

Great Promise for A World in Danger

by Helga Zepp-LaRouche

Helga Zepp-LaRouche gave the following strategic briefing on Aug. 4, by telephone, to the membership of the Mexican LaRouche movement. Subheads have been added, and the transcript is slightly abridged.

We are right truly at an unbelievable moment in history. And to know that there are important people, both young people but also older people in the beautiful country of Mexico, fighting for the same ideas as we are doing in the United States and in Europe, makes me actually very hopeful for the outcome of this present period of history.

You all joined this movement, because, for one reason or another, you intellectually recognized that Lyndon LaRouche was absolutely on the mark when he said that this financial system is in a systemic breakdown crisis, and nothing in the world is going to save this system. Now, there are many people who were doubting that, and saying, “LaRouche is exaggerating. He has been saying this for so long. But the system will always be there, the central banks will always have a way of manipulating the situation. And LaRouche is simply not right.”

But I think what we have seen, especially in the last weeks, is a dramatic recognition, all over the world, that indeed, this thing is completely out of control, and that we have a breakdown of the system as such. And also, a lot of people, I assure you, who have been Doubting Thomases in the last period, will remember not only what Lyn prognosed, but also what solutions he prognosed: Namely, that only if we get a large combination of powerful countries around a changed United States, Russia, China, and India, but then extend it to other nation-states of this world, if these countries put on the table a New Bretton Woods reorganization of the world financial system, would there be any chance to solve this problem.

A lot of people will be thinking about this in these days, and I can assure you, that this thinking will be spreading to more people as the crisis is unfolding.

Crisis Spinning Out of Control

Now, the change occurred, basically in mid-July, because until the middle of July, you had this absolute insanity of exuberance in the markets, of mergers and acquisitions, of “locust” takeovers of everything which could be taken over—everything from industries, big and small; banks, housing, villas, and whatnot. But then, about mid-July, a dramatic change started to occur, when the U.S. so-called “subprime market”



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In 1982, Lyndon and Helga LaRouche met with Mexican President José López Portillo, following which, LaRouche wrote his famous program, Operation Juárez. Here, Helga Zepp-LaRouche meets with the former Mexican President in Mexico City, December 1998.

started to collapse. And what you have seen in the last week in Germany, clearly shows that the idea that this crisis would be contained to some internal development in the United States, is completely absurd, because last week, dramatic developments occurred in Germany.

So, a week ago Friday [July 27], the American SEC [Securities and Exchange Commission] called its counterpart in Germany, the BaFin credit regulatory authority, and told them that a major German bank financing middle-level industry was about to go under. And then, last weekend, the head of BaFin, whose name is Jochen Sanio, made hectic phone calls to about 20 big banks, consulted with the government, and then, in the beginning of the week, the German government itself—and that is *really* unprecedented—intervened together with a state-owned bank, the Kreditanstalt für Wiederaufbau, and bailed out this IKB bank, with 8.1 billion euros; that's about \$10 billion.

Sanio said that this was the “worst German banking crisis since 1931,” and *Süddeutsche Zeitung*, which is a major daily in South Germany, wrote that the entire German banking system was in danger, and that is why the government intervened.

So, here you have it: It was not just one bank, but the entire German banking system about to go under.

Now, despite the bailout, the stock of this bank continued to tumble down. It's not clear whether this bank can be saved despite the bailout, because this bank was tied to an investment fund in the United States, which was completely involved in the collapse of the subprime market in the United

States, and that IKB bank was basically exposed to the losses of the investment fund in the United States.

So, what is the situation with the U.S. subprime market? That is a completely insane arrangement in the first place, because this is a mechanism, by which people who did not have their own money, could nevertheless buy houses of high value, like \$1 million, and have mortgages with very low interest rates at the beginning, but then, after a period of about two years, the mortgage interest rate would automatically go up. And since the majority of such deals was done since the Spring of 2005, you have now a whole wave of such interest rate hikes. That will accelerate, and the peak of this development is actually supposed to be in October, when the mortgage rates for \$50-billion-worth of mortgages will go up, and much, much more will be affected—altogether about \$2 trillion worth of mortgages.

Now, it is expected that about 2 million people in the United States, who are in that subprime mortgage market, will lose their homes, and naturally, that will lead to a collapse of housing prices. That will not be limited then just to losing homes, but it will affect the whole construction sector, and it will have a big, big impact.

But if the subprime mortgage market collapse were the only problem, the world would be in fine shape. But that is just one aspect. Because, what is really going on behind this, is the reverse-leverage collapse of the system as a whole. And the banks right now are in a massive credit crunch, where the excess liquidity which had been generated, especially by the zero-interest-rate policy in Japan, is now drying up, because the Japanese government came to the conclusion that they no longer could afford the zero-interest-rate policy, for internal reasons. So, they started to raise the interest rate, very carefully, but even these little rises were enough to stop the Japanese yen carry trade and, therefore, the major liquidity pump with which liquidity was pumped into the system.

Now, the yen carry trade is a very ominous thing, because it meant that speculators, who are euphemistically called “investors,” could take credits in Japanese yen at zero interest rate, and then go with these monies to other markets, other currencies with higher yields, invest there in speculative bubbles, and then use the difference to make huge profits. That money was also, in part, financing the major merger and acquisition mania which had taken place in the last years, and especially in the last months: About \$3 trillion in takeovers occurred in the last period. Now, \$3 trillion is not peanuts!

The problem is, that most of these takeovers, hostile takeovers, or mergers, were financed by banks. And this whole pyramid was in fine shape as long as everybody was making money, as long as all asset prices were going up. The hedge funds and private equity funds need huge profits, because they are all nested investments, and every participant in these investments must be kept happy and must have part of the payout. Because, when Alan Greenspan developed the so-called “creative financial instruments,” he also invented something which is called the “credit derivative,” and that is a mechanism by which you’re supposedly insuring yourself against losses in one field by speculating in the opposite direction.

And the whole system was that the difference between lenders and borrowers is completely eliminated: For example, one hedge fund or one private equity fund would take a credit from a bank and be the borrower, and then turn around and lend that money to somebody else, and become the lender, who in turn would then take the borrowed money and lend it to somebody else . . . and so forth and so on.

Whole market segments are connected in this way, and the people who have been saying that the hedge funds are a wonderful thing, because they are distributing the risk over many more shoulders, are actually fools, because the moment these asset prices begin to disintegrate, as in the case of the subprime mortgage market, then this whole balloon is going to burst, and you have a reverse leverage. And the connection which the hedge funds have created among the different market segments means that the whole thing is a “cluster risk,” and is now exploding. And that is not going to be stopped, no matter what they say.

It is very interesting that Lyn’s analysis is now being picked up by such people as the head of the German credit regulatory authority, BaFin. There was one newspaper article in Germany, which said, “so far, it was only the usual suspects,” like some other guy and Lyndon LaRouche, who warned of the blowout of the system; but now it is also Jochen Sanio, the head of the German credit regulatory authority himself, who is saying that. And there was also a newsletter in France, [put out by a group of economists including] the former economist of Dresdner Bank at the time that Dresdner Bank was still an industrial bank—his name is Kurt Richebaecher—which wrote a very, very interesting thing, saying that one bit of mythology is now blowing out, and that is the illusion that the central banks can always come up with some new trick, and that basically the system is foolproof, and they have all these mechanisms to save it. But that illusion is now popping.

Shocks Begin To Hit

So, we are really at a very important point, and the fact is that this is not just touching the monetary system, but it has, unfortunately a physical side to it, and that is the fact that the

idea of going away from a society based on production, of industry and agriculture, and shift to a post-industrial utopia, a paradigm shift occurred, starting about 40 years ago. And people said, “Okay, we don’t have to pay attention any more to investment in science, in technology, in industry, in infrastructure. We can just live off the funny money, money markets, and that is good and fine. Because money makes money and then we all become millionaires, and we don’t need to pay attention to production.”

That illusion is now popping also, because, apart from the subprime mortgage market, in the United States, a *big* shock occurred when two days ago, an eight-lane bridge in Minnesota collapsed into the Mississippi River, causing around seven people to be killed. . . .

Now, this has caused a total shock, because obviously, people are now asking themselves, “What is the condition of the bridge I’m driving over every morning and every evening?” There are 560,000 bridges in the United States, and 25% of those—130,000 bridges—are in a similar condition, at high risk, like this bridge in Minnesota. And that is just the bridges, but the same is true for other infrastructure, which has not been maintained in the last decades; you have a general breakdown of infrastructure.

So, the negligence of the government to not invest in the common good, to not invest in things which are important for the framework of the economy, is really becoming obvious. And people are saying that the Katrina catastrophe has moved from New Orleans to Minnesota, at the north end of the Mississippi River, because Bush was saying there’s nothing he can do about it.

This is causing a big, big crisis. And this will become worse, and turbulence will increase, and by September, you will see a world which people will not recognize. And obviously, this is also the period of a heightened war danger, because as long as you have Cheney in the position of the Vice President, the danger exists that an incident—like a Gulf of Tonkin incident—in the Persian Gulf can be used, or a terrorist incident. And then a strike against Iran would really throw the world into the abyss, and lead to an asymmetric global warfare.

So, this is why the organization is mobilized on this danger of the “Guns of August,” which is the idea that already twice, world wars have started in August.

LaRouche’s Credibility Soars

Now, that is a very dangerous world situation. But, on the hopeful side, I can only say that the credibility of Lyn and the organization also has never been higher than at this moment, in the same way, as when Lyn forecast the collapse of the Soviet Union in 1983, and then six years later the Soviet Union *did* collapse! And that led to an unbelievable recognition of Lyn’s writings, because all the scientists and representatives of the military-industrial complex, at the time of the SDI,

were reading in the Soviet publications, that Lyn was the enemy No. 1, that he was a *persona non grata*, that he was a “troglodyte.” And at that point, *Izvestia* had an article with a picture in which they showed Lyn as Rambo and me as “Teutonia” with horns!

But then, when the Soviet Union did collapse, as Lyn had predicted, the same scientists and representatives of the military-industrial complex looked at Lyn’s theoretical writings, and they recognized what an extraordinary genius and giver of ideas Lyndon LaRouche was. And that is why there are many more people who have seriously studied Lyn in the establishment in the Soviet Union, and then afterwards in Russia, than you have generally in any other country of the world.

So, that is why it is not a surprise, that at the beginning of this year, in April, the Russia government was playing, actually very consciously, “the LaRouche card,” by inviting Lyn to be one of the major speakers at a conference on the Bering Strait. And this was a fantastic conference, where the idea was put on the table that a 6,000-km railway line would be built, connecting the Trans-Siberian Railway to a 100-km kilometer tunnel underneath the Bering Strait, to Alaska; from there through Canada, then into the United States, and then down to Chile. And people were very, very excited, discussing that this is really part of a world grid of infrastructure connection. And that you would build the maglev train, and that soon, it would be cheaper, and quicker, to go by maglev from Acapulco in Mexico, via the Bering Strait, all the way to Mumbai in India!

People were totally excited. They also discussed the idea of developing infrastructure under Siberian permafrost conditions, because, as you know, in Siberia and northern Russia, there are some of the richest mineral and raw material reserves in the world, and it’s very difficult to develop them, because of the Arctic climate. But with modern technology, you can actually develop this region, and that’s exactly what’s on the agenda. But you need thermonuclear fusion, you need nuclear energy, and therefore, you need a real revolution in science and a science-driver which would come along from that project. It is so gigantic, that it really would be a springboard for reviving the world economy.

So, the Russian government did that very deliberately, as a war-avoidance policy, and as a signal, that an alternative to the collapsing global system is really possible.

Now, a lot of this very exciting discussion was then repeated by the [Soviet Academy of Science] Academicians, who, three weeks later, attended the 80th birthday celebrations for Professor Menshikov, who is a old friend of Lyn’s, who attended many of our seminars in Germany, and who had long ago invited us to attend the celebrations for his 80th birthday. And a lot of the Academicians who were there, had been at the Bering Strait conference, and they made many toasts, saying that they wished for the

100th birthday of Professor Menshikov, that the Bering Strait tunnel should be completed. And then the wife of Professor Menshikov proposed that the port on the Alaska side be called the LaRouche Port, and somebody else said that the port on the Siberian side will be named for Professor Menshikov.

The spirit was really fantastic, and I think that we are really at the beginning of the realization of many, many projects which we had in our initial Eurasian Land-Bridge Report from 1996-97. The Eurasian Land-Bridge is in various stages of becoming real: For example, there will be a big corridor built from New Delhi to Mumbai, 1,400 kilometers of rail, a corridor which will affect the economic life of 180 million people. Then, other tunnels are being built beneath the Himalayas between India and China. The Persian Gulf states and the Maghreb states in Northern Africa are all in discussion; they want to have maglev trains, they want to have nuclear energy.

And even in Europe, in Scandinavia, there is a revival of nuclear energy: Of all places, Sweden wants now to build nuclear plants. Finland is planning to build several nuclear reactors. In Denmark, the Schiller Institute created complete excitement, around building the maglev from Aarhus, which is its second largest city, to Copenhagen, to connect that via maglev to Hamburg in Germany, to Berlin, and from there to Moscow and to Beijing. And all major newspapers covered that, and our Schiller Institute members were testifying before the Danish parliament, and then they put it officially on the agenda.

So, we have a very exciting situation, because all the work we have done for the last 30 years, is now coming to fruition.

LaRouche and López Portillo

Remember, that already in 1975-76, the LaRouche organization had worked out a very comprehensive Africa development program, building infrastructure, ports, railroads, highways, water systems, water diversion from the rich water region from the Congo River, channelling it to the Sub-Sahara deserts, doing desalination through the peaceful use of nuclear energy—and all of that is now coming into being! South Africa has, right now, the most advanced model of the high-temperature reactor, which they plan to build up for export to all of Africa.

Then, naturally, the project Lyn had together with [Mexican President José] López Portillo in the form of Operación Juárez: This was a very, very important intervention in 1982, when López Portillo had called Lyn to come to Mexico City. And we went down, we met with him, and López Portillo explained to us at the time, how the international financial institutions had attacked the Mexican peso, how there was gigantic capital flight, and that Lyn should write a program, on how Mexico could defend itself against the international speculators.



The LaRouche Youth Movement in Mexico organizes against Al Gore's global warming hoax, July 31, 2007. Gore visited Mexico to pump his fraudulent campaign.

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And then Lyn went back to the United States, and as Lyn always does, he not only tackles the problem which is put in front of him, but he tackles the larger problem, which was the question of Ibero-American infrastructure integration. So, he wrote the beautiful program *Operación Juárez*, which López Portillo started to implement on Sept. 1, 1982.

Now, it is very funny, because on that same day—on Sept. 1, 1982, Lyn and I had just had a meeting, in the same headquarters of the Kreditanstalt für Wiederaufbau which bailed out this IKB bank this week in Germany. They had organized a luncheon for Lyn and me, and we were just standing there at 11 o'clock in the morning, at a little reception, and then the main foreign exchange dealer of Germany rushed into the meeting, and said, "Oh my God! Oh my God! We have a tremendous crisis, and something terrible is happening!" So, we were smiling, because we knew this was not something terrible, but we knew that López Portillo had moved to nationalize the banks, to go for foreign exchange controls, and to provide credits for large infrastructure projects.

Now, these people at Kreditanstalt für Wiederaufbau were *completely* flabbergasted, when they heard from us, that we not only knew what was going on, but that that was not at all a crisis, but that it was the potential saving of the situation. Because it was the idea to reorganize the Ibero-American foreign debt, which at that point was only \$200 billion! That's not a lot compared to what happened afterwards. And it was the idea, to have an ordinary reorganization to basically put the banking system on a sound basis, to provide credits for the real economy.

But Wall Street freaked out: They thought this was a debtors' cartel. And then, unfortunately, because Brazil and Argentina at that point, did not show solidarity with Mexico, and López Portillo was to leave office by the end of that year, this effort to create an integrated Ibero-American market in the form of *Operación Juárez*, did not get realized at that time.

You can actually see that a lot of the ideas that López Por-

tillo had, and which LaRouche had, at that time, are now being picked up by the efforts of President Kirchner of Argentina, of President Correa of Ecuador, by the governments of Chile, of Venezuela, and others. So, it is very important that Mexico should orient towards this Bank of the South, and I think this also why Mr. and Mrs. Kirchner came to Mexico, to really show Mexico that it must ally with South America, in order to get out of this crisis. Because, obviously, with the collapse of the U.S. economy, this idea of permanently sending illegal immigrants to the United States is not going to solve the terrible problems of Mexico. And Mexico *does* need industrialization and the Eurasian Land-Bridge, meaning that the Bank of the South must be connected to the Eurasian Land-Bridge.

Changing the Axioms of Mankind

Now, this is all on the table, and I think this is a very, very important moment in history, where the *only* way that mankind will get out of this crisis, is if we have a *complete change* of the axioms: And that the image of man as a cognitive, creative being must be put in the center of the economy. Now, I'm absolutely optimistic that this is possible, simply because the laws of the universe are like that. And all we have to do, is put the political and economic order in cohesion with the laws of the universe.

Now, my dear friend Nicholas of Cusa was the first one to differentiate the areas of the inorganic, the organic, reason, and the level of God. Nicholas of Cusa said that each species will only accentuate itself fully, if it participates in one point in the next higher level. You can see this the most clearly, that man is only fully man if he participates in the next higher, that is, in divine creativity, and only is fully man if he realizes his cognitive potential, as being in the image of God, which is being a creative being, himself.

Vernadsky picked up exactly on this Cusan idea, by separating the different areas into the inorganic, the Biosphere,

and the Noösphere. And Vernadsky also was very explicit, that the domination of the Noösphere over the Biosphere is something which is built into the laws of the universe, and therefore, I'm absolutely certain, that sooner or later, mankind will be, in its majority, on the level of reason. And that is the battle which has to be fought out, right now.

Now, Lyn has been stressing in the recent weeks that we have to focus on the question of creativity as such. Because it is that creativity which separates human beings from all other creatures. It is important that we have an exact notion of what creativity is, because it is not what the Baby Boomers call creativity, namely, some strange form of self-realization, doing your own pottery, or painting strange colors on silk, or some other ridiculous idea. But real creativity is discovering fundamental universal principles, which mean advancement in the body of human knowledge.

Friedrich Schiller said, that the only person who is truly creative, is a beautiful soul. A beautiful soul, according to Schiller, is somebody for whom freedom and necessity, duty and passion, are one: In other words, a person who is not a Kantian, who doesn't do his duty in saying, "Ugh, I have to do my duty," and is totally miserable. But somebody who says, "Okay, this is necessary for mankind as a whole, and I'm joyfully doing my mission in this context." And Schiller also said, that the only truly beautiful soul is a genius, somebody who knows the laws of the universe in art and science in such a way, that he can *lawfully* widen these laws.

Now, here, obviously, comes the role of the LaRouche Youth Movement: Because Lyn has given it as a task to the LYM, all over the world, on five continents by now, that the LYM is really a worldwide Renaissance movement. And to understand what that really can do, you just have to look at the Italian Renaissance, which really provided the way to overcome the Dark Age of the 14th Century, where society had completely collapsed, where you had the breakdown of the financial system of that time, the collapses of the Houses of Bardi and Peruzzi. You had the Black Death, which killed one-third of all people from India to Ireland; you had witch-burning, you had Flagellants, you had complete insanity, which you can see in the paintings of Bosch and Breughel.

Cusa, Plato, and the Renaissance

And the big question is: How did mankind come out of this Dark Age? Well, through the works of Dante, Petrarch—but it was especially the contribution of Nicholas of Cusa, and his revival of the works of the entire dialogues of Plato, which then caused the excitement for the foundation of the Golden Renaissance of Italy, which laid the foundations for 600 years of European culture. And Nicholas of Cusa really focussed on this question of human creativity, after many centuries of a dark age.

As a matter of fact, for 1,700 years the works of Plato had

been unknown in Europe!... Almost no Plato was known in Europe, which Petrarch recognized, when he tried to find Plato because he had seen some hints of him in St. Augustine, but he couldn't find it. He also could not find anybody who would speak Greek at the time.

What Nicholas of Cusa did was a *real* revolution, because he developed this idea in the tradition of the Platonic ideas of the *coincidentia oppositorum*, which means the ability to think a higher unity above the level of contradictions. And it's exactly that kind of thinking which is the faculty of the mind which enables people to think of hypotheses, to elevate yourself above the realm of already existing knowledge, to formulate a hypothesis which in a certain sense, synthesizes the solution on a plane which previously did not exist.

So, therefore, what you should do, is focus on creativity, and focus on the curriculum which Lyn has provided for the LYM: the combination of Kepler, Bach, of science and music, and if you do that, and if you stay diligently at it, it will give you a tremendous power.

And therefore, let your new office become a beacon of creativity, and be certain that is the best wealth you can gain in this turbulent period. Because what you have developed in your mind, in terms of creativity, in terms of understanding the creative method, this cannot go under, in the coming turbulence of the collapse of the world financial system.

It is exactly what Heinrich Heine said every time he crossed the border between Germany and France, and the customs guys checked his luggage and tried to find some hidden, smuggled contraband, and so forth. Heine laughed and said: "Well, you can check my luggage as long as you want. Because the really dangerous stuff is what I have in my mind; the real revolutionary things are in my mind."

So, keep that in mind: What you put in your mind is the biggest treasure which you will possess, and which will give you the key to the solution to the problems of the next period.

I'm absolutely certain that the power of the LYM, in the coming weeks and months, in bringing in the solutions of Lyn to all the parliaments, all the governments, all the institutions, and into the streets, is going to be absolutely decisive to save this civilization. I'm absolutely hopeful, that with a lot of young people in Argentina, in Colombia, in Mexico, in North America, in South Africa, in Zimbabwe, in Australia, in the Philippines, in Russia, and in many other places, spreading all over the world, that is really the biggest hope mankind has right now.

With that power, we will be able to link up the Eurasian Land-Bridge, with the Ibero-American development, with Africa, with Australia. And if you combine that with a cultural Renaissance, I think that this force is *uniquely* in a position to save mankind from a very, very dangerous abyss; and that we will bring it into safety, and then move on to more happy things, such as conquering space and travelling to other planets, and eventually even beyond.