which they'd not been prepared.

Then came other things, especially the assassination of President Kennedy, which was done by the right wing. We know who they are. We don't know the names of the assassins, but we know who's behind them. And the fact that we knew who was behind them, and nobody had the courage to step forward and clean the mess up, and go after the people responsible for the assassination of a U.S. President: That was frightening, too.

Then, came the launching of the Indo-China War, officially. That produced a cultural change in the United States. Up until that time, the United States had been, in policy, a nation based on technological progress. The standard of living had greatly improved. Life expectancy had increased. Things became generally better. There was this terrible condition, this terrible, political right-wing condition. But nonetheless,

during this period, 1945, from the end of the war, into 1964, there was a general improvement in the economic conditions of life, in North America, in Europe, and so forth, and in some degree in Mexico, as well, as some of you may know through family and other connections, and studies.

But, then, it began to change. What happened, is our young people who were now becoming adults, going into universities, took their clothes off, and said, "I'm going back to nature. I don't like technology any more. We're going to change society."

So, we changed society, we went, gradually, step by step, into a post-industrial society. And this became worse after 1971-72, with the collapse of the monetary system, the original Bretton Woods system, by Nixon; and then, the Azores Conference in 1972, which established the floating-exchange-rate monetary system. Now, of course, in Mexico and other countries in South America, you began to feel the effects of this change in policy. Sometimes changes in policy come step by step, but it takes a few years before you realize what the change really means.

### Bankers' Assault on Ibero-America

What this meant for South and Central America, in particular, is a process, under the floating-exchange-rate system, where the Anglo-American forces would come to a country—as they came to Mexico in 1982, and to other countries that year: They sank the value of the peso, by a run against the peso on the London market. Then they said, "We'll open up Mexico to the IMF. Let the IMF and World Bank and Henry Kissinger come down here and tell you what to do, in order to adapt to the sudden collapse of the peso, which was organized on the London market." And there was a big fight here, at that time. And the outgoing President, López Portillo, had a lot of trouble. A lot of us fought against it; I fought against it. We fought against it, with some people from Argentina, with people from Brazil. López Portillo had an agreement with the President of Brazil. He had an agreement with the government of Argentina. But then, the governments of Argentina and Brazil capitulated to the U.S. pressure, and López Portillo and Mexico were left alone. He made a heroic speech at the United Nations, which people should see today, to understand this business. It's a memorable speech, a defense of the principles of human rights, of a nation.

But, what happened then, is, in this country, and in other countries, as in South and Central America, the IMF told the governments, "You must reduce the value of your currency." The government said, "All right, we will consent to that, if that means we're not going to have to be raided any more from London." And they said, "Ah! But, that's not all! You're going to have to accept a debt, to compensate your creditors for the difference between the old value of the peso, and the newly reduced one."

As a result, *no country in Central or South America owes an actual penny, of earned obligation, to any foreign power.*

The margin of payment of debt, from these countries, exceeds the total debt existing in 1971, before the floating-exchange-rate system was installed. The entirety of the Central and South American debt is a result of this operation.

So, what happened then—as you know, somewhat in Mexico—it happened in other countries in general: It was decided that, "Well, we're going to get cheap labor, now! These countries, whose currencies we have devalued; on whom we have imposed an artificial debt burden; these countries will now work for us—cheaply. So, we can begin to shut down U.S. industries, which is expensive labor, and we can now obtain *cheap* labor, from the countries which we have ruined, by this method."

So, what you have, is something which was like ancient Rome, the Roman Empire. As Rome defeated its immediate adversaries in the end of the Second Punic War, it began to live on what it could steal from countries which it had conquered. It began to shut down productive employment by its farmers and others. And it introduced slavery, on an increasing scale. To keep the Roman population happy, they gave them the dole; they gave bread, they gave them handouts of food; and they gave them mass entertainment, to keep them quiet. "Go and watch the gladiators kill the gladiators. Watch the lions eat the Christians." Mass entertainment! Much like television today; much like mass spectator sports, today.

So, we changed the character of the United States, from what it had been, with all its faults—the world's leading producer society—into a post-industrial, predatory society. A society like ancient Rome, corrupted by a commitment to a policy of bread and circuses.

### Who Will Change the System?

Well, that can't go on forever. We've now come to the point that that system is collapsing. As I said earlier, this brings us to a point that you have the governments of Europe, which are a little saner than the presently incumbent government of the United States, and they are terrified—every leading financial circle, every leading government circle in Europe, is fully aware that the general collapse of the present world monetary system is occurring. They're frightened. But, they sense that the United States is the great power, and they're waiting to see what the United States will do. If John Kerry were nominated now, and the election were held now, in the United States, John Kerry would probably be elected by acclamation from Europe—that's the kind of situation you have. Everyone in Europe wants to get rid of Bush and the Bush Administration. That's their attitude. They're afraid—and justly so.

But, they don't think they have the power to change it. And, in a sense that's true. That, we in the United States, have a responsibility to make a change in direction of our policy, away from what has happened since 1964, with the launching of the Indo-China War, and to get into a kind of recovery program, which, in a sense, echoes what Franklin Roosevelt

did during the 1930s and early 1940s. A little different, different conditions, and so forth—but, the same approach, the same philosophy. And to get a new set of international relations, much like the best of those between 1946 and 1963, under the old, fixed-exchange-rate Bretton Woods system.

Now, this requires a certain kind of change in thinking about economics. You know, compare economic policy, or government policy in general, to the case of a Cartesian geometry or a Euclidean geometry, and start from that as a point of reference, to see how the mind works. The question is: How is it possible, that governments and populations tolerate, over, now four decades, an absolutely insane system, which is now carrying us in the bucket to throw us over the cliff like lemmings? How could we become so stupid, so suddenly, and allow this to happen to us, as nations? Especially the United States?

Well, look at Cartesian geometry: In a Cartesian geometry—or Euclidean, which are interchangeable, in one sense—you have certain assumptions. These assumptions are not scientifically founded assumptions. That is, they're not based on certain knowledge of principles. They're based on what are called self-evident principles, such as those concerning the notion of definitions, axioms, and postulates. And generally, often in so-called logical thinking, we depend upon using the analogy of Euclidean or Cartesian argument, to define policy. People sometimes call this "rational." They say, "Since we accept the following principles, as self-evident, we will therefore make a logical deduction, from those principles, and we will define our policies and practices, according to what that deduction proves to us, apparently, is right."

Now, what if the definitions are wrong? What if the axioms are wrong? What if the postulates are wrong? Or, what if only *some* of them are wrong? Then, what happens is, there's a lack of correspondence between reality, and what you think reality is. And this is what happens. It's like, I use the term "goldfish bowl": Society, generally, around the world functions like people swimming like fish in a goldfish bowl, who think the important thing, is to find the best position to swim into inside the goldfish bowl, and ignore the fact that somebody may be carrying that goldfish bowl—fish and all—off to someplace to dump it down the drain.

So, therefore, don't depend upon the axiomatic assumptions which act on your mind like a goldfish bowl. You say, "We have to do this." We say, "Free trade is necessary." We say, "Globalization is necessary." But, we're being destroyed by globalization! We're being destroyed by free trade! Because, how can you have production, if the cost of production, exceeds the price of goods? How can you have free trade, and bring the cost of goods down, by giving people wages, which are below the level of subsistence, and maintain that population? You can't do it. Therefore, these kinds of assumptions.

Then you had the assumption in the 1980s, that technological progress is bad. Look at nuclear weapons: "Technology is bad! We've got to stop! We've got to go climb back up the

trees. Get away from this technology! It'll kill us!" You'll find many of the policies on nuclear energy and so forth, today, are based on this "let's climb back up the tree" policy, because of the fear of nuclear weapons. And people no longer know, why they adopted this neo-Malthusian policy.

So, we've lost infrastructure, we've lost mass railroads—as in Mexico and in the United States. We've lost public, reliable development of power distribution and generation. We've lost water development programs, which are necessary, say in northern Mexico, between the two Sierra Madres. Without that, there's no hope for this area. We've lost—again, there's no rail line from Mexico City to the North American border. We've lost the things that are essential in infrastructure: The PLHINO (Northwest Hydraulic Plan) has never been installed in Mexico. And back in 1981-82, the intention was to proceed with the PLHINO, which would transform a part of the economy in Mexico.

So, infrastructure has been cut. Production in the United States has been cut. We are a parasitical society, living on sucking the blood of the rest of the world.

On top of that, it doesn't work for us, either! Because we are producing so little, the United States, today, has something approaching a trillion dollars a year current account deficit: That is, we are taking in goods, and we are running \$1 trillion a year, or nearly that, short of payment to those who are shipping us the goods. For example: The world production, today, is about \$41 trillion net product, of estimate. But, the amount of financial derivatives, in 2003, the turnover was \$8.7 *quadrillion*, of short-term obligations. These short-term obligations are so vast, relative to our product, that the financial system is absolutely bankrupt.

And what we're doing now, is, we're going into a condition like Germany in 1923. Germany was propping up the world in that period, by a war debt, imposed by Versailles. A war debt Germany could not pay, so it printed money, to pay the war debt to France and to Britain. The war debt payments to France and Britain enabled Britain and France to pay their war debt to the banks in New York. So, the whole system, the Versailles system depended upon Germany to keep paying money to France and Britain, to pay the United States. In 1923, everything seemed to be going along well; the Germans were printing money, Reichsbank notes, as they're doing now in Japan, to the United States—we're flooding the world with yen, in a hyperinflationary way. We're heading toward an explosion, like what happened in Germany between June and November of 1923, when the economy imploded; the system totally collapsed, and had to be re-created.

So in that kind of system: That's the place we're at now, and people in Europe know it. We're looking at an expected crisis collapse of the mortgage system; it's about to collapse in the United States, as in the United Kingdom and elsewhere. All these bubbles are about to collapse. It's coming down on us now, as a result of a long wave, four decades of change, from what we were in 1964, as we entered the Indo-China



*To get out of the present monetary-financial crisis, LaRouche emphasized that “a certain kind of change in thinking about economics” is necessary in order to “get into a kind of recovery program, which, in a sense, echoes what Franklin Roosevelt did during the 1930s and early 1940s . . . . Different conditions . . . but the same approach, the same philosophy.”*

War, to what we have devolved into becoming, with new assumptions, like globalization, free trade, and so forth, today. And, it's now coming to an end.

### **The Sovereign Power of Government**

Well, obviously, we did change it with Roosevelt back in 1933; we can do it again. The sovereign power of government, and the modern nation-state government, since the 15th-Century Renaissance, has been, that government is not legitimate, unless it is committed to maintain the general welfare of all of its people, and also to include the maintenance of the welfare of posterity. We're not doing that now. But, then, when sovereign government takes over, then, the government, faced with a financial crisis like this, will say to the creditors—as Shakespeare does, effectively, in *The Merchant of Venice*, “You can take the flesh, but you can't take the blood.”

Therefore, governments must put the nations and the systems into bankruptcy reorganization, as Roosevelt did in 1933. And then, make sure there's a continuity of essential functions, to keep the people alive, and the economy growing. And then government, while it's reorganizing the banks in bankruptcy, must create large amounts of credit, in order to increase productive employment; and by increasing productive employment, to bring the economy back into balance. And it must, at the same time, have some kind of a plan, some kind of policy, which will say, “If we're advancing credit, when will this credit have to be repaid? And how can it become repaid?”

And that means you're thinking ahead 25 to 50 years. For example: Take any large infrastructure project. What is the capital cycle, the physical capital cycle, of these projects, like large water systems; large high-speed rail transport systems, or magnetic levitation systems, which are now superseding rail? What about large-scale power generation and distribution systems, which are urgently needed in Mexico, as in the United States? These things are investments of a 25-year cycle. And often, it goes beyond that, with large water systems, which are a 50-year capital cycle.

So therefore, government must look ahead, and it must, in a sense, spend now, for capital improvements, which will increase the productive power of labor as well as employment, and which will also increase this productivity sufficiently, so that we can actually recycle this capital investment, and pay it off, and recycle it over a 25- to 50-year period.

### **Economic Forecasting**

That's what governments are going to have to do, today. Therefore, the question of forecasting, instead of trying to forecast paradise coming out of some monetary policy, or free-trade policy, we have to think in terms of *physical economy*. We have to think about where profit really comes from, real profit: from physical economy.

And let's just give one example of this, the key thing: If man were a higher ape, which some of our politicians in the United States seem to think, then the population of this planet, under the ecological conditions which would have existed

during about 2 million years, man's potential population would never have exceeded several million individuals, comparable to the population potentials of higher apes.

But, mankind is not a higher ape. Mankind is a different kind of creature; he is not an animal. He represents creative powers that no animal has. He has the ability to change human nature, by making discoveries of universal principles, both in terms of physical science principles, and also in terms of social processes. We learn how to invent new ways, of man's developing his own condition. And today, it is reported, we have over 6 billion people on this planet. This means that man is different than any animal.

And profit is the margin, in the long run, the margin by which we are able to increase the ability to sustain a larger population, on a smaller land-area per capita. The way we're able to develop the oceans, and develop the planet as a whole, in new ways, to overcome shortages, to increase the productive powers of labor. This is true profit. This has been the experience of, for example, modern Europe, since the 15th-Century Renaissance—in all great periods, great periods of building, of infrastructure; great periods of upsurge in the conditions of life of people. Look at life expectancy over the course of the last century! Look at what a great increase in life expectancy.

Look, also, at the demands for increased level of education. At the beginning of the 20th Century, an eight-year level of education was considered sufficient for the general population's employment in work. By the time of World War II, a secondary school education was considered necessary to qualify a population for the technology and requirements of that time—the higher productivity. Today, we need a higher educational standard, the equivalent of a university-education standard, to qualify a population for the kinds of technology, and development of technology, which we require today.

We need a population that lives longer, that is healthier, that is better educated, more confident, and happier. Without that, we can not meet these challenges adequately. So therefore, we have to think in these terms.

### **How Will We Rebuild Mexico?**

Then, we say, "Where does this improvement come from?" Coming back to here, in Nuevo León, where there are some university facilities, and an economic problem—where, in 1982, this was a city of steel, a city of industries, which have vanished since that time, *crushed* by these circumstances. How are we going to rebuild Mexico? How are we going to stop the outflow of the Mexican population into desperate, poverty-stricken conditions, as virtual slave labor, in the United States? How are we going to create an opportunity in Mexico, for the people here?

Well, look at the university! What's that got to do with it? A university city, like this, has the potentiality of doing precisely what physical economy requires: to produce a population, engaged in the experiencing of history, the history of

science, which, through its own activities, and through the population associated with it, is able to develop new industries to bring into play new technologies. And this is the way an economy should be driven. Since the Renaissance, since the 15th-Century Renaissance in Italy: Always, the tendency is, take centers of education, centers of ideas, of physical science, and social relations, and Classical art-forms—use these centers of education as a driver for the development of the society, in the communities at large. Build your industries next to your universities. Take the spillover from the universities, into the industries. Develop the population, by extending the outreach of education, from the university as a *center* of education, into the surrounding population and the institutions.

And create what's called a science-driver program, like the space program. The space program is not a program to put people on Mars—but we will put people on Mars, eventually. But, as scientists, as explorers, to conduct the scientific investigations we need. We're going to try to discover, better, how the Solar System works. Discover some of those things that determine the way, the destiny of Earth, and take charge of these.

For example, let's take the case of the Ecosphere, the Biosphere. As you know, the planet was originally considered to be abiotic, by some people. That there were no living processes, and then, somewhere along the line, living processes emerged. And then, somewhere along the line, man emerged, the thinking person, the thinking part of biological processes.

Well, actually, if you look at the planet today, you see that, well, water—where's the water come from? Water was created by life. Living processes transformed the planet to produce the oceans. Living processes transformed the planet to produce their atmosphere. Living processes, dead bodies, are what we call most of the fossil areas, of rock, here and elsewhere. So, this planet is now, in a sense, a "living planet." We get most of our rare minerals by going into areas where fossils have left concentrations of rare minerals in place. If we know where they are, we go and we get the minerals. In some cases, we're using up these minerals more rapidly from those areas, than we're replacing them. So therefore, we have to think in terms of managing the planet, to reproduce and replace, and to reprogram the way we use certain minerals, and the way we develop them.

So, profit is actually the increase in the productive powers of labor, made primarily through the improvement and the development of the mind, as education should typify this; and organizing society around activities which *utilize* the discoveries in principle and technology, which come from this process of education, associated with production. The margin of improvement, of the potential productivity of the population, is the true measure of profit.

And therefore, what we have to do with government, we have to design monetary systems, which are systems of trade and investment—we have to design them and regulate them, in ways such that they do the work, in trade, of fostering the

development of *physical* profit, not just monetary profit. We have to redefine monetary profit of an economy, as its *physical* profit—that is, the increase in the productive powers of labor, the standard of living, and so forth. Now, we have to design our monetary system, our tax system, our financial system, in such a way that the money tends to flow in ways which promote these effects: And that should be the function of government.

In a healthy economy, a modern economy, about 50% of the total economic activity, should be expended in basic economic infrastructure: in such things as health care, education, generation and distribution of power, mass transportation, water management, and so forth. These are largely the responsibilities of government, either to *do* it, or to organize utilities and public utilities, which are regulated, which do it. The remainder is the promotion of the individual initiative of the entrepreneur; especially the small entrepreneur, of the enterprise that employs 5-200 people, typically. These are the drivers of technology. The large corporation, generally, is not a good driver of technological progress. It is the smaller firm, the energetic, smaller firm, with managers with a mission, and people with a mission, who actually are the great innovators in technological progress. If you look at our space program in the United States, during its best period, you will find that the space program depended largely upon the smaller industries, the laboratories, the entrepreneurial enterprises, which actually developed the technology which was used at the larger enterprises in producing the products of the space program.

## Mexico and the United States

So, that, in a sense, is where we should go. My view of the United States: We are a great power, in a bad sense and a good sense. We're a great power in the sense of the delusion that we think we should be an empire—and that is a very bad idea. It's a very bad way to organize civilization. We are, however, a great power, in terms of the history of our creation. And, there is a certain overlap, between the history of the United States and the history of Mexico, which are partly separate and partly together, but they're interrelated in various ways.

For example, the great struggle in Mexico, as in the United States, but especially in Mexico, was to integrate a population left over from the heritage of the Indian population, the so-called Native population, and immigrants from Europe—largely Spanish, Iberian, and others. And the question is, how do you bring this population together, as a population, around a true nation-state, based on a sense of the equality of the individual in society? It was a great, long struggle, with many ebbs and flows, as in the United States, in our struggle against slavery.

But, we have always been, the United States and Mexico, very close and very special in this hemisphere, partly because of the relationship of the United States to Mexico, and the relationship of Mexico to the countries to its south. You take,

in the recent period, when there were great struggles, in a period when Mexico was more influential and happier—before 1982—and Mexico was a place where refugees from all over South America would come, as to Mexico City, to find refuge. And it was a great center of culture, enriched by these visitors, often who came as refugees, who helped to enrich the Mexican culture in various ways.

So therefore, the idea of creating a nation-state, a perfectly sovereign nation-state, with a certain kind of attitude toward other nation-states, which is the struggle in both the United States and Mexico—it's parallel; and these interact. When things go badly in the United States, things go badly for Mexico, and vice versa. That sort of thing. So therefore, as a typical case of what has to be done around the world, we have to create a system of sovereign nation-states, which first of all, exists in our mind—that is, the intention on the part of people, who are influencing the course of change in society: to have the idea, we want a system of sovereign nation-states. We want these nation-states to cooperate; we want to share ideas, as to what this cooperation should involve; we should not try to homogenize the world, as the globalizers propose. We should simply say: We should establish in principle, certain ideas, like the sanctity of human life, the right of the individual to have their general welfare defended, the right of grandparents to see their children with a better life than the grandparents had—that sort of thing: posterity. These are simple ideas, the ideas of progress. We should cooperate together, by discussing with one another what our needs are, and our common principles.

And that's the great thing in the United States. We're not like Europe, we are not a parliamentary system, a Liberal system. Mexico and the United States are not Liberal states. They're Presidential states, Constitutional, Presidential states, in which the Executive branch has the responsibility for administering the crucial things of day-to-day life, as checked by the parliamentary side of life. That's our similarity. Western Europe does not have that. They're parliamentary systems, controlled by central banking systems; and central banking systems are private, financier systems. And sometimes, when the crisis comes on—as in Europe under Hitler—when the crisis comes on, the bankers say, "We get our debts collected: The people pay." Whereas in a Presidential republic, the Presidency says, "No, we take care of the people first. And the bankers come second."

And, that's the common feature of our Constitutional structure, and our history. And, I think that, if we were to have certain improvements in the Presidency in my own country—and with what I see in Mexico, today, among some currents here, there's an intention to rebuild the relationship, rebuild the cooperation. And I'm optimistic.

But, the key thing we have to think of, is to get away from this idea of cheap labor. Of using labor as if it were *cattle*. We have to think of the idea of increasing the productive powers of labor, through education and opportunity, through building

the infrastructure, which makes this development possible. And we have to think in terms of the *physical results*, in *human terms*, of the economy, as the standard by which we measure monetary processes, rather than measuring physical processes by a monetary standard.

Thank you.

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## Questions and Answers

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**Q:** [Translator] He wants to know if the wars in Iraq and Afghanistan are related to this attempt to stop the economic collapse.

**LaRouche:** Not quite. They're related, but it's not that simple. I've give a little longer answer on this, because I think this is generic in its characteristics, from what I know of U.S.-Mexico relations, and relations with some other countries.

In 1918, as I mentioned, the Versailles system set up a system under which the world economy, the monetary system, was based on assigning a debt, a war debt, to Germany. This war debt was supposed to sustain the economies of France and Britain, which were bankrupt; and this, in turn, would support payments to the United States from London and Paris, which support the New York financiers. That was the system: It would not work.

At that time, a group, called the Synarchist International, knowing the collapse would come, decided to set up governments of a type we would call "fascist" today—and that was the birth of fascism—which would therefore impose conditions, under depression conditions, which would protect the interests of the bankers, as against the people. So, from 1922 to 1945, Europe was dominated by the spread of fascism, from Mussolini through Hitler, through Franco, and so forth. This was the process.

Now, at that time, Britain was involved; Hitler was supported in coming into power, by bankers including Morgan, Mellon, du Pont, Harriman, and so forth in the United States.

However, Churchill discussed with Roosevelt, during 1940, when the British Expeditionary Force was on the beaches at Dunkirk, and the German Army was ready to move in. And the German Army was negotiating with people in Britain, for Britain and its Navy to join the Nazi system—as France did.

So, at that point, these bankers and others, who for language reasons, English-Speaking Union reasons, decided they did not want a German dictator over the world; so therefore, they joined the United States in resisting fascism.

However, in the summer of 1944, at the time that the invasion across Normandy had ensured the early defeat of Hitler, a right-wing turn occurred in U.S. policy, signified, in the United States itself, by the nomination of Truman as Vice President at the summer 1944 convention. The instant that Roosevelt died, a fundamental turn occurred in U.S. policy—already started. Groups like Allen Dulles, and so forth, negoti-

ated with Hitler's SS—they'd already been in negotiation with him during 1944—the SS, under Schellenberg, had moved vast amounts of the stolen wealth, conquered by the Nazis, after the defeat at Stalingrad, had moved it into other parts of the world; and were negotiating to have a post-war existence in partnership with the Anglo-Americans, against the Soviet Union. That was the policy.

I saw it. I was there. I lived through it. I've been fighting these characters all my life, ever since then. This is the right-wing turn in the United States.

Now, this right-wing turn, which was organized by a Brit—actually, Bertrand Russell, the so-called famous pacifist: you know, if you kill everybody, they're peaceful—who organized preventive nuclear warfare as a policy. We have been operating with a right-wing faction, in the United States—the Bay of Pigs faction; the Allen Dulles faction; the Nixon faction; the Bush faction, especially the Cheney faction, because Bush is a dumb President. He doesn't know what he's doing. But, Cheney does. All right. We've been operating on that basis, of establishing a world empire, through nuclear terror, and related means.

This is not the policy of the United States as a whole. The United States is largely a nation of cowards—and a few people will intimidate them today. This is not a courageous nation any more. It's not good for fighting wars, as you see in Iraq.

So, this is the situation. So, the policy-impulse of the United States is not in that direction. But, there is a faction in the United States, like those who supported Hitler, back in the late 1920s/early 1930s—this faction *does* have an imperial design. This is the group which is launching terrorism around the world today. It is not coming from the left. It is coming from the far right. And the far right organization, today, is the third generation of the SS security apparatus of Gen. Walter Schellenberg, which cut the deal with Dulles and Company, back in 1944-1945; which was moved into the NATO apparatus, and the security apparatus of the United States and other countries, on the basis of fighting Communism. The argument was, the Nazis will be the best fighters against Communism. And, that's the problem.

This is what I've been working to expose. I've had a major war with Cheney. We may have succeeded in pulling him down—I've certainly tried hard enough for the past two years. But, get rid of this monster! And get rid of those who are associated with him, in this kind of policy. That is the danger: Remove that, get the idiot out of the Presidency, and get a man in there who's got some brains, and we won't have the problem.

### Who Can Weather the Storm?

**Q:** Mr. LaRouche, I would like to congratulate you for a very interesting speech. And I would like to ask you, what encouraged you to become, on several occasions, a Presidential candidate of the United States?



**LaRouche:** Well, essentially for reasons I gave here. The United States—my people, and I say “my people,” because when you run as a Presidential candidate, you run, because you are running for *your people*, not for yourself. No one should ever run for President of a republic, out of ambition. They run, only because they think they are needed, just as a person may plunge into a fire to rescue people, because somebody has to do the job, and you’re there.

The thing I’ve been fighting against, is precisely this thing. Number one: For all these years, since the end of the war, when I first saw this right-wing turn, in my military experience, toward the end of the war, when I was in Asia: I saw this thing. And I came back, and I saw people who I thought had been courageous fighters turn into silly ducks, because of the terror of what Truman was going to do to them, in taking their jobs away, or something like that.

So, I’ve been at that for all these years. And, I’ve always fought on this question. Now I ran for President in 1975, to try to stop a missile crisis—and I did. It succeeded. I exposed what Zbigniew Brzezinski was up to. I broadcast it on television as a Presidential candidate, and by blowing that story—and I had the evidence of what he was up to—we killed it! We mobilized enough people to stop that war. He was planning on a nuclear confrontation with the Soviet Union, during that period.

Then, in 1980, on the basis of certain changes, which were being made in the economy, under Carter—but Carter was not responsible, it was Brzezinski and his crowd—we made a change in the character of the U.S. economy, with deregulation and other measures, which I saw as doom for the U.S. economy. And therefore, I have fought consistently and repeatedly, as a Presidential candidate, *because there was no other person who would run for President, who would fight these issues*. And I’ve been proven right, so I continue to fight.

I may not win—but, I’m going to fight.

**Q:** Good afternoon, I’d like to congratulate on a very good speech, as well.

My question is focused on how you mentioned many countries in the economic system are basing themselves on monetary gains, on monetary profit. Do you believe there’s any nation or country today, that is actually trying to move to the place where you focus on the physical and intellectual growth, instead of monetary growth? Do you think that this country might be able weather the incoming storm?

**LaRouche:** Well, here you are in Mexico—I think Mexico, in terms of the intellectuals, the intelligentsia of Mexico, is typical of what you will find in varying degrees in various countries. You find countries are not functioning. But you’ll find, as in the United States, for example, look, they don’t like me in the Democratic Party, officially, but I have a greater base of individual financial support in the United States, than any other candidate! So, the fact that you have a support in

the base of the population doesn’t mean you’re going to be President. Because, maybe the money power may be able to override that factor—that’s what they do.

So, when you consider that, to illustrate the point, that in every country there are people—and generally these are the more intelligent people, when they’re not discouraged, by frustration—who actually have these kinds of ideas. “Isn’t there a way we can make a better life?”

Now, this is particularly true of your generation: The generation around the world, which is between the ages of 18 and 25—that is the university core population—today, realizes that the world that has been given them, by their parents’ generation, is a world that can not survive. The parents are living in a dream-world, a “comfort zone,” of hoping that the crisis will be postponed, hoping that somehow they’ll be able to dream their way through this, it’ll be postponed. You younger people realize, expecting at least 50 years of life before you, that this is going to hit you in your lifetime. And you see the conditions of a whole lot of the people, especially when you’re in university, and your conscience is excited by what you’re studying. But, you look at the poor people of Mexico, for example, as I look at the poor people of the United States—and say, “What are their chances? They don’t have a chance. These are our people: Are we going to let them *die*, and sit back in complacency, if we have a little privilege?”

So therefore, you find it’s natural, for people in your generation, today, especially the most intellectually active, to say, “It can not go on!” And, in every country, I see that, around the world: I see it in the United States, I see it in Europe. We have youth movements. In the United States. We have a promising one here in Mexico—it goes. There’s a readiness among youth, to begin to prepare—not to take the top positions of government—but to take enough power, in the political system, to mobilize in the political system, for these kinds of objectives.

So, yes, we have it. Mexico is particularly fortunate, in this respect, because of Mexico’s history, because of the internal legacy of Mexico’s struggle for development against great adversity. So therefore, people have embedded in them *more than they know*, since the 1820s, in particular. All these wars and struggles, are embedded there—the struggles of the 1920s against the Cristero Wars, are embedded in people today. The formation of a constitution of social peace, in Mexico, is embedded in people. Cardenas, Lazaro Cardenas, is embedded in people, today. And in the United States.

So, we have people who are embedded in that. The question is, how do we mobilize ourselves and people around us, to make the people so mobilized, the basis for the power underlying government? Rather than letting a small financier clique, which controls political parties from the top, with money, controls the people, controls the political process, to the detriment of the people. We certainly are not going to destroy our economy, by crazy ideas. We’re not going to ruin

the economy; we're not going to ruin the financial system. So, they should quiet down. But, we want justice for all the people—and we're convinced, that we can do it. And since I know more about economics than most people, I can tell you: We can do it!

**Q:** [Translator] Is it true that high-class power groups are financing the confronting groups in the U.S. and Mexico, against each other?

**LaRouche:** Absolutely. Absolutely. It's totally true. It's all around the world. The Synarchist tendency, the so-called Synarchist International tendency, is a key point. This is a long story, but just to indicate that I have the evidence:

I am, because of certain experiences, and certain accesses to certain intelligence, I've become an international expert on the history of Synarchism on the right wing internationally. And I can tell you, that in the United States, today, and in Europe, spreading elsewhere, there are forces, which are financier forces in the Venetian oligarchy tradition, inside the United States, inside Europe, and penetrating here, which are trying to set up their kind of dictatorship. And, that's what I'm fighting.

That's the enemy. I have two kinds of problems in politics: I have fools and enemies. The fools, I try to make unfoolish. When I say "unfoolish," I mean, people become foolish because they're frightened; they're frightened, they withdraw into fears, they say, "Don't get into trouble." And some of us have to get into trouble to save these fellows. And we find that if you can get to what is called in English, after Schiller, "the Sublime"—or in German "*das Erhabene*"—that if you can touch that aspect of the people, and inspire them to see there's a way to solve the problem, rather than just telling them how terrible it is, fine!

You know, I tell people terrible things. But, I wouldn't tell people terrible things, without proposing that there's something beautiful that's an alternative to the terrible. And it's to the extent that people have confidence, that there *is* a solution, they will tend to mobilize for it, under conditions of crisis. And so, for the weak, frightened people, we can get Sancho Panza off his butt, and make him a citizen!

**Q:** Could you tell me what your specific political interests are in Mexico, in light of the fact that it is known that some groups who share your ideas have sabotaged the campaign of the PRI Presidential candidate Jorge Castaneda?

**LaRouche:** The problem goes back to 1982. You know, the way it happened is as follows: I had a long-established connection to the Mexican institutions, during the course of the 1970s. And when the crisis came, with the Malvinas crisis, in 1982, there were meetings in Mexico in particular, around the crisis of the Malvinas War. I, of course, was leading from the United States in trying to organize opposition to any U.S. support for the British in the Malvinas War. We came close to winning, but we didn't win, as you know.

So therefore, there were meetings here in Mexico City, with me, and with many people, during this period—including the time that I made a sort of alliance with President Lopez Portillo on this issue, and on related issues. At that time, I can tell you, Mexico was full, especially around the PRI, of people who—you have to get the spirit of August-September 1982, in Mexico City, around the PRI: You find a degree of optimism, a fighting spirit, of the type you have not seen often in history. There were good people. There were problems also. But, sometimes, where there's a mobilization for the national interest, you drag along people who are the least likely people, the most corrupt people—or seemingly most corrupt people, of yesterday, will suddenly join you, and support a good cause; because there's something redeeming in them, that comes to the fore, under those conditions.

The problem has been, the *tremendous* demoralization, which was imposed upon Mexico, in October of 1982, which really destroyed the PRI. And the *erosion*, the pressure, on the country since then. I mean, you take a person who was a conscientious leader of Mexico, and I can speak for them, in a certain degree and sense: and they see their country being destroyed, inch by inch; they see the institutions, upon which the promise of prosperity was based, being destroyed, inch by inch, under foreign pressures. You see Presidents of Mexico capitulating to foreign pressures in destructive ways. And you understand why that's going on. And you understand why some people just give up: When people are frightened, and give up their morality out of fear, they tend to become corrupt. Not because they're intrinsically corrupt, but because *fear* corrupts! Because demoralization corrupts.

And you young people are crucial. Because, when you get some old duffers of the age of 50, who are barely struggling around—your parents' generation—and when you, as young people, mobilize, and say, "Let's build a future, because we are the grandparents of your great-grandchildren," you'll take older people who have given up morality—and *you* can inspire in them, the business of finding their souls again, and you will find the best qualities in them.

So, I think the way to look at this, is historically, as I do. I know these leading layers of Mexico somewhat, historically. I've had experience with them. I've seen them rise to the occasion, to greatness, to world greatness. It's the moment that Lopez Portillo made that address in the United Nations: *See* it sometime! You're involved in studying foreign affairs—*see* that address! Hear his words! Know the situation in which he spoke. A moment, a high point of inspiration, of the people and institutions of Mexico.

Then, see what happened afterwards. And see how people have become "realistic." And when people become "realistic," they become immoral. It's when you're idealistic, that some people curse you, if you really are inspiring. And you get out of that, itself, the power to influence older generations, and bring them out of corruption, and say, "Mother, Father, Grandparents: Let's do it again!"