

Berlin Dialogue for A New World Order

by Jonathan Tennenbaum

The following report, excerpted for public use, covers most of the crucial issues raised at the seminar, although not in the order of the presentations.

Much of the discussion and presentations at the seminar focussed on LaRouche's policy for the United States to initiate a "New Bretton Woods," fixed-exchange-rate, world monetary system, to replace the present bankrupt one. A large degree of agreement, but also significant disagreements, emerged, in the course of which LaRouche made a number of fundamental points on poorly understood, but crucial principles of economics. (See also the LaRouche-Menshikov exchange, excerpted below.)

Marco Lettieri, member of the Italian Chamber of Deputies, and secretary of the Finance Commission of the Parliament, praised LaRouche's statements as "extremely relevant." As a member of parliament, he had introduced a resolution calling for reform of the international monetary and financial system, which was approved on April 6, 2005. The parliament committed itself to appeal to the government to take action internationally to prevent a crash, to sustain the real economy, and take all possible steps to convoke an international conference of heads of state to create a new monetary system. The parliamentary initiative was prompted by the financial crises involving Parmalat and other Italian firms, Enron, and the Argentine bond crisis, which are "merely the tip of the iceberg of a much graver phenomenon," he said. We see in all countries the negative effect of "financialization" of the economy, the concentration of financial power in a small number of hands, and the increase in economic inequality.

I won't talk about the drama of Africa, where millions are dying of poverty and disease, Lettieri said. But I will talk about outsourcing, which LaRouche has mentioned. This is hitting Italy very hard now, impoverishing the social structure. Instead of the North of Italy investing in the South (the underdeveloped Mezzogiorno), investment is flowing into Romania, Poland, Slovakia, Turkey, and so on. And tomorrow, when labor costs will be higher in those countries, he said, investment will go somewhere else. Under the flood of cheap products from China, entire economic sectors in Italy, which used to be highly productive, are going under. These problems are not just local. The financial and banking systems are based now on purely speculative activities. We have lost

the powerful industrial system of the past.

Lettieri concluded: "I would like to make an appeal to everyone to make a serious effort at the level of all parliaments. We are in a very dramatic situation. If we do not act, future generations will face a new dark age."

Dr. Claus Noe, former Undersecretary of Finance of Germany, who could not attend for health reasons, sent a written statement, expressing his gratification about the important "signal" being sent to the world by the seminar. "In my different positions in ministries, as well as a writer, I have since the mid-1980s fought for a reorganization of this weak system. First, this means bringing those speculative money flows, which massively endanger the development of the real economy, under control within a new system of stable exchange rates, a New Bretton Woods."

"What would be new in this system in comparison to the old system of 1944?" Dr. Noe asked. "First of all, there is the stronger role of Europe, Japan, China, and India in the world economy. . . . Furthermore, it is crucial to avoid from the very beginning the weakness of the old system; namely, that the mightiest can inflate his currency and would create new dependencies and instabilities by not respecting certain rules.

"I know that Mr. LaRouche is campaigning for a strengthening of the dollar through expanding and sanitizing the U.S. economy. That is a crucial undertaking—but it poses a set of new questions about the relationship between the U.S.A., Asia, and Europe, which would be rather inspiring to discuss. Can an overvalued currency be the anchor currency?"

Sergei Glazyev, the well-known Russian economist and member of the State Duma, raised the same basic question, asking LaRouche to clarify his proposal for a fixed-exchange-rate system, in view of what he characterized as the "hopeless situation of the dollar." Glazyev pointed to the circumstance, that the amount of dollars already created by the Federal Reserve, exceed by some 20-25 times, the total amount of gold and currency reserves held by the United States. The Russian ruble, for example, has a reserve backing of 1:2. Would this not mean that the dollar would have to be drastically devalued?

LaRouche responded, that the determining factor is not reserves, but the potential productivity of the U.S. economy. The United States still has important technologies, and a great concentration of machine-tool capability, in the automobile sector—if this is not destroyed—besides the military sector. We have to have, now, a full mobilization for rapid growth in the United States, coupled with a reorganization of the financial system, creating a new sum of U.S. debt obligations on a 25-50 year level. By monetizing this long-term debt, we can create credit for world development.

Europe does not have the capability to carry out such a policy, but the United States does, LaRouche said. We will make up long-term trade and credit agreements. We will change prices, introduce protectionism, and change taxation rates. We will tax at a higher level, but give tax credits for

those things that are useful to the economy, as President Kennedy did. We will go for the greatest infrastructure expansion in history. With a science-driver approach, we can transform this planet.

In further discussion, focussing in part on the ongoing crisis of the European Union (EU), LaRouche elaborated his policy for a radical return to the principle of national sovereignty and national banking, according to the “American System.”

LaRouche said that we must maintain the principle of the sovereign nation-state. This is not an administrative question. This is a matter of the personal identity of human beings, expressed (in part) through the instrument of a language-culture. We need a system of cooperation *among* sovereign nation-states, not a minestrone of nations. The very idea of the EU, was an idea of globalization, of a world empire. This is evil. I would return the United States to be a standard for sovereignty, throwing away the ugly stuff which has developed in the United States through British domination. Then the U.S. standard can inspire people to return to the sovereign nation-state.

We have to go back to nation-state currencies, LaRouche declared: “If a government does not control its currency, then it doesn’t control anything.” Put the central bank system into receivership through a suitably created state institution. Such a state institution then becomes the basis for creating a national banking system. We won’t eliminate private banks, but rather place them under regulation. We shall create credit by the national banking system.

LaRouche was extremely sharp in his condemnation of the European Union’s economic policies. A cruel example, he noted, is how Polish workers are brought in to Germany and France to work as cheap labor, at Polish wage levels. We have Polish people with professional qualifications, even people trained as doctors, hired to pick vegetables for you. This is an intrinsic injustice. The physical-economic conditions of life in Eastern Europe are worse than under the Soviet-era Comecon, because the authors of the EU policy decreed it so. But at present, every single central banking system in the EU is bankrupt.

Two Russian Views

In his prepared remarks, Russian State Duma member Sergei Glazyev thanked LaRouche for his “very important initiative.” Originally, when LaRouche spoke of a financial collapse, Glazyev said, people didn’t listen. But now the crisis is here, and it is time to think about a new financial architecture. Unlike LaRouche, Glazyev said, he sees no way to prevent a collapse now. Rather, “we must try to minimize the costs of a transition” to a new system after the old one has disintegrated. The global financial system is a financial pyramid, he said, emphasizing the role of the U.S. dollar which “cannot be saved.” The value of the mass of dollars created

by the Federal Reserve—which is 25 times more than gold and currency reserves, and 60% of which is circulating abroad and out of control of the Fed—is being maintained by financial speculation, political blackmail, and wars. This cannot continue indefinitely. We would actually need to declare the bankruptcy of the Federal Reserve and the dollar system. But this would create a huge panic, and a collapse of the dollar, not by 20-30%, but by 20 *times*. Therefore, Glazyev argued, the crash is sure to occur.

He continued by outlining his views on the principles of a new financial system. First, he said, no nation should be allowed to “privatize the creation of a reserve currency,” the way the United States has done after 1971. Second, all nations must agree to financial discipline in the creation of currency and reserves, as well as to rules concerning interest rates. Third, we will need a multilateral reserve fund, which could be financed by contributions or by a worldwide tax on financial speculation.

Who could initiate a new system? Glazyev considers, that the United States and Japan would not agree to the necessary limitations. Some other countries, however, have room for maneuver, and would not have to wait for the others. Among these is Russia, with its considerable reserves, as well as China and India, which have maintained control over their monetary systems. Some Arab countries might join, and if the European Union went in, this would provide an Eurasian basis for a new financial architecture. This matter is very delicate, and we don’t want to trigger the collapse, he said, but we should discuss it.

Prof. Stanislav Menshikov, former high-level Soviet diplomat, economist, and commentator on Russian and world affairs, took exception to Glazyev’s conclusions concerning the role of the United States and the dollar. First, he emphasized, LaRouche is not simply saying that the system is collapsing, but that the United States has to take responsibility to prevent the world from falling apart. This is a demand for *active intervention*, which is very important. Now, how are you going to have a new system, without the United States? Menshikov asked.

The euro is very close to being a fiction, Menshikov said. In the long term, nothing will work without a development of the physical economy, as LaRouche says. But we have the immediate problem, to prevent the world from going to pieces. For this you cannot eliminate the dollar. Without the United States, nothing will happen. We need a whole series of negotiations. This has to be worked out in detail.

Russia has a real interest in such a New Bretton Woods agreement, Menshikov said, suggesting that the Russian Duma take action similar to Lettieri’s initiative in the Italian Parliament.

But the next question is, he said, who should be the parties of the agreement? Clearly, it must be an agreement between states, not between central banks. The central banks cannot

do anything. And we will need better governments. We must throw out the neoliberals. Who will represent Europe? Menshikov asked. The recent votes in France and Holland, were against both the EU and the policy of their governments. The euro is a crazy thing, whose introduction was connected with a huge inflation that nobody wants to talk about. He suggested that the EU *per se* does not need to be included in the New Bretton Woods negotiation, but rather that the leading roles should be played by Germany, France, and Italy.

Monetary theory is rubbish, Menshikov said. But it is not enough to say, “let’s have fixed exchange rates.” We will need a set of guidelines for fiscal and monetary policy. Perhaps we need a basket of currencies. But in any case, Menshikov said, a long-term solution will require the real physical economic component. In this context, he endorsed Helga Zepp-LaRouche’s call (see below) for putting the Eurasian Land-Bridge back onto the international agenda.

The problem raised by several participants, concerning the future role of the dollar and the determination of values of currencies in a new world monetary system, was addressed at length by LaRouche in an exchange with Professor Menshikov, excerpted below. LaRouche emphasized, that this is not a financial-technical issue, but one of physical economy. “Throw out the accountants!” LaRouche declared, calling on people to give up the “crazy ideas about money” which are responsible for much of the economic disaster the world is now suffering.

Getting Bush and Cheney Out

Apart from LaRouche, two other main speakers highlighted the historical background and nature of the fundamental struggle going on in the United States today, and upon whose outcome depend the prospects of creating a new world monetary system and preventing a descent into a new dark age.

Dr. Clifford A. Kiracofe, a historian teaching at the Virginia Military Institute, cited the warnings of U.S. Presidents Abraham Lincoln, Franklin Roosevelt, and Dwight Eisenhower “against the power of entrenched financial and business interests to overturn the American republican form of government,” and he pointed to the nature of the imperial faction which has pushed the United States into the disaster in Iraq, and is pushing for a possible war against Iran now. Kiracofe explained that the policies of the American imperial faction are modelled on those of the 19th-Century British Lord Palmerston—a man who, among other things, was passionately devoted to the destruction of the United States itself, by splitting it into separate Northern and Southern confederations. When initial British attempts did not work out, Palmerston, Lord John Russell, and others framed the British policy of fomenting the southern secession and the ensuing U.S. Civil War.

After the defeat of the Confederacy—in which, Kiracofe



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Dr. Muhammad al-Sayed Selim of Egypt (left) and Dr. Yuri Gromyko of Russia.

emphasized, Russia had been a staunch friend of Lincoln and the Union—British strategy gradually moved toward “rap-prochement” with the United States against Germany, leading into World War I. Thereafter, the British continued their entente strategy, principally through an alliance of certain British and American financial circles, as typified by the Harriman interests and the Lazard banking establishment, laying the basis for the 20th-Century “Anglo-American establishment.”

Significant elements of this Anglo-American establishment, he said, promoted the fascism of Mussolini and Hitler. From there, Kiracofe traced the continuity of Palmerston’s evil tradition through to Henry Kissinger and Zbigniew Brzezinski, who have influenced U.S. imperial strategic thinking for almost half a century. Brzezinski’s mad geopolitics was carried over into the Clinton Administration by his former student, Madeleine Albright, and now by Secretary of State Condoleezza Rice, herself a former student of Albright’s father, Joseph Körbel.

Professor Kiracofe closed by noting that “the factional struggle in the United States, between a corrupt oligarchy favoring imperialism and those who support republican institutions, has roots in 16th- and 17th-Century England. After the organization of the British colonies in North America, the factional struggle came to our shores, and has not ceased,” he said.

“Will the American Republican and Democratic Parties liberate themselves from the pernicious influence of transna-

tional oligarchic circles?” he asked.

The prospects for accomplishing such a now-urgent “liberation” of the United States today, were presented by *EIR* Counterintelligence Director Jeffrey Steinberg. Steinberg briefed the participants on the key role of Lyndon LaRouche in the process leading to the defeat, on May 23, 2005, by bipartisan forces in the U.S. Senate, of an attempted coup against the U.S. Constitution by the Bush-Cheney forces. He told the story of how a top Republican Senator had been called into the White House and accused by Karl Rove and Dick Cheney, of working with LaRouche. This was factually untrue, but Rove had good reason to conclude, that an ongoing political change was occurring in and around the Senate, which could have “no other explanation, than that Lyndon LaRouche had effected a change of personality in U.S. institutions”: Suddenly, they had become infected with the living words of the American Founding Fathers!

How did that happen? Steinberg explained: First, was a series of some 20 strategic webcasts by LaRouche since November 2000, emphasizing, not least of all, the insanity and incompetence of Bush, and setting forth his analysis and strategy for how to get out of the mess. These webcasts permitted people in the Democratic Party, and around Congress and other institutions, to discreetly follow LaRouche, leading gradually into the advanced level of dialogue, people can see in the transcript of the last webcast. There it becomes clear how LaRouche has established his position as de facto Commander-in-Chief of the Constitutional forces opposing the Bush-Cheney regime.

A second key element, Steinberg stressed, was the unleashing of the LaRouche Youth Movement, including their concentrated deployments into the U.S. Congress, distributing huge amounts of material, and organizing hundreds of young Congressional staffers. This deployment confronted people in and around Congress with a paradox: On the one hand, they did not have the intellectual tools to organize such a Youth Movement—who of them would be able to teach a course on Gauss, for example?—while on the other hand, they could empirically see the extraordinary effectiveness of the Youth Movement as a political force. This put many in the position of having to reconsider their own approach to politics.

The work of LaRouche and his organization has put the White House in a state of hysteria. They are destabilized and wounded politically. Bush has become a lame duck faster than any other President in history. We are on the brink of bringing down Bush and Cheney, and we have activated some qualified political leadership in the country.

The American Concept of Freedom

In his opening remarks, and repeatedly in the course of the dialogue, LaRouche touched on the point, paradoxical to many, that the American System of economics is neither capitalist, nor socialist. At a certain point, Italian parliamen-



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Hon. Mario Lettieri, an Italian parliamentarian and leader of the fight for a New Bretton Woods.

tarian Lettieri asked LaRouche: How can you link the importance of the freedom of private entrepreneurs, to a strengthened role of the state? I have seen how an excessive role of the state can lead to a degeneration of the economy, Lettieri said.

LaRouche responded with some fundamental points on the true nature of freedom.

Under U.S. President Truman, and the influence of people such as Henry Luce, LaRouche said, the Congress on Cultural Freedom (CCF) was created to destroy the heritage of Classical culture, to deny the existence of rational creativity, and to instill fascist values in the name of educating people for “democracy” and “anti-communism.” This operation featured the influence of such figures as Adorno, Horkheimer, Hannah Arendt, and other friends of the outright Nazi, Heidegger. It produced a generation which has largely gone crazy, the generation that became known as the 1968ers or “baby boomers.” Its epitome is manifested in the green, anti-nuclear-power movements, and its members now dominate leading positions in society today. As a result, scientific education is virtually destroyed, and a cultural paradigm shift was effected, which made possible the downward changes in economic policy and practice, that have led to the present disaster.

It was with this as background, that LaRouche some years ago, acted to create a new youth movement, from young adults who had grown to despise the degeneracy of their parents’ generation—that is, the 1968er generation. After a few years of self-education, according to the standards set by LaRouche, which features Carl Friedrich Gauss’s 1799 attack on the scientific sophistry of Euler and Lagrange, and intense choral work focussed on Johann Sebastian Bach’s “Jesu, meine Freude,” members of the LaRouche Youth Movement have

become proficient in grasping scientific conceptions that are incomprehensible even to many professionals. They concentrate on the creative processes of mind, that are the definition of freedom.

Lack of freedom is not a problem of a system of government, but rather of the way a system of government is used. If you give people access to creativity, then you will not have oppression of society. The problem is the stultification of rational creativity. The only correction is to inspire people to discover the humanity in themselves. Don't seek a cure by imposing rules. It is periods of Classical cultural development, as the Renaissance or the revival of Classical culture in Germany around Lessing and Moses Mendelssohn, that produce the idea of freedom. We must organize society around cultural creativity, not Hobbesian competition.

The Time Has Come for the Eurasian Land-Bridge

Helga Zepp-LaRouche, wife of Lyndon LaRouche and an influential world political figure in her own right, began by presenting the reasons for her recent decision to run for Chancellor of Germany in the projected, early elections. We have a lack of leadership from all sides, she said. The economic and financial collapse is feeding into a condition of ungovernability. The Social Democratic Party (SPD) needs to retool itself, dropping the Greens and the Green ideology, which are a major basis for adoption of the so-called Hartz IV and Agenda 2010 austerity policies, and failure to overthrow the EU's Maastricht Stability Pact. The SPD is in a pretty rotten state, but the alternative parties (CSU-CDU-FDP) are far worse. The Christian Democratic Union (CDU) has abandoned the tradition of Konrad Adenauer and is now dominated by the neo-conservative Mont Pelerin Society. The CDU and CSU (Christian Social Union) coming to power would mean doom and disaster for Germany.

A major cause of the present situation is the way "Germany was forced to swallow a poison pill," she said, as a condition of reunification, including 1) replacing the deutschemark—a very strong currency—by the euro; 2) radical economic reorganization of East Germany, leading to a nearly complete de-industrialization and depopulation of countless towns and cities; 3) destroying the economies of the former Soviet Union and Eastern Europe, including the collapse of Russian industry to one third of its former levels.

At that time, Zepp-LaRouche said, we proposed the "Productive Triangle Paris-Berlin-Vienna," a program to build infrastructure development corridors, which could have exploited the industrial capabilities in the East, while modernizing them. But then came the assassination of Herrhausen and Rohwedder, Margaret Thatcher's "4th Reich" campaign to demonize Germany, George Bush senior's "New American Century," and the influence of French President Mitterrand.

After the collapse of the Soviet Union, we expanded our proposal into the "Eurasian Land-Bridge" program for trans-

continental infrastructure corridors, as a backbone for developing the agriculture, industry, and advanced technologies throughout Eurasia. But, again, a great opportunity was missed. As a result of the mistakes made, we are now in a collapse. There is only one answer: to put the Eurasian Land-Bridge program back on the table, now, in a big way.

Nobody should underestimate my candidacy for the Chancellorship, Zepp-LaRouche continued. I represent the only solution, with my direct connection to the United States (her husband, Lyndon LaRouche!). The partnership of Germany with the United States is key. My candidacy will catalyze cooperation among nations for a New World Economic Order.

Zepp-LaRouche spoke of the urgent need for a worldwide moral and cultural renaissance, to bring the political order of the world into cohesion with the "order of Creation." We must bring in metaphysical considerations, she said, citing the concept of "my friend, Nicholas of Cusa," that each microcosm must work for the development of each other microcosm. We must remember the words of the great poet Schiller, who said, that only in a beautiful mind can reality be reflected.

An optimistic note, concerning the prospects of development for the "southern tier" of the Eurasian Land-Bridge, was sounded by Prof. Muhammed Seyyed Selim, Director of the Center for Asian Studies at the University of Cairo, who is presently teaching in Kuwait. He reviewed in some detail the plans and ongoing projects among the nations of Southwest Asia, to develop a modern regional network of railway lines and other infrastructure connections. A major problem, he said, is the uncertain security environment in the region.

Chandrajit Yadav, former Minister and Member of Parliament of India, and President of the National Social Justice Movement, picked up a major theme of Helga Zepp-LaRouche, addressing the cultural and moral issue of the world crisis from the standpoint of India's role. The present monetary system has failed, he said. The common people are awakening, and raising their voice. One should learn from the Indian experience, including the qualities of leaders such as Mahatma Gandhi and Indira Gandhi, and the successes of India's mixed economy. The days are over, when the West can arrogantly dictate policies to the East, he said. Globalism is the enemy of poor people around the world. Just now, also, the huge increases in energy prices are having a devastating effect.

Yadav described as extremely promising, development of the "strategic triangle" of Russia, China, and India, originally put forward by former Russian Prime Minister Yevgeny Primakov. The recently concluded meeting in Vladivostok, Russia, included a 25-year trade agreement, an agreement for China to explore oil in Siberia, an agreement for cooperation with India in Central Asia, and pledges to drastically strengthen the trade and economic ties among the three nations. Over the last three years, Yadav said, trade between India and China has grown from a mere \$3 billion to some

\$13 billion per year, and it is projected to rise to \$30 billion over the next 7 years. At the same time, trade with Russia will grow to \$28 billion. Yadav closed his remarks by highlighting the challenges facing India's announced policy to become a "developed country by the year 2020."

Concerns of China

The paradoxical situation of China, with its rapid growth and increasingly key position in the world economy, featured prominently in the seminar discussions. While praising China's commitment to the development of its entire population, as a significant, positive feature of the world situation, LaRouche pointed out that 70% of China's population remain desperately poor. Moreover, the "globalization" policy of shifting production from infrastructurally developed areas in the United States and Europe, into "cheap labor" areas such as China, is actually collapsing the overall productivity of the world economy, and preventing China from carrying out the necessary, in-depth development of infrastructure, upon which its future depends.

Dr. Ding Dou, Associate Professor at the School of International Studies of Beijing University, began his presentation "On the Political Economy of RMB [China's currency, the renminbi] Revaluation" by reminding his listeners of the heavy pressure that the present U.S. Administration has been applying on China, to up-value its currency in relation to the

dollar. So far, he said, the Chinese government has steadfastly refused to yield to this pressure. Ding Dou noted that the huge growth of China's foreign currency reserves is mainly the result of the large inflow of foreign capital into the country, and of China's trade surplus. This currently includes a large inflow of "hot money"—betting on an upvaluation of the RMB—which is being closely watched by Chinese authorities, and complicates the issue of revaluation. This capital inflow also increases the money supply, threatening to cause inflation and overheating of the Chinese economy.

Although China's exports are being blamed in the U.S. for the loss of jobs, Ding Dou noted, there is no easy way for the United States, whose economy is 70% dominated by the service sector, to decrease its import dependency. China effectively subsidizes U.S. consumers. An appreciation of the RMB relative to the dollar would not automatically lead to a decline in the U.S. trade deficit, he said. Also, major U.S. business interests are profiting from China's export. Furthermore, China is presently a major holder of U.S. debt, with one third of its foreign currency being used to purchase U.S. Treasury bonds. An upvaluing of the RMB would mean losses to China, and would have possible effects on U.S. interest rates as well. Hence, both sides should be cautious.

In addition, Ding Dou said, there are important internal concerns in China. The fixed pegging of the Chinese currency to the dollar, since 1994, has provided an anchor for all kinds of financial transactions, helped ensure price stability, and bolstered subjective confidence in the RMB among the Chinese population. This, in turn, is a major factor that is maintaining confidence in the 56-year-old Chinese Communist Party, in the face of problems like unemployment and the growing income gap. The Chinese government is also concerned about the large amount of non-performing bank loans and the consequent dangers that might accompany any further liberalization of capital accounts.

The Chinese government, Ding Dou said, is following a policy of risk avoidance, and the risk of inflation, unemployment, and loss of social stability is larger, if the RMB were to be revalued, than if the peg were maintained at its present level. Although one could revalue the RMB overnight, adjusting the trade structure of China would take much more time. Finally, as Chinese Premier Wen Jiabao recently affirmed in a speech to the U.S. Chamber of Commerce, China has the policy and tradition, of never succumbing to foreign pressure.

For all of these reasons, he said, no one can say when the Chinese government might revalue. But it will take time.

The presentation by Dr. Song Hong, senior researcher at the Institute of World Economics and Politics of the Chinese Academy of Social Science (CASS), provided additional insight into the dilemma facing China and the world as a whole, as a result of the "globalization" policy of recent decades. China's recent, rapid growth has been powered, in large extent, by its integration into a new worldwide manufacturing system, that began to emerge decades ago, when Japan moved

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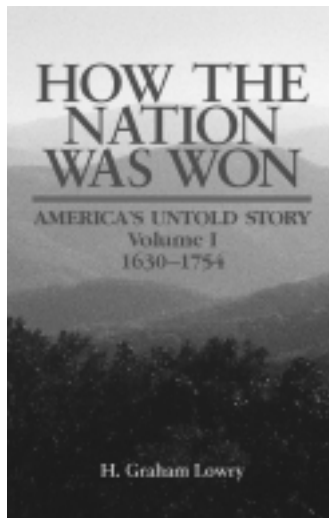
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labor-intensive production to South Korea and Taiwan, followed by the U.S. doing the same in Mexico.

Ninety-five percent of Foreign Direct Investment (FDI), he said, has been in the form of “green field” investment, and 70% of that has been concentrated in manufacturing sectors. But most of this involves processing, rather than complete fabrication: Components are imported, certain processing steps are carried out in China, and the product is exported again as part of a multinational manufacturing network. Thus, Chinese exports have become closely linked to imports: in order to export \$1 of value, China must import up to \$0.66 (two thirds of a dollar) in inputs. Song Hong also noted that the trade *surplus* of mainland China to the United States, for example, is connected with a trade *deficit* with Japan, South Korea, and Taiwan. Because of this growing interdependency, problems will require multilateral solutions.

In the discussion, it was pointed out by LaRouche and others, how exceedingly vulnerable China and other nations have become to the kind of chain-reaction crises that a dollar collapse would bring about. The world is interconnected as never before. China has a vital interest, therefore, in working together with the United States and other nations, to bring a new world monetary system and new world economic order into existence as soon as possible.

The Danger of War

The situation in Iran after the recent Presidential elections, the recent instability in Kyrgyzstan and Uzbekistan, and the possibility of a new U.S. military adventure in the region, were recurring concerns at the Berlin seminar.

Major General (ret.) Assir Karim, a respected Indian analyst of regional security issues, spoke about the worsening situation in Central Asia on the background of a result of a new “Great Game” between competing outside powers. Instead of being able to play a positive role as an economic and cultural bridge, Central Asia is locked into a state of permanent instability. Extremely rich in resources, Central Asia lacks the infrastructure needed to develop those resources. Ethnic groups go across the political boundaries, as do criminal syndicates and Islamic fundamentalist groups, which are now strongly on the ascent. The situation could still be turned around, he said, if outside powers would join together to do something for this region, looking at it as a major development area.

Above all, Karim said, its prospects would greatly improve, if the conflicts in Afghanistan and Iraq were resolved. Unfortunately, this is not happening. A new major conflict in this region would be extremely difficult to contain, tending to draw in one nation after the other, all the way to Europe, into a spiral of destabilization.

LaRouche repeatedly called attention to the British role, both historically and under Blair today, in fomenting regional conflicts as a method of imperial domination. Continuing British influence, as exemplified by recent events in Iran and



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Dr. Muhammad al-Sayed Selim is the director of the Center for Asian Studies, Faculty of Economics and Political Science, at Cairo University in Giza, Egypt.

Uzbekistan, in particular, LaRouche said, has rested on long-term, in-depth cultivation of leading families in each region, down to the town and village level, providing the British with an unequalled degree of “finger-tip control.” LaRouche recounted his own personal experience in India in 1946, when he “got a belly-full of the British empire” and its bestial methods.

LaRouche warned of the tendency, now, of the Bush-Cheney-Blair-Sharon connection, and their backers, to launch major new provocations. On the one side, the U.S. is running out of troops to deploy in any future military operation. But exactly in such circumstances there is also a great danger, of developments like those around 1922, in which a lot of people get killed, by assassinations, coups, and the like.

A German military expert stated his view, that there is no big risk of a U.S. military operation against Iran, in particular. The main reason, he gave, is that the Iranian military capability—unlike that of Iraq before the recent war—remains intact, and U.S. forces in the region are within range of Iran’s artillery.

LaRouche responded by warning that most people operate with axiomatic assumptions in their minds, about what is true and false, possible and impossible. Whereas, in military his-

tory, you have two types of situation, in which the seemingly “impossible” is made to occur. One is the case of a rational strategy, that exploits the strategic blindness of an opponent. The other is the case, in which one side, even if something may not make sense, might do it anyway. For example, the “chicken game,” the strategy put forward by the Rand Corporation in the 1970s, in which one side declares, in effect, “I am a madman.” So, today, you have the danger, also from Israel, that some idiot might be deployed to to something crazy, and the government says, we don’t care about the consequences.

Don’t overlook the danger that, according to a new Bush Administration policy, a regional element of the Air Force could drop a nuclear weapon. This is very much on the table today. If such a thing happens, where would that stop? The situation is highly unstable, LaRouche said. Bush, Cheney, and Blair are clinically insane, and the future of civilization depends on getting them out of power now.

Dialogue With LaRouche

How Do You Determine A Currency’s Value?

In the concluding panel of the seminar on June 29, LaRouche responded to a lengthy question from Prof. Stanislav Menshikov of Russia, asking how nations would come to a determination of the values of their currencies and relative exchange rates. The discussion here has been edited for publication.

LaRouche: I just want to focus on one particular point, which is crucial, which is one which has to be—the least likely to be understood, and the most important to be understood: On setting the rates of relative values of currencies in an emergency, new monetary agreement.

Now, the problem here, is a problem of method. It’s a problem, the distinction between the Aristotelean method of astronomy, that of Claudius Ptolemy, which is fraudulent, and the method of Kepler. Now, this is a very ancient issue. It’s the same issue which is raised by Leibniz. In the Ptolemaic model, it’s the mind of the accountant. And the first thing you have to do, in dealing with economics, is get rid of the accountants. It’s like getting rid of Claudius Ptolemy on the way to understand astronomy.

The value of a currency is not its statistical average value today, based on exchanges. The value of a currency is its *power*. Now the power of a currency is expressed, how? It’s

expressed by the rate of growth of the economy. If you invest, you’re talking about investing in a currency. Now, there is such a thing as an interest rate. But the question is, what is the real *earned* interest rate? What is the real *earned* rate of gain, of a currency? And that determines its relative value.

Now, you’re dealing with, today, if you take the statistics of today of any part of the world economy, and you try to negotiate on the basis of that, you are worse than Claudius Ptolemy, who committed a deliberate fraud. It wasn’t just a mistake or backwardness. The guy was a hoaxster. He was a Roman. And all Romans lie. So, you don’t start from there.

A Currency’s Power Must Be a Political Decision

The *power*: Now, how do we determine the power of a currency? That has got to be a *political decision* among the relevant governments. You don’t take an average—“Well, we’ll take an average of this currency; we’ll take an average of this currency”—this is absolute idiocy, which everybody will perform!

The question is, then, how do you do that? Well, you say, “What is the rate of growth?” Now, in the United States, for me, it’s very easy. People say the United States is a hopeless case. . . . Not true. . . .

The point is this, we can determine—we will determine the value of the dollar. And I estimate the value of the dollar, on the basis of what we can do with it. . . .

See, the key problem, now, is credit formation. The United States, in particular, has not invested enough money, in terms of credit, or created enough credit power, to build up the infrastructure of the United States. If I, as President, with the support of the Congress, generate an authorized issue of credit under the U.S. Constitution, and I commit that credit to a project of development of basic economic infrastructure, and on existing designs of projects which are ready to go—water projects, power projects, mass-transportation projects, health-care and facility projects, that sort of thing—we can automatically increase the net rate of output of the U.S. economy, *this year*, above breakeven. And it’s now been operating below breakeven for the entirety of the Bush Administration, and even earlier. Even nominally, since 1999-2000, the United States has been operating as a bankrupt entity. And it’s not bankrupt, because it’s a nation, and a nation has the power to make the decision to become *un*-bankrupt. Simply by a decision.

Now, if we make that decision, suddenly the U.S. dollar which is now in poor condition—if you increase the amount of credit issued at low interest rates, under a fixed exchange rate, for these projects which are needed, you immediately take a bankrupt economy, and suddenly, as Roosevelt did, especially as he did from 1940 on—you suddenly have the most powerful economy in the world.

So, what’s the value of the dollar?