

EIR Feature

The Global Systemic Crisis and the End Of 'Free Trade'

by Lyndon H. LaRouche, Jr.

Mr. LaRouche gave this speech on June 11 to a conference organized jointly by the Alumni Association of the Superior War College (ADESG) and EIR, in the auditorium of the Latin American Parliament in São Paulo. For coverage of other events during LaRouche's visit to Brazil, see EIR, June 28 and July 5, 2002.

The area on which I shall speak today is the one that's assigned to me, is the question of the global crisis, and the end of free trade. However, I shall focus this, by attention to a concept which I say is a new case for the application of the principle of strategic defense; which applies not only to military principles of strategic defense, but also applies to the defense of nations, economies, and systems.

I shall address this in several terms. First of all, define what I mean by strategic defense, as a military and a political system. I shall deal with the questions of the economic forecasts, of what is about to happen to us; what the economic principles are which underlie these forecasts; and what the nature, in principle, of the solutions to these problems might be. I shall do this, I shall come back and forth to these topics, as necessary, in trying to give you a more coherent picture of what goes on in my mind on these subjects.

Now first, I can say that, just as a matter of preliminaries, before getting into that series of points, is that there are some people who do not yet believe that the present world financial system, the monetary-financial system, is doomed. Because there's a tendency, which has two aspects to it: One is fear, as such; and the other is conditioning, which causes people to *deny* the existence of a problem which their intelligence would tell them exists.

We see this in society regularly, people denying reality, either because they are frightened—and deny reality because they are afraid, of that which they fear, and therefore they wish to believe it does not exist—or, because their sense of identity is strongly associated with certain *assumptions*, which have the general characteristics we would attribute to a normal secondary-school geometry, in which certain



Lyndon LaRouche in the auditorium of the Latin American Parliament in São Paulo. "We're dealing with strategy in the highest sense, in the most profound sense," he said. "We're dealing with a general threat to civilization as a whole, from which no nation is exempt."

definitions, axioms, and postulates are presumed to determine the way the system works.

We are now at a point that the existing definitions, axioms, and postulates of the system which has increasingly ruled the entire world, for the past 35 years, have now demonstrated themselves to be a catastrophic failure. And for reasons I shall indicate, we are now at the point, where we can not expect this system to last, in its present form, for longer than a few months. It might not even last another week. But we're talking about a few months as the outside possibility for the continuation of the present world system, and that means the United States, as much as any other country in the world. Do not think that Argentina and the United States are in conditions much dissimilar from one another. Argentina is a dependent country, and therefore takes the brunt of what is imposed upon it by greater powers, such as the IMF. But, underneath it all, the United States is afflicted with the same disease as Argentina, and it can be brought down by it. That might not take more than a few months before that process unfolds.

But, the problem is, that under these conditions, you can hear the possibilities of the Guns of August, once again, not far distant. The months of August, September, and early October, under these present financial-monetary conditions that I know, could be the outbreak of a new kind of global warfare, or spreading global warfare. Just as in the 1930s, and in the 1940s, a world financial crisis, which was partly solved by the United States, but not by other countries, led one country after the other, on the road to war, and it was merely a matter

of time. Once the Reichstag burning had occurred in Germany, and Hitler established a dictatorship, and then, a year later, with the death of President Hindenburg, the world was *doomed* to a general Asian-Eurasian war. And it happened. And nobody could stop it, at that point. *We are faced with that kind of perspective.*

And therefore, when you're dealing with the economic crisis today, or the questions of free trade, do not look at these as some kind of an academic exercise in economics. We're dealing with strategy in the highest sense, in the most profound sense. We're dealing with a general threat to civilization as a whole, from which no nation is exempt.

The History of Strategic Defense

Now, what do I mean by strategic defense? The concept of strategic defense, in a formal, military sense, was introduced by Lazare Carnot, a major general of the French army, in the 18th Century, in two phases. First, as a young, brilliant officer, he wrote a paper in honor of the great Vauban. And some of you may have seen the fortifications in France, which were created by Vauban, and recognized, by standing there, and thinking about what artillery capabilities were, back in the beginning of the 18th Century, these are very impressive places; that the Austrian forces were never able, or dared, to invade France on that quarter, because of the implications of trying to pass those areas, of those two fortifications by Vauban.

Carnot, in his homage to Vauban, emphasized that buried



LaRouche addresses a meeting on “Argentina-Brazil: The Moment of Truth,” in São Paulo on June 14. Inset: The São Paulo City Council presented LaRouche with this plaque, naming him an honorary citizen of the city, at a ceremony on June 12.

in Vauban’s achievement, there was a larger principle, a principle of strategic defense. And, when in 1792 to 1794, a France which was about to be destroyed by invading armies of all other nations of Europe, and dismembered, this young officer, was given the direction of the French military forces, and during the period of less than two years, this commander transformed the military forces of France, by methods including the *levée en masse*, and the way he used it, and by conducting a scientific-technological revolution in military arms and the economy, all within a two-year period. As a result of that, all of the armies which had invaded France, by the time that Robespierre had his head chopped off, by that point, France was saved from all invading forces. And until Napoleon destroyed the French military forces with his foolishness, his behaving like a bandit, rather than a leader of a nation, France was an undefeatable military power.

This was one of the first exhibitions of strategic defense. Ironically, Napoleon himself was *destroyed* by the principle of strategic defense, against which he was warned, by Carnot, on the Grande Armée march into Russia. The instrument of Napoleon’s destruction was not, however, Carnot’s warning. The instrument for his destruction was another commander, and his associates: Gerhard Scharnhorst—Scharnhorst, who was a product of the education system developed by Moses Mendelssohn, something not known by some people today. But this Scharnhorst, together with his circles, including, specifically, Friedrich Schiller, and his work, laid the founda-

tions for the *German* form of the concept of strategic defense. And the German, or the Prussian advisers, the Prussian reformers’ advice to the Tsar at that point on how to deal with Napoleon, was accepted by the Tsar, based on the study by Schiller of the Netherlands War, and of the Thirty Years’ War in general.

And on the basis of the study of logistical principles, and implications of warfare, a defense was defined for Russia, against the Grande Armée of Napoleon. Napoleon’s Grande Armée was destroyed in Russia. And on the insistence of the Prussians, Europe was successfully mobilized to make sure that Napoleon would not get back to France, to raise a new army, and start the whole process all over again.

This policy spread into various parts of the world, including West Point, particularly under President James Monroe, and during the period, where, apart from the ideas of Jomini, which I don’t think much of, for this purpose, the United States developed the conception of strategic defense, which was displayed under difficult circumstances, in the great Civil War. And until the conclusion of the Second World War, the United States continued with this policy of strategic defense.

The Utopian Policy Shift

Today we have a new conception of military policy, which came up in the United States almost immediately after the death of Roosevelt. Some people decided, in the United



The emblem of the Nazi SS was modelled on the standard of the Roman legions. Here, SS standard-bearers on the march near Nuremberg. Now, the Waffen-SS has become the model for a change in U.S. military policy, away from strategic defense, and toward a pro-imperial policy.

States, that the Wehrmacht and the Waffen-SS, which had the highest efficiency in combat of any military force then existing, should be imitated, and the Waffen-SS, in particular, became the model for a change in U.S. military policy, away from strategic defense, toward an imperial, a pro-imperial policy, which is fundamentally traceable to the Roman Legions, the imperial Roman Legions, and the way they managed their Empire; but was traced more immediately to the example of the Waffen-SS, the idea of an international Waffen-SS, as a successor to the Roman Legions, to establish a permanent world empire, without sovereign nation-states.

This idea grew in influence in the United States. It was naturally resisted by all our great military commanders, such as MacArthur, and Eisenhower, who, while he was President, would not allow this policy to take over the United States. In fact, on his way out of office, Eisenhower made a rather cryptic statement, about the danger of a military-industrial complex, which was a truthful statement, but it did not go to the heart of the problem.

Once Eisenhower, the last leading representative of the American military tradition, left the office of President, immediately, many of you who are older remember what happened around the world, once Eisenhower left office. What happened in England, where the government was overthrown by an organized scandal, and they brought this terrible fellow,

Harold Wilson, in, who started the process of destroying Western civilization from the inside, economically. Then, we had the attempted assassination of Charles de Gaulle, who, in his own way, had adopted essentially the policy of strategic defense. We had the other attempted assassination, the assassination of Mattei of Italy. You had the assassination of President Kennedy, which is a part of the same process, no matter how much people tend to deny it. We had the kicking of Adenauer out of power in Germany, to make way for a new policy. We had later, in 1965, we had the kicking of Erhard, another coup d'état, out of position in Germany. Germany had been moving downhill in its economic policies, since that kicking out of Erhard, to the present, despite the fact that there was some resistance to this along the way.

Then we had the Indochina War, the United States war in Indochina, which is a fundamental change in military policy, and was *used* to effect a change in military policy. The soldiers that went into Vietnam, as commanders, did not come back as the soldiers that they had been, beforehand. The American military tradition had been taken out of them.

And we started down the road, toward creating an English-speaking world empire, in which nation-states cease to exist, and supranational agencies, controlled predominantly by the Anglo-Americans, would have world power. This continued until 1989-1991, when the Soviet system collapsed. At that point, the English-speaking powers, who shared these ideas, these utopian military and related ideas, thought that they could now proceed, at a fairly rapid rate, to establish an English-speaking world empire.

The Economic Dimension

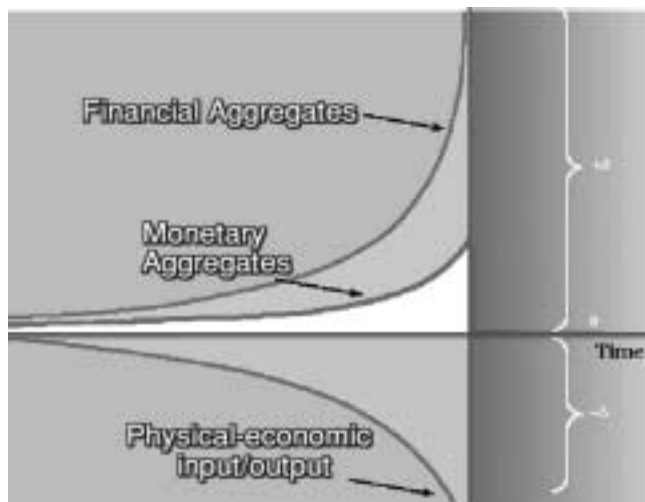
This led to a process of change in the economy. In recovery from the depression in the United States, in the postwar reconstruction in Europe, under the Monnet plan and similar kinds of methods, in the benefits which were promoted in South America and Central America, under the influence of a combination of an FDR policy, and the monetary arrangements which prevailed between 1945 and 1965, there was significant progress in the condition of life and economies in the Americas, and in Western Europe, Japan, and elsewhere.

In 1965, that changed. We began going downhill. What did we do specifically? We went from a producer society, in which the emphasis was on *production* of wealth, on the development of infrastructure necessary for the production of wealth, for improvement of the standard of living, of a totality of the population—at least these were our objectives, which many leaders fought for.

We went to a different kind of a society, in which the English-speaking powers said, “We are not going to produce any more. We are going to compel the other nations of the world, as Rome did coming out of the second Punic War. We are going to use our power, to establish a world empire, in which *you work for us*. We don’t produce any more. We gradually shut down our industries. We close down sections

FIGURE 1

A Typical Collapse Function



of our agriculture, our independent farmers. We shut down our entrepreneurial sector of closely held private businesses. You now work for us, under a process we call today ‘globalization,’ which is really a new form of imperialism, pure imperialism, just like the Romans.”

After the second Punic War, the knight class of the Romans, which had consolidated power, reduced the population of Italy to either slaves, or members of a so-called citizenry, which lived on bread and circuses, and was controlled by that. Rome existed by looting the parts of the world it conquered, and demanding tribute or contributions from them, on its terms.

You saw this in 1971, in particular, with the change in the monetary system, to the floating-exchange-rate monetary system. Let’s look at some of things that happened there. Let’s take the first slide (**Figure 1**).

All right, now, this is a chart which I first introduced in a Vatican proceeding in 1995, and then I immediately used it for my 1996 political campaign. You see there are three lines that are depicted there. Look at the left-hand side, as indicating 1966, or approximately 1966, which was the change-point in terms of the U.S. fiscal policy, in terms of government fiscal policy, which marked this shift, of the United States into the same direction, in which the first Harold Wilson government of Britain had put England already.

Now, the three curves are as follows. The lower one, the lowest line here, depicts a progressive, self-feeding collapse of the world physical economy, in per-capita terms. That is, in *physical terms* per capita. The top line here, refers to the growth of financial aggregates, as normally reported by accountants and others. The second line refers to monetary

emission rates, both by governments and other facilities, which generate the monetary aggregate, which is used to pump up the financial aggregates.

Now, obviously, what these curves represent is an asymptotic process, which is approaching what we call in physics, a “boundary condition.” Now, in these kinds of processes, you’re dealing with what people consider long-range forecasting, not short-range forecasting, not month to month, or week to week, but long-range forecasting. By long-range forecasting, I mean essentially a generation. The generation from the time of the birth of a child, until that child, between the ages of 21 and 25, has reached a degree of maturity in education and other qualities, that they are a functioning adult member of society, capable of continuing the process of producing. We think in term of two generations, as a time between the birth of a new-born child, and the point at which that new-born child, then, 50 years or more later, is capable of assuming leading executive responsibilities in society; and thus maintaining the continuity, and progress, of society.

So, when you get a process like this, a vicious process, one in which the axiomatic assumptions mean that every step that’s being taken, will tend, in net effect, to lead to a disaster, the unfolding of that disaster, as a full-fledged disaster, does not reach us immediately, not next year, or the year afterward, or five years afterward. It will reach us down the line—10 years, 20 years, 25 years, 30 years. Now, 35 years later, we stand at the point that that curve is shooting up and down, in the extreme. It’s entering a boundary condition.

For example, there was a recent report, which I saw yesterday, about Brazil’s prospects, from one Brazilian source, for the first quarter of the year 2003. It’s not pretty. The source is a credible one. There are other figures that all tend to confirm that.

Let me add one thing, and then go into the second figure, the second section of the chart, in the series I’m doing here.

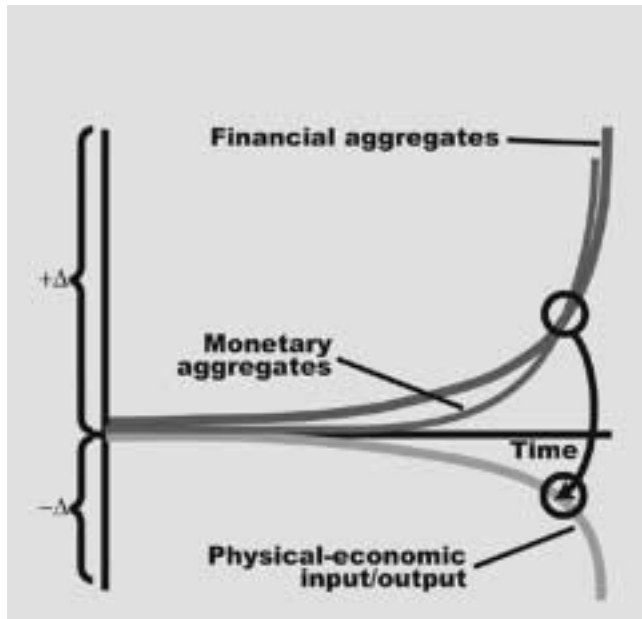
A change occurred about the year 2000. I want to call your attention to, memory to, the year 1923 in Weimar Germany. Germany was being exploited by the United States indirectly, and directly by France and Britain, under the Versailles conditions, the War Reparations Act. In order to pay these war reparations, Germany had resorted to printing-press money, to pump up the value of the Reichsmark at that point, and to use that to pay the Allies, at this point, to keep the wolves from the door, to keep the French bayonets out of the Rhineland, and things of that sort. So, at that point, nothing significant happened in terms of the mark. There was a secular inflation, but this was a general period of deflation in the world, the 1921-1922 period, the post-World War I period, a period of strong deflationary pressures in world markets.

So, under those conditions, we did not have an aggressive inflation in Germany. Then suddenly, in June and July of 1923, this changed. What happened at that point?

Now, look at the middle line and the top line. Imagine, in this case, that the middle line had suddenly overtaken the top

FIGURE 2

The Collapse Reaches a Critical Point of Instability



line, gradually, but had overtaken it (Figure 2). What happens at the point that the amount of monetary aggregate you have to pump into the system, to keep the financial aggregates from collapsing, what happens then? You are now entering a phase of potential hyperinflation of exactly what happened in Germany in June-July of 1923.

Remember, by October and November of 1923, the German mark was dead, and had to be bailed out by the United States' gold.

The Crisis Hits

We're in such a situation now. Take what's happened in Argentina. This is an example of the same function in Argentina (Figure 3). What you have is an increase in required financial claims by foreigners in the form of debt, or total debt, but the means of paying this debt are being shrunk by the very means by which the debt is being paid. Not only is that the case, but the tendency, as we've seen in the case of Argentina, is hyperinflationary. That is, the amount of monetary aggregate which you must pump in, to roll over the present financial obligations, generates an increasing indebtedness, which is greater than the debt you're rolling over. At that point, you are in a hyperinflationary situation.

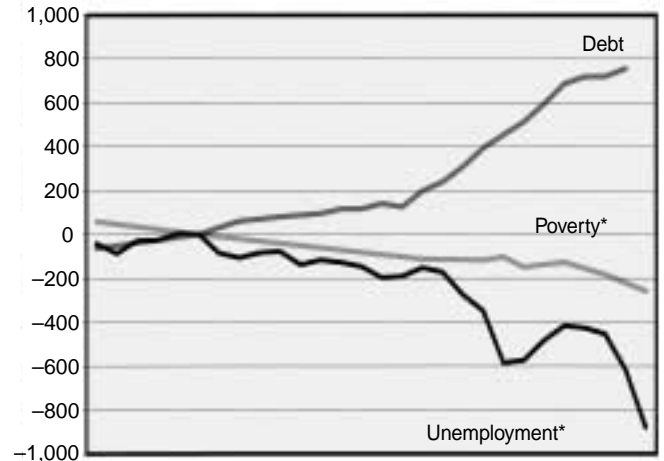
That is exactly the situation, which this notable source in Brazil, projected for the first quarter of the year 2003.

This is not a Brazil problem. It is not an Argentina prob-

FIGURE 3

Argentina: A Typical Collapse Function

(Index = 0)



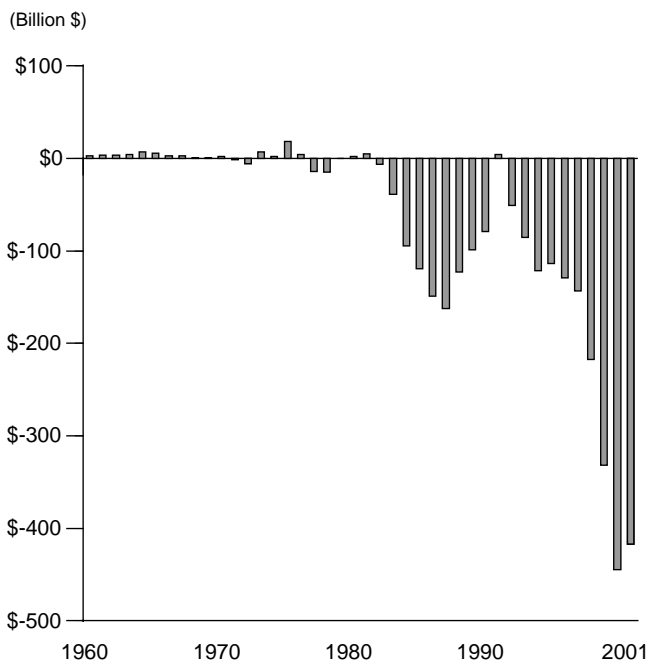
* Growth of poverty and unemployment is indexed to a negative scale.

lem. It is a world problem. We've entered into a *phase-shift* in the global financial system, in which the amount of monetary aggregate, being generated by the United States, by the most intensive swindles you ever dreamed of!—Enron was only typical. The swindles are organized not by financial swindlers, as such; they're organized by the Congress. The U.S. Congress is the biggest financial swindler we have. They're the ones who rammed through, again and again, the laws, which allowed the Enron swindle to occur. Congressman Phil Gramm. My joke, of course, is that if you have Wendy Gramm, his wife, and Phil Gramm, get together to make a policy, you have the product of a two-gram brain. (But, that's an English joke.)

That's the kind of swindle we're into; we're into a world system, in which (going back to Figure 1, just for a second) we're in a phase in the system, in which the system as a whole has been collapsing. We've cut down on infrastructure; we've slashed infrastructure; we've failed to invest in energy production. We failed to maintain water resources. Our cities are decaying. We put up high-rise buildings, which are being put up for financial speculation, and they use the tenants of the buildings, simply as a device to leverage the financial speculation. These are not durable structures for the long term.

We have shifted the composition of employment of the labor force, away from a high percentile of productive labor, in agriculture, industry, and high-technology, into so-called services, including financial services. And therefore, we have an economy which is no longer functional. It can no longer pay for itself; can no longer maintain itself. And this is the kind of crossover we've gotten into, with this period.

FIGURE 4
U.S. Current Deficit Amount



Let's take the next slide (**Figure 4**): This tells you part of the story. This is, over the course of the 1980s, beginning with what were called the "Volcker measures," which were put into effect in the United States in 1979, by Paul Volcker, who in October of that year, was appointed the head of the Federal Reserve System—chairman. Now, since that time, the U.S. Federal Reserve System has been operating under a policy which is very closely related to IMF policy; this policy, which has been continued by Greenspan. That is, you note, there has been no Federal Reserve chairman, other than Volcker or Greenspan, since October of 1979. And the policies of the United States, the monetary policies, have been the same.

Look at the effect. Except for a period of influx, where we were able to *loot* the former Soviet Union, the United States has been operating on a deficit! A current account deficit. The United States lives, by not paying its debts, for its imports. Maybe we should have the IMF go see the United States. Maybe the United States is waiting for the Argentina treatment. Why not? What's good for the goose, is good for the gander.

So, only in this one period, of looting the declining Soviet system, did the United States avoid a current account deficit.

Now, this is very optimistic. These are the official figures, and it's very optimistic, because there's another factor. Do we pay Mexico, for what we take from Mexico in terms of product? We do not. [*EIR Ibero-American Intelligence Director*] Dennis Small and I were talking yesterday about the

problem in Mexico. Mexico has a large water deficit, on the Rio Grande agreement, on the water-sharing between the United States and Mexico. This is gigantic. We're talking about billions of gallons. And Mexico obviously can not pay this. You can not have Mexico suddenly turning that amount of water over to the United States.

Now, how was this developed? Well, first of all, Mexico was not allowed to proceed with the water projects, which it had intended, from 1982 on, under these policies. Mexico has the water in the south; it does not have it in the north. Therefore, for Mexico, the policy has been—since Mexican independence virtually—has been to build canal systems, which would convey the surplus water in the south, along coastal systems, toward the northern part of Mexico, areas such as Sonora, which are potentially agriculturally productive, but lack the water to realize that productivity. And the same thing along the Caribbean coast: never been done.

But what caused this particular influx of costs? Well, Mexico suddenly put up what were called "*maquiladoras*." Now, the greater part of Mexico's earned income now depends upon the product of cheap labor, shipped into the United States. But the United States doesn't pay for the product of that labor. It pays a price which is rigged. But the price does not cover the cost to Mexico, of producing what it exports. Thus, you see the Rio Grande water issue comes to the surface, in the form of the water—there's no infrastructure in *maquiladoras*. It's not allowed. And the wages are so cheap, that you can not maintain the infrastructure of this area. Therefore, there is a lack of infrastructure; therefore, this water deficit is a reflection of the costs of that process.

So, the United States has been living on Japan, on China, on other parts of the world, from which, under the existing monetary-financial system, an IMF system, was able to *extract* product, from the world, in much the same way that the Romans once, after the conclusion of the Second Punic War, relied increasingly on looting the world around them, as a way of surviving. And it was that looting of the world around the Roman Empire, which ultimately, in a long process, brought about the collapse of the Roman Empire. Because Rome destroyed its ability to survive, by depending upon the nations it was looting. And when that looting no longer was possible, then Rome itself collapsed. That is the condition of the United Kingdom, and that is the condition of the United States today.

So, that's what the current account deficit really reflects.

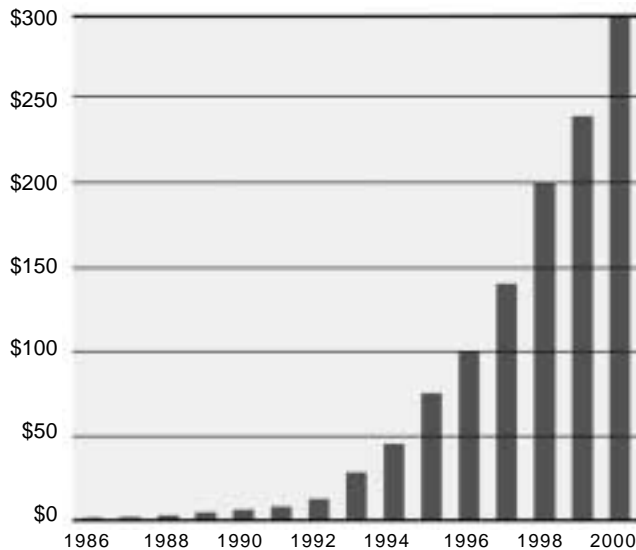
Bankers' Arithmetic

So, let's take the next slide (**Figure 5**). This is just a typical indication of what I mean by \$400 trillion in derivatives obligations. We have a category of finances, which is not real, but which has a very real effect on the economy. Imagine a gambling casino, and you've got somebody putting a few dollars on the table in the gambling casino—gambling against somebody else, at the crap table. But, standing behind these

FIGURE 5

World Derivatives Growth

(Trillions \$)



Source: Bank for International Settlements, Fortune, Swaps Monitor, EIR

gamblers, are bettors, who are betting on what the outcome of the gamblers' betting will be—they're called side-bets. You have the guy who bets on the horse; you have the guy who bets on the bettor on the horse—side-bets.

What these financial derivatives are, are essentially side-bets, gambling side-bets. There is no actual value involved in them. There's no trade. There's no item in there, where something is sold; it's simply an arbitrary financial transaction, a gambling debt. But these gambling debts have taken over the world system. These gambling debts are much larger—\$400 trillion, which is what this is approaching, or has already exceeded—is much larger than the entire world economy combined. These gambling debts are now controlling the world financial system.

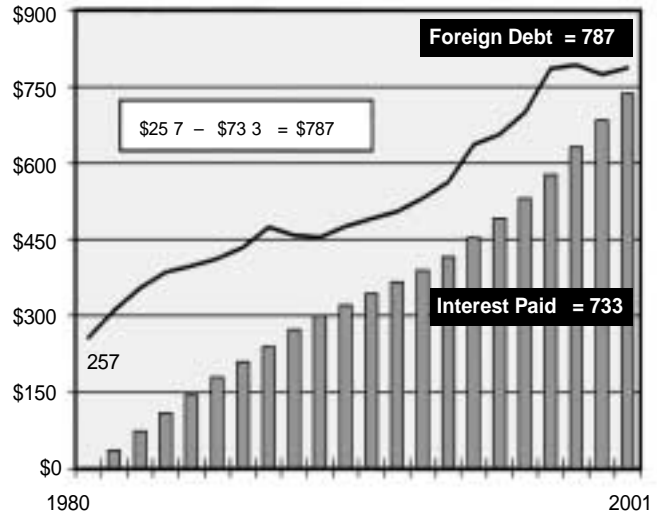
These gambling debts are the chief methods by which international terrorism functions. If you want to launder drug money at a high rate, and leverage it, go into the derivatives market. Call it something else. And that's what the U.S. Congress will not shut down. The U.S. Congress, even after what happened with Enron, *will not act by law to shut down these financial derivatives*, or to render them subject to investigation for possible fraud. And here's where the biggest fraud is buried.

Here (Figure 6) is a typical picture, which everyone and every economist in Ibero-America knows. With the 1971-1972 change in the world monetary system from a fixed exchange rate, to a floating exchange rate, what happened? On the London market, speculations would be run on targeted

FIGURE 6

Ibero-America: Bankers' Arithmetic

(Billions \$)



national currencies, and this occurred particularly in the Americas.

So, they would make a run on the London market. And then tell the people in Brazil, or Mexico, or Buenos Aires, they tell them, "Well, your currency is not so good any more. You'd better call in the IMF." So, the IMF would come in. And the countries, such as the United States government, other governments, the British government, would pressure the country in question: "You accept the IMF conditionalities, or we will make demands on you, that you pay promptly, on our terms."

So, you had a process, which was leading to the so-called "dollarization" of the foreign debt of Ibero-American and other countries, which is the thing that is threatening to blow out Brazil, as this local authority has said, in the first quarter of the coming year. Dollarization! It's a swindle!

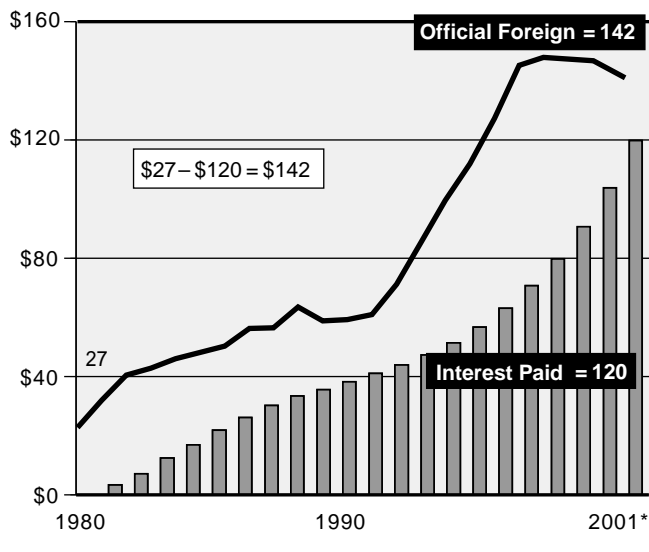
But, what has happened, we calculated: If you compare the debt, that the countries of Ibero-America, chiefly in Mexico, and Central and South America, their debt outstanding as of August 1971; and compared to actual payments to them, of debt—that is, money which represents debt—since 1971; and compare that with the amount that has been paid, by these countries: *Ibero-America does not owe the world a cent, today*. It's more than paid all of that debt! And no new net debt has been added. Then, why is all the debt of Ibero-America so much larger today than it was in 1971? It's a pure administrative imperial swindle.

Okay. Next slide (Figure 7). Again, the same kind of thing. So, we have two periods. We have a period from 1945 to 1965, a period under the old system, which was actually

FIGURE 7

Argentina: Bankers' Arithmetic

(Billions \$)



functioning, which includes the years 1961-1965, the tumultuous years, leading into the U.S. war in Indochina. But during that period, as you know in Brazil and other countries, generally there was very significant progress, as in the case of Brazil; take the case of the development in Brazil economically, over the period from 1945 through 1965. There were periods of real accomplishment in that time.

But, then look at the period from 1966 on, especially from 1971 on. What's the result, worldwide? Now, if you eliminate a rather paradoxical form of success of growth in India, in some sections of the population—not the entirety; and if you overlook certain features of the development of China, you can say that, overall, in Europe and the Americas in particular, and Africa, the condition of the economies, the condition of mankind, is worse. Progressively worse. Now, insufferably worse.

The Old System Is Dead

The system is now coming down, for reasons I indicated. There's nothing—as long as you stick to the axioms of the present IMF system, or what the IMF system typifies—there is no hope for *any* country in the Americas! And we might put ourselves out of our misery, with a new wave of war, instead of just having a general breakdown crisis of the economy.

So, we've come to the point, that you say: If we look back to 1945, from the present, and we compare the period 1966 to the year 2002, with the performance of the economies and governments over the period 1945 to 1965, you would say:

“Obviously, the system we had, the monetary system and the rules by which we operated in the earlier period, were relatively successful ones. Despite all the injustices, and failures, and so forth, the system in net effect, was progressive. There was an increase in wealth. There were inequities in the increase of wealth, but there was an increase in wealth. There was something to steal.”

Since 1966, especially since 1971-1972, and in Ibero-America, especially since 1982, which was a breaking point for all countries in Ibero-America, the trend is down—toward doom. This is the situation in Europe. This is the situation throughout the world. If you look at the world system as a whole, and recognize the interdependency of various aspects of the world system, you'd say: “The world system as a whole is now *finished*.” It's dead! It may be a matter of months, before it goes under if you leave it alone, just let it go on. But it's dead! It's not a matter of saying, “Will it recover? Is there a recovery?” There *is* no recovery in progress, and never will be under this system. There's only a Dark Age in progress, if you continue the system.

So, the first thing we come to on this, is therefore: Why don't we, simply, recognizing that we've made a terrible mistake since 1966, why wouldn't we say, “Well, let's go back to the rules we played by earlier, and make our improvements from that starting point? Why don't we go back to a fixed exchange rate, based on a gold exchange determination? Why don't we have a regulated system, in terms of countries that would be protectionist in their character, but with equitable agreements among nations upon equitable terms of protectionism?”

Free Trade Is a Swindle

Why don't we recognize, that free trade is inherently a failure? It always was a swindle! Free trade has a history: It begins its history, in modern and medieval European history, with the Bogomils, who are otherwise known as the Cathars, or “Buggers” in the English vernacular. And they had a belief system, in which, if you were an elder of the tribe, if you were an elder of the church, that God would automatically give you riches, whether you earned them or not. And if you were not an elder of the church or the tribe, you would get nothing. You were virtually a piece of human cattle.

Now this same idea arose in England under Empiricism, with John Locke—John Locke's conception of “life, liberty, and property,” which is one of these cases. You had another example of this in the case of François Quesnay, the Physiocrat. And Quesnay said, “Well, look, the gross profit of society belongs entirely to those who extract from the land.” Why does it belong to them? “Because, if God gave them a title to that land, then anything that land produces is theirs—the owners of the title, whether they do anything, or not, by virtue of ownership!”

But what about the people, the farmers, who are producing

this wealth? Or the miners? “Oh no, they are like the cows of the field: They are human cattle.” This is analogous to slavery. The rationale for slavery, as in the case of John Locke’s rationale, was exactly that: *You can keep human beings as cattle!* You can herd them, breed them, and cull the herds, as you do cattle, precisely for that reason, because they *are* cattle.

This same system was then copied by Bernard Mandeville, who said that you should not have laws against vice, because it is through the promotion of private vice, that public benefits occur. This is the basis of the philosophy of the Mont Pelerin Society, which has some influence in the world these days. You had a plagiarist, by the name of Adam Smith, who was an agent of the British East India Company’s Lord Shelburne, and Smith wrote a book which was largely plagiarized from the writings of the Physiocrats, not only Quesnay, from whom he took the idea of free trade, but also Turgot. And this became the East India Company system, which was taught all around the world by the East India Company’s Haileybury school. And, this became the doctrine of free trade.

But, people said, the British system worked. It did *not* work. The British never allowed free trade, in former times, to be applied to *them*. The British maintained a protectionist system for the United Kingdom, but they demanded that every country in the world outside England, be subjected to free trade. It’s a form of globalization. So therefore, the British got their income under the British East India Company influence, as what is called “invisible earnings.” They didn’t actually earn it; they were able to dictate political or military terms to their victims, and thus extract the profit of free trade as the income, and the product of the income, of the United Kingdom.

In every other case, the model which you should know, is the American System. The successful system, including the case of the postwar system, was not the British system, was not the free-trade system. The United States did not recover from the Depression of the 1930s, by free trade. It recovered by protectionism under Franklin Roosevelt. And where did Roosevelt get these ideas about protectionism? He got them from Alexander Hamilton, the first Treasury Secretary of the United States, who devised the system of national economy. He got them from people like the two Careys—Mathew Carey and his son Henry C. Carey. He got these ideas from people like Friedrich List, the German-American who was the first to develop the Transcontinental Railroad system as a policy.

The alternative to the British System was always the American System, which was the United States model, of an independent sovereign nation-state, which used protectionist methods, of the type which we associate with the American System, to defend and maintain its economy. And this system, which was not perfectly applied in the postwar period, but was nonetheless applied, because the United States was not only the *greatest* power on the planet in 1945, it was the *only*

power. We had the only economic power on this planet. We, together with people like Jean Monnet, created the recovery in Europe. The IMF system that was developed, and implemented in 1945 to 1965, was in a sense a *decaying* reflection of what Roosevelt set into motion at Bretton Woods—not Keynes, Roosevelt, and his circles.

So, therefore, we say, why don’t we go back to a system that worked, as opposed to the one that has consistently failed us over 35 years? Why don’t we go back to the American System, as we see it reflected in the positive features of the 1945-1965 form of the IMF? There were a lot of faults, even in that period, but that’s the obvious lesson.

Change the Rules of the Game

What’s the solution? As I said at the outset, the problem today is denial. People are afraid. They’re afraid of power. They’re afraid of the power of the IMF. They’re afraid of the power of the United States. And therefore, they say, we have to play by the generally accepted rules among the nations of the IMF and by the United States. Therefore, when you try to solve a problem, you say, “We have to find a solution within the rules! You can’t violate the rules. You’ve got to find an alternative, within the rules.” But what I’ve indicated to you, there *are* no solutions within the rules!

This has been a long-term process of decadence, of culture and of economy. We no longer have the kind of leaders in politics we had 20 years ago, or earlier. Our people coming out of our universities do not have the competence of people coming out of universities a generation ago. We are in a *decadent culture*, a decadent system, which is destroying us! And you’re not going to find solutions in a system, which has shown that the definitions, axioms, and postulates of the system ensure destruction! But people say, “But you’ve got to go by the rules!” What are the rules? The rules are precisely the axioms, the definitions, the postulates which have destroyed us!

Why can’t we change the rules? Aren’t we human beings? You get this out of the first chapter of Genesis: Are man and woman not made equally in the image of the Creator of the Universe, and endowed with these powers? Do not we have the authority, above anything on this planet, to change the rules? We have the power. That’s what sovereignty means. Sovereignty means the power to make the rules by means of which we can survive. That doesn’t mean we can make any rules we want to. It means we have to have responsibility and competence; but we have the right to *deliberate*.

The United States Constitution has actually two principles in it. One is, sovereignty. The President of the United States is the Chief Executive of the United States, and has, under our Constitution, the *responsibility to defend the sovereignty of the United States*. That’s his first obligation. His second obligation, the condition, is to defend and promote the general welfare of present and future generations. All the rest of the

Constitution is relatively unimportant, compared to these two things in the Preamble, these two principles.

I'm sure that in Brazil, that's the same law, in the minds and the conscience of all patriots. The government must take the responsibility, for defense of the sovereignty of the nation, and the promotion of the general welfare of its people, for the present and future generations. And when governments deliberate, as the United States and Brazil should deliberate, and Argentina should deliberate: isn't the responsibility, then, to come to a rational appreciation of what God intended us to discover, by the powers of reason which we're endowed with? And from the experience we have? And then to make the rules, which supersede the rules which have failed.

This is particularly appropriate when we used to *have* rules which *worked*. We changed those rules, and they don't work—and it's worse. Because, what we did, and what is running the United States today—apart from people with very low intelligence quotients—but what is running the United States, today, is a submission to the idea of *reviving the Roman Empire*, in the form of an English-speaking globalized system of imperialism which is maintained by killer methods.

A Lesson in Statecraft

Let me just go back, before getting to the closing point—one thing. You know, MacArthur did not win World War II in the Pacific, by kill-ratios. The U.S. military in World War II was vastly inferior, as a combat force per capita, to the Wehrmacht. There were several reasons for this. One reason: We had not maintained our strategic defense policy, in terms of military policy. We had not maintained our reserve capabilities that we were supposed to maintain since the Civil War. Those were destroyed, largely. The continuity of that was destroyed in large degree, in the 1870s and 1880s. But we still had the conception of strategic defense, and we won the war with that conception, not with kill-ratios.

Look at the Pacific: MacArthur avoided every battle he could, because we were winning the war not by killing Japanese, but by neutralizing their ability to conduct war. Japanese on an island? Invade it? No! Some of the Navy people would do that; MacArthur, no. Don't engage in a battle which is not necessary, and it has to be strategically necessary, not simply because you want to fight it. Your object is not to *kill* the enemy, your object is to *defeat* him. Because, the object of defeating him, is to reduce him to a peaceable state, and preferably, to reduce him to a *willing peaceable state*.

What you do, as was done in the case of Treaty of Westphalia, which was the model for this in modern civilization, is by showing him, that his condition of life will be *better* under the peace, than if he continued the war. So therefore, logistics is the key to this. Statecraft is the key. And to develop the ability not to *lose* the war, or not to be engaged in needlessly prolonged wars.

Well, what do they do now? What do they do now? What do the utopians do? They said, during the period of the Korean

War: "The U.S. soldier didn't kill enough enemy during World War II." But didn't we win the war? We didn't have to kill that many. I was there. We won the war largely through logistics. The advantage of the United States over the Wehrmacht was largely logistics. The advantage of the United States over Japan was logistics. It was the Roosevelt mobilization of the 1930s, including the mobilization which was put into motion in 1936, when they knew war with Germany was inevitable, and it was fulfilling that mobilization under wartime conditions which gave the United States the power, through its logistics, to enable the military forces to win decisive victories despite mistakes.

Now, we come to a period in which they say: "No, we don't want logistics anymore, we want a different military system." Why? Because logistics is based on the assumption that you've developed the population, its economy, its skills. If you can develop a strong population, if you can depend for your military forces upon reserves which are drawn from the population in general, so that if a nation goes to war, the *nation* goes to war, not a special group.

You have the leadership, the military leadership. And if you're smart, you'll copy the Germans in one sense: *Auftragstaktik*, mission tactics. Not robots, out there to kill, but mission tactics: soldiers who think, corporals who think, sergeants who think, junior officers who think; who will always come into a situation, which was never in the plan, but they've got a mission—and the thinking lieutenant, the thinking sergeant, the thinking corporal, the thinking private first-class, faced with that situation and committed to the mission, will use his *mind* to solve that problem, and reach the objective, despite the fact of the changed conditions.

You want that quality, which comes from the best citizen, the citizen who is also the entrepreneur, the citizen who is a scientist. *These* are the qualities which were evoked from the U.S. recruit in World War II, to win the war—not kill-ratio, technical skills—the ability to drive a truck, to fix a tractor, to fix a tank, to build a bridge. Just as Lazare Carnot understood. Just as the Germans trained under Scharnhorst's tradition understood—that tradition, just as we understood.

But now they say, "kill." Why? If we develop the best military system you can have for man-to-man combat among nations, why should we change that? "Because we don't want those kinds of people any more."

The New Roman Imperium

Look at Henry Kissinger, for example: 1974, NSSM-200. What is it? And Kissinger did not invent this policy. It was the policy of Brzezinski, it was the policy of the Carter Administration, it was the policy of the Club of Rome.

The policy is, that if we allow the people of Africa, and South and Central America, who are sitting on vast raw-material resources on their continents, if you allow them to develop—and this is the argument of Kissinger in NSSM-200—then they will use up those raw materials which we require

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NSM 200

IMPLICATIONS OF WORLDWIDE POPULATION GROWTH
FOR U.S. SECURITY AND OVERSEAS INTERESTS

December 10, 1974

CLASSIFIED BY Harry C. Blaney, III
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE
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Henry Kissinger, with his National Security Study Memorandum 200, which denounced population growth in the Third World as a "national security threat" to the United States, and laid out a classified strategy for grabbing the raw materials of those nations, on behalf of an English-speaking world empire.

in the United States and in the United Kingdom for future generations. Therefore, we must force them, one, to reduce their populations, by population-control methods—Club of Rome. We must force them also to stop engaging in what we call today "dual-use technology"—something with which you might be familiar in Brazil, on the question of pharmaceuticals policy.

What is the effect of saying that Brazil shall not make generic drugs for Africa? What's the intention? What are they saying? They're talking about genocide against Africa! Is it not the function of the medical profession, and of the state in this capacity, to defend the population against destructive disease? If the pharmaceuticals are necessary, for the people, to defend the people, must you not develop them? Must you not have the right, as a government, to develop these capabilities and to deploy them? Don't you have the right to defend yourself and defend your own population? Do you have to submit to genocide, because somebody wants to call it "dual-use technologies"?

So, if you look at the reality, you see what this is. We're not talking about legitimate concerns about "rogue states," or things of that sort. We're talking about an imperial power,

which has willfully and knowingly, over 35 years, destroyed its own system, its *own economy*, and the world economy; and which says:

"Nobody's going to get in our way of eliminating the nation-state, of stopping technological and scientific progress, of eliminating the general welfare as a policy, and consolidating all economic power in the hands of a very small group of Venetian-style pirates, who intend to run the world. What we need is a military force of thugs, of brainless thugs, who will kill the way video games prescribe killing. Thugs who are trained by video games to kill."

The future U.S. military is coming from lunatics, of the type who are being trained on video games, which no military force would want these people—responsible ones—would want them as recruits. Because they're as likely to kill the fellow in their own unit, as they are the guy on the other side of the line. They're completely unstable, they're insane, they're untrustworthy. They are victims of a socially induced form of psychotic mass schizophrenia.

But these people are being used the way the Roman soldiers were being used. To go out and kill. "Kill, kill, kill." The question of "friendly fire" in Afghanistan, is an example

of this kind of military policy. “Kill, kill, kill.” Don’t think about who you’re killing. Don’t think about winning the battle. Plunge ahead.

So, we’re looking at a deliberate intention, to turn back the clock of history, from modern history back to the worst features of feudalism, and back to the Roman Empire. And, some people want to do it; that’s their rules. That’s what the problem is.

The Question of Leadership

Now, just one final thing, the final point I was referring to. What’s our problem? Our problem is a problem of leadership. And leadership has two essential qualities, apart from mere technical competence. The technical competence is important, but we have a lot of people who are technically competent, who are not good leaders. They’re not good leaders: why not? It’s a moral question. It’s a moral problem of society in general. Why is it, that with human beings, with the capabilities they all are born with, that we don’t have more leaders? Because, the moral problem is, we don’t fully live up to what man is.

Now, presumably in Christianity, we presumably have a sense of immortality, the kind of thing that was referred to, for example, by Moses Mendelssohn in a famous treatise on the subject of Plato’s treatment of the immortality of the soul.

We recognize that the human being, is not like any animal, because if human beings had been higher apes, there would never have been more than a few million such specimens living on this planet at any time in the past 2 million years, in terms of the conditions which existed for the past 2 million years, on this planet.

We now have a population in the order of billions. We should, readily, with foreseeable applications of technology today, we could sustain 25 billion people on this planet very successfully. And we also can make breakthroughs, which will carry the potential much further. We have the power of discovering what we call “experimentally valid, universal physical laws, universal physical principles.” By developing these principles, and transmitting these from one generation to the next, we create cultures—not only physical principles in the sense of scientific principles, but also principles in culture. We transmit these lessons of culture, created by individual minds, shared among other minds, from one generation to the next.

And therefore, if we are wise—and we know that we are all going to die—then what is our interest in life? How can you defend that which is going to be taken away from you, anyway? Therefore, you say, “What is the meaning of my life, of a mortal life? Why was this mortal life given to me? What does it mean? What am I supposed to defend, if I’m going to lose it anyway?”

“I have to defend my *role*, my participation. I have to defend what I’m doing in the eyes of my predecessors. Am I continuing, am I honoring the legacy that was given to me,

from their minds? Am I contributing something to the next generation, so that future generations can smile about what I’m doing? Am I necessary to the universe? Am I necessary in the eyes of God?”

The problem is, that many people know this, but very few people are able to live by it. When they’re faced with a problem, they say, “I’ve got to think about my personal interests, my family interests, my community interests. I’ve got to think about this; I’ve got to think about that.” And therefore, an expediency—like the person in denial would say, “We have to live by the rules.” They would say, “Yes, I think you’re right: We probably will be destroyed, if we live by these rules. We *are* being destroyed by these rules. But we can’t change them!”

“Why?”

“Because somebody will make ugly faces at us if we change them, or try to.”

“We *have* to change them!”

“Why? Is it dangerous to try to change them? Can you get killed by changing them?” I’ve had some experience with that: My government tried to kill me a couple of times—and I mean, the government, officially—through the usual methods. And we caught them at it, which is why I’m still alive, I guess.

But, if you are not willing to put your life on the line for the sake of your soul, *you lack the quality of leadership which is needed to make talent and knowledge effective.*

The problem we have today, is, we have a shortage of leaders. We have a shortage of people who, in the first instance, primarily, are *willing to become leaders*, who are willing to find the meaning of their mortal existence in something of which they need not be ashamed, before the eyes of their predecessors and posterity. They need, then, to develop the talent, the skills, the knowledge, to make that dedication efficient.

And, the problem we have today—as I’ve outlined to you today, just in summary, because it’s an enormous subject; we can go on for months, just on the subject itself—what I’ve outlined for you today, is the case: Can we survive? Can civilization survive? Can Brazil survive? Isn’t that the question here? Can Brazil survive? You see what is happening to Argentina? Can Brazil survive? And how? And where can you find the leaders, who will avoid denial? To look the ugly truth in the eye, to look the dangerous truth in the eye, and say, “I’m going to do whatever is necessary to save this nation, and civilization, this nation being my immediate responsibility.”

The rest of it is supplied to us as knowledge, as information available to us. What’s lacking is that quality of leadership, the quality of leadership which must become infectious, inspire people around us with *optimism*. And, if we can inspire them with optimism, because we are *real*, that is, we are real leaders, then in that case, I think we’ll do well.

Thank you.