

LAROUCHE ADDRESS

World Recovery Possible Only With a Four-Power Agreement

Lyndon LaRouche made the following remarks to a private luncheon in Washington, D.C., Nov. 4.

First of all, we have to accept the reality that the present world international monetary-financial system is crashing, and nothing will ever save this system. There will never be a recovery of *this* system, in the present form. However, bankruptcy reorganization is a part of life. And if a number of great powers were to agree to break the present system, and start a new system, a recovery would be possible.

Now, at the Rhodes conference which I attended [see *EIR*, Oct. 23, 2009], this came up, and it was rather important that I be there for that purpose. And because my record as an economist, particularly in forecasting, is, I must say, unmatched on the planet today, and therefore it was my job to present clearly what a Four-Power agreement among the United States, Russia, China, and India, and other countries brought into the same agreement, would mean for the planet. It would mean that we would have a convention, an agreement on forming a new system, scrapping the present monetary system, which can be scrapped because it is already bankrupt. There is no possibility, on this planet, *ever*, that the present monetary system of the world, will continue to exist. *It will not exist.* It is finished.

However, economy is not limited to monetary systems. A monetary system, especially when it's a free-trade system, which it's called today, is actually an international dictatorship, an empire of monetary power, which is not subjected to any nation's power. Nations

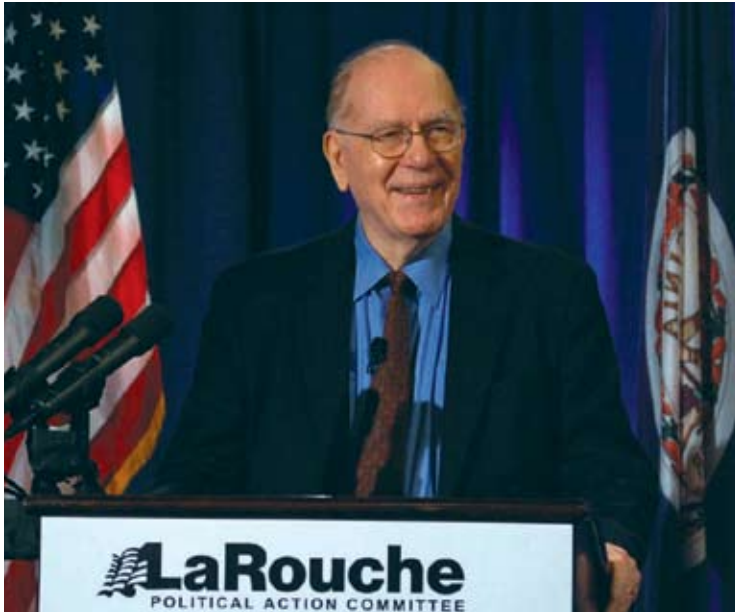
create currency, and related credit, by their willingness to print money, or to do the same thing in terms of coinage. And that's a credit system. A monetary system, which has existed in the European model since about the time of the Peloponnesian war, has been a system of money which is above nations. Private interests, of banking interests, create a monetary system, which, by various manipulations, places itself in authority above nation-states. As distinct from what the American System prescribes, as a constitutional system, which is a credit system.

Under our Constitution, when followed, no international monetary system is allowed to dominate the United States. It is the utterance of credit, or currency as credit, by the United States government, which, according to the U.S. Constitution, is the only legitimate system which this nation can accept.

The United States is unique in that respect: in respect to the terms of its Constitution. Other parts of the world are conditioned to accept monetary systems, which rise above the power of nation-states, to agreements made by private financial interests, which then dominate nation-states. The IMF, which was really created to be a project piloted by Franklin Roosevelt, was transformed by Truman, and by Churchill, immediately into a world empire, an imperial international monetary system, a financial system, not a credit system.

Cancel the Bubble

Now, we've come to the point, especially where the derivatives program, which was launched in 1987—



EIRNS/Stuart Lewis

What China and Russia have done, in initiating a set of great infrastructure projects between their two nations, LaRouche reported, “is a sparkplug,” for the creation of a new international credit system, to pull the world back from the abyss.

with that derivatives program, we have created a wild-eyed international monetary bubble, which now goes to hundreds of trillions of dollars of nominal obligations—far more than any nation could ever repay. This monetary bubble, is now collapsing. Every part of the world is being more or less crushed by this, by this bubble. The only way to deal with it, is to do what has been done in times past, as was done by the American Revolution, in founding the United States: Cancel the bubble.

Now, we have a standard in the United States, which was implemented in a special form by Franklin Roosevelt, President Roosevelt, in 1933. It was called the Glass-Steagall Act. And the point was, that under a commercial banking system, regulated commercial banking systems, they would be protected by bankruptcy law, against exactly what has happened since 1987, under the U.S. Federal Reserve System, and its extension internationally.

So, this monetary bubble has grown to hundreds of trillions of dollars of nominal claims against humanity, far greater than any nation. And what you do is, by applying a Glass-Steagall principle, which is also a principle of the U.S. Constitution, you simply say you call a bankruptcy proceeding, and you look at those claims, those assets, those debts, which qualify under a Glass-Steagall standard, and you put those under bankruptcy

protection. That debt is protected. It will be resolved, it can be negotiated, but it will still exist.

Those accounts which are purely monetary accounts, which do not meet a Glass-Steagall standard, are simply eliminated, by bankruptcy proceedings, as under U.S. bankruptcy law, constitutional bankruptcy law.

Thus, the United States, initiating a process which says we have a gross debt, a monetarist debt, on the world, which far exceeds everything the world can pay—it’s a debt which is crushing nations, and looting them—and therefore, we have to free ourselves from that. And we simply apply the model of the Glass-Steagall, which was repealed by a skunk in the United States. But we reinstate this process, defend and reorganize the commercial banking systems, of nations and within nations. So that the banking systems function under a Glass-Steagall standard of protection.

This means we’re defending national credit, and we’re taking the monetarist speculation, financial derivatives and similar kinds of filth—we simply wipe it off the books. And somewhere in the range of \$100 trillion of claims, is eliminated from the back of the planet.

What we have to do, then, is to go back to the other side of it. Use this concept of national banking, with protection for the private commercial banking systems, under bankruptcy protection. Under these conditions, by establishing a fixed-exchange-rate system among the participating nations, we can then utter long-term credit—I’m talking about 25- to 50-year credit, because to rebuild the world economy today, requires long-term investments based largely on large-scale infrastructure: that is, large-scale essential infrastructure projects will be the stimulus for rebuilding private industry, within economies. For example: water projects, large-scale rail projects, and so forth.

The Russia-China Agreements

Now, what happened in this process?

My function at Rhodes was in the economics program, to present my proposal, which was about 15 minutes. And, following this—and this involved, particularly, the relationship between Russia and China, which was the essential thing on which I was focussed in my presentation. Russia and China were on the verge of a

negotiation, in this period, in which China has a trillion-dollar obligation of the United States, which is owed to China. This trillion-dollar debt of the United States, under the Obama Administration itself, in the present form, is essentially worthless. The collapse of a trillion-dollar obligation by the United States, to China, would be a disaster for China, and a chain-reaction, affecting the world as a whole.

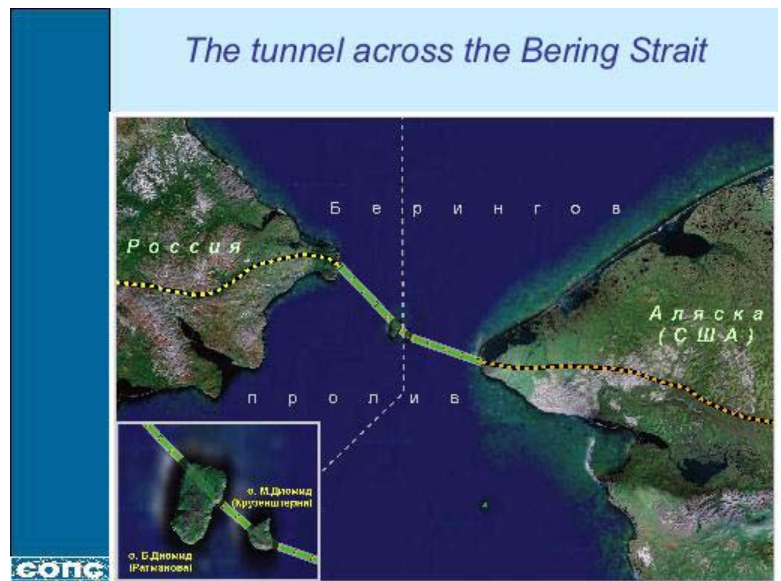
So, what happened between the negotiations between Russia and China, was essentially an arrangement to utilize the legitimate debt which China is owed against the United States' promises, and to use that, to monetize it, by investing it in something productive, which would be useful for Asia. And a very large-scale project of transportation and related systems, was agreed upon between Russia and China.

The intent was not to stop there: The intent is to extend this kind of agreement to Southeast Asia generally, and to include India. The intention of some of us, is to bring the United States into the same arrangement. Because, the combined power of the United States, Russia, China, India, and nations who wish to be associated with them in this kind of venture, is the greatest financial, economic power on the planet. If that planetary power decides to do what must be done, we can reorganize and rebuild the world, and shift quickly from a downward process, into an upward process. That's our option.

The key thing has to be: the United States, Russia, China, and India. Without an agreement among those four nations, such a recovery of the world is not possible. With those four nations, and other nations—such as, immediately, Southeast Asia, Korea, Japan, and so forth—other nations come in, and now we're talking about the possibility of a general program, of creating a new, world fixed-exchange-rate system, as a credit system, not a monetary system, but a credit system of fixed-exchange rate agreements, for long-term cooperation, in infrastructure investments, which will be drivers for the development of productive investments.

By infrastructure, we mean, first of all, large-scale transportation: modern rail, and superior [technologies] to rail, of land transport. The object is to be able to travel by land across Eurasia, through the Bering Strait, into the Americas, and through the Middle East, into all of

FIGURE 1
The Bering Strait from Space



The route of the tunnel across the Bering Strait, linking the Western Hemisphere with Eurasia, is projected onto a satellite photo of the strait, where Russia is on the left, and Alaska (U.S.A.) is on the right. In the middle of the strait (inset), straddling the International Dateline, are Russia's Big Diomed Island, and on the U.S. side, Little Diomed Island.

Africa. We can thus make connections, in these kinds of mass transit, which are more efficient than water-borne transport, and which will be a driver for development in every area through which such rail and related systems travel. We can transport people more efficiently, and more quickly, in net effect, by this kind of rail system, than we can by aircraft. Aircraft systems are not so necessarily efficient—they seem attractive under some conditions.

So, this is what we have to do.

A Shocking Defeat for Obama

Now, we've had a change in the United States, which is relevant. The change was the election which occurred on Tuesday [Nov. 3]. This change is a shocking defeat for the present Obama Administration of the United States, and will become apparently so, very soon. The figures will be coming out. The Obama health-care program, which I've opposed, as it's genocidal, will be stopped. The cap-and-trade policy, which is opposed by some countries in Asia, in particular, will be stopped. We must go to basic economic infrastructure. We must rebuild the high-technology skills of people. We must provide employment for high-technology productive skills, and we must, above all, establish

a general idea of a principle of negotiation of treaty agreements, long-term treaty agreements, among the nations of the world, and regions of the world.

For example: Take the case of Africa. Africa is a continent which has been condemned to be looted. And it's still being looted. If you take a nighttime view of Africa, as if from satellite, and you're looking for light in Africa, in what percentile of the total territory of Africa do you see light, at nighttime? As opposed to other parts of the world. Look at the water resources of Africa. How are these reassorted, how are they maintained? As opposed to other parts of the world which have had development.

So therefore, the development of Africa, which does have large resources in terms of raw materials, especially in the Southern Shield—that area has to be developed. Therefore, by a global development, which includes and understands our mutual interest in the development of Africa, we can attack that problem.

We have tundra areas, as in Siberia, as in northern Canada—in Canada generally. Again, large areas of resources. Now, this is an area where Russia is particularly useful, because my friends in the Vernadsky Institute in Moscow, are the greatest world authorities on dealing with tundra areas for this kind of project. They are the students of Vernadsky, and they know how to do this. So therefore, if we aim for the Bering Strait tunnel, and for related development, the whole area of the Arctic, which is thinly populated, very thinly populated, and almost unmanageable, can be managed and developed. This contains essential mineral resources, which are needed by the world at large, right now.

Especially, areas like China. China lacks resources of this type, in its own territory. Only through going to the northern tundra area, do we get the kind of resources that are needed, to meet the demands of Asia, in general.

Similarly, only by taking this area of the Northern Shield in the Americas, do you have a similar kind of development, and so forth.

So therefore, there are common areas, like Africa, like this area, which need to be developed in order to meet the requirements of humanity in the time to come.

Now, the fact that the Obama Administration's present program has been shot down in disgrace, in the Tuesday election, means that the United States is going to be much more receptive to innovations. Because, the majority of the American people, probably 80%, are really, in point of fact, opposed to these policies which Obama has represented. We saw that in the demonstra-

tions in August. But those demonstrations in August were continuing, in the minds of the people. But these are ordinary people. It's a phenomenon like what was described by Rosa Luxemburg, for example, as a mass strike. A case where there's a spontaneous reaction, by a people, against oppression.

We saw this, for example, in East Germany, in 1989, especially in that area, where the mass strike of the people, the spontaneous reaction of people, saying "We are the people, you must listen to us, and care for our concerns."

And we're now at a point, where that's true around the world. It's true inside the United States. But the people in a mass strike movement are not violent people. They're not flaming conspiratorial revolutionaries. They're simply people saying, "We are the people. And you have to pay some attention to our concerns. You have to respond to our concerns, and listen to our concerns, and talk with us about this."

What happened in the recent election, on Tuesday, the mass strike inside the U.S. population, which had never gone away, since August, suddenly expressed itself in the first election which was available for them, to express their contempt for *both* the Republican and the Democratic parties. And that's the election result which occurred yesterday.

An End to Globalization

So, under these circumstances, where the Obama Administration is now in deep trouble, where Russia understands its problem, where China understands its problem, where India is sympathetic to this problem, where Japan is eager to participate, where Korea will automatically participate—means that we have the basis for a consensus among nations, to put this whole monetary system through bankruptcy reorganization, establish a fixed exchange rate of credit systems among sovereign nations, and start to put together what we can recognize as the major projects needed to build the foundations of real physical economic growth throughout this planet.

We must also recognize the importance in this, contrary to some of these universalists, these world government kind of freaks, that we need to have a system of sovereign nation-states, not a global system. We now have a terrible system, which has developed especially over the past 40 years, of globalization. Virtually no country controls as much as 80% of all its requirements, within its own territory. We used to have a system in



We have the basis for a consensus among nations to start to put together the major projects needed to build the foundations of real physical economic growth throughout this planet, LaRouche stated. China is now positioned to move from an economy based on cheap exports to the West (left: a factory in Huaibei), to become a science-driver economy for all of Eurasia (right: a Lunar satellite launch, Xichang, October 2007).



Chinese Embassy in the U.S.

which nations were sovereign, in the sense that they grew enough food and other essentials to maintain their population. That, if one nation went under, other nations would survive, because they had the protection of sovereignty, of national sovereignty.

Globalization is the enemy of mankind, because it's the enemy of culture. It's the enemy of a people's sense of its own national identity. The only real solutions are those which recognize national identity, national peculiarities, but on that very basis of difference, are able to cooperate, under mutual protection, in behalf of the interests of them all.

And that's what we must do.

As I say, we have reached a point, with the defeat of Obama, and it was a major defeat of Obama in the Tuesday election. His entire leading program was shot down in flames, by the voters. And the Republicans benefited, in one sense, because the Democrats were more defeated than the Republicans. But it's both parties who have failed. And what was expressed was the way in which a mass strike, the American people, or a very large part of them, expressed, again, using the polls this time, to deliver the same message they delivered in August, throughout these meetings that were held by Congressmen and their constituents, then.

So, it's not guaranteed. Nothing is ever guaranteed in history. But the opportunities are provided. And it's up to statesmen to utilize the opportunities, for the ben-

efit of their own nation, and for mankind. We've come into such a time, where that *is* the leading consideration. Because this planet cannot continue the way it's going.

We have 6.7 billion people on this planet, estimated, now. We have a potential ability to support a population of about 2 billion people, if you count all the things that are being lost. The water resources that are going down. All the other kinds of things that are going down. We're going into a tragedy.

It's not necessary to have a tragedy. What Russia and China have done is a sparkplug. It's the opening of a gate. There are meetings now with Russia and India, meetings in Southeast Asia, and others. The opening is now for the United States, to change its policy from what it's been recently, and to become, again, the United States which our founders of this nation, defended, and demanded.

And we have to proceed from the standpoint of respect for the sovereignty of the individual nation-state, its cultural sovereignty, its political sovereignty. But at the same time, for cooperation to mutual advantage, among these nations, in common interest, for common causes. I believe that under those circumstances, it's still possible to save this nation, to save this republic, to save this world. And that's what I think is worth doing. I can't guarantee success, but that's all I can think of that's worth doing.