

# The tasks of establishing an equitable new international monetary order

by Lyndon H. LaRouche, Jr.

*The following is an edited transcript of the speech delivered by Democratic presidential candidate Lyndon LaRouche at the Schiller Institute conference on setting up a new Bretton Woods monetary system held at Andover, Massachusetts on Jan. 30.*

I wish to put into focus the feasibility, not merely of adopting a design which would address the need, but the feasibility of implementing that design, effectively. Now, in part what I shall say, I have said, and will be broadcast this coming Thursday on a CBS nationwide broadcast.

I repeat that here, not because it's in the broadcast, but rather, I put it in the broadcast because, at those prices, it's the most important thing to say.

The United States is on the brink of collapse, not merely economic collapse, financial collapse, but *national* collapse. We are very close in many parameters of sovereignty, to becoming a Third World nation, as exemplified by the fact that, that half-Baker, in the Treasury Department has proposed to issue U.S. bonds—U.S. debt—denominated *not* in dollars, but in deutschemarks, yen, and so forth.

Once the United States were to denominate large portions of its debt, national debt, of government in foreign currencies, under conditions of a collapse of the exchange value of the U.S. dollar, the United States becomes a Third World nation, in all but the final result.

And around this country among over 50% of the U.S. population, *not only has the poverty* been increasing for approximately twenty years, but I can show you in the United States actual Third World conditions on a large scale. I can show you cities, and portions of our cities, which look like bombed-out cities in Western Europe at the end of World War II. And, I can show you Americans who often become insane by the conditions under which they live. Americans who struggle for subsistence, and compete with the rats and cockroaches which vastly outnumber them, in these places.

Oh, we have an image of our so-called, "ghettoes," Hispanic and black ghettoes in the United States, but that's not the extent of poverty. I'll take you across the line to New Hampshire, and everybody in New Hampshire in govern-

ment, and the federal government, will tell you New Hampshire is a fine place to live—very prosperous. This is based on the report that there's a very low percentage of unemployment in the labor force.

Well, you have to look at two other things—three other things. First of all, you have to look at the pay of the people who are employed, relative to what it costs to live. It takes two non-breeding, mated pairs of yuppies to sustain the acquisition of one house—recently constructed, which shall not outlive the mortgage. That is not my view of prosperity.

I can show you the majority of the population of New Hampshire is objectively in worse economic condition today, than I saw first-hand during the 1930s! I can show you that the problem is concentrated largely among senior citizens, of which New Hampshire has a high percentage in its total population. The reason is that the young people of New Hampshire got out of the state, because there were no opportunities there. And what have moved in, are the yuppies who came in to follow the search for cheap labor by industries out of the [Route] 128 complex, largely.

I can show you a state, New Hampshire, which lacks basic economic infrastructure. The entirety of New England is now generating a peak of about 18 gigawatts of energy; the consumption of energy under depressed conditions and cold weather up here is 18 gigawatts. The region is *losing* energy capacity through attrition, but you could not put up industries here, in New Hampshire, or in northern Massachusetts, to expand opportunity. *The infrastructure does not exist.* The energy doesn't exist; the transportation doesn't exist; services don't exist; the medical services, the school services, and so forth don't exist!

Like the Roman Empire—Italy—in the last phase of decay before it collapsed, before the barbarians moved in. I hear they're gathering in Vermont.

So we are in that situation.

The United States has embarked on a strategic policy with a President who is under the control of a friend of Armand Hammer, i.e., his wife; which means that Western Europe, under present policies and trends will become an extension of Finland at a rapid rate. Any other interpretation of the INF

treaty, and associated agreements is absolutely absurd, even though you hear it from many sources. And, anyone from Europe, from the inside, who knows the situation, understands the logic of what's called the "Finlandization" process in Western Europe.

And, this great patriot, Reagan, has set this fully into motion, and has attempted, and is dedicated to making that trend irreversible before he leaves office, by succeeding the INF agreement with the START treaty, which, essentially, would insure that the Soviet Empire would dominate the world—irreversibly—for a long time to come, beginning in the 1990s.

Under those conditions the United States would become a client-state of the Soviet Union, unless it resisted that status, in which case the United States would be destroyed—unless it could win a war—in isolation from its former allies in Western Europe, Japan, and so forth. And the world would go under Russian conditions—and don't have any illusions about Russia.

Russia is a modern caricature of the empires of Babylon—of the Achaemenid Empire, of the Roman Empire, of the Byzantine Empire. Russia is the empire, first of all of a master race, the great Russian race. What is called the Soviet Union, is a collection of "captive peoples," mostly of Turkic-speaking origins, who are subjected to Third World conditions. The rates of mortality, of infant mortality, and other conditions inside the Soviet Union, in the Turkic populations, compare with those of any average Third World country which we consider oppressed.

This oppression is imposed by the Great Russian master race! Of the Third Reich of Russia, the Third Rome. Outside of Russia, itself, we have the satrapies, the colonies of Eastern Europe. In the colonies of Bulgaria—a friend of ours was recently there—in Bulgaria, there is real misery; in Romania, it's worse; in Poland, it's worse; and in East Germany which has about the same cultural level as Western Germany, when they want to celebrate, they cover the fronts of houses with grey paint, which peels off very quickly.

Why is this true in Eastern Europe? "Oh, someone said there's communism. That's double-talk! The reason is, because *that's the way the Russian Empire rules the world!* It comes in, it tells its subjects, "You cannot do this, because you will compete with us. So, you must be on a lower level than we are. You must subsidize us, by supplying us by what we wish to buy, which we will purchase with the credit *you will give us!*"

That is what is happening in Germany, now, in the increase of East bloc trade. All Western Europe will be subjected, if this occurs, to Eastern European rules of the game, increasingly. And, there are those in the United States, including friends of Armand Hammer, Dwayne Andreas, and others, who are prepared to put the United States through the same process.

So, we stand at a point where the United States is at the

verge of not only ceasing to be a world power, but of becoming, if it peaceably submits, at best, a client-state on the outer fringes of the Soviet world empire. And, under those conditions *there will be no development*. Under Soviet world rule, the conditions of life of the so-called, "Third World" will be far worse than they are today.

What's at stake is not only the United States, as a sovereign nation, not necessarily a sovereign world empire, but a sovereign state. And what's at stake, if this process continues, is the very existence of humanity. Because as we knew many years ago, because of the simple laws of epidemiology, that if the trends, and conditionalities, which were set into motion between 1967 and 1972, were projected further—as trends—that you could calculate the effect of these conditionalities upon the per capita level of existence in certain parts of the world. And so, my friends and I did those calculations back in 1974, and on that basis we projected that by the middle of the 1980s several things would happen. And we focused, in particular, on developments in the Sahel in Africa, where we foresaw the worst effects to break out first. We forecast the cholera, typhoid, etc., epidemics to reach major proportions, and also predicted that a major new disease, including some kind of pandemic, previously unknown to mankind, would erupt as a mass planet-wide killer during that period, as a result of the breakdown in economic conditions.

The world—Africa, for example—is being deforested. India has been deforested, with catastrophic effects on its climate. The deforestation of Africa, the same. Why the deforestation? Because we don't allow them to have energy supplies for alternative kinds of fuel. The poor people cut down the trees for fuel, to cook their meals. Why? Because we say, "appropriate technologies"; because we say, "You cannot have modern energy technologies."

If this continues—particularly with the HIV virus, and its eight *now known* mutations—under these conditions of economic decline, and spread of pandemic and epidemic diseases all intermingling and interacting as co-factors of one another, we are at the point where it is possible to project the certain extinction of the human species by some time during the first half of the next century, perhaps even the first quarter. That is a very real prospect before us.

And governments are lying; the World Health Organization is lying about this. *They're not mistaken*, there's no honest difference of opinion. *They're lying*. AIDS alone—what's called AIDS—alone, can be transmitted by any possible means that any virus can be transmitted: You simply require the right conditions and you may have to wait a few weeks before the virus evolves, or adapts itself—adapts its outer coat—to find a new opportunity. If we were to fight the disease, as we could, this would mean spending, in the United States, for example, in the next year, \$50 billion. It would mean, very rapidly, an expenditure of \$100 billion. It would mean within four to five years an expenditure of \$200 billion

annually just to fight this disease. And, the Reagan administration says, that to expend that kind of money in the face of the current budget crisis, would be contrary to the administration's economic ideology, and therefore, we are going to lie, because we are not going to let the people be aroused into forcing us to spend that kind of money.

So, we're at an existential point where the question of a new monetary system—a new economic order—is no longer a question of choice, it's no longer a question of abstract morality, it's no longer an ethical question, as we define the word "ethics" in vulgar use today. It is a question of whether the human race does, or does not have the capability of making those decisions, which constitute our species moral fitness to continue to survive. It is not an abstract question of justice. It's a question of human survival of us all, and of the grandchildren of the coming generations.

The decision will have to be made soon. For various reasons, the decision will have to be made inside the government of the United States. There is no alternative.

Granted, the industrial economies of Western Europe, in total, represent today a significantly larger economic potential than does the United States. Japan is a much more powerful economy, than any other economy in the world, per capita, today. And one could say that if the United States fails, some combination of Japan and Western Europe might appear, which could take the place of the United States in starting a new economic order in the world. Politically, that's impossible.

There are people in these various countries, in Japan, in Western Europe, people who are very positive, people who will respond. But, none of these countries has the capability of pulling together those forces, in a united way, sufficient to save humanity, and the Russians won't allow it. Only in the United States, and the United States government, do we have the means, not to solve the problem, as such, but the means to make certain decisions, which will bring about the kind of coalition of forces needed to make the change effectively.

I indicate the present situation. The present monetary system essentially came to an end by about 1982. I was there, I was consulting with the Reagan administration, in pushing what became known, a year later, or so, as the SDI. In that connection, I warned the Reagan administration, through the National Security Council, and other institutions, that as a result of decisions made at the end of 1981—international monetary decisions—that the external debt of the nations of South and Central America was about to blow out, with Mexico at the head of the list. I warned of that over the first six months, and after meeting with a gentleman (who should be here, but he said, "The world would blow up" if he came here—the former President of Mexico, López Portillo) in a discussion of the situation. I had reviewed to him what the problems were: that we could expect the Mexican debt situation to blow out by September of that year, 1982, and that

the forces in the United States, were prepared to take Mexico apart piece-by-piece a process which has been going on ever since, and which is not completed.

### Operation Juárez

The next big destruction of Mexico is about to occur very soon, by the self-destruction of the leading party, the PRI, Balkanizing the political processes, possibly turning the north of Mexico into a province of the Anglo-American drug pushers, who have taken over pretty much as they're trying to take over Colombia, and then divide the country, and turn it into the conditions of civil war. So, I indicated to him that

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we would have to act very soon, not in the case of Mexico, but in other parts of the continent, to reverse this process if we were going to save these countries, because *all* of them were doomed similarly, on the basis of the policies floating around the Reagan administration at that time.

So, in that context, friends of ours, including friends that Fred [Wills, former foreign minister of Guyana, who chaired the conference] just referred to, the SELA [Latin American Economic System] group, approached me, and said I should put my ideas into a book-length manual—stating to all the people, particularly in Hispanic America, and all of those who agreed with us—give them a working manual so that they could work together to common effect around these sorts of things in this crisis. There was a very significant movement in that direction, at that time.

At the same time, when I completed the thing on the first of August, I presented the manual to the Reagan administration. About two weeks after I submitted the manual, of course, the Mexico debt crisis fell, and the entire world monetary system nearly went over the cliff in a two-hour period on the day of the Mexican announcement.

The President of the United States, Reagan, called President López Portillo on the phone and offered to use U.S. credit for the United States to help Mexico carry over this particular crisis—that delayed the crisis. The President of Mexico López Portillo, with, at that point, the commitment of the President of Brazil and the government of Argentina, acted to implement a set of proposals identical to those which

I had outlined in this report, which I entitled, *Operation Juárez*.

There was a fight inside the Reagan administration, with people inside the National Security Council, CIA, and elsewhere, taking my side on the issue, and Henry Kissinger's friends, and Kissinger Associates—Donald Reagan, and from outside, Walter Wriston, in the New York banking community—taking the opposite side.

Well, needless to say, we lost the fight. The President of Brazil chickened out, betrayed the President of Mexico. The Argentine junta demonstrated what kind of a military leadership it represented by chickening out, betraying the President of Mexico. President López Portillo was left hanging out to dry, and his country was chopped to pieces, piece-by-piece, or by bleeding. Over the period since, it is now at the point of virtual destruction.

You compare Mexico in 1982, with Mexico today, you say, "Here's a country which has been destroyed!" Just as much as if a Nazi occupation force, occupied it during the middle of World War II, that force would have done no worse, than has been done by a government which has carried out point-by-point, *nothing but the orders given to it* from London, New York, and similar locations. . . .

What happened is, as a result of that, President Reagan took action, together with the New York banking community, which resulted in creating the biggest John Law-style financial bubble in history. That bubble kept going on. The U.S. economy collapsed. There never was an economic recovery in the United States. Don't believe it! The President's stupid on these questions, so I can't accuse him of lying. On economics, he's insane, clinically insane, always has been, ever since he got into political life. But, he's been saying, "59 months of economic recovery." We had the biggest financial collapse, since Black Friday of 1929. It came out the next month: Sixty months of unbroken, uninterrupted economic recovery. This period of 62 months of so-called "economic recovery," since 1982, is what he dates the economic recovery from.

The entirety of this period, what happened is, U.S. agriculture has collapsed, U.S. industry has collapsed, U.S. industrial employment has collapsed. The average level of real content of the per capita market basket—family market basket—has collapsed; infrastructure has eroded, and collapsed; the purchasing power of the dollar on the world market has collapsed. The President calls this "recovery." He must be standing on his head to read the charts.

What grew? Yes, something grew. And, he had the figures every month: Admittedly, the figures were fake. Since 1983, virtually no figure by the U.S. government has any correspondence to reality. We had a trade figure recently: completely fraudulent. We had a GNP figure: completely fraudulent this month. The government has simply made up the statistics reported as the official reports for political purposes, with no regard to what actually happened.

But one thing did grow. What grew is what's called, "Value added from financial revenue sources," the value added of finance. Well, when the real economy is collapsing, and the nominal value of financial assets is increasing, what are you doing? This is called, generating a "John Law-style financial bubble." And, last October that bubble began to collapse. It is a bubble—the magnitude is between \$15 and \$20 trillion internationally. It is a financial system no one could bail out, even though Reagan and Bush are trying. It is going to collapse. *The collapse is inevitable. It is unstoppable.*

### Reagan's delusions

The reaction to this collapse is that President Reagan says, "There is not going to be a collapse while I'm in office. I've got to go out as a man of peace and we'll let the Russians take over afterward, let the depression occur afterward. But, let me go out as a man of peace. Let me go out, and go to my death, or whatever it is that I've got—let me go out with a grand illusion. Let the film close with Bonzo a hero."

And George Bush says, "Yeah, man! I've got to be the next President, and I think I'd have some difficulty running as Herbert Hoover. So, do anything. Sell children into slavery; beat up 15-year-old children—whatever you have to do—to delay the crisis until after November of 1988. Then, let it all hit, because I'll be President!" Great fellow, that Bush. Contrary to the image he presents as a simpering preppy, underneath that image there is a real down-to-earth George Bush—a real knuckle-dragger—as you saw on national television with Dan Rather. This guy's a thug, essentially. That's the situation. The situation is worse, however, than merely the idiocies of a senile President, and a George Bush—you will never notice when he becomes senile, because there will be no change. His talents lie from the neck down.

What has happened is that, since the outbreak of the events of early October to middle October, the President, the leadership of the Congress, the Federal Reserve Bank, the Federal Reserve System, the U.S. leading bankers, the leaders of the political parties, and most of the institutions, have been doing and saying exactly what Herbert Hoover, the head of the Federal Reserve System, the head of the Treasury, the leader of the Democratic Party, the New York and Boston banking community, did and said between 1929 and 1931.

In Europe—except for some noises out of France, [Finance Minister] Balladur and [Agriculture Minister] Guillaume—what we're hearing from Europe is exactly the same policies, identical, virtually word for word and identical in substance. The same thing that was said between 1929 and 1932. The result of this is as follows: The crisis we're in, is immediately a financial crisis associated with a collapse of a gigantic financial bubble—a John Law-style bubble. In the 1920s, the bubble was the hypothecation of a structure of French and German debts to the United States, on the pre-

sumption of the Germans' payments of the war reparations debt. When the point was reached of the Young Plan, that it was obvious that the German war reparations debt could never be paid on those terms, the markets responded to this happy news by collapsing. However, the bubble, the Versailles bubble, which set off the 1929 to 1932 collapse, was relatively, as well as absolutely, much smaller than the financial bubble which has been built up over the past twenty years since Johnson began to take the system apart.

Therefore, what we face is, in many respects, a repetition of the 1929 to 1931 developments, with two general exceptions and one special one. First, the process is much deeper than during 1929-31; secondly, the tempo of the process will be more rapid than 1929 to 1931, which means that, at the present rate, we could expect to be in the depths of a depression much worse than 1931-32, by sometime in 1989 at the latest. This will be the greatest catastrophe in the modern history of the United States, if it continues. Now, the third problem is: The political parties of the United States, and the quality of government, are vastly inferior, to the quality of the political parties and government back in 1929-32. And, the quality of the population generally, in terms of educational level, in terms of the stability of institutions of family life, in terms of resources to fall back on under conditions of mass unemployment, are far poorer than they were in 1929 to 1932.

Therefore, we're going to have to make decisions very quickly, because the combination of what is happening on a global scale and strategically with it, the rapidity of this crisis inside the United States, means that we are at a point of irreversibility—a *punctum saliens*, of which we either make the necessary decisions, or we can sit back on a mountain top, if we can get there, and contemplate the great spectacle, the greatest of all Roman circuses—the death of the human species, or at least of civilization, as we know it.

And, therefore, unless we can find a President of the United States, who can, as a candidate, begin to shape the events of the coming months and who can assume office in January of 1989, I think the chances of humanity as a whole are grim ones for a long time to come.

Now, I'll indicate the more positive side. The nature of the crisis lies not with the objective problems we face. The crisis lies essentially with the fact that we haven't got, in our governments, the brains to respond to objective problems with available objective solutions.

### **What President LaRouche can do**

Just to indicate what I would do as President on the day of inauguration, and I don't think that there will be much that will change in the meantime to cause me to adopt any different measures or require any measures in addition to those I would envisage now. They're not too difficult, you just draw up the list, and when you're inaugurated and sworn in, you've got the authority to begin signing the presidential directives

and sending the bills over to Congress.

Under the U.S. Constitution, the President of the United States, with a certain role contributed by the Congress, has adequate powers to deal with a crisis, exactly like the present one, with no impairment of those liberties, or the constitutional guarantees provided by the Constitution. In addition to the constitutional powers, particularly those under Article I of the U.S. Constitution, the Congress over a period of time has given the President emergency legislation, chiefly grouped around the Federal Emergency Management Agency acts. The agency itself—and the acts associated with it—many of these proposals by the Congress are bad; they're bad legislation, but, nonetheless, they're on the books, and a President who has the brains to do so, can pick from this legislation. Simply by declaring a National Economic Emergency, he can pick a menu of actions which coincide with exactly what has to be done. The President can, in effect, seize the Federal Reserve System, discontinue those practices of the Federal Reserve to which he objects, convert the Federal Reserve System, into a system of national banks modeled upon the First Bank of the United States, under [President] Washington, or the Second Bank under Monroe and John Quincy Adams.

In addition to those measures, and the use of Regulatory Powers of government: exchange controls, capital flight controls, export-import controls, regulations of banks which are in trouble to make sure they don't close their doors, regulatory actions to defend the value of the U.S. dollar on world markets, regulatory actions to protect the value of U.S. government debt in the form of bonds, and U.S. Treasury bills and devaluation. The main thing the President has to do, is to know how to use the provision of our Constitution, which has been not much observed in recent decades.

Under our Constitution, the creation of U.S. currency occurs by a bill presented to the Congress for its deliberation and action by the President. This bill, when passed, when enacted, authorizes the U.S. Secretary of the Treasury to issue a certain quantity of U.S. Treasury currency-notes, as currency. Now, what will be required over the coming two years, in the United States, to deal primarily with the domestic requirements of the United States is about \$2 trillion a year in issue of U.S. Treasury currency-notes. These notes would be lent through the Federal Reserve Systems banks, which will be functioning as national banks.

These banks, in turn, will usually lend these notes to federal, state, and local agencies for capital improvements in infrastructure; to public utilities for capital improvements in infrastructure; for farm production loans, and capital improvements in agriculture; for industrial production loans, and capital improvements in industry, or expansion in industry; and for long-term to medium-term export financing of product by U.S. exporters to foreign countries. An intelligent application of these funds would limit their application to

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From Ibero-America, Europe, Africa, and U.S.A., speakers brought problems and programs



Former U.S. Senator Frank Moss provided an optimistic and practical concept of what can be done with existing technologies to improve man's ability to develop the continent of North America. "Vast areas of our planet now barren and desolate will become habitable and productive when we add water."



Helga Zepp-LaRouche applauds, as Lyndon LaRouche congratulates Panamanian economist Jorge Panay after his speech, where he said: "We have to embark on modernizing the canal because it is Panama's contribution to the well-being of the world."



Mario Parnther, of the Pa



Donald Eret, grain farmer and former Nebraska legislator, described how commodities speculators undermine international farm prices—with the backing of politicians from both parties, except for LaRouche.





*Dr. Farouk Shakweer, whose trade organization represents 24 African states, said that many of the continent's nations are on the verge of stopping debt payment and adopting solutions like those proposed by LaRouche.*



*Zairean diplomat Mpinga Kalongi: "Your responsibility is immense. You must help the weaker economies. I call upon you to discover what we must do to foster the dignity of man."*

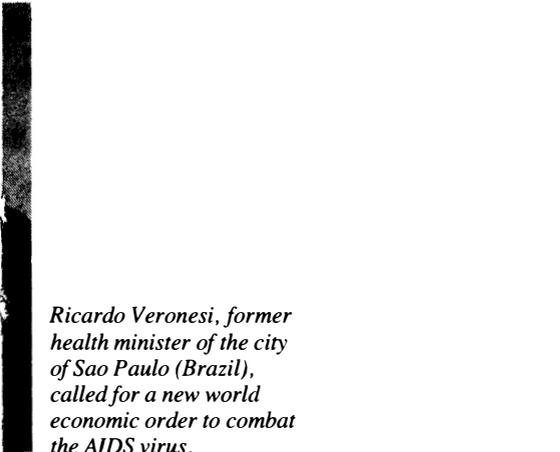


Photos by Philip Ujanowsky

*...namanian ruling party, conversing with Mr. LaRouche during a recess.*



*Amelia Robinson, civil rights leader: "Is it fair for starving countries to have to send their produce to our country to pay their debts? The greatest love is to send technology and scientific assistance to Africa to help them again make contributions to the world."*



*Ricardo Veronesi, former health minister of the city of Sao Paulo (Brazil), called for a new world economic order to combat the AIDS virus.*



*Retired General Paul-Albert Scherer of West Germany said that the new world economic order is an integral part of the battle to blunt the drive of Soviet chauvinism, which only offers weapons to countries facing poverty, malnutrition, and disease.*

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these categories. That is, if you wish to go into the insurance business, you couldn't borrow this kind of money. If you wish to set up a casino, by no means could you borrow this kind of money.

The important thing is to make sure that the flow of these funds does not go into administrative, sales, financial services—overhead of the economy, except in the professional, scientific arrays of services—but goes entirely into expanding the labor force of operatives, and their productivity.

To give you an indication of the effect of this: An in-

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crease, even without any significant increase in technology, an increase of the number of industrial operatives—that is both infrastructure and industry—employed, say during a three- to four-year period, in the United States, would increase the per capita physical output of the United States by between 20% and 25%. In point of fact, with the technologies we have, and we'd be obliged to use, it would be closer to 30-35%.

### **Creating a new monetary system**

Now, there is very little that you couldn't fix in the United States, if you started from an increase of total output of about 35% per capita. There is no budget that couldn't be balanced, and so forth. Now, to take this, and put this in the context of international economic and monetary reform. The Bretton Woods System and its zombie relic, its Dracula relic, called the "floating exchange rate system": They killed the old Bretton Woods System, then they brought it back as a walking corpse, which walks at night and sucks the blood of nations—the floating exchange rate system. That thing just has to be scrapped! It's a very simple thing to scrap it. It's a creation of treaty agreements of governments. If governments abrogate those treaty agreements, or alter them, it simply ceases to exist. The IMF can sit there, it can vibrate, it can oscillate, but it just sits there. The same with the World Bank.

The monetary system has to be based on the authority of sovereign governments. It is effectively a treaty organization

among sovereign governments, and has no legitimate authority, except as a treaty organization of sovereign governments as partners. Therefore, what we simply do, is we take the old monetary system, put it to one side, put it in the closet, and open the closet to horrify children on Halloween. We sort it out later.

The question is: How do we generate growth? Well, the first thing that has to happen is, as President, I would have to have most of the so-called "Third World" leaders, as in the capacity of preferably either Presidents or prime ministers, or foreign ministers, or some combination . . . we'd have to meet, and settle immediately, the question of restructuring and reorganization of debt of these nations, insofar as it involves the United States. Well, if the United States government signs a memorandum of agreement to such effect, simply a signature on a memorandum of agreement is effectively a treaty, which the President can issue as a presidential directive in an emergency, and then pass it as a bill down to the Congress, to be treated as a treaty and make it treaty law.

But the President can do a great number of things under emergency conditions, in this form. Now, once the United States government, once the President of the United States, has entered into such an agreement with a group of developing nations on restructuring and reorganizing of their external debt, and expansion of their import capacity, and conditions of new volumes of loans for economic development, well, the rest of the world just has to go along with it. And there, we can be assured that the forces in Japan which agree with this kind of policy, would join with it immediately, and they would become predominant in Japan, as opposed to others who tend to be pro-monetarist. In Western Europe, the forces typified by the statements of Balladur, of Guillaume would become predominant. The crazies in Israel would simply have to go and find themselves a new promised land on the Moon, and the sane ones would accept what we call the "new Marshall Plan" for collaboration with their new Arab neighbors on this basis.

Of course, the developing countries wouldn't be much of a trouble. We might have trouble with Khomeini, but I don't think he's going to be around too much longer.

On the basis of that, the United States, of course, would enter into matching agreements with our friends in the OECD nations. And, thus we would have, in effect, the basis for a new monetary system, simply by these kinds of agreements. What would make it a monetary system, would be the agreement of the other countries, the Western European countries, and others, to agree to create credit, not for money loans. I don't think that lending money does any good, it just leads to usury. What should be lent are strictly lines of credit: short-term, medium-term, long-term credit. There's no sense in the United States government or any banks' running around giving countries money. It doesn't do any good, and usually does a great deal of harm. The money somehow disappears in Swiss banks on the way into the development project, in

most cases, *not* into the country.

Give these countries lines of credit, for their infrastructure, agricultural, industrial development projects, including such things as health programs and educational systems under infrastructure. Supply them what they need. Give them the means that they require to employ vast armies of unemployed labor, or *misemployed* labor.

But, in general, in my opinion, from looking at many development projects in developing sectors, most developing countries could undertake most large-scale development projects, using 80% domestic resources; what they require from foreign countries is essentially certain crucial included elements of the project which amount to about anywhere from 5% to 20% of the total package. The trick is to enable countries to survive on their own resources, to give *them* the ability to mobilize *their* labor. To give them the ability to lay the basis for their own development, as sovereign states: And we can do that.

It's no mystery for those of us who are economists, particularly the physical economy—and I suppose I could do a pretty good job right here, if we want to take the time to do it—to run off a list of major infrastructural development projects which would transform this planet. These infrastructural projects would create the domestic markets in the countries they affected for the growth and development of agriculture and industry. It would mean new industries; it would mean that increase in food supplies would come automatically. Railroad projects: We have, now, better railroads, we have the magnetic levitation trains if we have the power to run them, which are cheaper, better—cheaper to maintain, cheaper to build—which can run at speeds of 300 to 400 miles an hour, if you have to run them at that speed. Railroads, water-management projects both for transportation and for better utilization of water for general purposes in agriculture, and control of the environment. And, above all, production of power.

We know there's no escape from power production, and despite some people's sensibility, there's no escape from nuclear power production. There is no alternative. Look at the deforestation of Africa, and India, and you see the fact.

### **What is development?**

Look at India—how does it power its economy? It takes coal, runs it from the mines of the north down to the cities of India, and the movement of tons of coal by freight car is destroying the Indian railway system. Without nuclear energy India is doomed! It's not a matter of choice, there is no alternative. Yes, there's great hydroelectric potential, but hydroelectric projects, properly managed give you very little net energy, because if you manage them properly, you use as much energy to maintain the system properly as you get from it. Or, if you get power from it, you cannot control, at will, the time you get the power from it, you have only certain parts of the year, and certain conditions, under which you get

a significant net power production.

We don't have fusion power yet; we should, but we don't. So, therefore, in this area, you can measure it with all the figures through the economic history of mankind, the level of productivity and income of a population, is a function of the density of usable energy, supplied per person, per square kilometer. The difference between India and a developing country, or other developed countries—Japan, North America, Europe today—is infrastructure measured in power. There is no development without infrastructure. It's impossible, it's a physical impossibility!

Someone says, "We're going to develop our industries, and our agriculture, rather than our infrastructure"; they don't understand economics: It's impossible! You can measure this in calories, measure this in kilowatts. The number of kilowatts of infrastructure, consumption of energy, per person, and per square kilometer determines absolutely the upper limits of economic development in terms of per capita productivity and consumption. If you don't have that development, you are doomed to a level of development which coincides with the amount of energy per capita, per square kilometer you have.

So, in those terms, water projects, some reforestation projects, transportation projects—including rail—but particularly in water management, power, and other infrastructure, such as health systems, school systems, the development of new kinds of cities, which are cheaper to maintain, more durable—these kinds of projects—this is what the world needs, it really doesn't need to think of much else.

Yes, the rest of it's easy. Once you have the infrastructure, then it's very easy to determine what industries you want to put on infrastructure. Industries are like electrical devices that you plug in the wall: They work if you have the plug, the electricity supply, into which to plug—in this case, the infrastructure supply.

Now, this is beneficial to both of our parties, the developing and developed sector. Again, our economic policy in Europe, the United States, and Japan—but particularly Europe and the United States—over the past twenty years, has been clinically insane.

The healthy development of an economy starts by decreasing the percentage of the total labor force required in rural production, to increase urban production. Now, unless you get too many salesmen, bankers, clerks, shoeshine people, and so forth—that's insane. But, as long as you keep the amount of administration, financial, low-grade service, and so forth to a minimum, keep your number of parasites to a minimum—you can have one parasite in the zoo to amuse the children—but generally, keep your parasites to a minimum, particularly, the ones who get very rich at that sort of thing.

Then, the urban industries grow, as Hamilton laid it out. The urban industries grow on the basis of a healthy interrelationship between the urban community, as a manufacturing

community, primarily, and rural production. Urban development depends upon growth: movement away from consumer goods production into capital goods production. And, in terms of these ratios, the level of energy development, per capita, and per square kilometer, you can measure the absolute viability of economies, without knowing a thing about prices, without knowing a thing about money prices.

In the United States, we've been insane: We were insane throughout the entire postwar period. The so-called, "Eisenhower recovery" was a piece of insanity which lasted three years and came to a screeching halt in 1957-58. Why? Eisenhower had the theory from Burns that you had a "trickle-up" economy: If you used consumer credit to expand automobile sales, everything would be good. Insane! Insane economics, which ruined us during the late 1950s.

The trick in economy is to put the credit into the expansion of the capital goods sector which throws off and generates technology. The demand created by the capital goods sector *creates* the basis of the growth for the consumer goods sector. Then, that's how you maintain full employment in an economy, by expanding capital goods investment—and employment—to absorb as much as possible, a full labor force. In the United States, we've done the opposite. Our machine tool industry is almost nonexistent; we've destroyed our producers' goods industry, generally. Our steel industry doesn't exist: We say, "We can get steel cheaper, by stealing it from Peru, or from Mexico. We can get food cheaper than from our farmers, by stealing it from countries that are hungry," or where there is vast hunger, such as Brazil. This is President Reagan's economics.

What is beneficial to the developing and so-called "industrialized" countries is to eliminate, as much as possible, all export of consumer goods, except absolutely indispensable goods such as food when needed in the developing nations, and almost to make a law against it, or to use regulation—export-import regulation—to prevent this from occurring. We don't wish any cosmetics going from the United States to Africa, it'll just make the Africans look ugly, and I see no point in that. Our people in the United States are ugly enough already; you see men running around with these cosmetics: It's terrible.

What we wish to export, and should wish to export, are essentially two things: It's sometimes called "technology transfer," capital goods, and certain specialized qualities of engineering services; that's all the United States should *ever* desire, to commit itself to exporting to developing nations, because if we increase the rate of development in developing nations, we have two effects. First of all, we increase the turnover of our capital goods industry simply by more sales. And by increasing the turnover in the capital goods industry, you actually cause economic growth in the United States—simply by exporting, even before you get money back on the goods exported. Secondly, by increasing the per capita productivity in the developing countries, well, we're doing fine,

we're letting our customers grow. Now, the United States is insane: They believe today that the best way to build your market is by killing your customers, which is what they've done with the developing sector with monetary policy. The intelligent policy is to do the opposite.

What we have to reach agreement on to create a monetary system, is to get the United States, Japan, and Western Europe, or most of these nations, to agree on a new basis for pegging currencies to fixed prices; going back to a gold-reserve standard for that purpose; to issue credit at agreed terms of credit; to have a schedule of priorities on issuance of credit; and to have regular meetings among various countries, developing and industrialized, to set priorities and goals for imports, exports, and investments. So, what governments will do, as a result of those agreements, is governments, such as the government of the United States—its export-import bank and other institutions—will simply allot every year, for export-credit purposes, a certain percentage of a total amount of lending power to each of the categories listed, by country or by region of the world.

The way we shall operate is, the United States will become a major exporting nation again. Anything else is insane. Instead of the United States, Japan, and Western Europe trying to take in each others' laundry by selling to each other across the fence, Japan and Western Europe will be told: "No more, except in very specialized categories such as spaghetti, pasta, good European wines, and so forth—we've got to have that for the U.S. population. But in the high-ticket items, such as consumer goods—get out of it—the United States is not going to be your market anymore, for these kinds of consumer goods. You're going to direct your investment and production into providing capital goods for the developing sector. And you, Japan, we, the United States, and other countries will come to agreed terms on sharing that market potential, with the consent of developing nations. And what we're going to export is capital goods, in order to rebuild this planet."

### **The punctum saliens**

A perfectly feasible proposition! It all hangs, of course, on making sure the next President of the United States does that. But, we have two choices. Either we don't do that, in which case, you can write off the human race. Not necessarily extinct—that could be possible—but you can write off civilization as we've known it, for a long time to come. We are now at the *punctum saliens*! The next twelve months, or so, that's the *punctum saliens*. If it isn't done then, it'll never happen, at least not within foreseeable generations. So, that's the only thing we can allow to happen.

Now, as to what will happen, I don't think we, at this conference, or others around the world who share our concerns, should worry in the least whether what we desire to happen, will happen or will not. That is not in our power to determine. We'll do the best we can to make sure it happens,

but we don't have the power to determine that.

We cannot ensure that the voters in the United States will be sane. As a matter of fact, from their recent pattern of choices in the postwar period, we find that they tend to be the contrary. They've elected a parade of prize idiots of the twentieth century, either men who are mediocrities by training, or agreed to be such for the privilege of enjoying the pomp and circumstance of holding the office: As long as they did nothing in office, they were allowed to be President, Gerry Ford's an example of that. A man who had no idea of

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*The prospect of my becoming President is a highly speculative one, but I think I just might do it, because of the nature of the times. In crisis, all kinds of strange things, for better or for worse, happen.*

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what it meant to be President, but he sure liked the pomp and circumstance. And, as long as they didn't bother him with too many decisions, he could just go around being absolutely happy.

But, we don't control that. We cannot—facing a problem of this nature, the fate of humanity—we cannot say, “Well, we will do something about the fate of humanity, if you will assure us that the American voters are going to behave intelligently this year.” Well, that seems immoral to me. My view is, that we must do what is necessary. We cannot associate ourselves morally with any enterprise, except *that which is necessary for humanity*. Therefore, win or lose, let us dedicate all of our exertions to the maximum degree to the only thing worth doing, not dependent upon whether we can guarantee success or not. I would rather die, having failed at doing the only thing worth doing, than die succeeding in contributing, supporting, or tolerating the catastrophe which is otherwise going to befall mankind.

The prospect of my becoming President is a highly speculative one, but I think I just might do it, because of the nature of the times. In crisis, all kinds of strange things, for better or for worse, happen. The prospect of finding some other candidate who might be elected, who would do it, is virtually zilch—zero. None of the visible candidates would do anything but the opposite of what I've outlined, apart from Gary Hart's saying nice things about the Third World, and being nicer to them. That's like Lady Do-Rightly handing out doilies to the poor at her back door twice a week for an

hour at a time. These are the kinds of things which make charity a disgusting word. Most of them are *evil*. Dole's program is evil. Bush *will be evil*. Most of the Democrats will be evil. Nunn would be evil. Cuomo would be *much more evil*. He'd not only steal from you, he'd send a racketeer down to take it from you, with his mafia friends; and Bradley is a Rhodes scholar, you can ask Fred about what that means. . . .

So humanity, the future of humanity, seems to be a very unlikely prospect, but as I say, we must put ourselves and our efforts to the only thing worth doing. Nothing else is worth doing. Do it right! Face each of the problems involved, both the technical-economic problems, and also the political problems, of affecting the terms of collaboration among nations, which both meet the requirements of respect for their sovereignty and also respect for the fact that their sensibilities may be different than those of some of the rest of us.

We must bring these nations together, we must bring them together on an equitable basis, we must bring them together on the basis of respect for their sovereignties. And we must bring them together with the idea, that what we agree to do is not something that's going to be served on paper, passed off to special study commissions. Those are wonderful things, those study commissions. When a government wants to appear to do the right thing, without ever having to do it, it creates a study commission, a feasibility study. When I hear “feasibility study”: “Oh, we've decided to support that!” “Oh, yeah?” “Yeah, we're putting out a feasibility study.” “Ah, you mean you're not going to do it, but you don't want people to be able to accuse you of not doing it.” Everything that has to be done of importance, we could do right now, without any feasibility studies. So, maybe the first plank is, “It's against international law to organize a feasibility study.” It might be a great boon to development! It would force a great number of politicians in governments, to put up, or shut up.

So we must come to deal with those kinds of problems. We must also, in doing that, understand the importance, particularly, to developing nations of a sense of full participation, of sovereign and equal nations in the process of deliberations which we propose. Nations must be induced to participate in formulating the kinds of policies, we wish for a new world economic order, not simply stand at the back door and wait for somebody to hand it out to them as a finished product.

So I say, despite the difficulties, despite the problems of feasibilities as I've indicated, the problem is a soluble one. *We have the knowledge and means to solve the problem*. We face the difficulties, the political and diplomatic difficulties, of coming to an agreed form of solution in detail, to a solution in principle. These should be readily available. People may ridicule us and say, “Well, why are you doing that? You have no assurance that that will ever come about.” And our answer is, “It's the only thing worth trying to bring about!”