

The New Bretton Woods System: Framework For a New, Just World Economic Order

by Lyndon H. LaRouche, Jr.¹

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The opening days of the year 2001, have unleashed what will quickly prove to be the worst, already long-overdue, global financial collapse in the recent centuries of history of today's globally extended form of modern European civilization. Unless certain corrective actions are taken soon, by some concert among a significant number of governments, this will quickly become, in a matter of months, not only the worst economic depression in recent world history, but also what is known in the economics literature as a global economic-breakdown crisis.

Although the presently accelerating global financial collapse, is far worse than that of the 1929-1933 interval, the lessons of the U.S. economic recovery, under the leadership of President Franklin Roosevelt, provide us today an historical precedent, on which the world as a whole could rely with confidence, for overcoming that far more severe economic crisis being unleashed at the present moment. Important historical lessons are also to be learned from the successful post-war recovery of both the U.S.A. and western Europe, during the first two decades following the close of the great war of 1939-1945.

We must also learn from what the U.S.A. and Europe failed to do, which would have been done, had President Roosevelt not died prematurely. As Roosevelt made clear, repeatedly, to Britain's Prime Minister Winston Churchill, as in the 1942 meeting at Casablanca, it had been the President's intention, once the war had ended, to use the great power of the U.S.A. to force the immediate dissolution of the Portuguese, Dutch, British, and French colonial systems, and to unleash programs for large-scale infrastructure development and technological improvements of the productive powers of labor among the peoples of the nations liberated from imperial domination.

Thus, although good things were done by the U.S.A. in rebuilding the war-shattered economies of western Europe and of Japan, around the ideas of such figures as France's Jean Monnet and the Schuman plan, Roosevelt's body was

scarcely cold, before his successors acted, in concert with the British monarchy, to reimpose, by military force, old imperial and colonial tyrannies over the former Portuguese, Dutch, British, and French colonies and semi-colonies.

These assorted experiences from the 1929-1965 period, have the most vital importance for policy-makers throughout the world today. These lessons from history, show us what past models we must copy, and which we must avoid, in acting now to establish the reorganized world monetary system needed to cope with the disastrous economic effects of the present global financial collapse, disastrous effects, which will be felt by all nations of the world, without exception.

We must not make the probably fatal mistake, of rejecting those models as precedents for today's actions, simply because they are specific to that period of history, or because of acquired hostility to the image of the United States. The survival of civilization in every part of the world today, depends upon reaching prompt and far-reaching agreements on what present opinion will regard as revolutionary changes in international monetary and related institutions. No such agreement were possible, if our reforms did not carry the authority of clear and successful precedents formerly applied to circumstances similar, on many points, to the crisis in full swing today.

For such reasons, any proposed reforms for today, would fail for political reasons, unless the measures to be taken now were clearly identified as modelled upon the successful features of the revolutionary changes made then.

What Must Be Done

I now summarize, first, the kinds of measures which must be instituted very soon, to bring the presently global financial collapse under control, and, then, secondly, indicate the problems which could not be overcome without exactly those types of emergency measures of international monetary reform. Then, thirdly, finally, I shall summarize certain crucial features of the currently unfolding strategic situation against that economic backdrop.

To bring about both a halt to the presently ongoing worldwide collapse, and to launch a recovery, we must take three classes of essential measures.

First, we must restore the characteristics of the old Bretton

1. Economist Lyndon H. LaRouche, Jr. is currently a candidate for the Year 2004 U.S. Presidential nomination.

Woods system of the immediate post-war decades. That means, a system of fixed-exchange rates, capital controls, currency controls, and financial controls, and global growth fostered by the same methods employed through institutions such as Germany's Kreditanstalt für Wiederaufbau, to promote large-scale development of basic economic infrastructure, and to use the market potential generated by that infrastructural development, as the base for creating a still-larger rate of growth in development of agriculture and industry.

Second, we must do as President Roosevelt had intended: all sovereign nations must be, on principle, full partners in the new international monetary system. This is the fundamental difference between the old Bretton Woods system, and what must happen now. We cannot have a system which is going to work, which does not treat the majority of the human race as full partners in the system. Otherwise, it won't work.

Third, we must rely chiefly on credit created by the authority of perfectly sovereign nation-state governments, to generate the medium- to long-term, domestic and international trade agreements on which the economic recovery and expansion will be centered.

Now, let me interpolate, because there is a lot of information coming out of Europe, and especially the United States, to the contrary. First of all, *this crash is happening now*. It is not a *recession*, it is not a *soft landing*; it is a full-scale collapse of the entire system. The entire world financial and monetary system is about to disintegrate. Nothing can keep this system alive in the coming period. Any information to the contrary is false. And therefore, the only thing that is inevitable about the situation, is the fact that the system is about to collapse. What happens when the system collapses, is where the options lie. In a situation in which none of the existing, privately controlled central banking systems and international institutions are capable of generating credit, in any significant amounts, you must tear down and replace the present system of credit generation. And there's only one way you can do it, and that is by using the power of sovereign governments, to assert their sovereign commitment, for credit for largely long-term trade agreements. That is, the state agrees to enter into a partnership with another state, or group of states, for long-term trade, such as the exchange of goods over a longer period of time, against capital infusions. It's the only way it can be done. There is no other way that it will work; no other possibilities exist, despite all the talk about free trade and globalization. None of those things can possibly work. They're *doomed*. They're popular, but they're doomed.

Such measures as I propose will be made feasible, through actions taken either by sovereign governments or agencies of cooperation among such governments, which put the existing, generally bankrupt central banking systems of the world through the absolutely unavoidable process of medium- to long-term reorganization in bankruptcy.

Unless each and all of such measures are taken, and that soon, by a significant number of governments, the present

economic situation will be more or less a hopeless one, world-wide, and will continue so for a generation or more to come.

It is only the precedents to which I referred, from the experience of the 1929-1965 interval, which provide the basis for agreement on action among at least a significant number of nations today. Therefore my leading concern, in my various activities in many parts of the world, has been to place in the hands of the nations and their leaders the knowledge and confidence which are needed to strengthen their will to act in a timely fashion in support of those lessons from the recent past of world history.

How the U.S. Took Five Steps into Hell

The present world financial collapse, is chiefly an outgrowth of the radiated, world-wide impact of a process of post-1965 ruin of a U.S. economy which had been, with all its faults, the most successful model the world had known, prior to that time. There are five leading developments which have, in succession, brought about this self-destruction within the U.S.A. itself.

The most dramatic current expression of this thirty-five-year-long moral and economic decline inside the U.S. itself, is the currently accelerating collapse of the role of the U.S. economy as the "importer of last resort." This presently ongoing turn, means a collapse of that part of the market upon which most among the world's nations had each recently come to depend for a critical margin of its own domestic economic life.

Those five steps downward, and their bearing on the presently accelerating collapse of the U.S. as an import market, are summarily, as follows.

This first step began during the 1966-1968 campaign of former Vice-President Richard Nixon for the 1968 Republican Presidential nomination. During that 1966-68 campaign, Nixon and his circles made a coalition with those sections of the U.S. Democratic Party base which harbored the pro-racist legacy of that Confederacy which President Abraham Lincoln had defeated in the great Civil War of 1861-65. This pro-racist, Nixon-led turn, was known then and later, as the so-called Southern Strategy, a Southern Strategy, sometimes also called "The Third Way," which is still the leading political force inside the U.S. today.

In addition to being a revival of pro-racist sentiments and policies inside the U.S. political party-system, there were certain related shifts in economic policy, away from the so-called Yankee traditions of technological progress in agriculture and industry, large-scale infrastructure improvements, and improvements of the general welfare of the population as a whole. Thus, the pro-racist trend represented by Nixon's Southern Strategy, was accompanied by an increasingly radical "free trade" ideology.

This combination in U.S. domestic and foreign policy under Nixon and Henry A. Kissinger, led into the collapse of the Bretton Woods agreements in August 1971. The effects



The first step into Hell: President Nixon's shift toward the "Southern Strategy," which led to the collapse of the Bretton Woods agreements in August 1971. Here: Henry Kissinger with the President, 1971.



Step 2: Zbigniew Brzezinski's choice for President, Jimmy Carter, wreaks havoc with the U.S. economy. Here, Carter with members of his Cabinet, including Brzezinski (behind Carter, to his left).

of that, combined with Kissinger's orchestration of such developments as the 1973 Middle East war, unleashed a terrible ruin within the U.S. economy.

The second, even worse blow to the economy, was brought about through Zbigniew Brzezinski's choice for President, the pro-Southern Strategy Jimmy Carter. The rampage of deregulation and related destructive measures under Carter, did far more ruin to the U.S. economy than has occurred under any other U.S. President since Nixon's election in 1968. The worst of these measures introduced under Carter, were the work of Carter's appointment of Paul Volcker as Chairman of the U.S. Federal Reserve System. Volcker's policies, as continued under his designated successor, Alan Greenspan, have continued and aggravated that ruin, up to the present day.

The third blow came beginning 1982, under President Ronald Reagan and Vice-President George Bush. Terribly destructive legislation that year, such as Garn-St Germain and Kemp-Roth, arranged for financial speculators' picking of the bones of the banking and other institutions which Carter's policies had ruined. This was the era of the junk bond, and the beginning of what became the vast financial-derivatives bubble which is exploding the financial system of the world today.

The fourth blow, came in the concerted actions of Brit-

ain's Prime Minister Margaret Thatcher, France's President François Mitterrand, and U.S. President George Bush, in the handling of the disintegration of the Soviet system. Mrs. Thatcher, who was obsessed with the desire to destroy the economy of Germany, allied with Mrs. Thatcher's Germany-hating asset Mitterrand, and Bush, to reduce all of continental Europe from status of ally, to Anglo-American lackey, systematically destroying the real economy of nations throughout continental Europe, including the former Soviet Union. What was thus set into motion, during 1989-1992, was the emergence of a new world empire, an Anglo-American imperialism, called "globalization." This imperial monster, conceived in imitation of the ancient Roman empire, set itself to the task of uprooting, world-wide, not only the political and financial institutions of the sovereign nation-state, but also the ability of national economies to produce even their most essential margins of needs within their own borders.

In this fourth step, even the sovereignty of the United States itself has been systematically destroyed, a virtual act of treason, in favor of an opposing power, world government, which aimed at becoming an imperial form of English-speaking world-wide rule.

The fifth blow, was the fruit of great financial fraud played on the world as a whole. This fraud, known as "Y2K," was perpetrated through an organized panic, known as the fear that



Step 3: The Reagan-Bush Administration ushers in the era of junk bonds and financial derivatives speculation.



Step 4: Margaret Thatcher and George Bush, along with France's François Mitterrand, set into motion the policy known as "globalization," to destroy the world's nation-states.

the advent of January 1, 2000, would cause a chain-reaction financial collapse.

It was said that this collapse would be caused by widespread dependency of governments and businesses upon computer systems which had based their programs on a two-final-digit code for date, would not do their proper work when confronted with a two-final-digit code "00." During the several years preceding 2000, a vast amount of financial capital was created, to flow into certain measures which might, hopefully, prevent such a Year 2000 crisis. This gigantic swindle was the celebrated cult of "Y2K."

Under the influence of this panic, vast amounts of financial capital were created, to be poured into not only investments in reprogramming computers, but purchasing new computer systems better suited to overcoming the "Y2K" threat. On top of these amounts, a vast financial reserve was created and set aside for the alleged purpose of readiness to cope with the allegedly inevitable threat of a January 1, 2000 "Y2K" collapse of almost everything!

Call it the "Y2K financial bubble." What actually happened, was that, given the global financial collapse already impending for the mid-1990s, Federal Reserve Chairman Alan Greenspan and others created a vast diversionary financial scheme, whose relatively short-lived result was the gigantic public-relations hoax called "new economy."

During the run-up, from the mid-1990s to January 1, 2000, the development of the Internet was used to create a vast diversion, which absorbed gigantic amounts of credit pumped into the financial markets, notably the markets for so-called "information technology" and its by-products. The computer industry, the software industry, and the marketing schemes associated with promotion of the Internet for such purposes, were hyperinflated to impossible financial altitudes. The Eighteenth-Century speculator, John Law, would have been amazed that a modern people could be so credulous as the now-bankrupt financial titans of the "new economy" have been.

In March 2000, there were signs that the "new economy" bubble was ripe for inevitable popping. To delay that collapse, oceanic floods of credit, such as that organized by the notorious "plunge protection committees," moved to prop up an intrinsically bankrupt NASDAQ sector, and also to attempt to manage the delicate relations of all of this to the U.S. banking sector. However, like all financial bubbles, this one was kept alive a bit longer, at a terrible price to the real economy on whose back it sat as a parasite.

During all of that, the process of globalization was building the preconditions for what is now becoming clearly a collapse of the world's principal export market, the U.S. role



Step 5: Federal Reserve Chairman Alan Greenspan perpetrates the fraud known as “Y2K,” pumping vast amounts of money into the financial system, in a desperate effort to maintain the speculative bubble.

as “the importer of last resort.”

Beginning about March 2000, the first clear signs of the threatened collapse in the illusory “new economy” financial bubble, were reflected in financial markets. This collapse of that bubble reflected the combined effects of other forms of long-term degeneration in the U.S. and world economy.

To understand how the presently accelerating collapse of the U.S. as an import market, affects the world economy at large, some of these other leading factors must be taken into account.

The World Economy Is Now Collapsing

Apparently, few professionals from around the world ever gave the attention they should have given, to a series of published reports, issued by the New York Council on Foreign Relations as the long-range strategic plan, written and published beginning 1975-76, intended to be set into motion by Zbigniew Brzezinski’s puppet, U.S. President Jimmy Carter. This “Project 1980s” series, later published in full by McGraw-Hill, outlined what has become, since that time, the philosophy underlying virtually every critical measure in economic and social policy of the U.S. government, from the time of Carter’s inauguration, on.

Among the leading features of this operational strategic plan was an explicit proposal for causing “a controlled disintegration of the economy.” This policy, introduced by that

name, was put fully into operation by President Carter’s Fall 1979 appointment of Paul Volcker as Chairman of the U.S. Federal Reserve System. This policy, so specified, in both name and deed, by Volcker, has been the continuing kernel of the monetary and economic policy of the U.S. Federal Reserve System, under Volcker and his only successor, Alan Greenspan, ever since.

That policy has worked just as it was explicitly designed to work. This policy has brought about a process of controlled disintegration of the collective economy of virtually the entire world. When we have felt more fully, very soon, the impact of the presently ongoing collapse of the U.S. economy as the world’s importer of last resort, China, too, with its dependency upon foreign investments in its cheap-labor-produced export categories, will be among the nations struck with the challenge represented by the fully destructive force of the Volcker-Greenspan policy of controlled disintegration.

There can be no competent assessment of any among the leading features of international financial, monetary, and economic developments over the course of the recent thirty-five years, without studying those developments in the light of the impact of the five steps of change in U.S. policy I have just identified. Any different view of the matter must be considered as incompetent, by virtue of the principle of fallacy of composition of the evidence.

As any among us might read the official statements of most of the leading governments and leading economists of those nations and of the IMF and World Bank, and most of the world’s leading press, until recent weeks, we have the following picture of the incompetence of those economists. Virtually every one of what the leading international press has called “mainstream” economists, the economists on which most governments have credulously relied, are now exposed, with rare exceptions, as having issued a totally incompetent analysis and forecast of recent and present trends in the economy of the world as a whole.

Overall, the establishment of the so-called “floating-exchange-rate monetary system,” as set into motion by U.S. President Nixon during August 1971, has been a world-wide catastrophe, especially in its effects upon the foreign-debt balances and internal economies of so-called developing nations. However, the worst structural damage to the world economy occurred under President Carter, not Nixon. The key is the doctrine of “controlled disintegration” unleashed upon the world by that Carter Administration. The form of the presently ongoing collapse of the role of the U.S. as importer of last resort, is chiefly the result of those specific actions set into motion under Brzezinski’s puppet-President Carter.

Concentrate on the transformation of the U.S., from its pre-1977 post-war role as, in partnership with western Europe and Japan, as the world’s leading exporter of technology, to the ruined U.S. economy’s pitiable present economic condi-

tion as importer of last resort for the world at large.

Since the beginning of the modern form of nation-state, during Europe's Fifteenth Century, the growth of the population, life-expectancy, and prosperity of the world, has been chiefly the effect of two factors spreading world-wide from that birth of the nation-state.

First, was the establishing of the sovereign nation-state on the basis of the principle that government has no morally legitimate authority to rule, except as it is efficiently dedicated to promotion of what is called the general welfare, or common good, of the population and its posterity as a whole.

Second, the role of a national commitment to scientific and technological progress, as the driving-force for improvements in both the productivity and general welfare of the nation.

Contrary to much popularized mythology, the generator of great technological progress has not been the giant stockholders' corporation, but rather those technologically energetic smaller enterprises, such as machine-tool enterprises, which reflect a disposition for risk-taking in the areas of development of scientific and technological progress. These are the usually smaller, or medium-sized enterprises, usually the creation of private entrepreneurs, not stock markets. The ability of the large manufacturing corporation to generate production of improved products, has depended chiefly on the role of the medium-sized enterprises which have shown great flexibility and powers of rapid innovation, as suppliers to the giant industrial enterprises.

Carter's measures struck directly against two crucial areas of any successful modern economy.

First, was the rolling back of maintenance and development of basic economic infrastructure. In a modern, healthy agro-industrial economy, these expenditures, largely through government-regulated categories of investment, have amounted to about one-third, or even sometimes more, of the total value of physical output of the national economy as a whole. This was approximately the formula followed by the Franklin Roosevelt Administration, in bringing about the great, accelerating U.S. economic recovery of the 1933-1945 interval.

Second, Carter struck down both investment and regulation of vital areas of infrastructure, but also three other Achilles'-heel sectors of the U.S. economy: the independent, high-technology family farm, the small entrepreneurial business sector, and the credit institutions upon which agriculture and small closely held industries depended for their continued existence. The destruction of the smaller entrepreneurial sectors of agriculture and industry under Carter, was ferocious, sudden, and never repaired to the present day. The most concentrated destruction of the U.S. economy on these accounts, of both basic economic infrastructure and technologically progressive agro-industrial entrepreneurial activity, struck with the greatest force under the initial, 1979-1982, period of Volcker's reign as Federal Reserve Chairman.

Over the course of the 1980s, and especially since the 1989-91 collapse of the Soviet system, the U.S. sources of technology shifted, from earlier reliance on U.S. entrepreneurial and scientific activity, to imports from cheaper-labor areas of the world. As a result of this trend, the U.S. of the past decade, has lost its quality as a "full set" economy, to become dependent for its very physical existence on growing rations of cheap imports, including machine-tool imports, from less economically fortunate regions of the world. Since 1989-1990, the same trend has taken over, with great and accelerating force in Germany and other parts of Europe.

By late in the year 2000, the U.S. dependency on imports had reached levels which were reflected in part by an estimated annual rate of U.S. current-account deficit in the order of about \$600 billions a year. If we consider weighting factors, some of them hidden under the cloak of financial sleight-of-hand, a major collapse of the U.S. as an importer of last resort for the world market is now erupting. The effects on the nations of the world, especially the areas which have been used as sources of cheap-labor exports to the U.S.A., will be massive. The impact on Mexico will be among the worst cases, relatively speaking; but the impact upon all of the economies of East, Southeast, and East Asia, to say nothing of Africa, will be among the most important strategic effects.

The Timing of This Collapse

To understand why the presently ongoing global financial collapse was inevitable during approximately this time, one must compare the way in which the effects of the "Y2K" bubble echoed the 1923 eruption of hyperinflation in Weimar Germany.

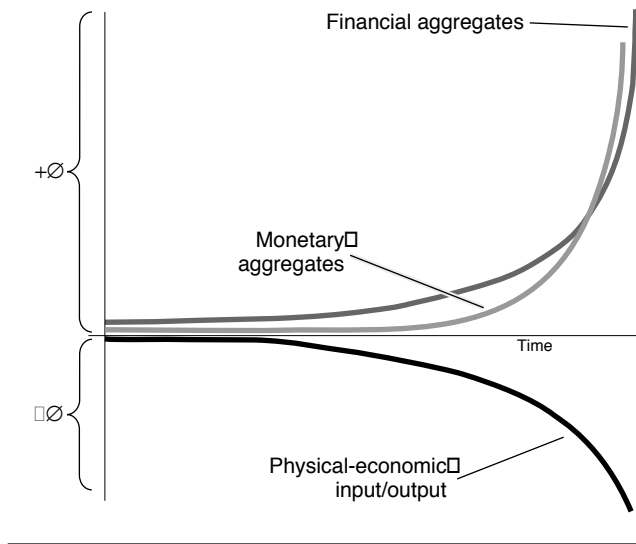
Weimar Germany's inflationary printing-press money-issues had been used to roll over the World War I allies' war-reparations and other debts imposed on defeated Germany. When the point was reached, during early Summer 1923, that this inflationary printing-press tactic was costing more, in terms of inflationary effects, than the total debt being rolled over by such methods, the inflation in money-printing exploded into a spiral of commodity-price hyperinflation.

During the course of early 2000, an analogous effect came to the surface from inside the methods of inflationary pump-priming used, since 1998, by what came to be known as the U.S. "plunge protection committee" of Fed Chairman Alan Greenspan, and Robert Rubin subordinate and successor Treasury Secretary Larry Summers, et al. During early months of the Y2000 U.S. Presidential primary-election campaigns, it became evident that the rate of financial pump-priming required was becoming significantly greater than the amount of debt being rolled over in this way. A situation of potential commodity-price inflation, analogous to that of 1923 Weimar Germany, had developed. [See **Figure 1.**]

The choice between commodity-price hyperinflation and collapse of the role of the U.S. as importer of last resort, was shown clearly by hyperinflationary trends in energy prices,

FIGURE 1□

The Collapse Reaches a Critical Point of Instability



in real estate occupancy prices, and in many categories of manufacturers' supplies. At that point, the sole mission of continued "plunge protection committee" and related efforts, was to postpone the financial collapse until after the Nov. 7 U.S. Presidential election. The crisis in energy policy now erupting in the U.S. state of California, typifies the conditions which made the present stage of the U.S. crisis inevitable for about this time.

This collapse of the U.S. bubble has the following notable global impact on the U.S.A.'s former role as importer of last resort.

As long as the U.S. financial market was apparently the market of the highest yield on relatively short-term flows of financial capital, the U.S. financial bubble was able to aid the U.S. in forcing multi-trillions-dollar annual rates of inflow of financial capital from around the world, notably including the Euro- and Yen-carry-trade areas. The speculative financial gains on U.S. financial markets were thus able to offset, not only the massive and upward-spiralling U.S. current account deficit, but to maintain the U.S. in the role of importer of last resort for the world at large.

Now, that role has ended. The blow-back against those nations which have depended on the U.S. market, will be tremendous. The effect on Mexico will be catastrophic. Similar trends will be experienced throughout East and other parts of the Asian littoral. For Africa, the combined direct and indirect effects will be catastrophe piled upon calamity.

The Strategic Implications

At this time, there is world-wide interest in discovering what might be the actual strategic outlook of the incoming

U.S. Administration. As to what representatives of that Administration are saying on that subject, what is widely reported is in fact a mixture of willful deception by such sources, and also an even larger dose of self-deception by the Administration itself. The U.S. and its political institutions, are presently in the grip of a global catastrophe far beyond what the incoming Administration is willing to contemplate. It is fairly said, that the incoming Administration is a spectacle of Classical tragedy on an epochal scale.

To be as brief as possible, the following are the leading considerations to be borne in mind.

In the Biblical book of Jonah, there is an account of Jonah's reluctant mission to deliver a message to the people of the city of Nineveh. God offered Nineveh a choice, to save itself, or be destroyed. Think of my role as that of a not-reluctant Jonah, delivering a warning to my own government. It is impossible to predict what U.S. policy will be, even in the short term. The incoming Administration does not know what its actual policy will become during the course of the crisis-wracked weeks ahead. The U.S. might doom itself, as Nineveh did by rejecting Jonah's warning, or, it might accept the warning, and thus, as Jonah's message promised, survive.

No one alive today, including the new U.S. Administration, could predict anything but the general nature of the choices being presented, and the general nature of the consequences of selecting either of those sets of choices. The choice is one that that Administration will consider awful.

If the new Administration attempts to limit its policy-choices to the set of commitments which it and its leading advisors have maintained up to this point, the U.S.A. as we have known it, is presently doomed. It could survive, and that rather well, only by abandoning what it has adopted as its so-called political principles up to this time. Thus, as is the case in every great Classical tragedy, the doom of a regime, a nation, is brought about because the nation prefers to cling to its acquired habits, rather than choose the contrary pathway of reason.

That choice can be fairly described as an elementary one.

Since the crisis is the outcome of a series of closely related policy-changes instituted over the recent thirty-five years, the crisis must be recognized as one which could be terminated only by abandoning and reversing those policy-changes. In effect, that would mean returning to the kinds of policy-making standards which were in force under President Kennedy and under the pre-1966 Presidency of Lyndon Johnson. The difficulty inhering in that kind of problem, is that the relevant political and other institutions have been radically transformed in character since the successful drive of Richard Nixon to secure election as President.

Changes of that deep-going kind usually occur only as what are perceived to be actual, or virtual political revolutions. Moreover, such revolutions are most unlikely, except under conditions of great shock to the existing system. Thus, the question is twofold. First, whether the shock now in the

process of being experienced, would be sufficiently strong to make such a radical change in policy-matrix possible at this time? Second, whether the needed new policies have become sufficiently widespread knowledge, and have sufficient support from among at least some influential circles and institutions, to make the required changes a clearly visible political alternative?

Certainly, on the first account, the shock in the process of being experienced, is more or less as strong and profound as any experienced in recent history. On the second, there are reasons for doubt. Although my own proposals are widely known, and do have increasing support from important circles around the world, as well as in the United States, there is still room for doubt that my initiatives could be successful. If not, then, the U.S.A. as we have known it heretofore, is assuredly doomed during the near term. Worse, unless some powerful combination of states can act in concert, in the directions I have indicated as necessary, the prospect for the world as a whole, is little better than that for my country itself.

I have given you a grim picture, but, the only accurate and honest one possible. We have our implied options, and we must proceed with the intent for success, whatever we must face in that effort to overcome the obstacles before us. True solutions will be found, only when realistic assessment of challenges before us, is accepted.

Discussion

What Is Behind the Idea Of the Nation-State

Following the morning presentations of Jan. 15, three people asked questions of Mr. LaRouche. The first questioner asked why it is that his ideas, which are very persuasive, are not generally accepted by Western politicians; and also, what the countries of the South can do to manage the global crisis, without external support. The second question was from Hamdy Abdel Rahman, professor of political science from Cairo University, who asked how we can rely on the role of the nation-state, when in Africa, nation-states do not exist, in many cases; and also, how we can count on the rationality of leadership, where in Africa, this is often lacking. The third question was from Sam Aluko, professor of economics from Nigeria, who asked for further explanation of the proper role of sovereignty of government; and also, for a discussion of the role of the United States. Here is Mr. LaRouche's reply to the three speakers.

Lyndon H. LaRouche, Jr.: Since we only have a few minutes, I will respond to one key question which came up, which is the most important: the question of the sovereign nation-state.

The importance of European civilization, modern European civilization, was not really reflected, in its influence, until the 15th Century: It was in the 15th Century that Europe developed the modern nation-state. It was developed chiefly, in two works—key works, along with many others, by Nicholas of Cusa, the *Concordantia Catholica*, which is the idea of a community of nation-states, based on principle; and the second one, the *De Docta Ignorantia*, which is actually the work which founded modern science, modern experimental science.

Now, the reason for the success of European civilization, the power *in* European civilization, is entirely an outgrowth of a revolutionary discovery, for the first time in all known human existence, of an institution called the sovereign nation-state. And the sovereign nation-state is based on a moral principle. The moral principle is, first of all, that *man is made in the image of God*. If you don't accept that condition, you don't have a safe nation-state. You can't have one. Because the condition of the authority of the nation-state, is the notion of the general welfare, or common good. What is the general welfare or the common good? It is to take care of all of the people and their posterity, *as human*.

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