

## LAROCHE ADDRESSES BERLIN SEMINAR

# Fixing a Bankrupt Economy Requires Morals, Not Money

*After the Berlin-Washington webcast (see Feature in this issue), Lyndon LaRouche met in Berlin on Nov. 1 with a number of prominent individuals for a private seminar. Here is his answer to a question that concerned how to create a new financial-monetary system, under conditions of global crisis. For technical reasons, portions of the audio/video were inaudible, as indicated by ellipses.*

First of all, the idea that currency has intrinsic value is pure nonsense. No currency has intrinsic value. The whole idea, like the Marxist theory of value, is utter nonsense. There is no theory of value. Forget it! Money is not real. Money is a social agreement. Period.

Now, what are we going to do? As I described somewhat yesterday, because both questions come in on this thing. First of all, money is not real. It's a political entity, created by a society. Now, in the history of Europe, European civilization—as European civilization—money was the idea controlled largely by the Delphi Cult of Apollo, which created Sparta, and which was responsible for the corruption which produced Sophistry in the case of Athens.

Delphi, if you look on a map, is close to a port, and was a center of mercantile operations by the wealthy of various cities of Greece. And each of these cities would have a temple around the Delphi Cult. And this was a treasury, where each city had one of these temples, which was associated with the Cult of Apollo, at Delphi.

For example, Rome was not a people. It was a created people, a synthetically created people. The Cult of Apollo, with its maritime operations, colonized a part of Etruscan territory at the mouth of the Tiber, and built a fortification of this, on the top of seven hills, and then began to colonize and

destroy Etruscan culture from the inside. Because Etruscan culture had been sponsored by Egypt, in the 7th Century B.C., along with the revival of the culture of Greece, of Athens in particular, by Egypt in the 7th century B.C. At that time, the Greeks, who were predominantly Ionians, and who were sponsored by the Egyptians, were living in Ionia, but with a traditional connection to Athens. The second center was, of course, the Etruscan culture, which was centered on the Island of Elba. Because the Etruscans, like the Hittites, were the first iron-working culture in Europe. And the Island of Elba was an iron mine at that time, and was used for producing articles of iron. So, the Etruscans were an advanced culture allied with Egypt in the maritime field, against Tyre, which was actually connected from Asia into the Delphi Cult.

Banking systems existed to my knowledge, back as far as 1600, 1700, 1800 B.C. The Hittites were very much involved in this, together with the people of Mesopotamia. And there still exist tablets, which were the trader tablets in the city areas of the Hittite kingdom, which record in detail exactly how this trade was carried out.

But this was introduced into Greece, largely through the control of the Cult of Delphi. Now, the Cult of Delphi was essentially, therefore, the model for European oligarchical society around money. And Rome was created as a weapon to destroy the Etruscan civilization which was a part of it. The destruction of Greece by, again, the Cult of Delphi, in destroying Athens through Sophistry, was a part of the same thing.

So, we have in European civilization a tradition of *usury*: of the *title to money*, used as if it were value, and imposing rules of behavior based on money, on civilization. Whereas *value* in human society has nothing to do with money, as such.

Money is useful to mankind only as a medium of exchange, a politically controlled medium of exchange. It has no intrinsic value.

The best approximation of what to do with money was done under Franklin Roosevelt, with a system of regulation which was introduced as a part of the New Deal. And you had regulation of prices, regulation of trade, and a standard valuation imposed, based on the socially determined value, relative value, of various kinds of production. That is, preferential rates of taxation, preferential rates of tariffs, and regulation of trade.

We're going to take money, which is an idiot, to regulate it, so that the flow of money in society, would approximately correspond to the relative flows of physical value.

Therefore, we have a system now which is ending, the money system as such: the pollution of the money system, especially under the influence of Alan Greenspan, who tried to save the world from a breakdown by printing fictitious money—not even real fake money, but fictitiously fake money, called financial derivatives.

Now, this was also done with the destruction of the Soviet Union. Rather than accommodating to the breakdown of the Comecon by setting up a new system of organization for cooperative development, which was possible, they went to looting Russia, and looting all the states: Every state in eastern Europe is now *much poorer*, and much more hopeless economically, than it was before under the Soviet system. It was looted. The Soviet Union was looted; Russia was looted, down to the bone. Virtually culturally destroyed, down to the bone.

And this was all done through the medium of this fake money . . . and the selling of “Bush legs” as food to Russians, hmm? (Turkey drumsticks from Texas, turkey legs from Texas.)

### Use the Franklin Roosevelt Model

All right. Now we've come to the point that the money system is so polluted, there's no way you can resolve it on the basis of settling accounts, on the assumption that one dollar is equivalent to one dollar, and so forth. The entire system was built up around the dollar, however. Because at the end of World War II, the only currency which was viable in the world, was the U.S. dollar, the Roosevelt dollar. And therefore, all values were pegged to the U.S. dollar. The creation of the Bretton Woods system, which was a fixed-exchange-rate system, became the basis for credit for the reconstruction of Europe. Without the U.S. dollar, there would have been no Europe. And the Kreditanstalt für Wiederaufbau is an exposition of the very best way this was done, which was an approximation of the American System, of the U.S. system. And when Germany got away from the U.S. system, Germany was in trouble, as it is today. But the U.S. system is the only thing that will save Germany, or any other part of Europe.

Now, the problem is, that all the debt of the world is denominated, primarily, dominantly, in dollar debt. What is

the credit of China? It's the debt of the United States to China. There are similar things in other parts of the world. So therefore, how are you going to manage this debt, where the debt is many times greater than all the physical values, at producer prices, in the world combined? But you're going to do it Roosevelt's way, Franklin Roosevelt's way: The good guys get protected, the bad guys not. All financial derivatives and related kinds of money, which are nothing but gambling debts, are cancelled—period.

The banks are all bankrupt! But you can't have the banks closing down. You can't have the savings of individuals wiped out, the private individuals. You can't have businesses shut down for lack of credit. Therefore, you put the banking system into receivership, into bankruptcy proceedings: You take the banks, and the government takes over the banks, by creating a new kind of banking system, which is a national banking system, and takes all the assets of all the banks, and consolidates control. . . . The National Bank then acts to make sure that functioning banks, which are private banks . . . private banks, are able to function. . . .

[Without taking these measures, the world will plunge into] disintegration comparable to the New Dark Age in Europe in the Fourteenth Century, which means the rate of death will probably be 50% to 75% of the entire world's population will be extinguished, and whole nations and entire languages will cease to exist, within a half-century. That's what we face.

So therefore, now we're going to have to be sensible. We're going to have to be rough. We're going to have to do what the human race *needs*. We don't care about people who think they have a lot of money. We care about *people*. We care about the economy. We care about nations, which must function, without going through a process of death, to be reincarnated.

So therefore, you want to ensure that on the day the crash occurs, that government has stepped in, and cooperation of governments has stepped in, *so nothing stops that is essential*. Pensions are covered: People get their pensions. Businesses which are essential are maintained. Houses of prostitution will be closed down, including many banks which function as houses of prostitution—and so forth. And we must maintain the orderly functioning of the essential functions of society. So you will take the U.S. dollar: We will declare the U.S. dollar as *still* the basis for international monetary values. We will fix it, and we will re-create a fixed exchange system—how? Because the U.S. is rich? No. Because we agree to do it. Because, leading nations in concert agree to do that, in order to save the world system.

So we will now establish a parity system, which prevents a run on any currency, or generally, so we can defend any currency. We have to have principal nations immediately go into concerted action, a treaty agreement, to establish an international fixed-exchange-rate monetary system, using the dollar as a vehicle. We then enter into treaty agreements among nations, at least a few leading nations: for example, leading

## FDR on 'Eliminating The Dollar Sign'

*In a Dec. 17, 1940 White House press conference, the newly re-elected Franklin D. Roosevelt presented his plan for a Lend-Lease program to help Britain in its war effort. Lend-Lease was enacted into law in March 1941. Here are excerpts from FDR's statement.*

... The best immediate defense of the United States is the success of Great Britain in defending itself ... and, therefore ... it is equally important from a selfish point of view of American defense that we should do everything to help. ...

I have read a great deal of nonsense by people who can only think in what we may call traditional terms ... about finances. In my memory and your memory and in all history no major war has ever been won or lost through a lack of money. ...

I go back to the idea that one thing that is necessary for American national defense is additional productive facilities; and the more we increase those facilities—factories, shipbuilding ways, munition plants, etc. and so on—the stronger American national defense is. Now, orders from Great Britain are therefore a tremendous asset to American national defense. ...

[T]he narrow-minded fellow ... might assume. ... that the only way [is to] lend the money to Great Britain to be spent over here. ... [T]he banal type of mind can only think of that method. ... [A]nother one ... also somewhat banal ... is a gift. ...

Now, what I am trying to do is to eliminate the dollar sign, and that is something brand new in the thoughts of practically everybody in this room, I think—get rid of the silly, foolish old dollar sign. All right!

... [A]nd ... when the show was over we would get repaid in kind sometime, thereby leaving out the dollar mark in the form of a dollar debt and substituting for it a gentleman's obligation to repay in kind. I think you all get it. ...

nations of continental Europe, the United States, a few others in the Western Hemisphere, Russia, China, India, and so forth, enter into an agreement, to create a fixed-exchange-rate system based on the denomination of the dollar *at parity* as of approximately the day the decision is made. You put the central banking systems of the world—all of them, including the European Central Bank, which is a piece of toilet paper—you put them into receivership. And ask what government the ECB represents. Who voted for this government? This tyranny? This empire? We shut it down.

Now, by this means, by creating a system of credit, of international fixed-exchange-rate credit, you go back to the methods of the Kreditanstalt für Wiederaufbau in the reconstruction of Germany. Now you have authorized Germany, among nations participating, to create credit. To put the 10% of the population which is not working, back to work! And suddenly, you've got a healthy situation. But you have to freeze things, because you have to take short-term obligations, convert short-term obligations into long-term obligations.

### Keep the Physical Economy Functioning

And you must maintain, wherever possible, the integrity of private business operations, and public operations, which are essential to the economy, to the people. You want people who are running firms to run those firms, if they're good firms. You're not going to shut them down. They're going to get the credit to function. Their assets, their viable assets, under

renegotiation terms will be available to them, but on long term, not short term, inside banks which they know; probably the banks they're already doing business with.

So you simply have to say: Our objective is to keep the physical economy functioning, to recognize the economy is largely operated, about 50% at least, in terms of private ventures—ventures which are largely of a private, closely held form, or small corporate form. We want those entities to continue to exist and function. So therefore, we don't intervene. We don't try to tell them what to do. We rely upon their ingenuity. For example, any German firm, which is any good in this category, you give them this freedom, they're going to go out and find the business. All you have to do is stand behind there, and if they come up with a good idea, like the good banker you're supposed to be, you say, "Okay. You're reliable, you perform, you know what you're doing. This is useful. You want credit? You get credit." And they go to business. And people are employed, put to work on that basis.

So the secret here, therefore, is you eliminate worthless debt. If the nature of debt, or the nature of an asset, is as gambling debt, or winnings on gambling, that has no right to anything. It goes to the end of the line, and the end of the line is chopped off. Those claims which are based on legitimate business ventures, production, trade, so forth; those things which are essential socially to society, such as pensions, health care, so forth, *that* must be covered. Everything else goes to a lower priority.

You create a parity system, of fixed parity: Now you gen-

erate credit. What're we going to do? The credit recovery will be based on long-term agreements. What you do, is you take agreements among nations. Let's take the Eurasian parcel—you've got western Europe, you have Russia, you have China, India, other countries. Now, what do they need? Well, they need some long-term investment, in basic economic infrastructure and capital improvement. For example, you need high-speed transportation lines, throughout Eurasia. You need them! Rail is not good enough; we need magnetic levitation. Because you can handle freight more expeditiously with magnetic levitation techniques than you can with rail. Because all you have to do is put a label on the car, and you ship a car of merchandise with a label on it, and the electronic system can sort it out and get it delivered more or less automatically to its destination, if the destination is in the system.

We need new cities throughout Central Asia, because we're going to be developing raw materials. That requires new cities. You have to have a social organization to do it. It's going to require capital investment.

China has to make investments on a scale much larger than China's capital would allow, in terms of the international market. They have, what? Over 1.3-1.4 billion people, or more? Most of them are extremely poor. China's in a very precarious social situation, because a breakdown of the U.S. economy would be a disaster for China. A social crisis, a political crisis. Therefore, they have to develop 100 or so new cities, new transportation systems, water systems, health-care systems; they have to take land which is not usable and develop it. They need large-scale water projects, because China's short of water. And China's constricted to a small area where they do have water. And they can not develop in areas where they don't have it, as in the northwest, going into Central Asia.

India needs vast development. India has a certain amount of capital. It's a good credit risk, but it needs a lot of nuclear plants. You need *hundreds* of nuclear plants in India . . . *fast*. You need the generation of nuclear materials. You have to do that through fast breeder kinds of developments. You have to invest in that. You have to have new transportation systems, large-scale water works, a vast improvement in health-care systems, that is, fixed health-care systems and sanitation.

These are investments which are 20- to 25- to 50-year investments. A water project is a 50-year investment at minimum. A dam? Fifty- to a hundred-year investment, for a large dam, like the Three Gorges Dam. So therefore, you need a lot of capital over a 25- to 50-year period. So governments can make agreements, multiple agreements, which cover a lot of particular, local agreements. That is, governments, together, go into the banking business. They create credit, and authorized projects can draw credit from this government installation, which is established by international treaty agreements. The basic interest rate is 1-2% over the long term, simple interest, no compound interest. And to do that, you

must have a fixed-exchange-rate system, because you can not have fluctuating interest rates. When you have fluctuating currency values, you have fluctuating prices, and the prices go up, and it collapses.

### **Give the Younger Generation a Future**

So therefore, we're at the point that we use the example of Franklin Roosevelt's reorganization of a bankrupt economy. We apply the lessons of that experience, which every intelligent person who is well-educated knows. And so, we take those lessons, of proven experience. Apply them to try to maintain a system of sovereign nation-states on this planet, in a process of general economic recovery, and entering into solid, strictly enforced, 25- to 50-year agreements to maintain 1-2% simple interest rate as the basic plan of work. And proceed, and develop society. Forget who's making a financial profit: Worry about what part of the economy is growing, physically, and with better quality. And inspire the world population with the conviction: *We're going to get to a certain destination*. Because what moves people, like the young people now, who are now between 18 and 30, in Europe, in the Americas? Can you tell them, now, that they have a guarantee that if they commit themselves to a certain mission, the nations of the world are going to back up the commitment to that mission, and make sure it lasts? Can you tell somebody, who's now emerging to enter college age, that what they're training to do is a secure opportunity for the coming 50 years? And that they have a retirement, if they wish it, at the end of 50 years? Can you do that? You can't do it now.

Parents don't care about their children, among the Baby Boomers. They really don't care. They wish they hadn't had them. They think of them of as only entertainment value, and that has disappeared considerably recently. They think about, are they going to be comfortable when they die? Where they hope death overtakes them without their knowing it's coming.

They don't think about what comes beyond their life, their mortal life. They don't think about two generations ahead, which is the characteristic morality of people looking forwards, in the sense of your question. It's a moral question, on this money question: Can we take an approach to the question of financing and money which satisfies the moral question of finding the integration of the individual, of the small community, in society, the small firm in society, to find out this is the kind of society structure, which benefits those who use ingenuity, and go ahead? And provides security for people who contributed to society, when they retire? Can we do that? Yes, we can! If we exert the will to do it. We simply have to convert the lessons we have, and I say, especially from the Roosevelt experience and the post-war reconstruction of Europe: We have lessons we should have learned, and if we *go back* to those lessons, we can do just fine.