

## LAROCHE ON THE STOCKWELL SHOW

# Money-Pumping Won't Stop Industrial Collapse

*Lyndon H. LaRouche, Jr. was interviewed on March 5 by Jack Stockwell, morning radio host on K-TALK radio in Salt Lake City, Utah. Here is the transcript, with subheads and graphs added.*

**Stockwell:** You are listening to the Jack Stockwell radio program, and I have a special treat for you today. My guest, a pre-candidate for the 2004 Presidential election: Lyndon LaRouche. . . .

We're glad to have you. We've got a lot of things to talk about. We've been worried constantly here in the intermountain West with the disappearance of a lot of our computer sector, high-tech sector, the closing down of Geneva Steel, the laying off of over 1,000 people in regards to that. And we see the constant—the LTV stuff, Bethlehem, the other steel bankruptcies. We see Kodak in serious trouble, and some of the other mainstays of American industry, over the last many, many decades, looking at bankruptcy. The Enron debacle—. And now, we have daily news broadcasts, assuring us we've been worried about *nothing*, that apparently all these bankruptcies are over nothing; all these layoffs are over nothing; because we weren't really having serious economic problems at all in this country: "It's just a *mild* recession, which is already turned around; we're on our way back." It would make one think that Arthur Andersen is doing the accounting for our government!



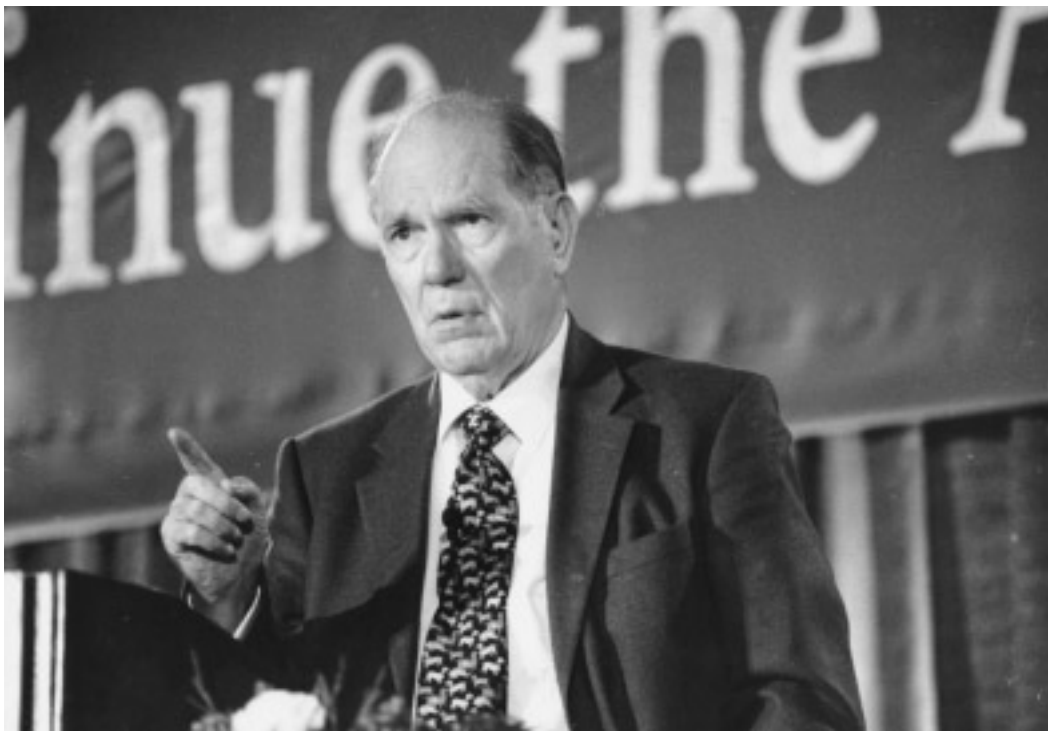
*Jack Stockwell*

### The Great Pumping of the Economy

**LaRouche:** That's a very good description! Think back to the Autumn of 1999, in a period where the primary campaigns were coming up, for January-February, and in that period, the Federal Reserve began printing money, effectively, as it had not done much before. It was a big splurge in 1998, after the collapse of the LTCM—the Long Term Capital Management operation—but, then, it spurted up again. And they started with a really hyperinflationary rate of monetary expansion, coming out of the Fed, chiefly, for the purposes of the initial phase of the year 2000 primary election campaigns. Now, they kept that going, that pumping going, up until about March of 2000. Once everybody was eliminated from the primary candidacies, except Gore and Bush: At that point, they stopped pumping.

Now, the reason they stopped pumping, is because they know this was hyperinflationary, and they had to worry about that. And what had happened is, as we saw in March, and later on, in the course of the year 2000, the bubble, the collapse of the New Economy bubble, had already started in the Summer. Now, remember, a lot of candidates were running—the Gore candidacy was running on the basis of promising that the New Economy was going to make everybody rich. So, from the standpoint of the Democratic side, they wanted to keep the bubble *pumped*. From the standpoint of the Bush side, they didn't want a controversy about the economy; they didn't want a depression, which might make people think like Roosevelt, or something. So, they kept it going, until they had the primary candidacies essentially locked in, after the initial March multi-state primary.

Then, again, we had a big slump in the New Economy, in the stock area. Then we had, in the Fall, priming into the Fall



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election campaign, as such, we had the great pumping of the economy, not quite as big as in late 1999, but pumping it was. They kept this pumping going, until after the inauguration of President George Bush as the next President. At that point, they stopped pumping. So the economy did the obvious thing: The New Economy collapsed. And the collapse of the New Economy has been going on, rolling on, into other areas ever since. The Enron collapse, which is really a \$100 trillion-plus notional value collapse, involving many things beyond Enron—this is not an isolated case—Enron had counter-party deals with people who had counter-party deals, with people who had counter-party deals with—. This totals up to over \$100 trillion in notional values of financial derivatives, sitting up there. You know, that’s a lot more—

**Stockwell:** Isn’t that about 25% of the entire world derivative bubble?

**LaRouche:** Yeah, sure.

**Stockwell:** One company, sitting at the top of all that?

**LaRouche:** Yeah, sure. This was the operation.

So, now, this was collapsing. Now, they’ve got a two-phase operation going on now. First of all, there’s an attempt to deal with the primary campaigns and the election campaigns of this year—the primary being for the Senatorial and other candidacies, state level, and there’s a couple of gubernatorial; and also, the upcoming Federal election for high office and governorships, in the Fall. So they’re pumping again. Those who are pumping, were talking about the “recovery”—it’s like Dracula, as I call it—promising the suckers a midnight recovery. And the suckers are buying.

**Stockwell:** Now, by pumping, obviously lowering the Federal, the overnight lending rate, is supposed to be able to make a lot of money available. It lowered the mortgage rates for houses, and then we get this big push that we’re getting this tremendous house-buying boom, showing sparks of economic turnaround, without ever mentioning whose houses were on the market, that were being sold: the people who went bankrupt. But, when you say “pumping,” where, how is that getting in? What do you mean by that?

## The Real Estate Bubble

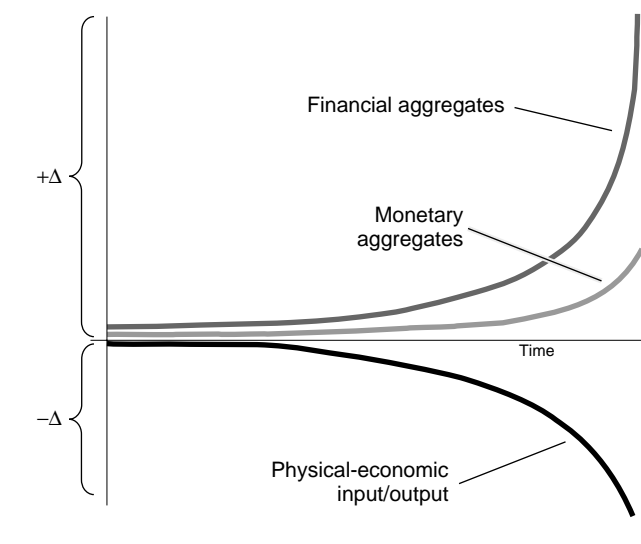
**LaRouche:** Well, first of all, the Federal Reserve System has the ability to monetize its credit, and it does that in the form of promissory notes; in effect, they’re promissory agreements, which is the promise to print Federal Reserve notes to deliver to customers.

Now, what they’re working through, largely, or have been working through largely, is through Fannie Mae, Ginnie Mae, and so forth. That’s been the basis for the bubble in real estate turnover. That is, banks which lend money, on mortgages, turn around, bundle up packages of these mortgages, whole collections of them bundled as one deal. These are then dumped with Ginnie Mae, Fannie Mae. And therefore, the bank gets the credit back, equivalent to a major portion of the mortgage bundled that it has previously just taken. It then turns around and takes the money, which has been credit given to it, for sale, or transfer of title to these bundled mortgages, and turns around, and loans more money.

Now, at the same time, the real estate dealers are out there,

FIGURE 1

## A Typical Collapse Function



who have their own notions of survival, are working to crank up the market, so that Joe Jones, who owns a house, and took out a mortgage last year, or the year before, finds out that the market value of the house has appreciated *significantly*, according to these statistics, over that period. He now goes to his bank, and rewrites his loan, up, and gets money to spend for household expenses, or probably, to pay off the pressing credit card debts, or things of that sort.

So, now you've come to a point, where a lot of people are going bankrupt: Jobs are being lost; firms are being shut down, *en masse*. Now people who are over their heads in mortgages, find the only way they can get out, is dump their house on the market, and sell it, at least to recover a lot of their debt. So, this is one of the the things that's going on. But, essentially, this thing is going largely into the financial markets directly now. And it's going in there on the basis of two things: First of all, the insiders, who are saying the recovery is on, are really saying "recovery," because that means that they have a chance to make an extra buck, by selling some paper, which is otherwise worthless. And they intend to be out of the market when the market collapses. So, the "recovery" they're talking about, is a "dead-cat bounce," done by the Federal Reserve System.

What is going to happen, is: This thing is going to collapse. Because, as I've pointed out, and these have been the figures since 1995-96, is that you have three curves operating: We've had a general decline in the real economy, that is, the *physical* economy. We've had an increase—

**Stockwell:** You mean like steel, automobiles, farm equipment, ships, stuff like that?

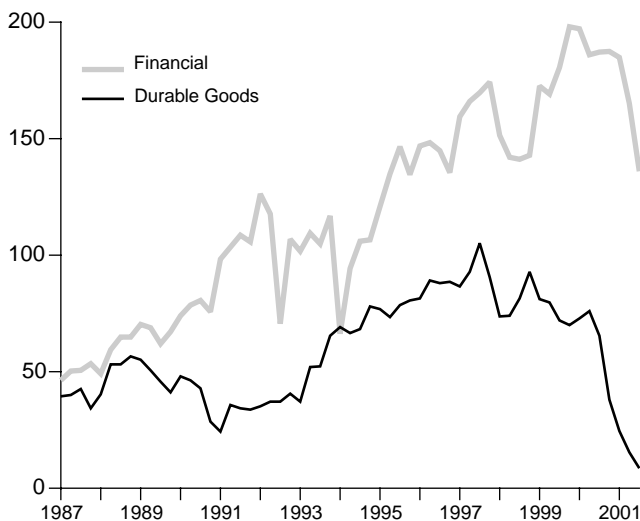
**LaRouche:** Food! Necessities, essentials.

**Stockwell:** Yeah. The things that make life of the stature

FIGURE 2

## Corporate Profits: Financial Companies v. Manufacturers Of Durable Goods

(\$ Billions By Quarter, Annualized Values)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

of the last 30 or 40 years.

**LaRouche:** Exactly. So, that's been collapsing, and you see that trend continuing in the collapse of corporations, which are not too sound, because they've gone over the edge in this direction, anyway. But, there are real corporations, like you mentioned this Geneva and LTV. These are real firms which have been turned into funny-money stores in large degree, and they're now collapsing, but they also involve real jobs, real production.

For example, you have a symptom of this change in this meeting, this interview that was held this past weekend, on TV, with, I think it was CNN—

**Stockwell:** Now, Lyn, let me interrupt you for a moment. We need a traffic report. But, we'll pick right back up with that interview. . . .

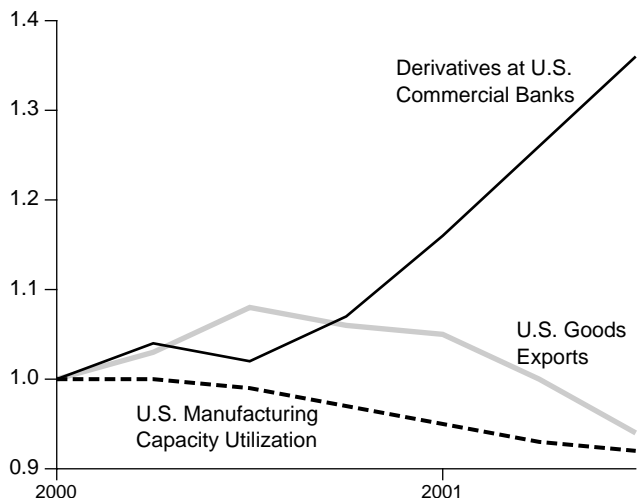
Twenty-five minutes after the hour. If you're just tuning in, Lyndon LaRouche, candidate for the Presidency 2004, is my guest. He's calling in live today, and we will be having this discussion probably for the next hour and a half. If you like what he has to say; if you don't like what he has to say, you can get some free information: the *EIR*, the *Executive Intelligence Review* magazine; you can get a free copy of it. You just call this number: 1-888-347-3258. Tell them you heard Mr. LaRouche on the Jack Stockwell show; you'd like a copy of *EIR*, to find out a little bit more about this man, and the subject and the economics he's talking about.

Now, Lyn, you were talking about this interview on CNN last week.

FIGURE 3

**Derivatives Soar, Manufacturing Falls In 2001**

(Indexed To 2001/1Q = 1.00)



Sources: FDIC, U.S. Department of Commerce, Federal Reserve.

**The Steel Tariff: A Paradigm Shift**

**LaRouche:** Yeah. Well, you had this business with Daschle, who is a “ghost” candidate for the Presidential nomination for the year 2004. He’s laying back, but you can see he’s drooling just a bit. And then you have, of course, the man from Mississippi, Trent Lott, and—

**Stockwell:** Who is calling for steel tariffs now!

**LaRouche:** Exactly! Now, what they said—

**Stockwell:** I about fell over when I read that!

**LaRouche:** It’s funny. Because they said—both of them used the same formula, but especially Daschle; he said, “Well, I’m for free trade. I’m still for free trade. But we also have to have some fair trade to save our steel industry, and a few other things.” And the talk went back and forth, and Lott was being, distinct from Daschle, naturally being on the other side of the official Congressional aisle, but nonetheless, he was saying, more or less, that he was going to go along with that. And the President was going to push it, as he has done today, eh? Announced today, or last night.

Then the question came up: Well, what about agriculture? What about some other vital industries, in addition to steel, which might need some protection? And, they quibbled a bit about that. But they indicated that the *principle* would apply, that where there was a good case for an overriding national interest in maintaining some section of our industry, there would be a tendency to: “Well, we’re still with free trade, but we’ve got to have fair trade too.”

So, there is a very significant shift, which we saw first reflected in Bush’s reactions, among his reactions, to what

happened on Sept. 11 of last year: There’s the recognition that the economy’s collapsing, and government intervention and regulation may be indispensable to save the economy. So therefore, there is a reluctant *phase-change shift* in the policy-making of both the Republican and Democratic parties, back in the direction of, shall we say it?—New Deal thinking. It’s not really genuine New Deal thinking, but it is a fair, poor imitation coming to the surface right now, in response to the fact that the U.S. economy *is* disintegrating; that the so-called recovery is something that Dracula and other suckers may be dreaming about; some people may make a little bit of money in speculation, if they don’t get *caught* with their pants down when the market drops.

But, in general, for the people, the average person, the small businessman and so forth, and for the industry and so forth, the depression is accelerating now, and the danger in the world economy is far greater than it’s ever been before.

**Stockwell:** Well, with the fact that we’re going to have national elections this coming November, and the hype of war, continuing the hype for war, with an attack on Iraq, mid-, late-Summer of this year—won’t the pumpers keep pumping it in for a while, to make sure that there is some incumbency return this Fall into Congress?

**The Middle East Cauldron**

**LaRouche:** That’s a little problem. To a certain degree, like a bubble, like a pyramid-club game, or any other bubble, panic, mass belief by the suckers, in the bubble, will cause the bubble to continue, even contrary to all reality. But then there’s a limit, in which the very expansion of the bubble brings us to a breaking point, at which the bubble can’t continue—it pops!

Now, this is also true on the military bubble: The United States has no capability, at present, with the present economy, and no prospective capability, with the present economic policies, of conducting an extended war, in many parts of this planet, over an indefinite period ahead. We do not have such a capability. We have, however, glazed-eyed ideologues, in and around Washington, D.C., especially, who are insisting, “We are going to war against Iraq; you can’t stop us; we don’t care what anybody else thinks. We’re gonna do it!”

Now, outside of Washington, D.C. and those circuits, you find, as others have reported to me, in East Podunk, and various parts of the United States—outside the nation’s capital, and outside the mass news media—you find the voice of the American is not exactly enthusiastic for anything, but their *doubts*, whether they’re Republicans or they’re Democrats—their *doubts*. They think this may not be the smartest thing to do. They don’t believe it. They think that Washington and the mass media are lying to them. They’re not taking a firm position on anything, but their doubts. They think they’re being swindled, once again.

**Stockwell:** Well, there are certainly doubts among European leaders, that they want anything to do with this.



*The collapse of the steel industry is making for some strange bedfellows, as Senate Minority Leader Trent Lott (R-Miss.) (left) and Senate Majority Leader Tom Daschle (D-S.D.) both call for “fair trade”—a significant shift away from the suicidal dogma of free-trade globalization.*

**LaRouche:** Oh, absolutely. Absolutely. But the idiots in the United States are convinced, the idiots in Washington are convinced they can *terrify*, with the aid of Mr. Blair, who’s got a face like, you know, boiled kidney-bean paste. They think that they can intimidate the Europeans into submitting into a preemptive decision by the United States and the United Kingdom to go full-steam. But there is building resistance—very strong—among Europeans and others, who are maybe not the strongest people in the world when it comes to things, but this thing is *bad*. And they are, with all their weaknesses, they know it’s bad. And they know it shouldn’t happen. And they’re resisting.

And also, the thing that is heating up the resistance, is what’s happening in Israel, Palestine, itself. Which is what I’ve pointed out, that what the Sharon government is doing to the Palestinians, in the so-called Occupied Territories, or the Palestinian Territories, is exactly what a Nazi general, Jürgen Stroop, did to the Jews of the Warsaw Ghetto, back in 1943—*exactly the same process*. And worse than that, the policy which is being conducted, under the Sharon government, against the Palestinians, is based *consciously*, on the Israeli Defense Forces’ study of the way that the Nazis dealt with the “Jewish problem” in the Warsaw Ghetto, back then.

So, this horror-show, of what is happening in Israel, under the Sharon government, with mounting resistance from among Israelis, in Israel—Europeans react to that, and they don’t trust *anything* coming from the United States, which does not do something about the Middle East situation. And they look at the attack on Iraq as simply making things worse. And so, they couple the idea of war on Iraq now, with a vision

in their eyes, of this Nazi-like operation, which the Sharon dictatorship—and it is, in fact, a military dictatorship—is doing against the Palestinians, and others.

For example, to get the idea of the Jewish resistance, the Israeli resistance to this thing, which is growing, you have to realize that from the standpoint of the Israeli Jew, who’s looking at what’s happening in his country and the adjoining Palestinian Territory: He sees that Sharon is provoking—by horrible attacks on Palestinian innocents—that he is provoking *violent reprisals* from *desperate* Palestinians, which are killing Jews.

**Stockwell:** Yeah. Just another one this morning.

**LaRouche:** Yeah, this is, this policy, when seen from Europe and elsewhere—. They say, to the degree that the United States does not appear, and the Bush Administration does *not* appear, to be at all competent, or capable, or sincere, despite

what Powell has said—people do not trust Bush on this issue. Because when he, presumably, was informed of what Sharon is doing in that Territory, he was informed that this is the same kind of operation the Nazis ran against the Warsaw Jewish Ghetto, and he says he’s expressing his sympathy and support for the democratic government of Sharon, people in Europe do not trust him.

**Stockwell:** Well, he did a complete about-face after 9-11—

**LaRouche:** Yeah, sure.

**Stockwell:** In the Middle East.

**LaRouche:** Yeah, sure. Because he was scared. And that was one of the purposes of what happened on 9-11, was to scare this government, whether they eliminated George or not. They were determined to create a panic, in which the United States would go full force into this Clash of Civilizations war. And they’ve *succeeded*, to some degree.

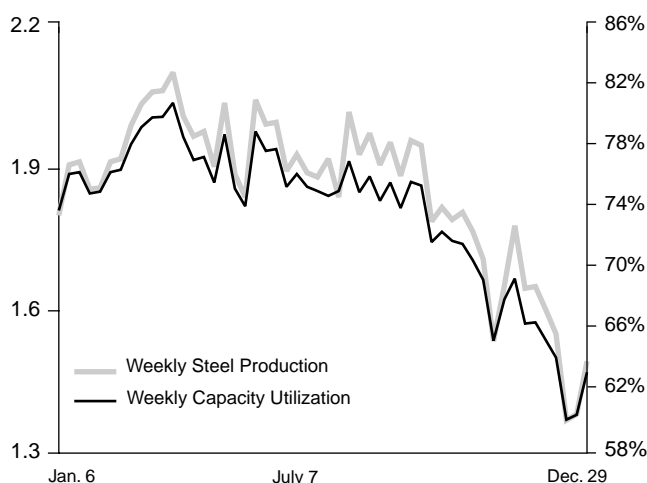
**Stockwell:** Well, they have now, inside the IDF, some reserve soldiers and officers, within the IDF—and ladies and gentlemen, here is a website that you can go to and read this for yourself—it is their sworn statement; it is in Hebrew and in English—their sworn statement that they *refuse* to occupy any lands that extend beyond the 1967 [borders]; you can go to [seruv.org](http://seruv.org), and you can read it for yourself. That the state of “Greater Israel,” that’s going on now, is in violation of several accords and peace agreements in the past. But there are Israeli soldiers *refusing* their duty. Some of them have already gone to jail, because they know what this is doing. They know what’s going on. Sharon’s popularity is dropping like a rock among his own people. Because while we sit here,



FIGURE 4

## U.S. Steel Production And Capacity Utilization Plummet Throughout 2001

(Weekly, Millions Of Net Tons)



Source: American Iron and Steel Institute.

*Left: Demolition of U.S. Steel's National Tube Plant in McKeesport, Pennsylvania, 1985. The steel industry is now going through a new ratchet downward, in its decades-long collapse.*

and hear *nothing*, hardly at all, about the Jewish atrocities against the Palestinians—all we hear about is another Palestinian self-immolation, or bombing or whatever, inside of some Jewish cafeteria in Jerusalem. And we're not hearing, or clearly, watching the other side, unless you are going out, beyond CNN, to do so, where there are a lot, as Mr. LaRouche has said, of innocents on the other side, being destroyed and killed.

People will say, people are saying, "Well, all the Israelis have are 'military targets' among the Palestinians." Well, the tanks moving into Bethlehem, the tanks that are moving outside of the decisions of 1967, into the state of "Greater Israel" stuff, is nothing but a provocation for *more* attacks, so that the right powderkeg, at the right time, will finally explode. And your sons, as well as mine, are going to be moving into the Mediterranean, for a war that could take 100 years to bring to an end.

This is what I was talking about before, ladies and gentlemen, a week or so ago, about how a religious war is different than a territorial war. I mean, it's one thing for Hitler to move his troops into the Sudetenland, and say, "Well, this was ours anyway. And, well, the border's here, and we're gonna bring our surveyors out, and we're gonna draw a line here, or we're

gonna follow this river, or we'll split this mountain ridge in half"—that's one thing. But, when you have a religious war, where you have the Attorney General of the United States coming out saying, "Well, you know God sent his Son to die for us, but the Muslims send their sons to—," however he said that, "to kill us," or something like that.

And then you have this right-wing, conservative religious, fundamentalist barking-dog movement in this country, that *anything* that Israel does is God-ordained, and God-blessed. And then, on the other side, where we've been bombing Iraq for 11-12 years now, where a whole new generation, the new generation coming up in the last 11 years, they're already halfway through their generational development—knows nothing but American atrocity, imperialism, and hegemony. And then you've got that same spirit *breeding* throughout the entire Islamic world; and then, on the eastern end of the Islamic world, you have the Hindus and the Islamic people coming against each other in India, again, another attempt to *stop* any kind of development in that area.

So that you've got the fires of a religious conflagration blowing here, that will go *way beyond* any kind of territorial dispute, where one generation will *feed* into the next generation, and you'll have nothing but years, decades of blood



*Nazi Maj. Gen. Jürgen Stroop (third from left), who ran the extermination of the Jewish resistance in the Warsaw Ghetto in 1943. Today, Israeli Prime Minister Sharon and the Israeli Defense Forces are doing the same thing to the Palestinians—explicitly on the Stroop model.*

flowing in that part of the world. And you know, I get up every morning wanting, hoping I'm going to find something in the news, that tells me that that cataclysmic, dismal view that's sitting in front of my eyes every day, is just a continuation of a bad dream from the night before. But, it just seems more real all the time, when they could—. Now they even have cross-hairs on Arafat. You think we have problems now—you wait'll they bring down Arafat.

What do you feel about that, Lyn?

### **The End of the Dracula Recovery**

**LaRouche:** Well, we have a chance of stopping that. First of all, the economy defines a chance. This economy, despite this Dracula-like promise of recovery—it's going down. Because the hyperinflationary tendency, is stronger than the pumping.

**Stockwell:** That's the key, isn't it? The hyperinflationary dynamic. It's like the kid with his finger, just trying to hold back all the forces of the dam with his finger in a hole here. That dynamic of hyperinflationary processes is going to overwhelm this latest round of pumping.

**LaRouche:** That's the policy since August-September of 1998. At that point, as of what happened in September and October, that year, with the change in policy. The recognition was, in leading circles in Washington and elsewhere, that the pumping policy of the New Economy, pumping policy of the previous period, was going into a hyperinflationary-deflationary phase. They could no longer continue it. Since that time, as you watch the pumping process, you find the pumping process is influenced chiefly, by the attempt to buy time, on a

relatively short-term basis, and also, to manipulate the situation, especially the U.S. situation, politically.

For example, as I've cited, 1999; they did it in 1998 also, but in 1999, they did this major pumping process for the purposes of the primary campaigns. They went with another pumping process during the Summer and into the Fall, for the purpose of the Fall election campaign, general election campaign. They've done it again right now, another case of pumping. But they're terrified, because even Alan Greenspan's advisers know: They can not keep doing this. And the bubble that he's trying to talk up now, with this false, lying talk about a recovery, is simply a temporary phenomenon, which is already showing signs, as of today's markets, in Japan and Europe, is showing signs of going through its lawful collapse process, because they can only go so far, with the pumping, without actually setting off a self-feeding hyperinflation, of the type they can't control.

**Stockwell:** All right, let's get another traffic update. . . .

Talking about the economics—you know, I keep seeing, I watch the market every morning, reports around the world, the Nikkei, what London is doing, the gold—I remember back before the Asian crisis, that they were talking about how 16,000 on the Nikkei was the absolute, you know, anything below 16,000, and we're in trouble. Of course, now, it's down to 10[,000]. And, any day now, with this long-standing policy of Western pressure on the Japanese banking system to issue their 0% loans, so they can keep putting money into the American market—the Japanese hold a great amount of notes on the American banks—I think 35% was the number I heard at one time: that should the yen finally hit some serious devalua-

tion problems, or a crash, the first they're going to be doing, is coming after the dollar.

But, even this morning, I'm watching what the markets are doing, and they keep hovering around 10,000. The Dow drops towards 9[,000]; all of a sudden, it starts marching back up to 10; drops down towards 9. Changes in the SEC regulations; changes in the way the Fed is responding to this; the creation of the Plunge Protection Team to keep putting money in there every time it starts to plunge. You know, every time a new hemorrhage in the body starts to show up somewhere, we start pumping in this false blood, almost, to try to keep the body alive, until, all of a sudden, there won't be any real blood in the body at all. What is it that keeps sustaining the stock market as it is now, Lyn?

### Back to a Production-Oriented Economy

**LaRouche:** Simply, it's hysteria and politics. Look, what's at stake here of course, is, we are dominated, and have been increasingly, especially over the past 35 years, we've been dominated by a policy which is contrary to what we came out of the Depression with, and what we went through the first period, the first decade or so of post-war reconstruction in Europe and the Americas, and Japan. So, we went to a policy, where we have been shifted from a producer-oriented society, to a consumer-oriented society. Now, under these rules, people operate on the basis of gambling-hall economics: Am I making money at the table? Am I getting a good meal after I take my winnings from the table? Am I getting a little fun to go with my meal?

And no longer do people look forward to long-term achievement, as productive members of society—I mean, it's not considered such a big deal now to be a successful farmer; there are very few left around of the independent family farms, real family farms; industry, small industry, that is, the real entrepreneurs, have almost been wiped out, since the Volcker measures of 1979; systematically, they've been wiped out. These were the gut of our national productivity. We're *not* the big corporations. The big corporation is not, really, a technological risk-taker; technological risk is a medium- to long-term matter. The only people who took the medium-term to long-term risks, were the independent, technology-oriented entrepreneurs, who would, on the basis of their confidence in the validity of a design, or a product, or a conception, would push ahead with that, and take a great deal of risk and carry it on their back, together with a few trusted friends, until it did become successful.

In the large corporations, to the extent they succeeded, as during, what happened during World War II, succeeded on the back of basic economic infrastructure development, largely by state and local governments, or state and national governments, and on the back of the entrepreneur, who began to rebuild the farms, who began to rebuild the industries. And the large corporation *depended* upon the technology they mustered from these entrepreneurs, because the big corporate

management, especially after World War II, became less and less technology-oriented, and became more and more market/stockholder-oriented, and consumer-oriented, so everything is short term. And that's our problem.

So, therefore, in that state of affairs, you have something that happens now, that could not happen 35 or 40 years ago. You could not have fooled the American people, into accepting the ideas of consumer value, as being reality, and ignoring producer values. The guy then would say, "What happened to my industry in this community? What happened to this shop, that Joe was running, this business over here? He employed 40 to 50 people. They were producing a good product. What happened to them? What happened to the farmer out there who was running a good animal-breeding program, as well as a crop improvement program? What happened to him? What happened to the infrastructure? What happened to the rail system? What happened to our power systems? What happened to the things that we used to think were important achievements, on which our ability, for example, to win World War II depended?"

And, it's a difference in value. The present generation has been so conditioned, since the middle of the 1960s, to an increasing emphasis on so-called consumer values, consumer-oriented values, and has lost its sense of producer-oriented society, or production-oriented society. You saw this

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thing shifting, in a significant way, with what we mentioned earlier: this case of this Daschle television interview together with Trent Lott, on television this past weekend, where they say: "We're still for free trade." That's consumer-oriented society. "But, we must also have fair trade," which is producer-oriented society.

Now, as this emphasis on producer-oriented society increases, you will have a shift in values—as the financial system collapses, and collapses on the economy, a further shift in values—the question is: Can we find the leadership, in the nation, to reassert a national consensus based on a production-oriented, producer-oriented society?

**Stockwell:** Well, why don't, in the few minutes we have left in the first hour—and I'm going to be having traffic on here again in about a minute—in the time now to the top of the hour, why don't we talk about that transition, how that would occur. In other words, if you were walking into the White House today, what kind of policies would you begin to implement to turn us back around from consumer to producer? What kind of incentives would there be for the American industrial force to get back to work, and jump on the bandwagon, without taxing everybody to death? Because every time we talk about moving in that direction, out here in the Marlboro Man-land, people immediately assume, that any time someone from back East begins to talk about "the government needs to do this," or "the government needs to do that," that the only way they can possibly do it, is by tax dollars, by further taxing people's incomes, which is counterproductive, anyway.

But, there's another way, and that's what I've been trying to talk about for several years now. And that's kind of a national banking, in the tradition of the American intellectual system of the past. If you were walking into the White House today, what would you start to implement? Policies, changes, what would you get Congress to do or get the American people to put people into Congress, who *would do* these things? That's what I want to finish the hour with. . . . If you were moving into the White House, how would you change this?

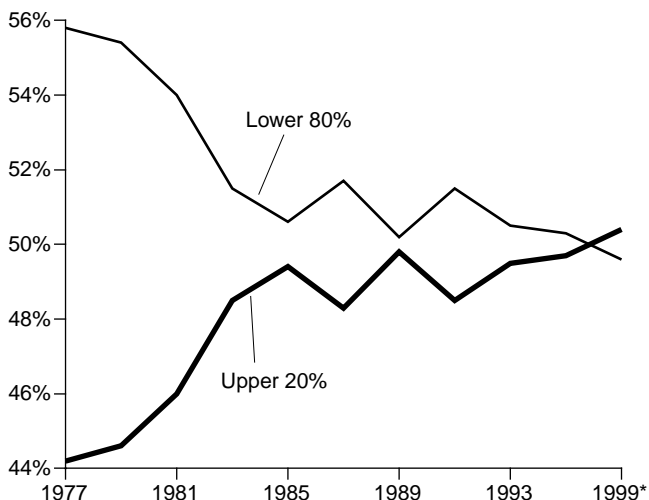
## What the President Must Do

**LaRouche:** I would do essentially what Franklin Roosevelt did first. You've got to tell the American people, "Look, we've been making some mistakes, we've got to correct these policies, I need your support for these corrections of policies, to help me get the Congress to do these things that have to be done." We are now a bankrupt nation. Most Americans know it; they feel it; they experience it. And they think in terms of producer values, and they think about, can they afford to raise a family, in which there are some kind of family relations at home, not latchkey children; where they're not working two or three jobs, with no time, no family time; commuting immense distances to jobs which are moved away from where they live, maybe two jobs at different places. That sort of thing. We're destroying our people.

FIGURE 5

## America's Richest 20% Now Make More than the Other 80%

(percent)



\*Projected

Sources: Congressional Budget Office; EIR.

You look at the standard of living of the American, at the lower 80% of family-income brackets, which represented a 70% or more, of the total national income, until Carter became President. And since Carter became President, it's dropped down to what? Forty percent or so of total national income. These are fake figures even. It is reflected, however, even in the conditions of life of our people. Now, people have to make a connection, which is what the President must tell them, as a leader of the people. He must tell them: "You have been making a mistake. You have accepted values which you thought were right to choose, but you have been destroying yourself by consenting to these changes in values. You used to believe in work. You used to believe in basic economic infrastructure. You used to believe in more power plants, more modern, more efficient. You used to believe in water management, to turn the desert into a prosperous area. You used to believe in technological progress. You used to believe in education, which would provide your young people that kind of skill for a future society. You gave up that belief. You were wrong.

"If you want to survive now—and we can survive—you've got to take some drastic measures, which can only be taken through the agency of the Presidency, with the support, which the President can have under our Constitution, from the people, from the states, and from the Congress. And we need that. What we have to do, is put this bankrupt system through bankruptcy. It is bankrupt, so let's be honest with

FIGURE 6

# Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



*The United States can not completely solve its economic problems, except by cooperating with other countries. The Eurasian Land-Bridge presents a tremendous opportunity for development—including markets for U.S. capital goods—in the interests of all mankind.*

ourselves. The present U.S. financial system is hopelessly bankrupt.

“Now, we’re not going to shut down the banks. We need the banks as instruments for getting credit out, and for handling people’s deposits and savings. But we are going to put this thing through bankruptcy reorganization, as we have had to do in the past. And on the basis of cleaning up our act, and wiping the gambling debts of everybody off the books—gambling debts are not real credit, they’re not real assets. Let’s wipe the gambling debts, including the stock market gambling debts and so forth, from the books. Let’s get back to reality. Let’s expand production. Let’s expand useful employment.

“Now, we can do some things *inside* the United States with our own resources. We can not completely solve the problem, except by cooperating with other countries. There exist, potentially, in Eurasia in particular, as well as in Central and South America, tremendous potential development of raw materials, which means that these people could improve their standard of living. They need our cooperation. We’ve got to turn the United States around, from being a kind of

economy which lives on importing cheap products from other parts of the world, while shutting down our own industries, to rebuilding our industries, our educational centers, our science-driver programs, to become a part of those sectors of the world which produce high technology for the people in Asia, in Central and South America, and also in Africa, who *need* that technology from us, from Japan, from Korea, from Western Europe. And we must do that.

“What we’re going to have to do, is create a new mechanism of credit, of long-term credit, and regulation, under which we can get loans out for worthy purposes, at between 1 to 2%, on long term, both for foreign trade, and also for domestic investment in production. We must increase, and build up the industries and agriculture, and infrastructure *inside the United States*. We have to *upgrade* the employment of our people, from make-work, and useless employment, into productive employment in increasingly high-technology areas. Because it is in the *export* of advanced technologies from us, from Western Europe, from Japan, Korea, especially, into the parts of the world that *need* that technology, to raise *their* standard of living—that is the future of the U.S. econ-

omy. The 25-year to 50-year future of the U.S. economy.”

**Stockwell:** Okay, we’ve got to go to the news. I want to get specific about how you would do that, because there some things that Roosevelt did that were good; there were some things he did, that weren’t so good. And so, let’s try to be—I want to be a little bit more specific about what we’re going to do, right after we get back. . . .

[commercial break]

**Stockwell:** My guest is Lyndon LaRouche, Jr., candidate for the Presidency of the United States in 2004, and I must admit, one of the most brilliant minds I have ever had the pleasure to listen to, who has a way of cutting right through the *crap*, and the confusion, and the games, and getting right to the issues, especially, in a historical setting, where we have seen in the past what has worked, and what hasn’t worked. So, we will continue that conversation with Mr. LaRouche.

Lyn, I have you back.

**LaRouche:** Yep.

**Stockwell:** And I have some people who would like to speak to you, and who have some really good questions. We’ll get to them here shortly. But again, in the way of Roosevelt, because of the heavy right-wing influence out here in the West, any time the name Roosevelt is mentioned, it’s immediately assumed that the man is a communist; he was the only communist President we had. That’s what I’ve heard a lot of times. He gave away Eastern Europe to the Russians. He instituted all of the welfare kind of plans that we have, that have ruined the productive backbone of America, and all this kind of—well, that’s how people feel. And so, what you meant now—despite the fact that what Roosevelt did to put people back to work, without tax dollars, but through government credits—if we could highlight that for a few moments, and explain—.

Because the first thing you said, when I said, “What would you do if you were the President?” And you immediately said, “Well, I’d go into a Roosevelt-kind of program.” Be specific about what you mean by that.

## The Disaster of the 20th Century

**LaRouche:** Well, first of all, if you look at the history of the United States, we had the assassination of President McKinley by admirers of Teddy Roosevelt in 1901. That assassination brought Teddy Roosevelt into the Presidency. Roosevelt ruined the United States—that Roosevelt, Teddy—he changed the character of the United States, from what it had been in the best part of the 19th Century. And he then took his successor and ran an operation against his successor, William Howard Taft, to bring the Ku Klux Klan fanatic, Woodrow Wilson, into the Presidency.

Woodrow Wilson, with the backing of Roosevelt, pushed through the Federal Reserve Act, which had been started under Roosevelt, through the British government, through Jacob Schiff, who was an agent of the British monarch at that time, King Edward VII, and put into place the Federal tax code,

which was set up under Wilson, as a guarantee for payments in support of the Federal Reserve System. What this guy, Wilson, did, with Teddy Roosevelt’s backing, was to turn the country over to the money-changers, and turn the power in the country away from the people, and productive industries, into the financial sharks of Wall Street and London.

This policy of Woodrow Wilson, who was a no-goodnik, in my view—a Democrat, but many Democrats were no-goodniks in the past—we may get a couple in the present—I think Carter qualifies for that title; I think that Joe Lieberman would qualify for that title, and certainly Al Gore.

But we’ve had some good Democrats also, and we’ve had some good Republicans. McKinley was a fairly good Republican.

And so this country was ruined. Coolidge continued that, Harding was a question mark; he had some independence as a Republican, he was a Republican from Ohio, which is a little bit better than a New York Republican. But he had the Conkling and similar crowds of Republicans from the New York banking community on his back. So he was a question, a questionable President, with many good intentions, but he had an encumbrance on his back.

Then, he [McKinley] was assassinated. That brought into power a real no-goodnik, Calvin Coolidge. And Coolidge, together with Mellon, Andrew Mellon, Secretary of the Treasury, Federal Reserve Controller, ruined the United States in both its character and its economy, over a period from the assassination of McKinley, until 1932. The economy was broken by these people.

## How FDR Saved the Nation

Roosevelt, who was a great-grandson of a New York banker, Isaac Roosevelt—

**Stockwell:** Now, you’re talking about Franklin Roosevelt—

**LaRouche:** Yeah, Franklin Roosevelt—his ancestor, Isaac Roosevelt, was a banker who collaborated, to defend the United States, against traitors such as Aaron Burr, in collaboration with Alexander Hamilton. Now, Franklin Roosevelt, unlike some other sides of his family, was a patriot by tradition. And in recovering from poliomyelitis—it’s a real struggle on his part—he renewed his studies, which he had announced his policy in his graduating paper from Harvard University; he continued his studies of American history, and went into 1932-1933 as Governor of New York and then President, with this knowledge behind him. He knew he had to overturn a large part of what had happened to the United States between 1901 and 1932. So that’s where he started from. What he did, is first of all, he restored, he put in, a gold-reserve system to replace the gold-standard system which had bankrupted the United States. He took measures of national reorganization, in banking, to put banks in reorganization, but to keep them running. He reorganized the credit of the United States by creating protected markets, such as he did with the



*President Franklin D. Roosevelt, in March 1933, signs legislation empowering him to reform the nation's banking system—his first important act as chief executive.*

Tennessee Valley Authority, such as he did with many of the RFC [Reconstruction Finance Corporation] operations, which were private credit—it was rotated in a more efficient way, to build up the economy.

As a matter of fact, when Germany was being rebuilt as an economy in the post-war period, the RFC policy of Franklin Roosevelt was what was used, together with the German bankers, such as Hermann Abs of then Deutsche Bank, was used to create the Kreditanstalt für Wiederaufbau, which was the most successful program of using private funds, under government protection, to make an economy grow. Now Roosevelt *did* that. He also launched large infrastructure programs, to maintain the level of employment. Also to build up for World War II, which he knew was coming, from 1936 on.

In his Presidential campaign of 1936, this reverberates. He knew, that what the bankers in New York and London had done, in putting Hitler into power, and allowing Hitler's power to be consolidated in Germany, guaranteed World War II. He knew it in 1936, and he began to prepare the economy for that. As a result of his recovery program, from 1933 to 1940, before going into the war in 1941, Roosevelt had built up a baseline, and a plan of reconstruction, to enable the United States to carry, and win, World War II.

At the point of Roosevelt's death, the United States emerged for the first time in its history, as the dominant nation on this planet, over everybody else. Roosevelt had plans for reconstruction of the entire world, which would have worked. We should have had them. Unfortunately, he died prematurely. As a result of that, his successor, Truman, who was

not exactly to my taste, shall we say, made terrible mistakes under the influence of the Federal Reserve crowd. And so, he did not carry out the full program of reconstruction Roosevelt intended, but we carried out part of it. Part of it was the post-war Bretton Woods system, which had been designed largely by Roosevelt—not by Keynes—and that system served us, the Americas in general, Japan, and Western Europe, very well, during the period up until about 1964. So the Roosevelt legacy lies *there*, not in the propaganda, the right-wing propaganda, which was started against Roosevelt in 1944. I was there, I remember this—the 1940s. And people say things about Roosevelt today, which to me, which I, as a person who lived through that period, was active in that period, *know never happened. Simply not true.* So many of the bogeymen we have about Roosevelt are false.

Roosevelt, however, was a politician. And politicians, like all of those you have today—he was better than most of them—but all of those you have today, make compromises. They say, “Go along to get along.” They say, “We had to cut this-here deal.” Roosevelt made deals. He cut deals. Like all politicians have. Name me one in the post-war period who did not cut deals. At the highest level or any other level. The legitimate gripes against Franklin Roosevelt are few, but in terms of his administration of the U.S. economy, all the gripes I know of, that have any merit, were that he, like every politician since in power, cut deals. One of the reasons I'm not too popular, is I don't believe in making policy by cutting deals, because I know that when you make a bad policy, the world's going to have to live with it.



*President John F. Kennedy (left) with German Chancellor Konrad Adenauer, April 1961. Kennedy supported a capital improvements tax incentive, in order to encourage the flow of capital into areas where the private sector is doing what is good for the nation as a whole.*

**Stockwell:** All right, let me get another traffic update here, a brief comment about the difference between a gold standard and a gold-reserve standard, and then I want to get some callers on the air with you. . . .

Now, you said, Lyn, you said the gold standard bankrupted us, he [FDR] moved us into a gold-reserve standard. What's the difference?

### **Abraham Lincoln's Greenback Policy**

**LaRouche:** Well, the gold standard was based on the British control of most of the monetary gold in the world. And the British, by manipulating the market in gold, would manipulate the value of currencies in the world. For example, when the United States made the mistake of repealing, reversing the greenback policy of Abraham Lincoln, the result was, the United States was bankrupted by the British, over the course of the 1870s, because the United States—including the New York bankers, who were in on it—began to manipulate the price of the dollar, and collapse the value of the dollar on the world market. The great depression that we had in 1877 into the 1880s, and the later crises of the 1890s, crises of the immediate turn-of-the-century period, and the crises of the 1920s, the financial crises, the deep depression of 1932, were directly the result of the imposition of the British gold standard and the manipulation of the world market in currencies, selectively, by runs organized around the gold standard.

Now, the gold-reserve standard was introduced by Roose-

velt initially on his coming into the Presidency, by calling in gold, in order to establish the U.S. control over gold, domestically. Then in the post-war system, this was continued, in which a gold-reserve standard was set up, which meant that the world currencies would be now valued on the basis of settling their balance-of-payments accounts, the unpaid balance of payments, by transfer of title to monetary gold at a fixed price. That was, the gold was at a fixed price, not a manipulable price.

So this was, essentially—meant that the power of the United States was greatly increased. How? Because we were then the chief exporting, producing nation of the world: in agriculture, in manufacturing, and so forth. We were the big exporters. Thus, our balance of payments could be sustained, because we could promise to meet our trade obligations to foreign countries by either paying them with commodities which they bought, or, if there was a balance, we would cover the balance by transfer-

ring title at the end of the year to monetary gold at the fixed Bretton Woods rate. This created world stability, and enabled us to do one thing that is essential to growth: The essential thing, is to get the basic interest rate of lending, down to between 1 and 2%. That's generally the government rate, the prime rate, down to 1-2%. At 1-2% simple interest, you can sustain long-term credit. If you have higher rates of interest, or if you compound interest, you can not sustain long-term trade.

So therefore, if we make our loans—and we're going to have to make a lot of them—to foreign countries at 1-2% prime simple interest rates, on large projects, for example, 15-year investments, 25-year projects, if we make it at 1-2%, it'll work. *If* we make it at higher rates, and if we make it at compound interest rates, and if we allow fluctuation in values of currencies—

**Stockwell:** Like we have now—

**LaRouche:** That's exactly what's killed us.

**Stockwell:** Yes.

**LaRouche:** So, if we're going to have a recovery, what we have to do is take a model of, say, 25 years—or actually 50 years, but 25 years minimum, which is about the equivalent of one generation—so think about investing in the next generation: What kind of a generation are you going to produce? What are their productive capabilities going to be? What are the opportunities you're going to have for them ready, when they graduate from university? That sort of thing. And that's what you base it on.

You have to take a long-term commitment, you have to

strike agreements with other nations to share in that, and we have now the position we could pull that off, again. And then you have to get the world going. You have to set up a protectionist system; it's a fair-trade system as Daschle has said, not a free-trade system—and don't worry about free-trade systems, it's free-swindle systems, not free-trade systems—but a fair-trade system, and set up durable rates, fixed interest rates, long-term, stable employment, not runaway investment, but stable investment, and maintain *a net improvement in the standard of living, the physical standard of living, and necessary services of the typical household and community*. If you can do that, nobody's going to complain about taxes.

It's when the taxes come in to rob them or, some people squawk about taxes because it prevents the thieves from making a lot of money—

For example, give you an example of thieves. Now, Jack Kemp was a fellow I knew, back in the early 1980s. I visited with him in Congress a number of times, and we talked about his idea of incentives. And I explained to him, there are good incentives and there are bad incentives. But poor Jack Kemp got involved with advisers like his friend Jude Wanniski, got involved with this thing that became Kemp-Roth legislation. What this did was lower the financial capital-gains tax rate: at the same time Garn-St Germain passed the same year, enabled bankers and others to swindle and loot savings and loan associations, and other things. It's the beginning of the derivatives system, that kind of nonsense.

So this thievery, over which some people drooled and gloated, because they could make something for nothing—not by producing, but by swindling, by manipulation. Now the capital-gains tax was necessary to prevent that, and it will be necessary now.

However, remember what Kennedy did, and Roosevelt had a similar program, but Kennedy was trying to get the thing going again—on good advice—was a capital improvements benefit. That is a tax exemption, which was a tax incentive, that firms, farmers, industrialists, others, who invested in capital, in productive capital, in improvements, could get a tax reduction on the basis of that capital investment. So that people who saved money from production, or invested in production, capital goods, would get a *tax benefit* from that because the idea was to encourage the flow of capital into areas where the private sector is doing what is good for the economy, and to let the tax burden fall on the higher income-brackets, which are not doing anything for the economy. So let those who are the free-loaders, the people who are investing for speculative profit, not for good, let them carry the load, while the rest of us, who do the work, pay a lower tax rate.

That's the difference, and that's where some of the objections come, is come from this kind of folly. And people have to learn that many popular opinions are mistaken opinions. If popular opinions were not mistaken opinions, we wouldn't have the problems we have! We have problems because peo-

ple accept mistaken opinion as truth, and then act upon them. And that's how we get into problems.

## Is the Bush Administration Listening?

**Stockwell:** All right, it's halfway through the second hour. Those of you who've been holding, if you're still there, I commend you for your faithfulness. Walt—

**Q:** Good morning, Jackson and Lyndon. Thanks for being on the air, Lyndon. I'm wondering if you are able to verify if the Bush Administration has been listening to you from the past up to the near present.

**LaRouche:** Of course they listen to me. Everyone—I don't know about Bush himself. Bush is a man of certain characteristics, shall we say. But I can assure you that they pay a lot of attention to me. As a matter of fact, they send people from around the world, to various places, to argue against me, I guess is what I'm saying. So I know they're listening. I can tell you from people in Italy, tell you from people in India, from people in various parts of Europe, high-level military circles in NATO, and so forth and so on, they're listening to me. Sometimes, they agree; sometimes they don't. And sometimes they make it very clear, they don't agree, because they send mouthpieces, including official ones, to various parts of the world to argue against me.

**Q:** Okay, given that in mind, if the Bush Administration offered you a guaranteed, full-term position as U.S. Secretary of State, would you accept it?

**LaRouche:** Well, that would be a difficult thing, because what you're making is a big supposition. That means that Bush is going to buy me as Secretary of State. Which means he's going to make a fundamental change in policy, and rely upon on me, rather than some of the advisers. In that case, as a citizen, I would be morally compelled to act in the interests of the *institution* of the Presidency of the United States, a Constitutional institution, and if the President of the United States said they wanted *me* to guide the nation through a period of immediate crisis, the period now, I would have to take that suggestion seriously. I'd have to look at what's in the package first. But if the package were an honest one, as simply as your question implies, then would I have to take the whole thing very seriously.

**Q:** Okay, thank you much.

**Stockwell:** All right, thanks a lot Walt. I also have Sam—Sam up in the north, you're on the Stockwell show.

## Fusion Power and Rebuilding Infrastructure

**Q:** Yeah, I'm impressed with Lyndon's knowledge of history and economics. And I know he also knows a lot about fusion and physics and things like that. I used to read a magazine called *Fusion* magazine, and I think Lyndon was involved in that in some way. And I just heard a thing on the news at the top of the hour about fusion power, and I'm just wondering how he felt about fusion, and how it could fit in to rebuilding the infrastructure.



*Jack Stockwell talks with Lyndon LaRouche at the Presidents' Day weekend conference of the Schiller Institute, in Reston, Virginia.*

**Stockwell:** Good question.

**LaRouche:** Well, what was heard, which I just heard on this broadcast, on the news section here today, was not fusion, actually. It is a form of luminescence: This has been studied, this is not new, this has been studied for well over a decade, these phenomena, in water. The problem here is the fact that the kind of physics which has been generally taught, or accepted, in most departments of physics, teaches that this kind of luminescence should not occur.

Well, the point is, it *should* occur. And does. There's no question—those experiments are valid, in the sense they do produce the phenomenon. And the phenomenon has been repeated, and is rather faithful to honest repetition.

The question of whether this is truly fusion or not, is another question. And this goes into the Coulomb force question, which is the bugaboo, which has been sitting on the back of science, ever since fusion energy, or controlled fusion reactions, were discussed: The argument was that, because of a so-called Coulomb Law, of attraction/repulsion, that because of that, this would operate on the microphysical level, and therefore would present Coulomb forces of such strength, that could you never effect fusion in a controlled way. And this thing also applies to this question of luminiscence.

When you get into effects which are generated on the microphysical level, according to the discoveries and experimental demonstration, made *in the 1850s*, by a scientist who was a collaborator of Gauss and Riemann and so forth, Wilhelm Weber, that scientific experiment demonstrated im-

plicitly, that when you get to the level of the electron orbit, at that point, the Coulomb force seems to be reversed. So, if you take into account that kind of physics, as opposed to what is sometimes the ordinary classroom physics, then this luminescence thing does not pose any problem of comprehension. It simply is a physical fact.

Whether this pertains *directly* to controlled thermonuclear fusion, is questionable. Does the principle involved, apply to studies of nuclear fusion? Absolutely, it does. But the connection is rather remote, it's not a direct connection. It simply means that, it's another demonstration that the physics of Wilhelm Weber is valid, and the physics of the Coulomb tradition, which is the opponents of Fresnel, the opponents of Ampère and so forth, that the physics of Coulomb and Poisson, is false. And the physics of Ampère, Fresnel, Gauss, Weber, is correct. And that's what is demonstrated. It does have a relevance to the fusion question, but it's not a simple and direct one.

**Stockwell:** Okay, Sam.

**Q:** I was just wondering about the possibility of fusion-generated energy, and—

**Stockwell:** As to whether or not they actually will develop it in a source that we can tap and light our homes with?

**Q:** Right.

**LaRouche:** Oh, I think there's no question. The question is, we are several steps away from that, because we have not done the kind of experimental work which I've been campaigning for, for, now, 25 years, over 25 years. We have not

done some of that crucial experimental work which must be done, to devise the means by which we can have an actually controlled thermonuclear reaction, as a *continuing* controlled thermonuclear reaction, as a commercial process. That, we have not done yet. If we do the work, there's no question we can achieve it. Can we take it off the drawing boards tomorrow and do it? I doubt it. I think we have to go through, maybe another 10 years, or 15 years, of serious experimental work, before we get there.

**Stockwell:** All right. Thanks a lot Sam, I've got Roy holding on here, Roy has a question. Roy, you're on the Stockwell show.

### The Tyranny of 'Popular Opinion'

**Q:** Mr. LaRouche, would you comment on the blindness of the people? You know, Jack, he says you're not real popular, and he says that in the views of the West—I don't really know who he's meaning when he says that, if that's just Utah, or U.S.—

**Stockwell:** Oh, I'm talking about Nevada over through Colorado, and Montana down to Arizona—that basic intermountain area.

**Q:** Really. I see. Well, I've listened to you, Lyndon, for a couple of years now, and through Jack's program, and I've read a lot of your literature. Recently, I've got this *Road to Recovery* book, and I got into it just a few pages, and I was convinced. I never had a problem with any of your views, anyway, but—. It's a great work, this book is, and the further I got into it, and the more I read, it all makes perfect sense, with your ideas. Anyway, I think it's good stuff.

But, I don't understand—it's like the news hour came up. This lady, her husband was killed, apparently. And she's saying, and she's all proud that he died for our freedom, and all of this, and I just think, that's an insane way of thinking. My God, our freedom isn't threatened by these people over there! It's threatened right here on our home soil. And the people don't even see it. They don't even know it. They don't even understand it. So, what's blinded the people to do all this? Like you say, we've destroyed our families, our homes, our—. Yeah, you look at the American family like you commented earlier, you just want to talk about it for a minute?

**Stockwell:** Well, I guess the question is, what's happened to the American mind-set that they can't see, that they're not doing anything about this? Is that it?

**Q:** Yeah, how have they fooled the people?

**LaRouche:** Very simply, yes. You go back—sometimes you can understand the present better if you look to an historical precedent, which you can look at, say, with greater objectivity, sometimes, than things that are close up to you, like the neighbors.

But the problem, take the case of the Roman Empire. And think about the United States today, and its people, in terms of the people of the city of Rome, during the Roman Empire

period. From Augustus, through Nero, and so forth. What happened then? In those days, the member of the society of Rome was called a citizen, if he was not a slave. He was a citizen. And he would be treated as if he were a citizen, whose opinion meant something. But he would march, then, into a stadium, an arena, like the Coliseum, or the Circus Maximus, and he would sit there and cheer to see gladiators kill each other, or to see Christians eating lions, or things of that sort. Now, this was called "popular opinion."

The problem with the American is, that we used to be a nation, at our best, in which people took responsibility for their opinions. They didn't think of themselves as slaves, as underlings. They thought of themselves as citizens, who had to take personal responsibility, for contributing to shaping, and determining, the policies of our nation. The idea is, we were not a democracy in the sense that we just simply took the average opinion, and accepted that as law. We rejected that. Because we know what that means—that's corruption. It meant that every citizen has to be taken into *account* for what they think, and what they can say, in the process of determining the policy of our nation.

Now, that change occurred, especially in a couple of phases, where our people became frightened. And they retreated over various periods—that's from 1901 to 1932—they retreated into being fools, into being fools who believe in popular opinion. They didn't *think* for themselves; they tried to think in terms of what are neighbors thinking? What are the majority thinking, what does the news media say? And what do top officials say? And they would try to *follow*, like a slave follows a slave master, they would follow the opinion which is created for them, which is called popular opinion.

Today, as in ancient Rome, most of the opinion of Americans is not made in their minds, not by reason; it's made in watching football games, other bodily contact sports, rock concerts, mass entertainment. And if you look at the mass news media, you find the mass news media plays the same recipes that you see in mass entertainment, mass popular entertainment. The problem with the American people is, they treat themselves as underlings, who think that there are people up there, "the Establishment, who are very powerful; and if we want to win, we've got to get the Establishment on our side." Therefore, popular opinion dominates the mind of our citizens. And it takes a great shock, to get citizens to realize, well, they can not rely on popular opinion, they have to start thinking for themselves.

**Q:** Yes, that's very, very sad. And you know, I'm like 42, 43, and I just simply don't understand that. I have never thought that way, and I am not fooled, and I was never afraid of any of it.

**LaRouche:** That's good.

**Q:** I never went with no popular opinion, or any of that. And I guess it boils right down to a few things: It's simply





*Popular opinion in America today is dictated by the mass entertainment media—and the mass news media, which amounts to the same thing. “It takes a great shock,” says LaRouche, “to get citizens to realize, well, they can not rely on popular opinion, they have to start thinking for themselves.”*

that, if someone has been given eyes to see, and ears to hear, I guess.

**Stockwell:** Well, it’s our job to give them better sight and better hearing, Roy.

**Q:** Yeah, it seems like there’s four or five of us, Jack, out of the whole—

**LaRouche:** Oh, we’ve got more than that.

**Stockwell:** Roy, thanks so much for your call. . . .

All right. I’ve got Jim here, and then we’ll go to Jerry. Jim, you’re on the Stockwell show.

**Q:** Good morning, Jack, Good morning, Mr. LaRouche.

**LaRouche:** Good morning.

**Q:** Mr. LaRouche, if you were elected President, would you bring back the Reconstruction Finance Corporation?

**LaRouche:** I would do something like that. As you probably know from my writings, I would use models from the past, whenever they’re appropriate. Because as a political matter, if you can find a satisfactory solution, represented by a model which is obviously successful in a fairly recent time, it’s an easier way to get the thing moving, than if you come out with some new-fangled thing, which may be even slightly better, but is not going to win acceptance as easily as something which you can show people already worked.

**Q:** Right. Well, for instance, the miracle of our being able to get it together, and be prepared through our industrial might for World War II. Of course, [Jesse] Jones started setting it up two years prior to the war starting.

**LaRouche:** Yep.

**Q:** And they were people who could actually see the fu-

ture. It seems to me that most politicians today can’t see much farther than the end of their noses.

**Stockwell:** Well, like Lyndon was saying, they can’t see beyond popular opinion, and they have to stay in the limelight of popular opinion, if they’re going to stay in that job.

Hey, Jim, thanks a lot for your call. We’ve got some *Wall Street Journal* coming up here really quick. Jerry, up in the North, you’re on the Stockwell show.

**Q:** Yes, a couple of things. I tend to disagree quite strongly.

**Stockwell:** Okay.

**Q:** I think of the Constitution and the position of the Framers, that people will tend to misuse it, therefore you want the Federal government to be a very limited power. I don’t see how these proposals can be harmonized with the Constitution.

And particularly in connection with

the monetary system, I think the position of the Framers was *very clear*, that you can’t trust anybody to manage the money, because sooner or later, they’ll mis-manage it, so the only thing you can do is make the money, the precious metal itself, so that it isn’t managed by anybody.

**LaRouche:** Well, Jerry, what you are saying is formally true. The question is, you’ve got to say, what does it mean in terms of the relative situation at the time? Remember, that the idea of limited government was the flaw of the original Articles of Confederation. And the Constitution was adopted, in its framing in 1787, and then its adoption in 1789, because the idea of maximum freedom from government, proved itself to be a vulnerability which almost destroyed us. And therefore, the purpose of the Constitution is very clear in several ways, and you have to—of course, to understand the Constitution, and its intent, you have to go precisely to the period in which this composition was made.

Remember, the U.S. Constitution is the first true Constitution, in all modern history. Why?

**Q:** Jack, let me respond to this. Don’t cut me off.

**Stockwell:** Let him answer the question.

**Q:** Yeah, let him answer, but let me answer him, afterward.

**LaRouche:** Okay. The point is, that the first thing is, that the United States is based on a principle, the principle of the *sovereign nation-state*, as opposed to those forms of society which existed earlier. The sovereign nation-state’s legitimacy is restricted, to the efficient promotion of the general welfare

of *all* of the present and future generations of the nation, and also, of course, of defense of the existence of that nation. The purpose of the general welfare, means the promotion of the development of the well-being of all the members of the society.

Now, otherwise, the Constitution and its structure, in setting up the independence of the three general branches of the Federal government, and the allotting of residual powers to the state and the individual, is the most perfect Constitution ever composed. Roosevelt, in fact—if you say what was going on in the 1930s, was a threat to the Constitutionality of the United States government, a threat to the *existence* of the United States—what Roosevelt did was *save* the United States, quite literally, from something precisely parallel to what the British and New York bankers did in putting Hitler into power in Germany in 1933. Roosevelt saved the United States, from the alternative, which would have been an American Hitler.

So, therefore, you have to judge Roosevelt's actions, and the fact that the alternative to Roosevelt, was an American Hitler. And you think back to 1931, '32, '33, and you look at the events in Germany in that period, and you look at who the bankers in New York were, who, together with the bankers in London, put Hitler into power, and you think about the thing that was reported, the attempted military coup which was being staged against the incoming Roosevelt Administration, as reported before the Congress, that this kind of thing shows you what kind of a period we lived in, and how Roosevelt *saved* the Constitution, and saved us from what a more negligent approach would have left us open to: a kind of dictatorship in the United States, like that of Adolf Hitler in Germany.

**Stockwell:** Okay, we've got to go to the *Wall Street Journal*. Jerry, you can respond to that in a just a moment. . . .

**Q:** Okay. Real quickly. I still disagree in a major way. As far as the monetary system is concerned, where the government has the power to manage the money, what you end up with is confiscating the wealth of the people by monetary policy. Second, the welfare clause is simply not a grant of power. The Constitution is so clear, that the powers not as such specifically granted, are not granted, are withheld, from the Federal government. So, all this that's being discussed, is simply contrary to the Constitution, to the *real* Constitution, not as more recently interpreted, to a totally different Constitution.

**Stockwell:** All right, all right, Jerry, thanks a lot. Lyn, you want to say anything about that?

**LaRouche:** No, he stated his point. I disagree.

**Stockwell:** All right, John. John, you're on the Stockwell show.

**Q:** Yes, thank you, Jack. Lyndon, I'm interested in your perspective as to over the weekend, the rural Hindu council's determination to build a new temple in Ayodhya, in the state of Gujarat [sic] in India, the birthplace of Lord Ram, and over

that mosque site that they tore down in 1992. I'm interested in your view as to what the Chinese role is, with regard to Pakistan, the current hostilities with India, and that serving as a flashpoint, rather than the Middle East, for World War III, and nuclear warfare.

**LaRouche:** Well, the first thing is that the targeting of India, for operations such as the religious conflict which was orchestrated in Gujarat, comes from a circle inside the United States, from the period of late 1998. People like the Cato Institute, up from around Harvard, are typical of many groups which formulated this policy, of targeting India as the major threat to the United States, and targeting particularly, on that basis, the then-Prime Minister Yevgeny Primakov of Russia—a speech delivered in Delhi, in November of that year, proposing a strategic partnership, a triangle, among Russia, China, and India, to establish the kind of cooperation which would be needed to bring Eurasia together in a cooperative formation.

Then the reaction was, from people like the Rand Corporation, Cato Institute, and so forth, was to target India as the primary target for strategic destruction. And the second level of this thing, of course, comes again from the Harvard Department of Government, which, of course, is the old stalking grounds of Samuel Huntington, Zbigniew Brzezinski, Henry Kissinger, and others of the Nashville Agrarian persuasion; again, this is the Clash of Civilizations objective. What we're seeing in Gujarat, in India, is a directed, Anglo-American-directed orchestration, by covert intelligence special-warfare means, of an incident which is intended to set forth the destruction of India, by bringing this Clash of Civilizations religious-conflict philosophy into India, to destroy it from within. And if you go back to the letters from the Cato Institute, at the end of 1998, you'll find exactly this policy; it's very clearly expressed, when you read the Cato and Rand Corporation studies, in light of the Clash of Civilizations policy.

**Q:** Okay. One further question: With Vajpayee as Prime Minister with the BJP party, and particularly with Advani being the Home Minister, for Gujarat, aren't Cato and the Rand studies quite obviously in full control there?

**LaRouche:** China's policy at this point—China is China—and China's policy now is *pro* the strategic triangle orientation. And especially for cooperation with India. Pakistan is in a difficult situation, because Pakistan is not a truly independent country, even though the President of the country would like to be independent. But its financial situation as such, is the fact that it's not independent; it's subject to being played from the outside, because of the pressures, internal and otherwise, upon it. You see the reactivation, which I think was inevitable, the reactivation of the insurgency in Afghanistan right now.

**Stockwell:** Hey, we've got to go. John, thanks for your call. Mr. LaRouche, we've got to take off. Thank you so much for being available for this program.