

EIR Political Economy

LaRouche To Mexican Accountants: We Have Reason for Optimism

On Aug. 2, Lyndon H. LaRouche, Jr. gave the keynote address to a meeting sponsored in Mexico City by the National Institute of Public Accountants at the Service of the State (INCOPSE), the first conference of a series entitled "Currents of Economic Thought." Speaking from Frankfurt, Germany by interactive videoconference technology, LaRouche gave the opening presentation, and then entered into a wide-ranging dialogue with those present. The opening speech appeared in EIR, Aug. 17, 2001. We publish here the dialogue with LaRouche, slightly abridged and with the questions translated from Spanish.

The panel which opened up the dialogue with LaRouche included: Dr. Héctor Luna de la Vega, president of the National Executive Committee of INCOPSE; Dr. Francisco Javier Alejo, Minister of National Patrimony during the Luis Echeverría government (1970-76); Dr. Julio Zamora Bátiz, former ambassador and former national deputy; the distinguished economist Ricardo Carrillo Arronte; and Marivilia Carrasco, LaRouche's spokeswoman in Mexico.

Dr. Luna de la Vega began the proceedings and introduced LaRouche:

The National Institute of Public Accountants in the Service of the State, offers you a most cordial welcome.

At the end of the Second World War, the world was faced with the task of seeking two solutions, and it did so through two major avenues. One, identified as the political, held its first meeting in San Francisco, and later was transferred, as the United Nations Organization, to New York City. The other avenue, seeking monetary stability and a new credit scheme, which was advanced for its time, carried out the Bretton Woods meeting, and later transferred the headquarters of what it agreed upon—the International Monetary Fund and the World Bank—to Washington, D.C. . . .

In this regard, the National Institute of Public Accountants at the Service of the State begins this cycle today by announc-

ing that the next [seminar] will be broadcast from Washington, with a high-level representative of the International Monetary Fund, and later, we will do the same with a high-level representative of the World Bank. Thus, we will have the opportunity to come up with our own plan, make our own decisions, and obtain the greatest benefit for our country, Mexico.

Today, we will have the opportunity to hear one current of thought, perhaps one of the most controversial, because of its view of the system that developed after World War II. The measures for a probably necessary updating of the system that originated in the '40s, in a world today dominated by "globalization," have to go beyond issues of "-philes" and "-phobes," and instead we must determine what new international rules of the game are appropriate for us, in which Mexico, undoubtedly, would play a fundamental role, as it is already doing. . . .

Today, Tony Blair, the Prime Minister of England, arrived in Mexico. A moment ago, I was discussing with two well-known experts on international economic development, that Blair has been the standardbearer of a "Third Way." An apparent Third Way which is a balance between a radical free market and a centralized economy, also radical. However, we must not forget that he represents England's reality, and that it is a Third Way for England, rather than for all nations.

And so, we have met here, with the opportunity to shape our own program, to be able to continue contributing to our country what we can, to unleash its economic development, and to position it as a key actor in the international economy.

Welcome, Dr. Lyndon LaRouche. . . .

How a New Bretton Woods Would Work

Dr. Luna de la Vega: You referred to the fact that in 1945, when the Bretton Woods Agreement was made, until approximately 1965, over a period of 20 years, the model was exhausted. . . . Soon we will also hear the statements of those



Lyndon H. LaRouche, Jr. addresses the National Institute of Public Accountants at the Service of the State, by videoconference, on Aug. 2. The Mexico City conference was titled "New Alternatives in View of the End of Globalization."

who are still immersed in this model of the World Bank and the International Monetary Fund. I would like to ask you: What is your idea of the possibility of reconfiguring the Monetary Fund, and of a new credit system which, more than a World Bank, could take the form of national banks serving as the detonators of national growth. . . ? How do you propose these could sustain international monetary stability?

LaRouche: That is largely a political question. Because, if the world realizes how serious the problem is—and I think, at this point, the world is only *beginning* to realize what the situation is. Those of us, who are in a more advantageous position, *know* how bad the situation is. Until people see alternatives, they tend to deny reality. It's like the person faced with death from a disease: the tendency to deny the reality of that problem.

So, unless you give people optimism, they generally will not want to face reality, or they will simply go berserk and angry, because they don't see any future for themselves.

So, those two political factors are crucial. That people must see reality, but on the other hand, they will not see reality, unless they see positive alternatives to the present situation. And, therefore, as you see in the case of, say, O'Neill, the Treasury Secretary of the United States, a man who is clinging to *unreality*; the man is almost clinically insane. He's denying reality. Probably, Lindsey, the other adviser of Bush on economics, is a little more cold-blooded about it, but, denying reality. People denying reality.

As I say: First of all, they have to *face* reality. But, they're not likely to *face* reality, until they see a positive alternative to the crisis.

That's one of the characteristics of leaders: Great leaders

are those who give people the courage to face reality, because they give them the optimism to face reality. For example: The most famous remark, at the beginning of his term in office, of President Franklin Roosevelt, in the Depression, was, he said to the American people: "We have nothing to fear, as much as fear itself." And, therefore—I don't like to quote the Old Testament, at all—but, in Isaiah, there's a famous statement that "If the trumpet shall sound an uncertain note, who shall heed the call to battle?"

And that's the situation we're in. We need leadership; we're not getting it. We're getting some good signs of leadership, in Putin, for example, the President of Russia. He's noted by most people around the world, who are watching closely, as a man who is acting like a leader. A few other people around the world, are acting as leaders. In most

parts of the world, people who are in positions of leadership, are not acting as leaders! This is the problem that President Bush faces, in the United States. He is not able to act as a leader—at least, not yet.

And, therefore, when you don't have a leader, who is capable of saying, "This is problem, but here is the solution," then the people will tend to be frightened, and they will cling to illusions. Once the reality of this is seen, and, once the alternative to the ugly reality is also seen, from the voice of a concert of clear leaders, I think it will be not difficult to go back and show people, "Here's what happened under the old Bretton Woods system." Say, take the period from 1945 to 1958, which is the period of the most difficult recovery in the postwar reconstruction, and look at what we did, at how successful we really were, relative to the problem. And, people see that, and say, "Well, why can't we do that again?" We face a situation, which in certain terms, financially, is comparable to the situation in Europe and that other parts of the world faced at the end of the Second World War. If it worked then, why can't we do the same thing again?

So, on the question of the Bretton Woods system, my view has been: Though there are many kinds of systems I could conceive of, or designs, which would work for this, I have said: Since we're making a shocking new turn in world monetary affairs, we have to appeal to the best possible precedent for our current actions, so that people will have confidence in what we're proposing; they'll trust us, because they say, "They're doing something that we understand *did work*." So, let's do that again, and let's adjust what worked in the past, to the special circumstances we face today.

Under those circumstances, what we require is simply, a



“Great leaders are those who give people the courage to face reality,” said LaRouche, “because they give them the optimism to face reality.” Here, Franklin D. Roosevelt (second from left), who brought the American people successfully through the trials of Depression and war.

very simple conference. For example, one member of the Italian Senate has just proposed such a conference, among Europeans. Take such a conference, have a special committee of experts work with such a conference of international government officials, parliamentarians. Let these experts report to that parliamentary group immediately, on something like a Bretton Woods proposal. Let them explain to everyone what it is. Let them agree, among themselves, what the options are. Let’s recommend something today, which fits the same requirements that the Bretton Woods system fit then.

And take it back, and say, “This may not be perfect, but here’s a start.” That would mean: National Banking, in every country. The central banks are bankrupt—what do you do? When the central bank is bankrupt—that is, the private, chartered bank of a country—you create a National Bank, as Alexander Hamilton proposed. Mexico can make a National Bank. The idea of a National Bank is not a strange thing in Mexico! It is Mexico’s history—a National Bank. Put everything under bankruptcy reorganization! A special commission of government, to handle the internal effects of the bankruptcy. Special treaty arrangements among governments, to handle the international aspects of bankruptcy reorganization. Freeze what you can not reorganize, but keep the economies going. Create a National Banking system.

Now, by treaty agreement, among governments, create a new international replacement for the IMF; as a matter of fact, legally, the IMF is nothing but a creature of governments. It’s bankrupt, so therefore, let the governments take over responsibility for the IMF, and simply give it a new mandate, to operate under these terms.

Then, we can have agreement among countries, negotiate trade agreements, do the obvious thing first, and it will work.

In that sense, actually, the Bretton Woods system, with some insight into how it works, and some revision that would be fairly obvious, reinstated today, would work as a start, for the first year or two, of bringing the crisis under control and starting to build a new system. That would give us a year or two of—not leisure, but at least leeway—to begin to refine the system, and put the institutions into regularly functioning form.

So I don’t think the problem is as difficult as it seems. I think that the problem is, one, people don’t see how you would get governments and institutions to change their minds about their present views on policies. I think once the crisis is clear—and the crisis will only be clear to people when they see the alternative—at that point, the alternatives become clear, and people will be willing to go along with the needed changes, just as many people in the United States were willing to go along with the changes that Franklin Roosevelt put in, not without some difficulty and not without resistance.

Ibero-America and the Eurasian Land-Bridge

Dr. Julio Zamora Bátiz: As always, it is very interesting to hear your proposals, especially with regard to infrastructure, since we certainly suffer from lack of modern infrastructure, and your proposals on how to increase employment in countries like Mexico are very much to the point. At the moment, we have in Mexico a government that is extremely timid with regard to assuming its responsibilities, and which tries to get the private sector to do everything.

My questions have to do with your proposals for reorganizing the financial system. There are, of course, other proposals, such as that of George Soros, with whom I know you have disagreements. But could you give us your comments

as to what those differences are? Secondly, I'd like you to discuss what the effect on Ibero-America would be of the development of the Eurasian Land-Bridge proposal which you have promoted, because it seems to me, that we could be hurt by this development, because there would be a concentration of world capital in those markets, and our current problems in world trade would be aggravated.

LaRouche: Well, Soros' system is the one that ruined Russia, and has ruined a great number of other countries. And, I think it speaks for itself, in that respect: Its effects are exactly what we don't want. If you look at the catastrophes which have happened in Eastern Europe, in the Americas, where Soros has intervened over the period, say between 1992 and the present, you would have to say that anybody in their right mind wouldn't want a Soros proposal, of the kind he's made heretofore, in their country. You have the response by the Prime Minister of Malaysia, Mahathir bin Mohamad, on that subject. I think it speaks for itself.

Now, there is no danger, in my view, from the Eurasian Land-Bridge to Ibero-America. First of all, the problem in Ibero-America is largely what is imposed as external conditions on Ibero-America. For example: Brazil has no independent energy supply, except the Amazon and other water systems. It's been denied access to other systems. It's forced to buy gas, as an imported energy source from other countries, but under the control of Anglo-American interests. What's been done to Argentina is horrible. And we could go through the list of the situations in various countries.

If these countries are given back their full sovereignty that they've been denied under these present international monetary and financial conditions, *they themselves will tend to grow*. I know that Brazil has a temperament: It wants to grow. And we used to have this kind of rivalry between Mexico and Brazil, over which was the country, below the Rio Grande, which was going to grow the most rapidly. We also had a certain rivalry with Argentina on that business. Each of these countries, Mexico, Brazil, and Argentina, each had, in the postwar period, between 1945 and 1964, tremendous potential for growth—endemic. For example, the development of cooperation among these countries in the hemisphere, on a new basis, would, itself, cause great internal benefit.

For example, let's take the case of food supplies. Brazil produces food upon which Japan largely depends. Also, Brazil, and South and Central America, have rich resources, which, if developed with infrastructure development, are potentially of world importance. So, there is no doubt of what can be done.

In the case of Mexico, the big advantage, of course, in Mexico is: Mexico is close to the United States (which can be a disadvantage for Mexico, or a benefit, as many Mexican leaders have said many times—and with justification on both accounts!). But, Mexico's development is essential to the security of the United States, and therefore, any President of the United States who has any sense, is going to help Mexico in every way possible, with its internal development. The United

States should not be in the business of exploiting Mexican labor going into the United States—although that migration should not be excluded. But, rather, the function of the United States, in its self-interest, is to help Mexico develop its own *internal* market, largely with infrastructure, with long-term agreements which promote the development of industry that is suitable to Mexico, and to improve agriculture.

For example: Mexico's water system. Mexico has had since—how long?—since the struggles for independence, it has had an idea of development of two large water systems, to take water from the plentifully supplied south and move it north, to develop the agriculture. The agricultural potential with water development and energy in Mexico, is tremendous. And, therefore, the interest of the United States, in the case of Mexico, is to develop the *internal potential* of Mexico to assimilate its large labor force, a labor force of great productivity and domestic strength.

The interest of the United States is the same thing in Brazil—the real interest. Let Brazil develop. Get the NGOs out of there, and let Brazil develop its own country, in a Brazilian way, grandiose as it may seem to some others. Let Argentina recover.

So, the kind of world that Eurasian cooperation would mean, would be the kind of world which would, by its very nature, contribute to the benefits of all of Central and South America in terms of opportunities; provided, of course, that the United States behaved itself.

What About 'Yankee Imperialism'?

Dr. Francisco Javier Alejo: Dr. LaRouche, you have said that the international financial system is disintegrating, and that it doesn't work. But the impression one has is that, in reality, over the past 15 to 20 years, the system has had to become more and more integrated, and that this integration has accelerated through the diffusion of information technology on a global scale. Contrary to what you have told us about it not functioning, I think that it has functioned very well: It functions very well to the benefit of the most powerful economies. It doesn't function from our point of view, because it is a system that distributes liquidity badly in the international arena, which does not guarantee international financial stability, and which tends to increasingly concentrate the benefits of development in a very few nations.

You remind us that the Bretton Woods system worked well. Yes, it worked well, to some degree, in the same sense that I am saying, but doubtless it worked better than the current system. And in effect, it produced a rupture in the mid-'60s, precisely during the Nixon Administration when, in the first place, tariffs rose 10% on all imports to the United States, which was the equivalent of a virtual devaluation, and later when it abandoned dollar convertibility to gold.

But I believe other things occurred as well. The first of these is that this period constituted an enormous "free ride" in the international arena; the United States was able to take a free ride. On the basis of this international financial and



The National Agricultural Institute at Chapingo, Mexico. It is in the U.S. interest "to help Mexico develop its own internal market, largely with infrastructure, with long-term agreements which promote the development of industry that is suitable to Mexico, and to improve agriculture."

monetary system, the U.S. simultaneously launched the war in Vietnam and the Great Society program inside the United States, which led to an inflationary expansion on a global scale, which ended up hurting all of those countries with less economic force on the world scene.

The second element: It produced an ideological change, as you indicated, I think correctly, in which the von Hayeks and all the others intervened, and which ended up being consolidated globally under the Reagan-Thatcher reign. This ideological change led to the imposition of idolatry of the market worldwide. That idolatry of the market, which led to the withdrawal of the states, the loss of their responsibility as guarantors of development and of the welfare of the people, is what has us in the shape we are in today.

At one point, you proposed returning to the gold standard, returning to protectionism. Well, let us not forget that the previous protectionist wave led us to the Second World War. This is something about which we should reflect.

You forecast that there is going to be a collapse of the U.S. economy. Well, it will probably happen some day; when one predicts this every year, one will eventually be proven right. But the symptoms are not yet visible. There is a very serious recessionist tendency. One must ask if this is going to get worse, how long it will last, and finally, whether what is happening to the U.S. economy at this moment has something to do with that idea, that we have never adequately proven, that these are the Kondratieff cycles, the large long-term cycles which have to do with great structural and technological transformations, on a national scale and now, perhaps, on a world scale.

But the problem is, can we really go forward on that path,

returning to the gold standard, returning to protectionism? We mustn't forget that the gold standard system requires that all participating economies maintain fiscal discipline, that there be no free rides, as was undertaken by the United States during the '60s, and which ended up wrecking the whole system.

My conclusion would be, and my question is: Do the conditions exist, in reality, for us to create . . . an international economic and financial system, that would enable us to discipline all the actors involved, but especially the strongest economies, and the already-globalized giant corporations, which today are the ones which really have the deciding voice in the international economy?

Thank you.

LaRouche: You've posed some very interesting questions, because they cover a large area. I've got some points of agreement, some points of disagreement. But let me go through what the crucial thing is right now.

As we sit here—I don't know what the status is at this moment—we're headed for the rather immediate outbreak of what will become a generalized religious war throughout Eurasia, either launched by Sharon, the present dictator of Israel, or by his successors—who may replace him and be more wild than he is; which I've written about a number of things, and I've managed to stir up some concern in my own U.S. government and elsewhere on this. And, they have more recently taken better action—although I don't think an adequate one yet—to try to bring Sharon under control. Because if this thing happens, you will have, not a new Israeli-Arab war: You'll have a religious war, in which Israel will probably get to the point, under the impetus of this policy, of not only

attacking Lebanon, Syria, invading Jordan, driving the Palestinians into Jordan, destabilizing Jordan, war with Iran, and so forth and so on.

Such a war would be pivoted upon the religious issue of the Dome of the Rock in Jerusalem, which is a holy place for all Islam; this is the kind of detonator which can set off, throughout Eurasia, a generalized religious war. And it is such religious wars, as we know from the history of Europe between 1511 and 1648, which threatened to bring on the Dark Ages for humanity. So that's the general situation.

Now, behind that, goes directly to what you're saying. *Why should this be happening in the Middle East now?* It is not, to my knowledge, the Israelis or the Arabs, who are responsible for this conflict. Yes, there may be factors, people who act like puppets on a string, witting or unwitting, who may be contributing directly, immediately on the scene, to the conflict. But they are not the cause. The cause lies elsewhere.

When you say the gold exchange system led to World War II, that's not true. Something else did. When the United States defeated the Confederacy and told the French to get out of Mexico in 1865, after the defeat of the Confederacy, at that point, the United States had emerged as the most powerful single economy on this planet. We had the highest level of technology — we didn't have the most advanced science, but the highest level of technology. We were vigorously growing. We had been unleashed, by being freed from the burden of the Confederacy and slavery.

At that point, forces in Europe recoiled—the British, in particular. They saw the United States: Immediately, in 1876-1877, Russia, Japan, Germany, and other countries adopted the American policy, the so-called Friedrich List or Henry C. Carey policy, the American System policy of Lincoln. It was adopted by Bismarck's order in 1873 in Germany. It was adopted by Tsar Alexander II in Russia. It was Mendeleyev who built the Trans-Siberian Railroad, who was at Philadelphia for that convention in 1876. It was adopted by Japan, which transformed itself under the direct influence of Henry C. Carey, from a feudal nation into an industrial nation.

As a result of this, the ideas of a transcontinental railway systems, like those of the United States, also as the ideas of Friedrich List, were spread throughout Europe. We had the Trans-Siberian Railroad, we had the proposal to build railroads, in cooperation throughout *all* of Eurasia. We had the emergence at the end of the century of Sun Yat-sen, an American-sponsored leader, who sought to create a new China.

And, the British hated it all.

So, Edward VII, while still Prince of Wales, organized a series of alliances and operations, under the aegis of what was called "geopolitics," to put these allied nations, then cooperating up until 1898 — France, Germany, Russia, Japan, and others — to separate them from each other, who had been cooperating under the influence of the American System, the American System of Lincoln.

And, that is why *the British, and the British alone, organized World War I*. They got the French into the Entente

Cordiale, which was a sort of obscene embrace. They used the Balkan Wars to get other things going in Russia. They took the reactionary group in Russia against Alexander II's tradition. They moved in for an attack on Germany, with an alliance between France and England. And that's how World War I was organized.

Then, again, we had World War II. At that point, the British planned, with the French, to turn Hitler loose in Germany; to use Hitler-led Germany for an attack on Russia. After which, when Hitler was embedded in the Russian war, the French planned to attack Germany's rear end, and destroy it. At that point, they intended, up until about 1936, to keep the United States out of the war. And it was the British who organized the American isolationist movement of the 1930s, to keep the United States out of the future war in Europe, which the British had planned.

But then, the British discovered that Hitler and Stalin were negotiating. And, they were negotiating to prevent a war between the Soviet Union and Germany, *until after Germany had defeated the allied British and French forces*. At that time, about 1936, the British changed their minds. They dumped Edward VIII, who had been the pro-Hitler King of England, and they got this woman, Mrs. Simpson, and got her to create an embarrassment, a scandal, and got him out of there.

And, the United States was then brought in, as a prospective ally of Britain and France, for the war against Nazi Germany. That's how the war got started.

Again, the same issue: geopolitics.

Today, we face a situation in which the breakdown of the Bretton Woods system, of the IMF system, has brought about a condition under which India, China, Japan, Korea, Southeast Asia, Russia, Iran, and other countries—including to a significant degree France, Germany, and Italy—are seeking to establish a new unit of cooperation in Eurasia, for building a new monetary system, a new financial system, a new economic system, to replace the bankrupt Anglo-American system. There are certain forces in the United States and Britain, not all of them, who, therefore, say: "Let's use geopolitics." If you want to hear someone say that, listen to Zbigniew Brzezinski, the man whom people in Mexico should be familiar with, from the Carter Administration, and what he did to Mexico during that period. Brzezinski is saying: We must have geopolitical wars, including religious wars, in Eurasia. And Brzezinski is one of the pushers, or architects, or the voices for those forces who are pushing the idea of a Middle East war.

Now, I've been dealing with this with various governments, through my friends and channels, and saying: "Look, let's not believe the myths. Let's tell the truth, for a change." The danger is that a geopolitically caused Middle East war, which can spread as a religious war, will put this planet up in flames at a time we need some peace and need some reconstruction. That's the issue. The same issue today.

Now, here's what the problem is: The argument of, you

know — “Yankee imperialism” is a very popular term. And we’ve had a great dose of it, in the form of Teddy Roosevelt. You had a dose of it, in one of the worst forms of it, in that great Democratic pro-racist, Woodrow Wilson, the man who organized the Ku Klux Klan again, as a revival from the White House: a bad kind of Democrat, you know.

So, yes, there’s justification for anger against certain forces in the United States, especially around the New York bankers, and around those who maintain the Southern tradition, like Henry Kissinger’s tradition, the tradition of William Yandell Elliott, who trained Kissinger at Harvard, who was a racist from Tennessee — a member of the Nashville Agrarians, a real racist pro-Confederacy organization.

You have those forces, in the history of the hemisphere, especially in Mexico. We have the filibusters. Where did they come from? They came from Teddy Roosevelt’s uncle, who organized the filibustering into Cuba, into Mexico and elsewhere. These Confederates were the allies of the Maximilian operation in Mexico. The Confederacy was an ally of Maximilian, and of the French occupation of Mexico.

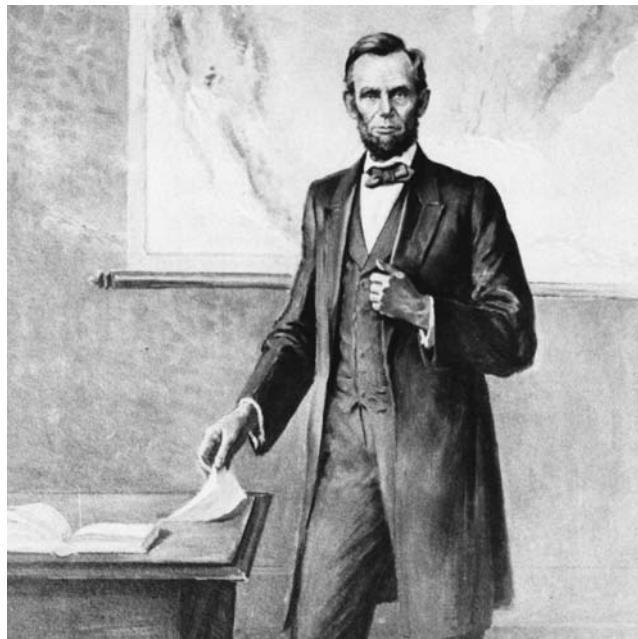
So yes, we have these things in the United States. We have them still. Nixon was part of it, he represented it. Carter represented that. George Bush, Sr. represented that. The son, if he knows what he represents, implicitly, through his associations, represents that same Southern combination, the same New York-Southern tradition combination.

But the United States is not, inherently, an imperial power, by its very nature. We have an American Tory tradition, which are these guys I don’t like, and you don’t like either. And, we should probably get together to make sure that they don’t do what they did in the past any more.

But, we also have the American intellectual tradition, which has always been intellectually allied with the idea of the independence of Mexico, as John Quincy Adams was, and as Abraham Lincoln was. And, we have that, too.

The problem here is, that the United States did not benefit at all, from what happened in the past period. The United States has been a partner — especially since Nixon’s election — it’s been a partner of a certain faction in Britain, and during what became conspicuous in 1989-1990. With the collapse of the Soviet Union, the Soviet system, a certain Anglo-American force, allied with Mitterrand of France, decided that they were going to do two things: They were going keep the Germans down and the Russians out. In that policy, which was conducted from 1990 on to the present, the Anglo-American interests have looted Russia, Ukraine, Belarus, Central Asia, Poland, Slovakia, the Czech Republic, Hungary, and so forth, and have looted them to the greater wealth and glory of U.S. and British interests. They control the IMF, and use the IMF as a means of looting countries.

What you have, today, is, the United States has been bankrupt for a long time, but why hasn’t the United States gone belly up? The United States has not gone belly up because the United States has the political power to steal! We use the IMF and other institutions as a way of stealing! We went to Russia,



The United States is not, inherently, an imperial power — despite the continuing existence of American Tories. The American intellectual tradition has always been intellectually allied with the idea of the independence of Mexico, as typified by the cases of Abraham Lincoln (shown here) and John Quincy Adams.

we dictated terms; we looted; we stole. We stole from Mexico. We stole from South America. We stole from Japan. We forced the Japanese to print money to bail out the U.S. dollar. And, the Japanese banking system is bankrupt as a result of printing money to try to bail out the U.S. dollar. The euro was looted to bail out the U.S. dollar. Russia was looted. South Asia was being looted. What was done to Indonesia was a crime.

So, it was not the economic system which looted for the United States. The United States, rather, looted the world, in the same way that the Roman Empire looted, that the British Empire looted; and that the Venetians used to loot — the same kind of system. So, the political power of the Anglo-American powers — in a combination — an Anglo-American power which is typified in the United States by the Nixon tradition, of the alliance of the Northern bankers with the Southern racists, that combination. This has had the power. And what has happened over the past period was the destruction of the system which built up the world economy.

Sure, there are injustices! I’m well aware of the injustices that were done in Mexico, in South America during the 1950s and 1960s. Sure, it was done. Sure, there were New York interests — I can name them. Many of you can name them, in each country, who from New York and elsewhere, had the privilege of looting, had looting rights in these countries. That was done.

But, overall, there was an increase in the productive power of labor, an increase in the overall welfare of these countries,

even while they were being looted.

So, the question here has to be divided, between the question of interests and systems. That is, you have an economic system: One works, the other doesn't. You have an interest, which, in whatever system it's a part of, may loot, or may be beneficial. That's the irony of the thing.

As far as the crisis, I can assure you the crisis is on. Look at the figures: We've published the figures in *EIR* and other sources. We've published them in our briefing more or less daily, or several times a week — the latest statistics, the statistics on the situation. This is not merely a depression. The depression is already here! The system is hopelessly bankrupt. It's not something that *might* happen; it *has* happened. This is not episodic. It's finished. *It's dead*. I know the propaganda, the approved propaganda in the press is to the contrary. But, I can assure you, and everybody I know, that I talk with, that I work with in every part of the world, who I respect in these matters—I may not always agree with, but I respect them—agree: This thing is finished. It's a longer story, but the symptoms are all there. It's finished.

And, the problem has to be put down to these two things: What are the interests in the world? What are the national interests, what are the systemic interests; and what are the problems? And I tell you today, this world could get along very well, if it was not dominated by that Anglo-American combination, which is behind the present monetary system. We probably would get along very well. We might have our arguments and disagreements, but we would get along, and we'd prosper.

And, that's what I think we have to look forward to, and that's what we have to do.

Creating the Community of Principle

Dr. Ricardo Carrillo Arronte: Dr. LaRouche, first, I'd like to congratulate you, but also I'd like to express a certain ambivalence I feel whenever I hear you, or read your writings. Because, on the one hand, it is satisfying to recognize the existence of a great economic thinker like you, who fights and clarifies and travels constantly around the world on a personal crusade for reason and justice.

But, on the other hand, it is very discouraging to realize that the results you have obtained, and that others have obtained who, like you, are fighting on other levels in other countries, are pyrrhic or negative. Beginning with your own country, said to be the most democratic in the world, and which has nonetheless also been prisoner of those same interests, just as in the richest and most democratic countries of Europe or Japan, where living standards, income distribution, security, employment, and all of these values, have also deteriorated. That is why it is also an exercise of intellect and of optimism to hear your presentations.

Now, I have two very concrete questions. On the one hand, as you have broadly explained, given the hegemonic and repressive powers of some governments, economic groups, and international institutions, what in your opinion

would be the most effective or efficient actions that non-government groups of advanced thinking can take, in dependent countries like Mexico, to collaborate in changing our own countries, and on an international level? Because the measures that you are recommending for countries, presuppose that the governments are in agreement. But you know well that this is not an objective supposition.

My second question is: After the great failure of all liberal thinking with the Great Depression, the emergence of the Bretton Woods system and so on, how is it possible that this thinking has resurged with greater force, greater cruelty, greater injustice, on a world scale? Concretely, what role did and does the Trilateral Commission, which Nixon set into motion, have in the design and functioning of this system which has come to be called neo-liberalism?

LaRouche: The smaller powers have no independent ability to change the world system. Otherwise, what has happened to countries, could not have happened. The case of Mexican banking in 1982, for example: Mexico was trying to pursue an independent line, under President López Portillo, who had enthusiastic support from leading circles of his countrymen at that time. And, he temporarily had support from the government of Argentina and Brazil. But, then Kissinger and his circles intervened, heavily, against Brazil and Argentina, with London's intervention also, to cause the governments of Argentina and Brazil to desert their firm promises to President López Portillo. Mexico was left isolated, Kissinger was all over the place. And, since that time, Mexico has never been able to exert the kind of independence which it exerted earlier.

That's reality, that's the Mexico case. I could go through many other parts of the world—the same kind of thing.

So, therefore, what is needed is, is essentially, an alliance among a group of people who represent, respectively, sovereign nation-states.

Now, in the case of Russia, for example: There are many questions about what the Putin Administration in Russia represents. There is a certain ambivalence in the economic policy initiatives of the Putin government.

But, I have a different view of this matter. And I've watched certain things: The agreement reached between the Presidents of China and Russia recently, following the agreement at Shanghai, of the Shanghai Cooperation Organization—that is a positive development; new agreements between India and China; new attempts at peace between Pakistan and India; important developments now going on in Southeast Asia, involving Malaysia and other countries; the important developments in Japan, which may erupt in a very shocking way, very soon; important developments still going on in Korea; the role of Iran under the leadership of President Khatami, who is a very unusual, important leader to watch. He's a very strong intellectual figure, a very deep and good man, in many ways. Then, there are our friends in Italy. There are a great number of parliamentarians in Italy—Italy may not have great power, but, you'll find there are more parliamentarians in Italy who have committed themselves to justice,



President José López Portillo tried to pursue an independent policy, in the national interest of Mexico, but was smashed by Henry Kissinger and the British. Here, on Sept. 3, 1982, he addresses a rally in Mexico City, in support of his nationalization of the banks.

debt relief for the most impoverished countries, for a New Bretton Woods system, and so forth, than in any other country on this planet. You have people in other parts of Europe, who think in a similar way.

So, we have around the world a very significant accretion of power, represented by a number of sovereign countries, who are coming together around *ideas*. And in my view, as you know, ideas are the most important things. Agreements aren't worth much; ideas are worth everything—that is, good ideas. Because when people agree on a *principle*, then their actions governed by that principle, will tend to be beneficial.

And, I find that in Russia, in particular, in my relations with some of the academicians over there, on economics and so forth: They're very serious and they're moving in a very positive direction. If some of these things come together, then we will have a new combination.

In the case of the Bush Administration, for example. On the Bush Administration, I've characterized it, quite fairly, as an international disaster—for the United States (that is, the current one), and for other countries as well. But, you know, an inaugurated President of the United States, under the U.S. Constitution in our system, comes under tremendous pressures. And sometimes the man in the office, even an unlikely occupant of that office, may respond in an unexpected but useful way, to a crisis. You have a situation, where everything that poor George Bush is trying to do, is going to fail. Everything he came into office to do is going to fail. It's going to be a disaster. But, is he going to sit there with nothing but one disaster after another? Is he not going to start to listen to people saying, "Mr. President, maybe we should think about this. Maybe we should think about that"?

Bush, at first, was inclined to give Sharon a clear way, to go ahead with war. Now, he's not so sure. Yes, he has these

religious fanatics, these Protestant fanatics, in the United States, who are the main force backing the idea of religious war in the Middle East. They are an important part of Bush's base. But Bush has changed, on this issue. There are important developments. We have seen a change in the Senate, in the United States. The change was a good one, but, sometimes, for me, disappointing. Daschle has disappointed me greatly, of late.

But, nonetheless, these changes are occurring.

More changes will occur: Europe is going to change. When you see the leading Swiss newspaper, the *Neue Zürcher Zeitung*, saying that the only solution for Argentina is a debt moratorium, that's the voice of the Swiss bankers. And you look around Europe, at intelligent people in leading positions in England, in France, Germany, and elsewhere, think the same thing. So, the mood is swinging away from the IMF system, and swinging in the direction of new ideas. Because people in positions of power, particularly if they are in relatively powerful nations, or combinations of nations, tend to see opportunities more quickly, than people in governments which feel themselves on the bottom of the heap, in terms of political influence.

My concern here, is that Mexico should realize, that it is not at the bottom of the heap. It may appear to be, in some respects, but it's not at the bottom of the heap. Mexico is an important country; in population, one of the largest in South and Central America; very important with respect to the United States. The welfare of Mexico is a very important security concern for the United States. Mexico cannot be ignored. And, how the United States deals with Mexico will determine, largely, how the rest of the hemisphere looks at the United States. And so forth and so on.

The situation is not a hopeless one. I would suggest that

when ideas collapse, when the tyrants collapse, then things can happen. And we must keep our hopes, our expectations, up, but clear-headedly, and proceed confidently.

You know, sometimes, it's like with a great discoverer. In the case of Columbus' discovery of the Americas, which was a re-discovery. But, Columbus was not stumbling across the Atlantic. Columbus knew what he was doing. Because Columbus was operating on the basis of a letter, which was written by a friend of Cardinal Nicholas of Cusa. The letter was found in Portugal; one of Cusa's friends in Portugal, made it accessible to Columbus, who was at that point, a Portuguese captain. Columbus, then, entered, in the 1580s, into correspondence with Toscanelli, the geometer; read Toscanelli's map of the world; discussed the problems with Toscanelli. Columbus knew about the nature of ocean currents; that is, he knew about what we call today the Coriolis forces and ocean currents; and knew by calculations that Toscanelli must be right: There must be land at a certain distance across the Atlantic. And, Columbus carried a map, which was an ancient route, probably travelled by the fabled Ulysses, who probably went through the "Pillars of Hercules," through the Caribbean, in the same way that Columbus did, across the same currents that Columbus used, to get to what we call Santo Domingo.

So, sometimes, like Columbus, or like other great discoverers, you have to proceed from scientific certainty, rather than trend lines. And you have to proceed with optimism, based on scientific certainty. Knowing what you have the ability *to make come true*, what you believe is possible.

And, all I can hold out to Mexico today, is, I know these things are ripe. I know these things are possible. And, what is needed is to encourage people to see that possibility, and to seize it. And, to move ahead, to make the possible, become the actual.

LaRouche's Closing Remarks

Marivilia Carrasco: Well, Lyn, first, I would like to thank you for the effort you have made to bring about this conference. I have in front of me several dozens of written questions from the audience which, because of the time, you are not going to be able to answer all.

However, I would like to summarize, in due respect for the people who are present, the areas of interest raised.

One of the first major areas of interest in the questions is: How can you prove that this is a systemic crisis, and not a cyclical crisis? How can you scientifically demonstrate that we are at the end of globalization? What are the facts and elements involved in this? What is the role the United States is playing in changing this situation? And if this doesn't occur, if the United States does not respond, what will the alternative be for a country like Mexico, in the face of this great crisis?

The second area of interest has to do with Mexico as such, and that is the largest number of questions submitted. There is great concern to know, first, if you feel that the current national banking system is in as serious shape as the global

financial system. Who will generate the credit? How will the credit be directed to cause a reactivation of the economy? How could this credit, combined with infrastructure projects, get the economy to react, and generate an economic recovery? How would this policy affect the population? What is it that Mexico should do with its electrical industry and its oil industry? Are there hopes that the fiscal reform that the Vicente Fox government is proposing, can contribute to resolving some of the problems Mexico has?

And finally, with less emphasis, but of no less importance, it seems to me, are the questions about what should an education policy, a cultural policy, be that could accompany these economic programs you propose? If the current crisis is part of a cultural crisis, how can patriotism be revived? What kind of culture is needed to bring about economic development? What is the role of professions such as engineering or architecture, with regard to the design of infrastructure? How to supersede atavisms that prevailed in prior attempts to develop industry and infrastructure, and that should not be repeated now?

If you have any concluding remarks to make, I think there will still be an opportunity to do so. Or, perhaps you could write a document for us, as you choose. There are many people here who would be very interested, I think, in reading it.

I want to thank you again, and also take this opportunity to thank everyone here today, and to thank Dr. Héctor Luna de la Vega, who sponsored this event, who judged it of the utmost importance for our country, at this moment of serious crisis.

LaRouche: Thank you very much, to all of you. We have had some technical difficulties in doing things the way they were planned. But, I think we can forgive whatever happened.

Anyway, I think the most important thing is to respond to the list of three types of questions as my closing remarks.

First of all, this *is* a systemic crisis. That means, for example, look at the model of a Euclidean geometry, a classroom geometry, in which the students are told to believe, on faith, certain definitions, certain axioms, and also certain postulates. They are then told by deduction, to arrive at theorems, which must all be consistent with those definitions, axioms, and postulates. That is the general idea of a system. Now, it's not a very good system, because it doesn't correspond to physical reality, but it's what we generally mean by use of the term "system," as an *intellectual system*.

And, when we say a systemic failure, we mean that the set of definitions, axioms, and postulates, or the equivalent, on which a society, or some function or company, for example, is operating, is doomed, because it has the wrong set of definitions, axioms, and postulates; or, the wrong method.

So, the system is collapsing, not because it's a cyclical crisis or a conjunctural crisis; it's not that at all. We've had those before. This is a genuine, global breakdown crisis, in which the assumptions of free trade; the assumptions of ending the sovereign nation-state, in favor of globalization of free trade, and that sort of thing—NAFTA, for example; the

assumptions of no more technological progress; or the lunatic assumption of information theory and systems analysis—these kinds of new assumptions, which were introduced in part in the postwar period, or sometimes earlier, but which became a *system*, over the period from about the middle of the 1960s—these ideas together, represent a system that is doomed.

Now, the problem is this: A modern economic system is based on long-term capital improvements. I'm not talking about monetary improvements, but *physical improvements*, like basic economic infrastructure, transportation systems, irrigation systems, water management systems, school systems, educational systems, investment in industries, whole classes of industries, training of the labor force in certain skills—these are all capital. For example, it takes 25 years to bring a newborn infant into full adult maturity, as a modern adult, with modern skills, modern professional competence. So that's an investment. If you make mistakes, starting from birth, with children, starting from birth, you may pay the penalty 25 years later. The same thing, if you don't maintain infrastructure, it wears out. If you don't replace and improve it, it collapses on you.

So, what's happened is, over the past 35 years, a series of changes in the way policy has been made, has depleted and looted the buildup of assets, human capital, physical capital, which we built up over previous centuries.

So, that's what the problem is. *We've come to the end of the system*. And, unless we change the definitions, axioms, postulates, and method, by which we operate, we'll collapse.

Whereas, going back to 1945-1964, the system then, was based upon certain definitions: such as, improvements in infrastructure, which continued in the United States until the late 1960s. We made a net improvement in investment in economic infrastructure, especially long term. Investment in science, scientific progress; training engineers and scientists to utilize scientific and economic progress. Increasing the stability of the family household, with stable communities. With building families, with a family orientation within the household. This kind of thing: with the idea of Classical education, Classical entertainment—that is, forms which are rational, which are based on reason, which are inspirational in their effects—Classical music, Classical art, Classical literature, that sort of thing.

So, we built up a population which, in net effect, had actually an increase in per-capita capability, in the United States, for example, over this period. The same thing was true, I believe, in Mexico. There was an increasing capability, per capita, in much of the population in Mexico, and of Mexico as a whole. Yet the potential was aborted. Foreign pressures prevented them from being fully realized, but it was there. The same thing was true in Europe, until the middle of the 1960s. There was a general improvement, in recovery from the disastrous state in Europe at the end of the war. In the Soviet Union, there was similarly improvement, despite all the problems there, net improvement in conditions from the

end of the war.

So, you had a system then, which, with many imperfections in each case, *worked*. But, the system we've had since the middle of the 1960s, especially since 1971 with the introduction of the floating-exchange-rate system, has not worked. And, what we're seeing, is, *the world cannot continue to survive, unless we abandon this system*. The system is what's killing us, and that's what I mean by systemic crisis.

The Mexican banking system doesn't worry me, because if nothing is done to change the situation, it's going to collapse. So, if the system dies, you don't really worry too much about the cause of death, unless you have a new system to worry about, and you don't want it to die the same way.

The question of the Mexican banking system, is how to save it, because I believe that Mexico needs a National Bank, under these conditions. Without a National Bank, I don't think adequate internal development is possible.

But, you need a network of private banks, which have a close relationship to the savings practices of the population; which are close to local borrowers, local firms, local businesses, which are an integral part of the community. And, they are a vehicle for assembling credit, administering it, or dispensing loans, and managing the loans, as adjuncts of the national financial monetary system. And, therefore, what you have to do with the Mexican banking system, is *save it*, by whatever reorganization methods are necessary to save it.

As for the electricity and so forth: Look, the United States does not need Mexico's energy. We have an energy crisis in the United States, which is largely a result of Carter, President Jimmy Carter. And, people since then haven't done too well with it. We have a shortage of energy. We used to have a well-regulated energy system in the United States. We destroyed it. We are now suffering as a result of that, plus wild-eyed speculation.

Mexico never had an adequate energy system developed. There were attempts around Pemex to build it up. For example, during the earlier years of the Presidency of President López Portillo, there were still plans, which had been accumulated under his government, to develop nuclear energy in Mexico. It was very sane, because nuclear energy is a high-density energy, and it's better to shift, in the long run, from the use of petroleum-burning for fuel, to use petroleum as a chemical feedstock. And shift to other types of energy, which have higher energy-flux density. For example, you would not want to desalinate, unless you had very cheap petroleum, with the use of petroleum. You would prefer to have a high flux-density energy, like a high-temperature gas-cooled reactor; or fusion energy, if we had it available, yet.

So, what Mexico needs is the development of its own internal energy system. It does not need the United States' energy, if the United States does what it should do. Yes, some Mexican oil can be sold in the United States, that's not a problem. The problem is to rebuild the Mexican overall energy infrastructure and energy production infrastructure, and similar kinds of reforms.

As to the fiscal reform: Essentially what's needed is a bankruptcy reorganization of the international system, and obviously we need a stable fiscal system in Mexico.

But, as was said by Wilhelm Lautenbach in Germany, in 1931, at a meeting of the Friedrich List Gesellschaft, where a proposal was made which would have prevented Hitler, if it had been implemented—the proposal was that, in case of depression: *You never go to fiscal austerity under conditions of depression*, you do the opposite. What you do is, you mobilize public pressure to provide large-scale employment in *useful forms of infrastructure*, and use the infrastructure investment as a stimulus for industrial investment in the private sector generally, and in recovery.

So, what's needed in Mexico is not an overdose of fiscal austerity. Mexico has already *had too much fiscal austerity*. It is fiscal austerity which often drives citizens of Mexico across the border into the United States, in desperate seeking of employment, which is not available in Mexico. You look at the United States: It's collapsing, as an importer of last resort for Mexico. If you look at the percentile of the total Mexican output in employment, which depends on exports into the United States, recognize that this is largely a result of *too much fiscal austerity* in Mexico—that is, not enough investment in Mexican job creation—we already have an overdose of it. What we need is *fiscal responsibility*, in the sense of using resources, managing resources, to target benefits for the general welfare of the country.

As to a cultural crisis, yes, we do have a cultural crisis. We have a global cultural crisis, not a Mexican cultural crisis. The question is—and this gets to an area of religion, and I'm not much for single-issue religionism, or that sort of thing, or the kind of stuff we have too much of in the United States. But, nonetheless, there's a fundamental question, the question of the difference between man and the animal. And, as an economist, and particularly in my specialty in physical economy, this is crucial for me. It's a crucial point of economics. The essential difference between man and the beast, as a species, is that no animal is capable of discovering and effectively utilizing a universal physical principle. Only a human being, only the human mind can do this. This constitutes a fundamental difference between man and the beast.

So, we start with morality and culture from the question: What is the nature of man?

Now, if we make a discovery in principle, and I often use the case of Archimedes' discoveries, because Archimedes is a nice figure to use for this. Archimedes was a great discoverer. If you know French, you can read French translations of his collected works, which are great fun. But Archimedes was killed in 212 B.C. by Roman soldiers—a great mind, a great loss to humanity. But Archimedes made the discovery which a child in a school today, can reenact—discoveries of universal physical principles. That child, in that sense, is able to recapture the living thought of Archimedes' act of discovery, and make that thought the child's own thought.

Now, in a good educational system, in a good society, we

don't exchange information, we exchange ideas, like the great scientific discoveries of Archimedes and others, which we try to impart to our children. For example, I presume in Mexico, any good school will teach Cervantes to children, as part of the educational program. Especially, I understand, Part II of *Don Quixote* is especially significant. And, these great Classical works of that type, or like the great works of Rabelais in French, they may not be acceptable in Spanish, but they're acceptable in French.

These are things which communicate *ideas which have the same character as discoveries of scientific principles, from one mind to the other*. The child is able, through such great literary works, and other Classical works, to reach back to previous generations, to recapture the *mind* of some living person then, who discovered an idea, and the child is able to reenact that discovery. Like a child who studies Rembrandt, or who studies how to work like Leonardo da Vinci, or like a great musical composer.

So, in a good culture, we celebrate that about us, which makes us human, as distinct from animals. We celebrate our ability to replicate the greatest discoveries of science and art, of mankind before us. We enjoy sharing those ideas with our friends, and talk and work with our friends, in the same way we would like to work with the great scientists or artists of the past.

Then, we have respect for one another, because we have respect for what we are: human beings. And, we realize that all human beings are really the same. They are all born with the same potential. And, they're equally potentially loveable (if they're decently educated and raised properly).

And, we look at nations, we realize that nations can best order their affairs, if they're perfectly sovereign. But, we don't look at the difference between our sovereign nation and another sovereign nation, as some reason for hatred, for conflict. We view that as an advantage. But, if we can bring our affairs in order, and the other nation can bring its affairs in order, and we can work together, we can truly have a relationship across borders, which is a truly human relationship.

To me, that is culture.

What we have today, in my view, we have a culture of greed, an ahistorical view. We have a culture based on a corrupt form of entertainment, and I think we are much more destroyed by our entertainment industry, than anything else. Because we have forms of entertainment which are bestialized, which an animal could better do than we.

And we have lost sight of those aspects of human cultural relations, which remind us that the person behind those eyes across the room, is on the inside, a member of a special species, the human species, exactly like us. And we care for them, not only because they are like us, in that respect, but we care for them also because we all know that we're going to die. And, our ability to contribute the best that we have to give, to future generations, is really the meaning of our life.

And that is what we've lost. And, that is, I think, the essential cultural crisis.