

# Ending Permanent War and Financial Panic: Glass-Steagall And the Global Silk Road

*Helga Zepp-LaRouche gave this keynote address to an EIR Forum at National Press Club in Washington, D.C., on Oct. 27.*

Well, let me welcome all of you. I think most people in the world right now are aware that we are really experiencing a *civilizational* crisis, not only a financial crisis, many military crises around the world, wars, terrorism, hunger, refugees; it's just an enormous number of simultaneous crises. And while all of these individual crises have local causes which trigger them and cause them, I think it's fair to say that the fundamental basis for the strategic civilizational crisis, is the fact that the trans-Atlantic financial system is hopelessly bankrupt. And it is that dynamic which is behind the war danger, which is behind local crises, and is the biggest threat to the world right now.

Because, contrary to what you read in the popular media, the crisis is not solved. As a matter of fact, there have even been warnings in the financial press like *The Economist* and other such magazines, that we could have at *any* moment a repetition of what happened in 2008; that you could have a crash of the financial system of the trans-Atlantic sector, which could be triggered by a whole number of events. For example, if only one of the too-big-to-fail banks went bankrupt, it probably would evaporate the entire trans-Atlantic financial system in a moment.

If that happens, obviously, immediate chaos would break out, because contrary to 2008, there are no more so-called “tools” in the toolbox of the financial institutions. Quantitative easing? It has been done to the hilt. You know, the Bank of Japan, the Federal Reserve, the ECB have had zero interest rate policies for years. Bail-outs have only led to the increase of the debt crisis in all of the trans-Atlantic sector; and bail-in, which is now the law of the land in Dodd-Frank and in the ECB, in the European Union Commission, would only be enough to deal with 1% of the outstanding derivatives debt.

The reason is because the too-big-to-fail banks have increased in size since 2008 by 40-80%, and have outstanding derivative debt contracts of up to \$2 quadrillion. And we roughly estimate that if you count all the



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*A civilizational crisis: Refugees huddled against the cold outside an overcrowded registration center in Hungary close to the Serbian border on Sept. 14.*

banking accounts of private people, of businesses, and other financial assets which would go into a bail-in, the total would account for about 1% of that debt. So an instant collapse into chaos is really the danger we are talking about.

Now there is a remedy to that. The remedy is to introduce Glass-Steagall, the banking separation law which was introduced in 1933 by Franklin D. Roosevelt in response to the economic crisis of the early '30s. There are several bills in the U.S. Congress and in the Senate [to do that]—there is actually legislation with the exact

same text in the Congress and the Senate. So if the political will could be mobilized, that problem could be solved. But it *has* to be solved. There is no other way but to shut down the casino economy of Wall Street.

Now, as I said, this is just the tip of the iceberg, and the pursuit of the high-risk speculation of Wall Street, of the City of London and of other financial institutions, you know, has led to an unbelievable situation! I think 21% of all people in the United States don't have access to sufficient food; you have about 7% who live in what is defined as extreme poverty; you have 95 million people who are not part of the workforce any more, so you have 104 million eligible Americans who don't have jobs. The poverty rate in Europe, even without the present refugee crisis, one-third of all youth, average, are unemployed! In the south of Europe, over 60% are unemployed.

And if you look at the condition of what is called generally the "Third World," like Africa, I don't know how many hundreds of millions of people have been killed by a policy denying development to that continent and many other nations.

### **The Refugee Crisis**

So now we are hit with an additional problem: the refugee crisis in Europe. I know people in America



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*A civilizational crisis: Some 2000 refugees trapped at the Serbian-Croatian border, under the glare of border lights.*

think this is very far away, but I tell you, this is becoming a key strategic factor which also affects the United States.

It is now publicly debated in Europe that this refugee crisis was caused by U.S. and British wars in the Middle East, by a policy of regime change, by a policy of playing the so-called "Islamic card" going back to Brzezinski in 1975, when he initiated this policy; and then having a policy of always supporting the "good rebels," training them, only to see that the good rebels join the terrorists. Then you have to make a new war against the terrorists, then you have to bet on the "good rebels," and so forth and so on!

This has now led to a situation where basically millions of people are trying to get into Europe. Germany probably will have, at a minimum, one million refugees coming in this year. The UN Human Rights report says that there are presently 60 million people in flight right now. So we're not talking about a temporary refugee crisis. We're talking about a large migration of people running away from war, hunger, epidemics, mainly from Southwest Asia, but also to a certain extent from Africa.

And it is very clear this will not stop! This will not stop, and you see right now the effect: The EU has completely failed. They ignored this problem for many

years because they left Italy and Greece completely alone in dealing with it for all these years; there were hundreds of people drowning in the Mediterranean for years! Some of them arrived in Lampedusa in Italy, and the EU said, “That’s an Italian problem.” The same with Greece.

But now, with the recent developments in Syria, this is really exploding, and you see the pictures. The official figure is that about 3,000 people have drowned in the Mediterranean this year; that’s officially, so probably in reality you can say double or many times more. And still people take the risk, knowing there’s a 50% chance of not making it. They go and try to get to Europe.

Now the EU has failed again, because just two days ago there was a summit with the Balkan route states, where they then decided to strengthen the outer borders of the EU. The idea of building a “Fortress Europe” is completely ridiculous! That has never functioned and will never function. And then, they said that they want to have certain camps along the Balkan routes; and they said, “Oh, finally, we made the first step to solve the problem.”

Now this was after *months* of this crisis going on! And the pictures are horrible! There is no unity in Europe; there is no solidarity; there is no Europe. The EU now turns out to be something which was transformed into an interest group for the banks—namely, the EU after the Maastricht Treaty. You can not pretend to have a “union” which is bound together by nothing other than the defense of the banks and the defense of the high-speculation system. There is no unity because all of the Eastern Europeans are now refusing to take any refugees; you have a situation where the famous “European values,”—where are they? What are we defending against some other cultures when there are no values in Europe?

And of course, Chancellor Merkel did the right thing when she said several weeks ago, “We can manage.” It was the right thing to do! Because these refugees have the right for asylum, according to the Geneva Convention, according to the UN Charter; of course, if you stick to the wrong policies, it gets out of hand. And the biggest threat right now, is the maintenance of the present financial policies of Wall Street, the City of London, the ECB, which are reflected by German Finance Minister Wolfgang Schäuble.

Schäuble says we must protect the so-called “black zero,” which is a synonym for balanced budgets and

zero deficit. This is the idea that no matter how much you must spend for the refugees, the budget must remain balanced, and that means you have to cut in other areas, like social expenditures, kindergarten, schools, and the health system. And naturally, for German people who are in a precarious economic situation already, like the unemployed, like the people who have a low but precarious income, they feel threatened. And therefore, Schäuble’s “black zero” fuels the kind of xenophobic reactions which you have heard about: that already this year 500 housing projects for the refugees have been attacked or burned down, and right-wing violence is on the increase.

You see now that President Putin was absolutely correct when he said several months ago, or even a year ago, that the big mistake of the West in supporting Nazis in Ukraine, in the form of the Right Sector, was the danger that this Nazism would spread to other European countries. And you see right now a big increase of conservatives—I’m not saying that all the right-wing governments are Nazis; I’m just saying the current policy increases the right-wing reaction, and it increases some outright fascist elements in many countries in Europe. And this is very, very dangerous.

So the only solution is, obviously, to change the economic policy, to stop what is high-risk speculation for the United States on Wall Street; to stop what is the “black zero” policy of Schäuble in Europe. And, fortunately, there is an alternative.

### **The Alternative on the Table**

Now what’s not very well-known—because the Western media in Europe and the United States are generally not reporting it, or if they report it, they misrepresent it—is that there *is* an alternative economic system which has developed. It started really 25 years ago, when we proposed the New Silk Road as a response to the collapse of the Soviet Union; but it was again put energetically on the table by the Chinese government in September 2013, when President Xi Jinping announced in Kazakhstan that China’s policy is the creation of a New Silk Road. And in the meantime, this dynamic of building a New Silk Road in the tradition of the ancient Silk Road—meaning an exchange not only of culture, of goods, of ideas, but also of technologies, of improving relations among nations,—this has spread like wildfire!

It spread into the BRICS (Brazil, Russia, India, China, South Africa); the BRICS had a big summit in



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*An alternative system underway: The BRICS Ministers of Science, Technology, and Innovation meeting on Oct. 28, 2015 in Russia.*

Fortaleza, Brazil in July 2014. It was consolidated through another BRICS summit in Ufa, Russia this year; and what you see now is the unfolding of an alternative economic system which is based on completely different principles than the trans-Atlantic high-risk and high-profit speculation.

It is based on real investment in infrastructure, on uplifting populations out of poverty, as China has done in lifting 600 million people out of poverty in the last 30 years; and it is now offering, in reality, the Chinese economic miracle to other countries that participate in the construction of this New Silk Road.

Now this is really taking off. China is building a “Second Panama Canal” in Nicaragua; China is helping to build a transcontinental railway between Brazil and Peru; China is helping to build five canals between Argentina and Chile. And many, many other projects are underway with the high-technology cooperation among many nations, including in nuclear energy and space cooperation, and this process is really an engine of growth. And do not believe all the bad-mouthing claiming that the Chinese economy is collapsing, and that that is the cause of all the problems. It is not true. Although China has a stock market, that does not affect its real economy which is still on a very healthy trajectory.

Now, with this process goes a whole different system of economic and financial institutions, like the

AIIB (Asian Infrastructure Investment Bank), which the United States made a big effort to pressure its allies not to join. Well, what happened? Some 58 or 59 nations immediately joined. The first one, interestingly enough, was Great Britain, because they are a little bit smarter; they know which way the wind is blowing. And then most of the European nations and many Asian nations joined,—and this is now becoming a major institution for the financing of infrastructure in real economy.

But there’s also the New Development Bank of the BRICS. Then you have the Shanghai Cooperation Organization Bank; you have the SAARC bank,—that’s

the bank for the South Asian Association for Regional Cooperation; you have the Silk Road Fund; you have the Maritime Silk Road Fund. So you have the spread of a whole different set of financial institutions which are deliberately set up *not* for speculation, but only for the investment in real industry.

And in a certain sense, that new group of financial institutions is like the lifeboat at the moment when the *Titanic* of the trans-Atlantic system is sinking.

Now, what we have to do,—and there is such a thing as a *Patent rezept*, [German for a patent formula, or a sure remedy] like a *passe-partout* [a masterkey], which really would solve most problems of the world, if we can get the United States to implement Glass-Steagall; shut down Wall Street; then implement a credit system in the tradition of Alexander Hamilton; go back to the traditional American System of economy; and generate large amounts of state credit for production and projects. Then do the same thing in Europe.

The Greek government has insisted for some time that the Greek debt is unpayable, and that there must be a European debt conference in the tradition of the 1953 debt conference, which at that time, cut the German debt by 60%. That deal dealt with the German debt from the period between World War I and World War II, but also the debt from the so-called Marshall Plan. And it is generally acknowledged that the German economic miracle in the post-war period could not have taken

place if that debt reduction had not happened.

Therefore, the Greek government's demand for a debt cut is absolutely legitimate, all the more because most of this debt is illegitimate; it was just imposed on the Greek governments only to have 97% of it flow back to the European banks to cover their situation. Three percent of that debt remained in Greece. So, why should the Greek people be continuously tortured into cutting their economy, which has been shrunk by one-third through this austerity policy? No, they have the right to write-off this illegitimate debt.

Now, after such a debt conference in Europe, we could go back to the good policies which helped the German economic miracle in the post-war reconstruction. That is, we would take the equivalent of the *Kreditanstalt für Wiederaufbau*, the Credit Bank for Reconstruction, which was the vehicle for the economic miracle in Germany in the postwar period, and provided state credit in the same way the Reconstruction Finance Corp. of Franklin D. Roosevelt did in the New Deal.

That was the mechanism by which Germany made an economic miracle, and exactly that mechanism should be used today for the financing of pressing physical needs. If you want to solve the refugee problem, we have to provide new credit—and Mr. Schäuble should retire, because he's incompetent and should really not determine where the future of Europe lies. We could issue the credit to build 500,000 public housing units per year for the refugees. Then, we need other investments, like hiring teachers and social workers, and setting up training programs to integrate a lot of these refugees into the construction of their own housing in Europe.

### **Extend the Silk Road into the Middle East**

But this is only one part of the solution. Because the terrorism problem in the Middle East, as important as it is that Putin changed the strategic situation by militarily intervening in Syria,—you know, this problem of terrorism will not be solved by military means alone. Once you defeat terrorism, you need to put in real development.

If you look at Southwest Asia, the entire region is



*A civilizational crisis: The Iraq National Library and Archive, after being burned and looted in the aftermath of the U.S. invasion in 2003.*

creative commons

desert! From the Atlantic coast of Africa all the way, the Sahel zone, the Sahara, into the Saudi Peninsula, into Southwest Asia, into the Middle East, all the way to China, this is a tremendous belt of desert which is expanding; it's growing. And there is nothing—I mean, look, the Middle East has been bombed back into the Stone Age.

Look at Iraq: Iraq was a functioning country under Saddam Hussein! You may not have liked Saddam Hussein, but it was a functioning country with growing infrastructure, with women having access to universities; the same goes for Qaddafi. You may not have liked Qaddafi, but he developed infrastructure in Africa. Look at Syria. The previous situation in Syria was functioning! You had peace among all religions. You had a secular government which promoted the well-being of its own people, and look at these countries now! They're being destroyed, they're being turned into rubble-fields. And if we want to have a stable future, it is not enough to just reinforce the refugee camps in Turkey, or reinforce the outer borders of Europe as a Fortress Europe.

What I'm saying is that the New Silk Road and the policies adopted by the BRICS countries *are* the solution to these Middle East problems. Because all we have to do is to extend the New Silk Road into Middle East.

Now, people would say, "That would never function. The Middle East has always been the battleground of all these empires, the British, the French, and various others . . ." But it has reached a point where mankind is faced with the challenge, that either we change the par-

adigm and establish an order in which all people on this planet can live as human beings, or we will not make it, and we will vanish as the dinosaurs did 65 million years ago because we have proven we are not any smarter.

Now, I think the human species *is* smarter, and therefore, I'm confident that if we put this question on the table and say that if all the major neighbors of Southwest Asia,—Russia, China, India, Iran, Egypt, Italy, Germany, France, and even the United States,—if we all agree and say, “We should develop a Marshall Plan for the Middle East and for Africa. We must now correct the mistakes of not having allowed the development of Africa, of having allowed wars based on lies in the Middle East; and we now unite our efforts and make major reconstruction in the Middle East!”

We could declare a war on the desert. We can make new, fresh water; we can desalinate large amounts of ocean water through peaceful nuclear energy. We can use the water in the atmosphere through ionization of moisture, which is being used already in Israel and some Gulf states—we could do that on a large scale; we could have other water projects. We can put in infrastructure. We can build new cities. We can build agriculture and industrialization in both Southwest Asia and Africa, which is eminently possible through the approach we have taken by this report, which says, “The New Silk Road Becomes the World Land-Bridge” by simply extending the existing New Silk Road development into all of these areas.

Now, I think this is eminently possible. I think that all the neighbor countries of the Middle East have a strategic interest, because terrorism and drugs are threatening Russia; Russia has just closed its border with Tajikistan, because they are threatened with terrorism and drugs coming in from Afghanistan and other areas. It's threatening China, because of Xinjiang. India has a big security interest that this problem should be solved, because they have a large Muslim population, and they don't want that Muslim population to be influenced by the radical form of Islam coming from the Wahhabi Salafists.

So there is a common interest naturally in all of Europe, because you know, as much as we welcome,—or at least most of the Europeans or most of the Ger-



*A civilizational crisis: The memorial outside the mass shooting at the Sandy Hook Elementary School in December 2012. There has been more than one mass shooting a day in the United States during 2015.*

VOA

mans welcome—the refugees, it is also clear that you cannot deal with hundreds of millions of refugees without the European Union being detonated.

### **The United States Needs the BRICS!**

So, I think we have a unique chance to turn this around. And it would also be in the interest of the United States.

The United States right now insists that there should be a unipolar world order. President Obama has just reiterated that in his speech to the United Nations, by saying that the United States has the largest military ever in history; and just today we got news that the Administration has sent the *USS Lassen* guided missile destroyer to the South China Sea, which has drawn a big protest from China. The Obama Administration just announced that they will put troops on the ground in Syria, which from a standpoint of international law is problematic, because they have not been invited to do so; so right now, the United States has chosen another course.

But the United States would benefit by joining with the BRICS, by joining with the New Silk Road in development! In bringing peace to the Middle East, in building up other countries of the world. But it would not only mean that the United States would join development projects in Southwest Asia and other areas of the world; the United States urgently needs development itself. The U.S. economy is collapsed; you have

poverty, you have an unbelievable social situation! I mean the killings, police killings of black people, black-on-black killing, the school shootings—it's a collapse! It's a civilizational crisis here in the United States!

There is no fast train! Have you ever travelled one mile on a fast train in the United States? [laughter] Definitely not: You have to go to China to enjoy travelling for 18,000 km by fast train, which has the finest fast train I have ever travelled on: They're smooth, they're steady, they don't shake like European fast trains. So it's a pleasure.

The United States *urgently* needs improvement of its highways, without potholes into which you can vanish with your car,—which is a hazard to your life every time you travel these roads! So, if the United States would say, we'll go back to an FDR policy, and rebuild our economy, have collaboration not only to build a fast train from Los Angeles to Las Vegas, but to build a real system, a transcontinental railway system with high-speed trains; build new highways; fight the desert in Texas and in California; build some new cities,—the United States could *easily* transform

its military apparatus to produce useful, productive things.

Now, I think the whole world is waiting for that, and what we are trying to do, is we are trying to cause this shift to happen, because it *is* an American tradition. It was the tradition of Benjamin Franklin, of George Washington, of John Quincy Adams, of Abraham Lincoln, Alexander Hamilton, Franklin D. Roosevelt, and John F. Kennedy, so it is not impossible. We just have to evoke the better tradition of America to make that happen.

So that is where I think we are. I think we are really in danger if a collapse of the system happens without the reform of Glass-Steagall to protect the normal population from that; we could really end up in mass killings of an unprecedented dimension. I mean, if this happens in Europe on top of the refugee crisis, I think we would have civil war in Europe, and we probably would have civil war in the United States.

So I think the incentive to change policy while there is still time, is gigantic. And the optimistic note is that the alternative is already in place. Thank you. [applause]

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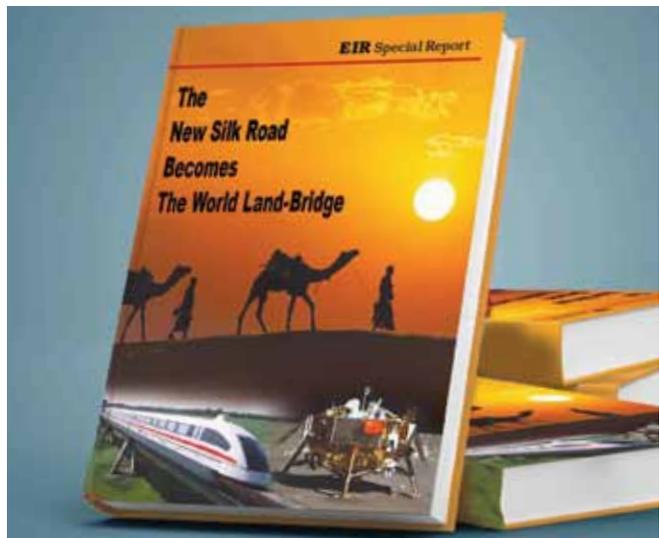
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