

The Remedy to This Crisis: Glass-Steagall and NAWAPA

Lyndon LaRouche made the following keynote remarks to a private seminar luncheon in Washington, D.C., on Sept. 29, 2010.

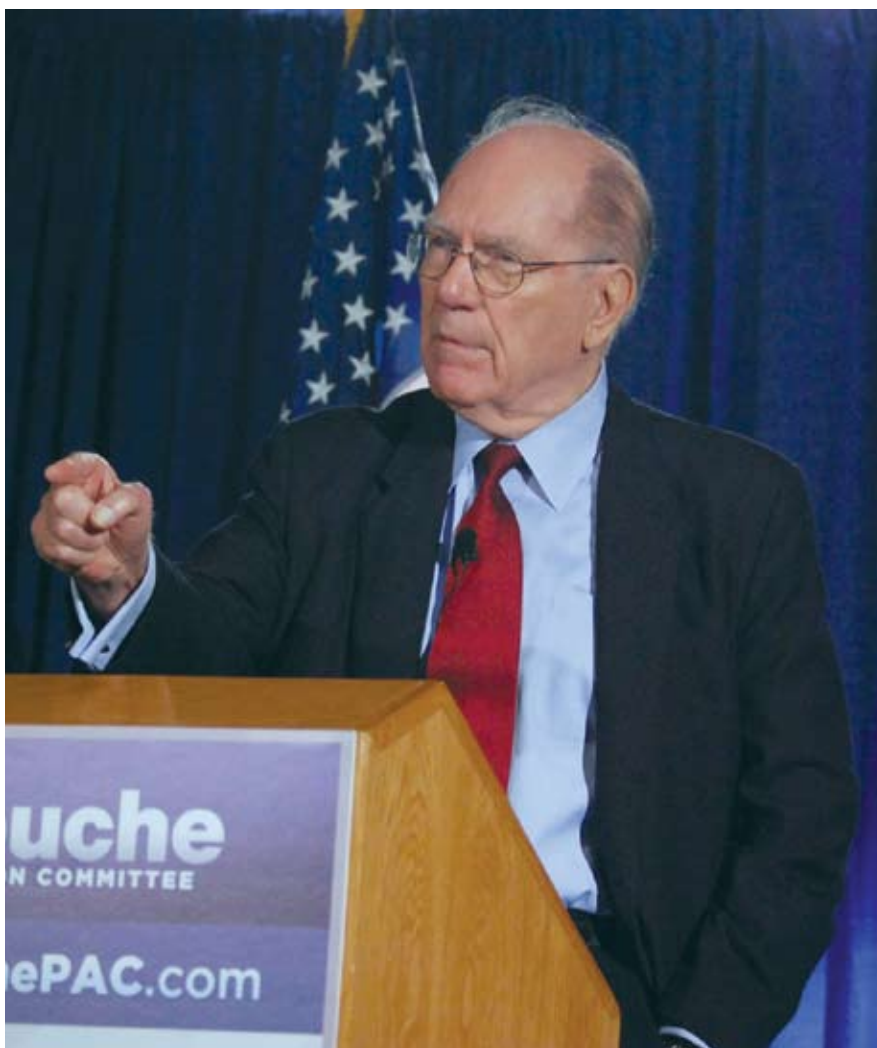
As you probably know, this past weekend, there were, from Britain in particular, a number of statements, including from the relevant British source at the *Telegraph*, that, what is a fact, and should be well-known to everyone: The world has now entered, into what, unless changed, is now a hyperinflationary situation of the planet as a whole. This is particularly frank on this matter in London, among a number of sources, but also the facts are that. There is no surprise to me in this, since I had forecast that, between mid-July and mid-September, we are on the verge, at some point, of what would prove to be a hyperinflationary explosion.

There should be no mystery about this among economists, but unfortunately there is. The fact is, that we have shut down real production throughout much of the world, and the cutbacks in government expenditures and other things, have simply been a cutback in real production of real wealth. Whereas, on the other hand, we have, most recently, under the initiative from London and from the United States, from the current President, we have unleashed a hyperinflationary, runaway explosion. We are still in the relatively early phases of an actual hyperinflationary rate, but what is now in place, *will be* a hyperinflationary explosion.

The policies, in particular, of the U.S. Federal Reserve System, the policies of the British system, the policies of the European Union, are presently hyperinflationary. And the rate of hyperinflation, if it continues, will accelerate, and bring about an effect on the entire Trans-Atlantic community, and beyond, comparable to what happened to Germany in 1923. Because we have a collapse of actual production.

We have, for example, in the United States, a situation in which most of the states of the United States, the Federal states, are bankrupt. They are being affected by hyperinflation. The Federal government is doing nothing to correct this problem. And therefore, unless certain measures are taken soon, you are going to see a chain-reaction collapse—one section of the world after the other, starting with the Trans-Atlantic community—and it will take over the entire world. It will be a general breakdown crisis of the world system, *unless* certain reforms are taken.

Now, what would work, in the case of the United States itself, and would work in chain-reaction effects on the planet as a whole, would be to immediately reestablish the Glass-Steagall law in the United States. Now, the Glass-Steagall law is a reenactment, and the bill is there, in the Congress, waiting to be voted up. There are three bills, pieces of legislation, which all converge on this effect: If the Glass-Steagall law were reestablished in the United States in this period, that would set forth the possibility of a general re-



EIRNS/Stuart Lewis

"We are still in the relatively early phases of an actual hyperinflationary rate," LaRouche cautioned his audience, "but what is now in place, will be a hyperinflationary explosion"—unless certain reforms are taken.

covery and escape from this hyperinflationary problem.

As I said, there are three bills now, in the Congress, fully drafted, ready to be voted. The question is, will they be voted?

The current President of the United States is determined that they shall not be voted: He is operating under orders from London, on this question, and there is no doubt about that. When the Glass-Steagall reenactment proposal was made, the British Foreign Ministry sent a special message to the U.S. government, saying that the British would consider any attempt to reenact Glass-Steagall, as an offensive attack on the United Kingdom, on the British economy, and would

not tolerate it; it would not be tolerated.

But it's necessary.

A Hyperinflationary Process

Now, if that happens, that would mean, in the case of the United States—and this would cause a chain-reaction in Europe—what this would do: It would break up the present system. Because what we have now, is, as stated, we have had an actually hyperinflationary policy built into this economy, especially since the beginning of the current Presidency, the current Obama Presidency. What we have had, is you have the portion of the total throughput, monetary throughput, has been expanding, but the portion of the monetary throughput, which is related to real production, has been collapsing. You've seen this reflected in, for example, the soaring price of gold, as monetary gold—same thing. We are in a hyperinflationary process.

Now, if we reenact Glass-Steagall here, that would immediately cause a collapse of the hyperinflationary bubble, because you would take most of the things that are being funded, as hyperinflationary measures, in the United States, in particular, but also would affect

Europe the same way, the hyperinflation would be stopped. Because most of the money which is in circulation, is worthless. That's the nature of a true hyperinflation: *There is nothing to back it up.* The portion of the total throughput, monetary throughput, the amount that's related to real production, to real wealth, is shrinking; where the amount of monetary emission—and the rate is now accelerating at a high rate—is now expanding.

So therefore, you have a ratio, in effect, between goods and monetary emission, monetary circulation, which is intrinsically hyperinflationary. In other words, this is not an accident of something, this is deliberate. Deliberate actions by the European Union,



EIRNS/Joanne McAndrews

There are currently three pieces of legislation before the Congress to restore Glass-Steagall, which would immediately cause a collapse of the hyperinflationary bubble. Shown: LaRouchePAC organizers campaign for Glass-Steagall and NAWAPA on the streets of Washington, D.C., Sept. 12, 2010.

and by the government of the United States. And this is leading the world into a hyperinflationary explosion.

We have some measures which we're pushing here, for the United States. Number 1, as I said, the Glass-Steagall legislation. The Glass-Steagall legislation would immediately classify whole categories of monetary assets as speculative, as worthless, as Roosevelt did in 1933. That would mean that the Federal government would then have the credit available to it, as a sovereign, to utter the emission of credit, for constructive purposes. What we have proposed, for action, is that once Glass-Steagall is enacted, we have a reorganization of the banking system, that is, the commercial banking system, back to the Roosevelt standard of a commercial banking system, or what would be considered a conservative banking system.

Now, most of the banks of the world would go immediately bankrupt on the enactment of a Glass-Steagall reform. That does not mean these banks would be

shut down. It means that the commercial banks, which are legitimate commercial banks, or the portions of the banks which are legitimate commercial banking, would be protected by the Federal government. Under these conditions, the Federal government utterance of credit, would do several things: First of all, the immediate effect would be to stabilize the sovereign states, or separate states of the Federal government. In other words, these Federal states would now be protected against foreclosures by the Federal government, because the states have no ability to emit monetary wealth.

Reviving the Economy: NAWAPA

Once we have done that, then we have to have a large project, or a series of large projects, which actually revive the economy. There is one particular project, already designed, on the books, which we've been working on, which would cause a general recovery, first of all, of the United States economy, and also the economy of Canada, and to some part, Mexico. It's

called the NAWAPA, the North American Water and Power Alliance.

This policy, if adopted, if put into motion, would create directly and indirectly, a combination of 4 million places of employment in the United States, and they would be productive employment. It would be the greatest project that mankind has ever undertaken, by any nation, and it's ready to be installed, stepwise, now.

It would cover a period of probably 30 to 50 years, to complete the project entirely. It would mean a return to an industrial-agricultural policy of the United States, as founded. It would affect immediately, it would be a stimulant for Russia; a stimulant for stabilizing China; it would be helpful to India; and it would mean a possibility of that for Europe, as well. It would also mean the Transaqua project for Africa, which would be a typical stimulant, for finally doing something to rebuild Africa.

So we're in a situation, where a Franklin Roosevelt-style recovery, under different conditions with different aspects, is now possible. This is not the TVA, but it is an echo of the TVA: It's far superior, and vaster than the TVA, but it represents the same kind of thinking on the part of government. You launch major infrastructure projects, where you raise the plateau level of production in a nation, around productive projects, which are largely infrastructural. But infrastructure projects of this type stimulate private production as a result, and if the credit is being supplied by the system.

If we run an austere program on speculation, and go back to a hard-currency policy, and engage other nations in treaty agreements, on the basis of a hard-currency policy, we can stop the present crisis. The United States has the power, if the will is there to do it, to stop this crisis now, and to start on a process of recovery.

As I say, this is the greatest project that we have ever considered. This was done in 1964, as a design presented then, and it remained, sitting there, waiting to be established, for a long time. And then, after the developments of 1971, and so forth, that became almost impossible.

The Choice Before Us

But now, the point has come, that nations, as a whole, have a choice: We either have a recovery program for this planet, or this planet is going into a New

Dark Age, by way of a hyperinflation which will rival what happened to Germany in 1923. We are in that kind of situation. But there *is* a remedy. The remedy is to go to a hard-currency system, restore and vitalize commercial banking system, as it was done under Roosevelt; engage other nations in the same reform; and define government support for large-scale projects, which will be infrastructural in apparent nature, but which will be actually the driver for physical production, increases in physical production.

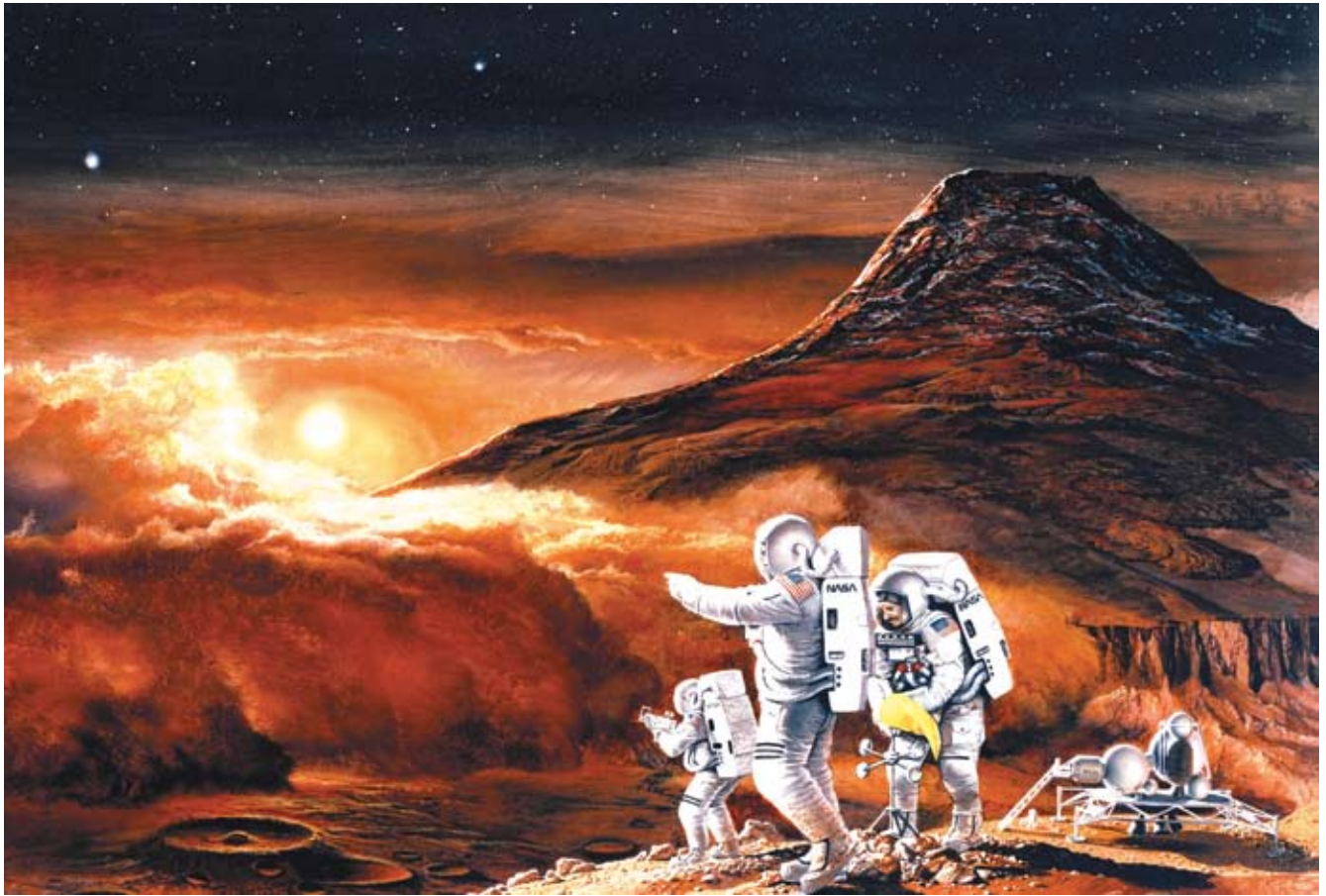
This includes a number of things: For example, Russia has a very crucial large-scale program, which is not really being implemented now. It's on the table. It's been there for a long time, and that is, the completion of the development of the railway system, through the bridge or tunnel between Siberia and Alaska—a railway tunnel or bridge. There are other major projects.

Also we have a fact, that China has a crisis. The crisis of China is immediately caused by the fact that the world market, on which it had depended up until recently, has collapsed on it! Therefore, China is not able to maintain itself under the present conditions. It's struggling to do so. *But!* If we go ahead with these kinds of projects, then China will have the credit available to continue its reform, which is largely based on nuclear programs, and related kinds of programs. Russia, China India, are leaders in world uranium and other, and thorium, power systems. These things are absolutely necessary.

So the infrastructure developments, which are usually long-term, a generation or two, of development, now become the means for increasing employment and productivity in nations, and stabilizing their economies. This is the project.

Now, this also involves a more fundamental scientific issue, of what we call the future space program. Mankind is destined to move from Earth into nearby space, and the indicated target, of course, is Mars. This does not mean we're going to put people on Mars, within the immediate generation, because there are problems that have to be solved, to deal with the problem of moving human beings to the conditions of life on Mars.

For example, the gravitation on Mars is one-third of that on the Earth. That alone, is a difficulty, which means we have to master this problem, of the problem of gravitation: putting people in gravitational areas, where the fields are much lower than they are on Earth.



NASA

The NAWAPA project is the springboard for a revived and expanded manned space program, including the establishment, by the end of the century, of human colonies on Mars. But first, we must master the problem of gravitation. Shown: an artist's conception of the first human mission to Mars in 2019.

Human beings require a normal gravity; otherwise, they don't live very long. But there are ways we can induce artificial gravity, and under those conditions—which is, again, a long-term project—we can solve these problems.

But mankind is going to have to move out. We're going to be moving, with scientific revolutions, which are already there being worked on, and these scientific revolutions will mean new options for humanity as a whole.

But, as of today, right now, as the British authorities, some of them, have said, the world has entered into a hyperinflationary crisis. Unless there's a qualitative change in policies among nations, the world is going into a collapse, a hyperinflationary type of collapse. Russia, China will be affected; India will not be immune; and the Trans-Atlantic region will go into a collapse. We're on the verge of that, now.

The Greatest Crisis in Modern History

One of the problems, here, is, as long as this President remains in office, there is no chance of any reform, which would save the world from this crisis. I believe the time has come that this President must be induced to resign. I believe that the simple enactment of the Glass-Steagall renovation, would be sufficient to cause this President to resign from office. If he resigned from office, I think the chain-reaction effect, now, would be, we would have a recovery.

But, what you see in the British press, and among British officials: they have stated clearly—and they're correct—that the current policies of the U.S. Federal Reserve System, are hyperinflationary insanity. The policies of the European Union, are hyperinflationary insanity. That, unless these policies are replaced, and replaced competently, there is no chance for civilization on this planet: Because a collapse of the Trans-At-

lantic economies, will mean a consequent collapse of the world economy.

So this is the greatest crisis in all modern history, greater than any other crisis in modern history so far, as far as an economic crisis is concerned. There are immediate remedies, which can be taken. We have a large constituency, a growing constituency in the United States, which wishes to put through these reforms. Probably 80% of the U.S. population desires such reforms, or reforms to this effect. They have no confidence in the current President; they have no confidence in the current political parties, either the Republican Party or the Democratic Party. The Democratic Party knows that. We don't know what will happen in the November election, in terms of politics, political developments, but we know it's a chaotic situation.

So, on the one hand, we can report the greatest danger to humanity in modern times, is on our doorstep. But at the same time, there are the opportunities to solve these problems, or to manage them until we can make them soluble. And it requires very simple decisions. And you find the leading financial circles in London agree, that a financial breakdown of the system is now in progress. And as long as the present policies of the United States, of this Presidency, and the present policies of the British, and the present policies of the European Union, remain in effect, the Trans-Atlantic region of the world is doomed. And if the Trans-Atlantic region of the world goes, the whole world will go down, in a chain-reaction.

So, nobody can hope to escape this. We have to face the problem, and we have to solve it. And there are many great projects, in addition to the NAWAPA project, and some of the projects—like Transaqua in Africa, which is a great project. You take the excess water, for example, of the Congo—it's not useful for the people of the Congo, it just flows into the ocean. There's no use for it! But if you move a good



U.S. Army Corps of Engineers

The NAWAPA great water/infrastructure project is one of a series of large projects that can be launched immediately, that will revive the U.S. and world economy. We can rapidly employ millions of currently unemployed engineering, construction, and other workers, in a program that will ensure the future for generations to come. Here, engineers work on a giant drill rig at the Howard Hanson Dam, Washington State.

deal of that, across the mountain range, which separates the area of Congo from Chad, you have immediately started a process, where you, finally, have opened the gate for the development of a large section of Africa.

That's a project which is on the table, now. It can be implemented; it's similar to NAWAPA. It's much more modest, but it works! The restoration of water, in the area of Chad, would be revolutionary in its implications for the population of all Africa, either di-

rectly—economically, physically—or indirectly, in terms of repercussions of it. And it's the first program we have. We have also the possibilities around Sudan, and so forth, of cooperation in that area.

So, all we have to do, is build a railway system from Eurasia, into Africa, which we use as a support for developing this project, such as Transaqua, and that in itself would start a revival in Africa, which otherwise is presently not feasible. These are the kinds of things that can be done. NAWAPA is an example of that. The use of the development of nuclear power, applications of nuclear power, in Asia, particularly, Russia, China, India, and other nations—this is also part of the picture.

As I say, there *are* remedies. They're available: They're known, they're feasible. We have the labor force, which is largely idle, which can do these things. All we need, is governments which will agree, for their own part, and agree for cooperation with others, and these projects can be launched immediately.

We have unemployed people, of high degrees of skill, in the United States, such that we could launch, immediately, employment of 4 million people in the labor force, who are presently either unemployed, or about to be unemployed. We could put them immediately to work, in this project, the NAWAPA project, and its implications, which means completely rebuilding the rail system of the United States, completely rebuilding the water system of the United States. The greatest project that mankind has ever undertaken, is there, and it's ready to go. And we have about 4 million people who need employment, and who have the skills, of various kinds needed, to do this kind of project.

So, I don't want to spread pessimism. There is no reason for pessimism, except pessimism respecting the minds of some of our politicians. If the politicians come to their senses—and now, I'm happy to see that some people in Britain of considerable influence in these matters, now admit that the British policy is clinically insane! They also have declared that the President of the United States and the head of our national banking system, are insane. And that would suggest that changes in those offices are possible, and would lead to results. When key people realize that their nations and their systems, their economic systems, are in danger of general collapse, there is a tendency for readiness to consider options, and I think that time has come.