

As the financial crisis hits, humanity is all 'in one boat'

by Helga Zepp-LaRouche

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Dear friends of the MSIA, and of the Schiller Institute, dear ladies and gentlemen. I have the honor and the pleasure today, to introduce to you the Portuguese publication of the book by my husband, Mr. Lyndon LaRouche, about *The Science of Christian Economy*. And while this book was already written at the end of the '80s and the beginning of the '90s, for reasons I will discuss with you tonight, there could not be a more timely moment for this book to appear in your language.

Mr. LaRouche undertook the writing of this book at the end of the '80s, beginning of the '90s, and therefore at a time when it was already becoming clear that civilization was falling apart. Therefore, he regarded it as necessary to restate the fundamental principles of modern economy.

The essence of modern economy comes from the principles of Christianity, that at the center of any functioning economy, must be man, and man in the image of God: man and woman created as *imago Dei*. He wanted to make clear that the success of any economy depends on these principles, which are essentially those of Christianity.

Now, why are we saying that this is the center of economy, and the only source of wealth of any functioning economic process? Because it is that identity of every man and every woman in the image of God, which allows the individual to make valid discoveries about the laws of the universe. When an hypothesis forms in the mind of a person, then something occurs in the realm of the spiritual. And if this is then applied in the physical universe, and it turns out that this hypothesis was a valid one, then this newly discovered principle increases the power of man in the universe.

It happens to be the case that the essence of all economy is already laid out in the Book of Genesis, Book 1, verses 26 through 30. If you remember what that says, it's something like man has domination over the fishes and the birds, and should increase in numbers, and subjugate the earth.

Now, that requires the form of society which overcomes the division between the oligarchy and the state. The functioning economy, has to overcome a division in which a small elite, or so-called elite, of 5% or less, rules over 95% or more

of "human cattle." The problem of the world economy today, is that the world is ruled by a dominant oligarchical interest centered around the Anglo-Dutch financial oligarchy. It is this oligarchy which, indeed, up to the present day, wants to regain a situation in which less than 5% of the world's population participates in civil issues, in culture, in literacy, and where 95% of the people are condemned, de facto, to the status of serfs or human cattle. The book was written to emphasize the education of that 95%.

The related issue is that, as the result of oligarchical domination of all world financial institutions, the global financial system is in a very advanced stage of disintegration. If the world is to survive, it is necessary that in the very near future, we reject all forms of neo-liberal policies: globalization, the free market economy, and privatization.

And we must return to the kind of economic system that used to be associated with Leibniz, Alexander Hamilton, Friedrich List, Abraham Lincoln, in what List called the American System of economy, as against the British System of economy.

We have now come to a point in history, where the entire world financial system is about to disintegrate, in the next weeks and months. We are in a very advanced form of disintegration. The IMF is not only bankrupt, morally and de facto, but also its credit system is collapsing.

The global strategic picture

In the coming weeks, we have to form new alliances, and put together new combinations of forces in the tradition of Leibniz, Lincoln, Franklin D. Roosevelt, and other such dirigist economists. If the world is not to be plunged into a deep Dark Age in the very short future ahead, we have to have a just, new world economic order centered on such countries as China, India, Russia, Brazil, and other countries with large populations, in the center of it.

We can discuss the details of this, but let me first give you some of the absolutely breathtaking, dramatic elements of the strategic situation. International bankers today were saying that if the final meltdown of the financial system is associated with the color red, we are now in deep, dark orange. There is what they call a "rolling crash."

So, the result of this was that during the last few days, there was a plunge of the stock market. Today, the German stocks collapsed by 3.8%; Hungary, -8%; Russia, -18%; the Dow Jones, -250 points, which is around -3%. And this on top of the ongoing process. I think the markets in Brazil are called "super-nervous."

The Japanese yen is presently in a free fall, at 147 to the dollar. It could fall to as much as 200 to the dollar by the end of the month. The Dow Jones could go down as much as to 5,000 points by the end of August. We could go extremely quickly into competitive currency devaluation, where a collapsing yen would trigger new rounds of collapse of currencies in Asia. If the yen continues to fall, there could be massive capital flight out of Japan. It could lead to a situation where suddenly, paper is no longer negotiable. Under these conditions, a situation could emerge, within weeks or months, where trade could only occur on the basis of barter agreements.

The system is so volatile, that if independent counsel Kenneth Starr were to go for a serious impeachment procedure against President Clinton, that could trigger a worldwide meltdown of the financial system.

The problem is that Japan presently is sitting on \$2 trillion worth of bad debt, bad loans. And the present Japanese government, which is typical of the insanity of the oligarchs, is hysterically trying to hold on to worthless paper. Just imagine a crazy Japanese banker, who says, "I own an apartment in the middle of Tokyo, which is worth \$500 million." Now, this apartment is as big as a sardine box, or a rabbit hole. Obviously, here you have a case of the advanced insanity that also drives hyperinflation.

So, unless the Japanese are willing to write off 80% of their assets, there is no way this can be stopped. Japan right now drives central bankers bananas. It is the activity of a hopelessly bankrupt system. It is the most dangerous point right now.

But, you have other aspects, like Russia. Russia is on the verge of state bankruptcy. Because of the IMF shock therapy in Russia, industrial capacity has been reduced to 30% of what it was in 1991. As a consequence, the demographic curve in Russia is collapsing by 1 million people a year. This is called *genocide*.

Of these 30% remaining industries, only 40% are paying taxes. As a result, the state cannot pay wages; as a result, the workers are striking, and the country is about to disintegrate into anarchy. The Russian state tried to remedy that by putting out GKO's, Treasury bonds with the ridiculous interest rate of 150% for three months.

Now, you would think that the speculators would be very hot to make 150% profit within three months. But they could not sell these Treasury bonds, because people did not believe that they would get any money back after three months. A couple of weeks ago, only after the intervention of President Clinton, did the IMF give a so-called "rescue package" of

\$18 billion to Russia. The immediate danger was that Russia would default on its debt to the German banks and government. (The total exposure of German banks in Russia, despite varying published figures, is probably in the range of DM 130 billion. This, without taking into account additional derivatives problems.)

So, it was not a bailout for Russia: It was a bailout to prevent the collapse of the Western banking system. But so far, almost nothing has been paid, because the IMF has no money, because the U.S. Congress has not ratified the \$18 billion, which they are supposed to pay.

So, Japan is the biggest danger. Russia is very dangerous, because obviously, if you have anarchy and chaos in Russia, and local mafias and regional armies taking control of nuclear weapons and ICBMs, we are faced with a tremendous strategic crisis. Indonesia is in a life-and-death situation: It's about to disintegrate. It's in danger of falling apart, into 7,000 islands. There is no food. South Korea, Thailand, Malaysia, Philippines, are in a similar deep depression.

But the biggest problem is the *\$130 trillion or more* of derivatives speculation. This is a pure bubble. It's just paper! It has no correlation to real values. And presently, the international central banks have just decided to print money in Weimar-style inflation, hyperinflation like 1922-23 in Germany.

So, if this process continues, as it is right now, in an advanced phase of collapse, the danger is that the entire monetary system will disintegrate. There will be a chain-reaction collapse which will blow out the financial system, and it will evaporate.

The problem is that all governments of the G-7 have refused to address this problem.

The situation in Brazil has to be seen in this context. There is no question that it is absolutely criminal to sell off the national assets of Brazil for peanuts. To sell off the mining company, Vale de Rio Doce, for one month of interest payments, is just insane. To sell off Telebras for three months' interest payments—not even principal, but interest payments—is absolutely irresponsible and criminal.

What do you think will happen, if this continues, by the month of October? Do you think that Brazil is able, any more than Malaysia, to withstand a speculative attack by the hedge funds? If Soros and some of the other mega-speculators have their way, they will do to Brazil exactly what they did to Malaysia and Indonesia. And Dr. Mahathir, the Prime Minister of Malaysia, has said that these people are criminals, that they are destroying in weeks what it took Malaysia 40 years to build up.

Toward a new Non-Aligned Movement

So, because the G-7 is not addressing the problem, we have to try to initiate the new Non-Aligned Movement. We need a new alliance of sovereign nation-states, to defend the lives of their people, their economies, and their nations, against this onslaught. Any new world economic order, must

be based on people. And it happens to be that the largest concentration of population in the world, is in South Asia, East Asia, and Southeast Asia. So therefore, China, India, and Southeast Asia must play the leading role in this reorganization.

Now, the good thing is that the Chinese government—up to now, the only government—is responding to the nature of the crisis in an adequate way. The Chinese Foreign Minister, Tang Jiaxuan, just equated the effect of speculation and the global crisis on the economy, to the devastation of a full-fledged war. Since the global economic crisis is threatening the existence of every nation, they have equated the question of the economy to the question of national security. And they have shifted the focus of their economy. They are no longer trying to export consumer goods to Southeast Asia, which is not possible any more; rather, the Chinese government has decided to invest in infrastructure in the next three years, in the dimension of \$1 trillion, to develop the western and central parts of China.

So, China has a crucial part to play. India has to be allied with that, because it soon will be the largest country in the world, in terms of population. And obviously, Brazil and Latin America have to play a crucial role in this new combination.

In the moment of maximum crisis, there has to be a group of nations which takes the following steps with respect to the reorganization of the world financial system.

- There has to be a cancellation of almost all public and private debts. No country in the world—not the United States, not Germany, not Africa—can pay the debt.
- There must be a return to those features of the old Bretton Woods system which meant fixed parities among the currencies, without which long-term investment in industry and infrastructure is not possible.
- There must be a return to national banking. In other words, the power of the creation of credit must return to sovereign governments, and it must be taken away from private banking interests.
- We must have national banks issue credit lines for productive investment for scientific and technological progress, to inject increases in the productivity of industry and labor power.

Continent-wide infrastructure development

The immediate program of such a reorganization, of such a New Bretton Woods system, in which the so-called developing countries must play an equal role with the industrialized countries, must be the following: The integration of Eurasia, of the European continent and all of Asia, through infrastructure corridors, is the engine of progress. In other words, the idea of building the Eurasian Land-Bridge.

I think the same thing is true for Latin America, where long-overdue infrastructural development from north to south, from east to west, the building of waterways, of high-

Coming soon in EIR

Next week's issue will feature a special report on "The Case of Classical Motivic Thorough-Composition," commissioned by Lyndon H. LaRouche, Jr., and with an introduction by him. This is a "musical appendix" to LaRouche's article on "The Substance of Morality," which appeared in *EIR*, June 26, 1998.

Two of the authors of the report, Liliana Celani and Kathy Wolfe, identify the report's primary mission: "Composition of Classical music according to the Italian Renaissance principle of *bel canto* ('beautiful singing'), is one of the best examples of mankind's ability to use that discovery to create new works of science and art, which then increase mankind's power to build civilization."

As LaRouche specifies in his introduction, this report is essential reading for two classes of *EIR* readers. First, it will guide professional musicians and teachers of music to reenact the process of discovery of the essential principles of singing and interpretive performance. Second, for even those amateurs who are qualified to follow only parts of the musical concepts presented, it provides much much-needed guidance, to parents and others who must choose the kind of musical educational program which must be restored to today's severely distressed, almost destroyed, public education system.

ways, of high-speed rails, as the center of opening up the country for industrial and agricultural development, is obvious. Because if you look at the existing infrastructure lines in Latin America, you do not have a normal integration of the continent. What you have, are the relics of the colonial time, in which they built waterways, highways, and railways only to transport raw materials *out* of the continent, for colonial exploitation.

This is where the question of Christian economy comes in. Because raw materials *are not* the source of wealth. If you look at Germany or Japan, you have countries which have almost no raw materials, but you have—or had—a tremendous wealth.

Where did this wealth come from? *It came from the development of the minds of the people.* Mr. LaRouche has put great emphasis on what he calls the *Machine-Tool Principle*, because man in the image of God, creates an adequate hypothesis about the laws of creation, about the physical universe. If this hypothesis is adequate, it leads to a scientific discovery.

Now, what does a scientist do, when he has a new scientific theory? In most places, like Germany, or Italy, or Switzerland, he goes to a machine-tool shop. And he calls together the entrepreneur and some engineers, and he says, "Here, I have the following theory; can you put this into the form of a technology?" And then the entrepreneur, who, in Germany, most of the time, is a middle-level industrialist, together with his engineers, starts to make a machine tool on the basis of that theory. When this improved machine tool is used in the economy, it leads to an increase in the productivity of the production forces, and it leads to an increase in the skills of the workforce.

So, the purpose of opening up the continent of Latin America, or Eurasia, through infrastructure connections, is *not* to pull out the raw materials. The idea is to have infrastructure corridors, in which you bring these productive industries to the places where the raw materials are, and then, on the spot, have the development of the labor force. And therefore, you uplift the people, you uplift the whole nation by doing this.

You all know that Brazil, I would say at least up to the '70s, was on the road to such development. At that point, Brazil had a nuclear program. At that point, there was the idea of developing the interior regions of Brazil. And I think it is extremely important that patriots today make plans for how to reconstruct the internal market and the internal economy of Brazil. Because, in the coming period, everything which has to do with the IMF, with globalization, the World Bank, the WTO, will all vanish. *But there must be people who have a well-thought-out plan of what to do in that moment of crisis, because that moment of crisis can be a moment of great danger—but it can also be a tremendous opportunity.*

Reverse the moral and cultural collapse

There is no question that we are in an incredibly dangerous moment in history. If you look at the moral and cultural collapse which has gripped nearly the entirety of the world—Europe, the United States, Japan, many parts of Asia, Africa—you see that we are not only talking about a financial collapse, at an unprecedented moral and cultural collapse. You're looking at a *civilizational crisis*.

This moral and cultural crisis, in many ways, is the reason for the economic crisis, because it is the mind which makes economic decisions; it is the culture which determines the thinking of the mind which makes economic decisions. And therefore, we have to combine the perspective of a global-economic reconstruction, with the idea of a cultural renaissance.

I think, if you look at popular culture in Brazil, Germany, and the United States—If you are Brazilian, I think it is very clear that your country will not survive, if you do not get rid of this popular culture.

I think mankind, for the first time in world history, has

come to a point where we are all sitting in one boat. In the past, you had empires collapse, like the Babylonian Empire, the Roman Empire, the Byzantine Empire, and many other empires. They just collapsed! But, when the Roman Empire collapsed, for example, there was the beautiful period of cultural development in India, which is called the Gupta period, in which Sanskrit had its greatest blooming, and the most beautiful poems, and the most beautiful plays were written. And people didn't know the Roman Empire had collapsed.

But for a variety of reasons, I think that this time, mankind as a whole either makes it, or dies, because of nuclear weapons, AIDS, communications. *The world is so closely connected, that we are one human civilization.* And therefore, only if we take the best of each culture, the best of 2,000 years of Christianity, the best of 2,500 years of Confucian tradition in China, the best of other cultures, and unite it in one new renaissance, can we win.

And therefore, I think Brazilian patriots must concentrate on the question of a new educational system for the children of Brazil. You have to think: What world will you leave behind? What environment? What circumstances are you leaving for your children and for your grandchildren? Your children are an incredible richness and wealth.

It is very easy to overcome oligarchism forever. All you have to do, is give every child a universal education. *If you give every child an ability to re-create, in his or her mind, the great discoveries of the previous generations in science and in art, you evoke that divine spark in the child which makes it human.* A child who has access to Classical music, a child which has the possibility to study the great painters of the world, or to taste the sweetness of the truth of scientific discovery, such a child will not become a drug addict; such a child will not waste his mind, particularly with these "designer" drugs, because this child will take as precious his creativity, which is the heart of discovery.

I want to interrupt my remarks here to give you the opportunity to contribute discussion, ask questions, and so forth. But I would like to end with one idea.

It may be that the world will plunge into a new Dark Age. If we fail, mankind could shrink to 2 billion people, or 1 billion, and we may have a new Dark Age for generations to come. I can easily imagine a world dominated by epidemics, local mafias, armed gangs, chaos, anarchy. I have no trouble imagining such a worldwide disintegration. But I think that man, who *is* created in the image of God, is also called upon to not let that happen. I believe that Gottfried Leibniz was right, when he said that God created the best of all possible worlds, and that when man is confronted with a great evil, a great catastrophe, he can, by his free will, develop an even more beautiful and more powerful Good, as an answer.

So, I call upon you to join our movement. You want to save Brazil? Then join us!