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## The alternative to financial crisis and a Third World War

As a matter of situating my remarks, I'd make a few observations. First of all, I am presently one of three candidates for the year 2000 Presidential nomination of the U.S. Democratic Party. The other two candidates are current Vice President Al Gore and former U.S. Senator from New Jersey Bill Bradley. By summer of this year, the Gore candidacy should be virtually dead, and about the same time, perhaps other Democrats will enter the list of candidates, possibly Kerry from Massachusetts and others, once Gore is out of the way.

During this period and during the recent years, I have been a supporter and defender of President Clinton's position as the elected President of the United States, particularly against certain personal and political attacks against him by foreign and domestic forces, including those responsible for his attempted impeachment. And even though I'm sometimes a strong critic, as I shall be in a sense here, of some of his statements and policies, nonetheless I defend him as President, not only because he's elected President, but also because the President of the United States, in my view, has a very precise and crucial role to play if the world is to find a way out of the present general international financial crisis, the economic crisis, and the growing danger of a slide into a global state of warfare which might come to resemble what happened in Central Europe between 1618 and 1648.

To situate the present situation, in November 1997, a long-standing process of decay of the U.S. and world economy entered a terminal phase of collapse of the international financial system, a terminal phase which is still ongoing.

At that time, once the Japanese government had rejected a proposal by U.S. Treasury Secretary Robert Rubin that not a nickel be put in to save the Japan banks, but rather they should be reorganized and the means conserved to use Japan's industry as the basis for its recovery, as opposed to trying to bail out the banks, Japan took the policy—a hyperinflationary policy, in fact—of attempting to bail out the banks at any price, and has sunk much of its industry as a result since.

Once Japan had made that decision, that situated the likelihood of a major collapse event during the summer, or later, of 1998. There were three points for this potential crisis.

One is the hyperinflationary yen bubble, created by the desperate and futile attempts of the Japan government to bail



*Lyndon H. LaRouche, Jr. asks the seminar participants, "Do we of the present generations of humanity, have still the moral fitness to survive?"*

out unsalvageable banks, which is driving the yen to the stratosphere. The next discount value of the yen will be paying borrowers—speculators—to borrow money from the banks. That's how bad the situation is.

The second one was, of course, Russia. Russia had been put through a new phase of looting, in the form of the GKO's and GKO speculation. International hedge funds dominated by the New York-based Long Term Capital Management group, had invested heavily in *gambling* on index values on GKO's.

The third point of crisis which was looming, was Brazil. Brazil at that point, at the beginning of 1997, was ready to explode during 1998, as it did later in the year.

As we approached the summer of 1998, the likelihood of a simultaneous or nearly simultaneous crisis of the yen, of the Russia GKO and other debts, and of the Brazil debt, the Brazil crisis, might explode together. The danger was that the entire international financial system could go into a systemic disintegration process under the convergence of these three and other factors globally.

In the middle of August 1997, we had the announcement of a technical default by the Russian Prime Minister. This produced a state of panic in Wall Street, and among the many European and other banks which were heavily co-invested in hedge funds, together with the Long Term Capital Management group. At that point, Al Gore, who is actually subsidized

in his candidacy by the LTCM organization, particularly D.E. Shaw and Company, one of the big funders of Gore's Presidential ambition, called up his acquaintance, Chernomyrdin, and worked to try to get Chernomyrdin put back in position as Prime Minister of Russia, with the hope that Chernomyrdin would take measures which would cause Russia to act to bail out the New York-based hedge funds.

This quieted things for a short period of time, until it was obvious that Mr. Chernomyrdin was not going to win approval from the Duma for the position of prime minister. So at that point, the LTCM hedge fund group went into a spiral of collapse. A meeting was held, involving Alan Greenspan—who is called a "magician," but he's not, he's really an idiot—who organized the greatest hyperinflationary bubble in history, in the effort to stop the chain-reaction effects of the hedge fund collapse.

At this point, as October approached, at the G-7 meeting in Washington in October, and other meetings following that, the President of the United States lost his nerve. Earlier in September, he'd indicated in New York, that in response to the crisis which had been manifest around the GKO hedge fund problem, that he was going to take steps toward reorganizing the international financial system—or looking into it, that it was a subject of discussion.

In October, he abandoned that policy, and the G-7 group of nations, together with the central banks of these nations, participated in an agreement which resulted in three directions of policy.

One was to bail out the system, the financial system, at any cost, by launching the most lunatic hyperinflationary bubble in all history, which is now bubbling. *What is being done now to the currencies of the G-7 and other countries, is far worse than what was done in the 1923 phase, prior to autumn, of the Weimar hyperinflation.*

We're dealing with a situation in which, in terms of derivatives accounts alone, or derivatives and related accounts, we have \$300 trillion equivalent of short-term obligations outstanding. This debt, which is of a short-term nature, could never be paid, any more than, at the point of the collapse of the Weimar reichsmark, that reichsmark could be upheld. So, we're on a collision course toward early doom. But they decided to do it anyway.

As one prominent European banker said to us, "These people are crazy. They resorted to bailout. There will be another crisis, as you say, after the first of the year, and they'll resort to more bailout," as they did in February of this year.

If another crisis comes, they'll try the same thing. These people are out of control. They will go to hyperinflation at any cost, with less excuse than managers of Germany did in pumping up, in the summer and autumn of 1923, the Weimar hyperinflationary bubble. We are near the terminal end of the financial system, and *they don't care. They are crazy.*

For example, in Japan, you have old people in Japan, who

are very intelligent people, the people who built what was called "the Japan miracle" of the postwar period, part of the recovery. But they were replaced by younger people who went to American and European universities—British and American universities, in particular. They're crazy. They no longer had the Classical Mandarin type of education which the old Japanese families had. They had an American and European education, and they became as bad as young Americans and young Europeans and young Brits.

They sit there with handheld calculators, typing out numbers with telephones and all kinds of communication devices, running the worst bubble imaginable. This is not only in Japan, but it's in particular in Japan. And this crowd in Japan, which is sitting there with its handheld calculators in the stock exchange, dealing by Internet and other means, 24 hours a day, worldwide, is running Japan politically. And the old people in Japan who have the sense to know this is insane, do not have the power to stop these people politically at this time. Therefore, they're waiting for them to collapse. And then, the old people will plan to come back into power.

We have a similar situation in the United States. Wall Street, the financial community of the United States, is insane. Forty million American families, U.S. families, which is virtually a majority of the U.S. population, are directly or indirectly involved in income derived from speculation in mutual funds, mutual funds which are largely based on index speculation. This is where the money, the cash is coming in for retail sales and other growth. And when this pops, they will be wiped out, too.

So this was the situation. But at the same time in October that this kind of policy orientation was taken, other policy orientations were taken. And you may have noticed some of them.

## U.S. policy shifts

One was the shift on the question of China and Russia. You noticed already on China, in October, efforts in the United States to create a mood for putting China under a *cordon sanitaire*, a Cold War-style *cordon sanitaire*, on the basis of so-called human rights issues.

The leader in this attack was the Vice President, Al Gore, together with the Secretary of State, Mrs. Albright. The typification of this policy occurred in Malaysia during the APEC conference in Kuala Lumpur, at which Al Gore, abetted by Mrs. Albright, conducted one of the most disgusting pieces of undiplomatic behavior of any public official in recent history. Ribbentrop would not have been as crude in his attack.

The attack on Dr. Mahathir was actually indirectly an attack on China. It was motivated by Al Gore's commitment, before going to Malaysia, to launch the attack on China on human rights issues. Shortly after this, as the attack on China was launched inside the United States as a *cordon sanitaire* campaign, a new phase was added: the attack on Russia.

The attack on Russia and China, particularly on Russia, became a military-style strategic orientation against Russia, focussed upon the kinds of things you would read in Brzezinski's *The Grand Chessboard*, or read in the pages of a recent issue of *Foreign Affairs* magazine, the bi-monthly of the New York Council on Foreign Relations, in which a number of notables have all revived the geopolitical goal of destroying Russia by turning Central Asia into a cockpit of various kinds of operations.

This was accompanied by an intent to actually go to war. The first sign of this going-to-war decision made in October, was the bombing of a pharmaceutical factory in Sudan. The people who organized that were the same people who later organized the attack on Iraq. There were no chemical weapons or similar things in this pharmaceutical factory; it was all a fraud, as the President was told, or found out, later.

At the time the bombing was authorized, the President was assured on the highest authority of the British and their American yea-sayers, that there was absolute solid proof that Sudan was involved in the bombing incident in Kenya at the American Embassy, and that this was part of the operation. So, the bombing was authorized by the President, because his top advisers, including the Vice President, lied to him. And thus, the attack on Sudan was used as a precedent for getting this kind of operation, strategic operation, in place.

The next step was done in November, an attempt which we stopped, or we got the President to stop, to attack Iraq based on a British Intelligence report, fabricated by the Blair government, the so-called Butler Report, on the situation in Iraq. The President stopped it. But then, when he was on a trip to the Middle East, on Middle East peace, on the way back, he found out that again his advisers—the same ones who had lied to him about the Sudan situation, about the Kenya situation, lied to him again, and said the evidence supporting the Butler Report was absolutely solid, and that he was in danger of becoming impeached if he were to be exposed in the Congress as opposing information which showed that Iraq was guilty as charged.

So, the threat of impeachment was used as a hammer to get the President to authorize what he had refused to do earlier, both in February of this last year, and again in November, to start this bombing operation in Iraq.

The key thing to see in the bombing of Iraq, is what was said at the time. Now, as most of you know, especially since 1962, since the 1962 Missile Crisis, the UN Security Council has been understood to be a point of reference for détente for avoiding international conflicts which might lead to nuclear results.

In the case of the bombing of Iraq, what was said by the British government and echoed by elements of the U.S. government was, "We don't care what the Security Council says. If the Security Council opposes us or tries to veto the bombing of Iraq"—which is a UNO event, this question of

Iraq—"then we will go ahead anyway." In other words, "If the other members of the Security Council attempt to veto our plan to conduct a war against Iraq, we'll do it anyway, the British with American support—we'll do it."

### **The NATO deployment in Kosovo**

Then, we had a third phase. We had a negotiation over the situation in Kosovo, in which everyone understood at the time, who was involved, that the only way this problem was going to be settled, was through the participation of Russia as a key factor in defining the terms which would be used for dealing with the situation in Yugoslavia. Everyone understood that it was not going to work—that is, everyone responsible understood that this would not work—unless Russia were involved as a key player in deciding this.

The British government decided that wasn't going to happen. So, to prevent the President of the United States, who was committed to this meeting with Yevgeni Primakov and others to try to work out an approach for dealing with this Kosovo situation, steps were taken to preempt that and get the war started, before the Russians could meet with President Clinton as planned, to discuss this arrangement.

In this, something equally ominous to what had been done in Iraq, or more ominous, was done. It was stated now that we were moving toward a policy, in the case of the military operations in the Balkans, in which NATO would not be controlled by its NATO members as such, but rather that the British and Americans as a team would decide where NATO forces were used in any part of the world, and targets for this use of NATO forces could be selected by whim by these two relevant powers. This is an issue which is coming up this month again in the NATO discussions here.

So, at that point, the reaction in Russia was predictable. First of all, Russia has been put through a terrible situation. There is still the legacy of the pan-Slavic alliance which we had at the beginning of the century with Serbia, in many people in Russia. Russia has been subjected to terrible indignities as a once-superpower. It was ready to explode in many ways. And it exploded, because the provocation was provided in this kind of attack

People promised, of course, as part of this, that the war would be over in about three weeks of air war, which only an idiot could believe. I must say frankly, that the Secretary of Defense of the United States, William Cohen, who I've known for years, is not a serious thinker, he's a playboy. He was a playboy when he was in the Senate, he is a playboy in the Secretary of Defense. He has not the slightest comprehension or seriousness about military or related strategic affairs.

The person who was maneuvered into the position of the Chairman of the Joint Chiefs of Staff, General Shelton, is a complete incompetent. The fellow who's running NATO, the NATO operation, has similarly demonstrated himself to be incompetent.

# Britain imposes insane U.S. foreign policy shifts

As the worldwide financial crisis deepened in the fall of 1998, with President Clinton under the threat of impeachment, the British-American-Commonwealth (BAC) oligarchy was able to carry out three major shifts in U.S. foreign policy direction, which are now leading us toward World War III.

1



Chinese Prime Minister Zhu Rongji (right) with U.S. Vice President Al Gore, in Washington on April 4, 1999. Gore's frozen smile conceals the gnashing of his teeth: He and Secretary of State Madeleine Albright have done everything possible to wreck U.S.-Chinese relations, and tried (unsuccessfully) to sabotage Zhu's U.S. visit.

2



Starting in August 1998, the British and their factional allies in Washington made the decision to go for war. Shown here (left): aerial photograph of the Shifa Pharmaceutical Plant in Khartoum, Sudan, used by U.S. Defense Secretary William Cohen and Gen. Henry H. Shelton, chairman of the Joint Chiefs of Staff, to brief reporters on Aug. 20, 1998, on the U.S. military strike against what was falsely alleged to be a "chemical weapons plant."

Based on a phony British intelligence report,



President Clinton was persuaded to go ahead with bombing of Iraq. Shown here (above): bombing damage to the

Baghdad Directorate of Military Intelligence Headquarters, as displayed at a Pentagon briefing on Dec. 17, 1998.

3



The third phase of the BAC war drive erupted with the bombing campaign by the "new NATO" against Yugoslavia. Here, U.S. Air Force personnel load bombs on a transport trailer at Aviano Air Base in Italy, March 29, 1999, for use against targets in Yugoslavia.

*Any of us who lived through the World War II experience, and afterward, who know anything about the history of Tito, the history of Yugoslavia, the history of the Yugoslav military, its training, its capability, its dispositions, knows that that which was proposed as a three-week air war bombing, to bring Milosevic to his knees and solve the problem, was a piece of insanity. It never would work. And it never will work.*

Either you are going to land war, or we're going to give up, or we're going to have to put the thing back on the table with Russia and other powers and start again to find a political solution.

The problem is that this same kind of younger generation, which is involved in this financial speculation on the exchanges, which has none of the sense of the old bankers—you find nothing of the Hermann Abs tradition or, shall we say, the Alfred Herrhausen tradition, among contemporary bankers who are in positions of power. They're young punks, wild-eyed speculators, who don't know what a real economy is, don't know what real security is.

### **We're going toward world war**

And that's the situation. So, therefore, we are now going to—what? We are going toward world war. And, when I say “world war,” I don't mean a simple world war, relatively speaking, of the type we had in World War I, so-called, or World War II.

We have in the past years, since 1964, but especially since 1971, with the introduction of the floating exchange rate system and other measures of a utopian nature, we have destroyed the ability of the world to produce the kind of material capabilities which might be used for war, and which were used to fight World War I and World War II.

Those kind of economic capabilities no longer exist. We live in a world where certain superweapons, like thermonuclear weapons, exist. But no one is capable of winning a war in a classical style—not a serious war.

You go back to St. Augustine on this question, on the question of justified war. It is immoral to start a war unless it is necessary to fight the war, and unless you can win it. Because if you start a war which even may be justified, which you can't win, what is going to be the result? You're going to get a result like Europe experienced during the middle of the Fourteenth Century in the so-called New Dark Age, or the kind of result experienced in Central Europe between 1618 and 1648 in the Thirty Years' War, when nobody can win, but nobody knows how to stop the war. And you remember, the Thirty Years' War was stopped when Richelieu, with the rebuilt French Army, intruded and created a structure by which some element of stability could be reintroduced into Central Europe. The army of Gustavus Adolphus, which had been the leading army of Europe, was dissolved in involvement in that war. What we're in, is such a period of conflict.

And I can refer you to a book written by a very notable German professor, who was also a military figure of Germany,

the late Professor Friedrich von der Heydte, who wrote on the question of modern irregular warfare, *Moderne Kleinkrieg*. That we must understand two things, he emphasized, first in a book he published in 1952, and then in this particular book, which he did as a military study for the German government back in 1972, and we republished it in the middle of the 1980s. First of all, Professor von der Heydte pointed to the fact that what happened in the Fifteenth Century in the emergence of the modern nation-state, amounted to a fundamental revolution in statecraft and in principles of law relative to all preceding periods.

Although the struggle in this direction had been typified by figures such as Abelard of Paris, centuries earlier, or Dante Alighieri, that the kind of law and the kind of statecraft which ruled Europe until the middle of the Fifteenth Century—until practically the time of Louis XI of France—was essentially a legacy of imperial law, as described by Plato in *The Republic*, in terms of the arguments of Glaucon and Thrasymachus. That kind of law.

For the first time in the middle of the Fifteenth Century, the idea was made law that the general welfare of the people as a whole, was the basis for the authority of law under government, and the nation-state would be an institution accountable, not necessarily to the people as a whole, but to the *welfare* of the people as a whole. And that on that authority, government and law should be constituted.

What we have in the process of the past period, is a degeneration of the nation-state, and with that the degeneration and erosion of that conception of law which was established in Europe, however fragilely established later in the United States, as the notion of the modern nation-state.

As these conditions developed, particularly after 1971 and after the events of the 1960s, we entered into a period in which warfare would change. Instead of thinking of war, we must think of conflict. We must think of conflict in all its manifestations—strikes, revolts, secessions, all kinds of things. And we are now in such a period. And the decisions which were recently made, plunged the world into a period of conflict which is a more generalized form of what we otherwise call “warfare.”

We're in a situation where what the present British government—and it has many critics in Britain itself, one must point out, who consider Blair a menace and a fool—but nonetheless, that policy constitutes a direct threat to the continued immediate existence of Russia and other nations, and constitutes a somewhat longer-term threat to the continued existence of China, which is the intent of the policy.

Now, what are you going to do, if, as is being done in various parts of the world today, whole nations in Africa and also in South America, are being wiped off the political map? Most of the nations of Central Africa, and most of Sub-Saharan Africa, before the end of a couple of more years, will disappear from the map.

The Great Lakes area—these nations are disappearing

from the map. We've had over 6 million Africans subjected to genocide directed by people like Caroline Cox of the British House of Lords, in Central Africa. Who has done anything about that? The genocide is raging, is spreading throughout Africa. Wars are spreading. Angola. Nigeria's next. Sierra Leone. Every part of so-called Black Africa is now either in the process of being destroyed, or about to be destroyed. These nations are about to be wiped from the map.

Ecuador just lost its existence as a sovereign nation. Colombia has lost its existence as a sovereign nation. Venezuela is next on the list. Argentina is on that list; Peru is threatened. Paraguay is threatened by civil war. Chile is about ready to explode over the issue of the Pinochet indictment in Spain. The Middle East is a cockpit of war, uncontrolled war—no body can seem to stop it.

When you unleash conflict, in which you confront nations and other groups of people with an attack in which you offer them no escape to safety, you don't allow them to survive by surrendering on terms under which they can survive, and you push them and you push them, and you fight wars for no good purpose, except almost for pleasure, what you create is a doomsday situation of unstoppable, spreading wars, much like what happened in Central Europe between 1618 and 1648.

So, when Russians speak of the danger of war, even nuclear war, *they are not exaggerating*. Don't think in terms of classical warfare or some model of World War II. Think in terms of the spread of conflict. Think in terms of the process of the disappearance of entire nation-states from the political map in Africa. Think of the ongoing process of spreading of the same disintegration of nation-states in South and Central America. Mexico so far is holding out. Brazil is threatened next. Brazil will explode, if this process continues.

Under these conditions, we are creating the possibility of war.

## What must be done

Now, the question is, how do you deal with such a situation? Well, we've been pressing in the U.S.—I've been pressing, as part of my campaign and other activities I do—to get the President of the United States to look at this situation in a new way. He hasn't accepted my ideas about what has to be done on the economy yet, though he's talking in that direction, especially in the past couple of days, again.

But he made a change recently. It is a change which conforms with what I have said. There were three things which were important in his speech in San Francisco, as followed up in follow-up speeches later.

Number one, that instead of looking at the situation in the Balkans from the standpoint of, "Where is the war going next?," ask another question: "Where do you go to define the end of the war? How do you bring about the end of the war, not how do you continue it?"

That's a different approach. It's an approach which any sensible, experienced military-strategic specialist would recommend, and some have recommended.

Go to the end of war. Define what the end of war must be, and start from there to find the solution to bring about the end of war.

This involves some problems. First of all, it is impossible to deal with this situation unless we get at it at the root. The root of the situation, which started this particular phase of the process, were the events of last August through October, when a series of decisions were made to go to hyperinflation—which won't work—and to go to a new strategic policy, which also won't work, except to produce chaos.

So therefore, unless we remove the starting point of the conflict, we cannot stop the conflict.

Now, how do we remove the starting point? Well, it's an obvious way: We have to reorganize the world economy. We have to put the existing bankrupt system, financial system, with its \$300 trillion equivalent of unpayable debts and assets, put it through the meat-grinder in the same way that we've done before in history—that was done, for example, in Germany at the end of the war, in reconstruction, when new funds were brought in, a new *deutschmark* was created, and the operations, at the recommendation of Hermann Abs, supported by certain people in the United States, resulted in the establishment of the *Kreditanstalt für Wiederaufbau*. And that became the model of the so-called "German Economic Miracle" of the 1960s.

There are many other examples. Whenever a system becomes bankrupt, you say, as John Kenneth Galbraith once said, in referring to his study of the 1929 crash in the United States, when you see the money markets collapse, say to yourself, "It's only paper." You must save the nations and save the people and save the economy, at the expense of the paper. It's called bankruptcy reorganization. And the principles of bankruptcy reorganization are not strange to those who know this business. So, what is needed, is to put the world through bankruptcy reorganization.

And, when you put a firm or a country through bankruptcy reorganization, you have to have a plan for rebuilding that as a viable economy. You can't just rewrite the paper, you've got to say what was wrong with the economy, you've got to say you're going to fix what was wrong with the economy, and start the economy going again, with new state and other guarantees for credit to carry out that new policy—as was done in Germany in the postwar period, through the operations of money coming through the *Kreditanstalt für Wiederaufbau*, and the way that money was used, with a clear policy, was used quite successfully. It became the model for what German banking did in that period, until past the middle 1970s, which was the policy of the great German industrial bank. And that's what you do.

Now, what has to be done on a global scale? Let's take

the case of Germany. I don't want to meddle in the affairs of the German government, but I do have a perception of what the vital interests of Germany and Europe are, and I feel perfectly free in speaking to those anywhere.

For some period of time, the economy of western Europe has depended absolutely on the economy of Germany. The economy of Germany, in turn, has depended upon the export activities, particularly the machine-tool sector export activities of Germany. If the machine-tool sector of Germany collapses, then the German economy will collapse. If the German economy collapses, the entire European economy will collapse. Therefore, Germany has a vital interest at this point in restoring its machine-tool export-oriented industry. It's the only way you can solve the problem. Nothing else will work. And it can not develop that industry, unless it protects its markets for that increase of exports. Those markets are primarily Eurasia. They are primarily China, India, Pakistan, Iran, Russia, and so forth.

So, unless you are going to defend the viability of growth in China, India, Pakistan, Bangladesh, Iran, and so forth, and Russia, you're not going to save the European economy, because you're not going to save the German economy. Therefore, Germany has a vital existential interest in those political operations which will create the circumstances in Eurasia, especially Eurasia, which suffice to rebuild the economy of Europe and Germany in particular. Very simple.

And I think that perhaps anyone in Germany who is a senior military figure or a senior civil servant, or other senior figure of the economic community, understands that; that unless that is done, nothing is going to work. And therefore, it is in the vital interests of the United States to support that interest of Europe and Germany.

The conditions exist in Eurasia, under which that can be the case. And if the United States doesn't support such a policy, the United States doesn't know its own interests, and is insane. That's my policy.

Now, how do we bring that about?

Well, after the events of last November, changes came in the orientation of China, the outward orientation of China. Once China recognized that the international financial system was in a terminal financial phase, then China responded accordingly, to take a long-term view, which is characteristically Chinese, of how to deal with this kind of problem.

As a result of China's efforts, and China's approaches to Russia and also the mediation of Russia with respect to India, we developed a three-plus cornered development in Eurasia. A growing sense of future cooperation among China, Russia, India, extending into Iran, Pakistan, and so forth. Bangladesh, Malaysia. It's spreading.

And I referred to this phenomenon, which came to the fore in the latter half of 1998, as the Survivors' Club—a group of nations which are acting on no interest except that they know they require each other in order to find a way to

survive under these kinds of conditions, at least survive in viable conditions. My view has been, therefore, that what is required is a partnership involving the person of the President of the United States, involving at least one key country of western continental Europe, involving Russia, China, India, and other countries, to redefine the terms of reorganization of the world.

Now, what is required, if we look at China or India, and look at these other countries in Eurasia or the rebuilding of Russia, we're talking about long-term programs to carry out the kind of program which China has, we're talking about the year 2010, 2020. Russia, you're talking about 2005, 2015, 2020. These are the kinds of goals.

You have similar goals for India. Rebuilding Pakistan, involves a similar kind of consideration. Rebuilding Bangladesh, which is a much more tremendous problem, involves that. Rebuilding Indonesia is going to be a major task at this point.

So, you can't do this on the basis of short-term market policies. You have to have long-term credit policies operating at basic interest rates or discount rates of between 1 and 2%, sometimes lower, sometimes with deferred payment conditions.

Which means the export of machine tools—from where? From western continental Europe, typified by Germany, from the United States, from Japan, which has one of the basic machine-tool capabilities of this planet, still. And, from a new machine-tool industry as a global factor based on the military-scientific-industrial complex of the former Soviet Union.

These are the only areas of the world which have large concentrations of potential for rebuilding an existing machine-tool design capability, capable of meeting the needs over a 5-, 10-, 15-, 20-year period, for China, India, Pakistan, Iran, and so forth. That's the kind of program.

Therefore, we must have a long-term rebuilding program based on terms of long-term credit and trade.

Now, this is not an unfamiliar proposition. We had this at the end of the Second World War; up until 1958, we had a not-perfect system, but one that worked: the Bretton Woods System of the period from the postwar period until about 1958, when it began to be changed.

Those restrictions, which were designed to foster long-term credit flows into rebuilding of Germany and other countries; those are the kinds of methods which work.

## **Toward a New Bretton Woods**

The problem with the postwar system, the Bretton Woods System, is that what the United States had intended under President Roosevelt to do in the postwar period, was never done. Roosevelt had intended, using the power of the United States at the close of the war, to eliminate two things from this planet.

One was the British free trade system, the Adam Smith system. The second, was to eliminate all vestiges of British, Dutch, French, and Portuguese colonialism from this planet and to foster the development of sovereign nation-states with free access to the most modern technology available on credit terms. And the Bretton Woods System, as designed, up to '58, by Roosevelt, had been intended to effect that purpose.

The death of Roosevelt resulted in the British faction and its friends in the United States aborting that policy. We kept the other elements of the Bretton Woods policy, but we never accepted the responsibility of creating finally upon this planet, a just, new world economic system, which would provide justice for those nations in what we now call the developing sector and was formerly called the colonial sector.

What we must do now, is to go back to that. We must create a New Bretton Woods, which has all the lessons we learned from the mistakes and successes of the old pre-1958 Bretton Woods rebuilding. We must combine that with a commitment to involve the participation of leading representatives of what we call the Third World, in running the system.

Under those conditions, with the emphasis on the machine-tool-design program I indicated, I believe that if the President of the United States would act now and say to people in various parts of the world, as in China, as in India and elsewhere, and Russia, "We're going to stop this nonsense, we're going to stop this drive toward war, we're going to create a new system now, and in the terms of creating that system—in the process of creating that system, let us then address this mess in the Balkans, among other things."

That, to me, is the only sane opportunity available to us at this time. Nothing will stop this system from collapsing. You're going to bankrupt it, or you're going to hell. You have two choices—only two.

If you don't change the system, then you won't be able to stop the impulses toward war which are now being unleashed by this Anglo-American combination which has expressed itself since October of this past year.

And therefore, we're at the point where we are being tested. Do we of the present generations of humanity, have still the moral fitness to survive? If we cannot take the kinds of approach and measures I've indicated, then indeed we do not have the moral fitness to survive, and we should probably therefore find ourselves subjected to another great new dark age of humanity on this planet.

With the chain reaction effects of what I see coming now, the insanity I see in the minds of leaders in the United States, in Britain and elsewhere, you can't stop it, unless we go to the end of this process, the Balkan process, and say, "Now, let us define the thing that will bring the process that led us here, to an end."

And that's my proposal.

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Wilhelm Hankel

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## For a new world monetary order

*Dr. Hankel is Professor of Economics at Frankfurt University. He is one of the four German professors who had tried to stop the euro, with a legal procedure against it at the German Federal Constitutional Court. He was board member at the German Kreditanstalt für Wiederaufbau (Bank for Reconstruction) in the 1960s, and later was president of the public German bank Hessische Landesbank. His speech is translated from German and subheads have been added.*

Many roads lead to Rome, and so it will not surprise you if my remarks differ in two points from those of the esteemed previous speaker.

First, I will be more brief. Second, I will not provide a political analysis, but an economic one. I will attempt to show you, in 20 to 30 minutes, that the application of our economic knowledge—and economists are obligated to serve the general welfare—would have saved us from two things in the last 40 to 50 years. Namely, it would have saved us from the destruction of the Bretton Woods system, and the application of this knowledge would have let us avoid fiddling around for the last two decades without an economic global world monetary system, and producing, in the process, one catastrophe after another.

So, here is an economist who speaks to you, not a politician. And I will indeed keep to accepted knowledge in our area, and I will show you that the "mainstream" of economists actually come to the same conclusions as Mr. LaRouche has presented us, from a different point of view.

First of all, we have to be aware that we should be more careful with two "catchwords" of our time, i.e., with the words "globalism" and "financial crisis." Although these words are used in a rather inflammatory way, they are usually seen or interpreted wrongly.

Globalism is nothing new at all. Anyone who knows anything about history, knows that the old industrial countries in Europe achieved a new degree of interrelationships in foreign trade, which they had before the outbreak of World War I, only in the recent years and decades. The old German Reich had achieved a relationship of exports and imports with respect to GNP, which the later Federal Republic of Germany only achieved in the 1970s and 1980s. Nevertheless, at that time—before 1913—no economist and no politician spoke about a crisis of globalism, not to mention financial crises.