

LAROUCHE ADDRESSES PRIVATE GATHERING

## A Four-Power Bloc Can Break The Opposition to Reform

*Lyndon LaRouche made the following remarks to a private luncheon meeting in Washington, D.C., on Nov. 19. Subheads have been added.*

The most important thing is a clear understanding of where we stand. We have two issues: You have the issue of what the U.S. policy is going to be. I don't think the U.S. knows what its policy is going to be. There may be people in the incumbent government, and that which is about to be incumbent, who may respectively have ideas about what they're going to do, but I don't think any of them know what they're actually going to do. They may have ideas which they think they're going to have, but that's going to change because the circumstances are going to change in a very shocking way.

We're leaving an administration which is totally bankrupt. It's created a greater mess than any U.S. Presidency in recent record. The situation's almost hopeless. We're now in the terminal phase of the existing international monetary system: This monetary system will not exist much longer. I'm talking about weeks, as a probable case. You probably will have, as of the middle of January, you might have a peep out of France, from the President; so far, I don't think he's made up his mind exactly what he's going to do, but he might do something. Otherwise, from Western and Central Europe, you can't expect much of an initiative. You certainly will not get anything useful out of the United Kingdom at this time.

What is probable, and what is possible—but it's a big question mark—is, what is going to happen with the incoming administration in the United States. It's a very complicated question. Because there are deals, there are interests, there are arrangements, and I don't think any of these plans are going to work. I think this is a period in which most of the plans that people are making in government are going to fail, because the system is going to change very rapidly, and very profoundly.

We are in the end-phase of a general *breakdown* crisis, of the international monetary system. There has been nothing comparable to this in European history, since the 14th-Century New Dark Age. We are going to have a total collapse of the system.

### Governments Have Been Lying

Now, the system's failure is complicated by the fact that governments have been lying. The crisis is not caused by a breakdown in some mortgage crisis inside the United States, or something in England. The crisis comes from the top down: The crisis comes from a long-term trend since 1968, which is the beginning of the problem, which led into what the Nixon Administration did in cancelling the Bretton Woods system. This opened a period of instability, which was aggravated by the creation of the expanded spot market for petroleum, 1973 and so forth.

So, suddenly, you had a fundamental change in the characteristic of the world monetary system, and this

went through a phase. It went through a phase of deindustrialization of Europe and the United States, especially following the developments of 1989-1990, and so forth. So we have gone through a fundamental change.

In point of fact, the United States has had *no net growth*, in terms of physical standards, since fiscal year 1967-68. There has been absolutely *no* physical expansion in the United States. We've had a comparable situation in Europe, which became worse, after the fall of the Wall, when the conditions were put in by Margaret Thatcher, François Mitterrand—then the President of France—and George Bush, the father, then. These conditionalities sent Europe into a spin: Germany has been shrunk, actually, in net effect, as a result of these conditions. And from now, Europe—Western and Central Continental Europe—are essentially impotent; Britain is going heavily into a crisis.

Therefore, the only remedy, in this crisis, because of the nature of the breakdown of the system, is creating a new international system, to replace the present monetary system, while putting the old monetary system into bankruptcy. Remember, most of you know that the United States, constitutionally, is not a monetary system. The United States is unlike any nation of Europe: that our system is a credit system, not a monetary system. All other countries in Europe—some with more or less independence—are participants in an international monetary system, which is not controlled by any government. Even though the monetary system has agreements with governments, it is not controlled by them; whereas under the U.S. Constitution, the creation of currency, or related credit, can only be done by consent of Congress, and by action of the Executive branch.

Therefore, our currency—when our law is enforced—is entirely a credit currency; it's a currency of the U.S. government, the currency of the U.S. people. Whereas the other countries have monetary systems, where they participate by agreements with governments at a central monetary system, or a group of central monetary systems.

Therefore, the European system is essentially an imperialist system, in the sense that Europe is dominated by a monetary system, which belongs to no country, although each country has agreements with the monetary system. This is a continuation of the old Venetian system, under which an imperial power, in the old times, since about 1000 A.D., the Venetian interests, the financier interests, control the credit and currency of

the world. And functioned like an empire. This financial empire made agreements with governments, or controlled governments entirely. That was the system that crashed in the great crash, the great breakdown crisis in the 14th Century.

Since that time, there has been no fundamental

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change: Europe still operates on the basis of monetary systems, which are based on *supranational* monetary systems, which have contracts with governments.

### **The United States Is Unique**

But the United States is unique among leading governments, even though de Gaulle wanted to go in the same direction, but unique in the sense that our Constitution means that our government, in its credit system, is the system of the United States.

Now: Since we have a world monetary system, the so-called IMF system, today, this system is hopelessly bankrupt. The cause of the problem is not some mortgage crisis. The cause of the crisis, which broke out in July of 2007, was a result of an increase of an expansion of derivatives, which now totals to obligations in excess of *quadrillions of dollars*! The greatest amount of this expansion occurred under the administration of the former head of the Federal Reserve System, Alan Greenspan. And we have now quadrillions of dollars of obligations, so denominated, which are *self-expanding* obligations. This hyperinflationary monster is eating the world, and the only thing we can do is put it out of its misery: Put it into bankruptcy by governments, by agreements of governments, and create a new international system, which is based on credit systems, such as the Constitution of the United States provides.

What we have to have, also, is a fixed-exchange-rate system, like the one that Roosevelt intended, when he was still President. So, what we will have to do, is, we're going to have to put the entire system into bankruptcy reorganization, by decisions by the sovereign governments.

#### **Four Sovereign Governments**

Now, to do this, there are four sovereign governments on the planet, who are absolutely crucial in launching something, which can then be participated in by other governments. These are, the United States, Russia, China, and India. If these four countries enter into an agreement to reform the monetary system, and replace it with a credit system, we can get out of this mess alive, and safely. Because, if these four powers agree, and this represents a margin of power absolutely required to force through the reform, then Japan will automatically join; it's in its interest to do so. Korea will join; it's in its interest to do so. Other weaker countries will join; it's in their interests to do so. On that basis, we can create a *fixed-exchange-rate system*, to do what the original fixed-exchange-rate system was intended to do. We can use the credit system, based on this agreement, to reorganize the bankrupt monetary system, make sure that the immediate agreements that have to be reached can be settled. We can start to expand production, solve some of these problems, and postpone settlement of some of the other matters into the future, as you often do in a general bankruptcy reorganization.

It's the only chance, right now. And it depends upon good diplomacy, among the United States, Russia, China, and India, knowing that other countries will gladly join such a union, once it's started. And it will have to lead to a fixed-exchange-rate system, because we're going to have to launch long-term credit agreements, for large projects, especially in areas such as Asia, where you have whole regions, 70% of the population is extremely poor, and underdeveloped; Africa, which is potentially a large food-growing area, but is not able to do so, because of the present conditions.

We must create those conditions. This means, large-scale infrastructure development of things like power systems, sanitation systems, and so forth, to enable Africa to get on its own feet again. So these kind of projects will be necessary, and these are long-term projects. They need two generations of investment, or longer, in mass transportation, power, and so forth. And we can come out of this.

But we're at the point, that this kind of agreement and discussion among nations is absolutely indispensable: There is *no way*, that you can make a compromise with the existing system, and survive. All attempts at compromise will fail! Because they will lead immediately to disaster: You have quadrillions of dollars of obligations, all of a short-term nature, coming down on the whole system! And there's no way you can postpone that thing. You come to the point, and say, "We are not going to honor derivatives obligations! We're going to freeze them, first. We're going to defend the economies, first. We're going to have a bankruptcy reorganization, which is in the *general interest*, first, the general interest of nations and their peoples.

And this requires power to push it through, because the powers that are imposing this crash upon us, do have a lot of power. Therefore, you need a combination of power strong enough to break the will of that opposition. With that combination, we can succeed.

And that's the kind of crisis we face.

#### **A New American President**

Now, we have a new President of the United States coming in, a President-elect—if somebody doesn't kill him, because you're in a kind of period where those things happen, in times of crises like these, highly unstable. And the trick is, to get *this* Presidency, of the United States, by one way or another, to enter into this kind of agreement, with Russia, China, and India, that I've indicated; and bringing in other nations who are informed of what this is all about, into the agreement. But the basic thing, is we need a power bloc, which is powerful enough to break the back of the opposition to a reform. And that's where I think we stand right now. Everything flows from that.

So it's a very interesting period. And the month of January is going to be extremely interesting, if we don't have a complete blowout before the end of this year. That's the kind of world we're living in. It had to come to this. We've been insane for a long time; we've been doing insane things for a long time. And now somebody came up and just presented the bill to us, for what the costs of this insanity were. And so, the time is, we just have to act like governments, take our responsibility seriously, come to agreements, agreements of reform, and adopt a perspective which is *fair to all concerned*. Which I think we can do fairly easily, if reasonable governments realize how serious the danger is, right now.

Thank you.