

LaRouche, Chinese Experts in Dialogue on New Bretton Woods

Lyndon H. LaRouche, Jr. addressed a Berlin webcast on Sept. 6, in which a Washington, D.C. audience also took part by videoconference. As we reported in our previous two issues, the discussion focussed around a 50-year program for Eurasian and world development—and how to overcome the obstacles to that program. Scholars, political leaders, and others from many countries participated, in person or by written communication, including e-mail. In last week's issue, we published the paper presented by Prof. Dai Lunzhang, and former chief economist of the Central Bank of China, first vice president of the China International Economic Relations Society. Coauthors of his paper were Dr. Zhang Yun and Dai Jun, M.A. in international relations.

Following the webcast, those authors sent to Mr. LaRouche a detailed series of follow-up questions, which he answers here in depth. First is an overview presentation by LaRouche, and then the comments and questions of his interlocutors, followed by his replies. As an Appendix, we publish excerpts from the speech to the UN General Assembly by Argentine President Néstor Kirchner, which bears on the topic of constructing a new world financial system.

To: Prof. Dai Lunzhang and his associates

An adequate response to these important questions requires a summary of the conditions leading into the adoption of the original Bretton Woods system. The five questions and accompanying observations presented in your communication have deep-going implications, and require corresponding attention to details in framing my reply.

The questions which you have presented could be addressed properly, only through study of the long wave of 1945-2006 international economic-financial processes to date; but, we must also take into account, the crucially relevant aspects of preceding history of European civilization since the beginning of Europe's Fifteenth Century. Unfortunately, only a handful of known professed economists of Eu-

rope and the Americas, have developed an actually scientific understanding of the presently relevant, principled features of that history and its content. Therefore, my reply here must reflect my obligation to take certain relevant features of that history of modern world economy into account.

Nonetheless, on condition that I take those relevant complexities into account, my remarks here shall stay as closely as feasible to the organization of your division of the question into five parts; I believe that it will become obvious to you why I must deviate somewhat from that division in composing my reply.

The determining feature of the history of world economy since the death of U.S. President Franklin Roosevelt, is what I have identified, in my conference presentation-in-chief, as the policy which has brought the world as a whole now to "The End of the Truman Era." That is to point to certain crucial, qualitative changes for the worse, changes which were introduced to the global economic system, under President Franklin Roosevelt's immediate successor, Harry S Truman. Those changes, away from Franklin Roosevelt's policy, have been the single most important of the "hereditary" factors in shaping the long-wave course of world history over the course of time from that date, April 13, 1945, to the present instant. It would have been impossible to account competently for crucial developments of the 1945-2006 period to date, without focussing on the implications of that indicated notion of a 1945-2006 "Truman Era."

I explain that point as follows.

The fact, against which the most vigorous complaints are sometimes made today, is that the dollar system, which was established as the implied world system by the conditions at the close of the 1939-1945 general war, hangs around the neck of all nations, as a comparative standard of value, still today. It must be clear, that it hangs there by inescapable necessity, not merely by choice. In point of fact, that link to the dollar could not be changed in the foreseeable future,



President Franklin D. Roosevelt in 1936, touring North Dakota. His orientation to “the forgotten man” was a sharp break from his predecessors. The changes introduced to the global economic system under his successor, Harry Truman, “have been the single most important of the ‘hereditary’ factors in shaping the long-wave course of world history” since FDR’s death, LaRouche writes.

except at risk of a general catastrophe which would sink the entire economy of the world into a virtual dark age. The only acceptable remedies would be changes within the U.S. system itself. *It is the system presently associated with the dollar which must now be radically changed. There is presently no other visible solution.*

Were the U.S. dollar to be sharply and deeply devalued, an immediate chain-reaction of world-wide collapse would hit international markets. This would cause a deep collapse in all economies whose trade is presently conducted in U.S. dollar-denominated payments. On this account, the demands for a forced up-valuation of China’s currency, from some influential U.S. officials ignorant of the rudiments of economic systems design, if supported, would trigger such a global catastrophe.

Nonetheless, among various nations, many leading circles doubt that needed changes, back to the Franklin Roosevelt orientation, within the current U.S. system are foreseeable. I assure you that the needed changes are not only possible, but that the preconditions for those changes are presently maturing at a rapid rate. However, it must always be taken into account that hope must not spring from a gambling table, but from a well-advised, and sometimes very muscular, concerted action by the arm and willful mind of mankind.

It is my intention, in the course of this reply, to provide you with some useful insights, from the inside of the U.S.A. and its history, as to how the happy result, that change, might be brought about.

The crucial fact remains the reality, that without contrasting Franklin Roosevelt’s policies to the changes made during the present, Truman Era, there could be no competent understanding of the highly problematic situation confronting the world as a whole today.

The differences between Roosevelt’s and Truman’s policies, are to be considered as like samplings of the interiors of different universes, each with entirely different ultimate outcomes. Since the world has already reached the proximity of a general breakdown-crisis of the financial-monetary system of our planet as a whole, it is urgent that we understand the recent economic history of our planet, from the death of Roosevelt, until today, as a single long process, with an outcome which has been inevitably far different than had Roosevelt’s actual policy-shaping outlook been maintained as the overall controlling feature of U.S. policy. Thus, in that view, what might seem to be almost infinitesimal differences in points of the

respective policies of the U.S.A. and Europe, before and after April 1945, have gradually revealed themselves, over the several recent generations since 1945, as virtually a matter of different universes.

In speaking of that 1945-2006 planetary process as an indivisible whole, I am emphasizing a fundamental principle of economy which is, most unfortunately, little understood among economists and their governments today. As it may be readily seen, the general practice of economists within and among nations today, relies on what are, in fact, practices in the inherently incompetent, mechanistic, Cartesian tradition, of statistical projections, rather than the appropriately competent, dynamic methods emphasized by Gottfried Leibniz, and which are associated with scientist Bernhard Riemann’s development of the concept of the tensor. This is the same *specifically dynamic* method emphasized by the Russian, Ukrainian and Soviet Academy of Science’s V.I. Vernadsky for the physical chemistry of a biogeochemical process: a Vernadsky whose living legacy today is crucial for the satisfactory development of the natural resources needed to sustain a growing population of Asia.

In a competent view of reality, the planet as a whole is not only a process of dynamic interaction among nations, but our planet is, dynamically, in interaction with, and dependent upon the processes within that more immediate portion of universal reality which is our Solar system as a whole. What distinguishes society from a mere Biosphere of animal life, is the creative mental powers of the individual member of the

human species. It is the individual creative human mind which generates valid *discoveries of universal physical principle*; it is that quality of the human mind which places the human species absolutely above all lower species of living processes. It is this distinction which places mankind in a higher order of existence, Vernadsky's Noösphere, rather than the lower order of existence of the animals, the Biosphere.

Therefore, as the members of societies are unified functionally by the development of their specific culture, so the way in which individual persons are bound together in their society's culture, and the way in which cultures may cooperate through the relations among the nations of the planet, is predetermined. In this way, the practice of civilized humanity is set above the animals by the need for cooperation in common goals of development among sovereign nation-states. So, relations among states must be brought functionally into a system of developing harmony, and so we must cooperate, in this way, in meeting the challenges which confront us as inhabitants of this Solar system.

It is for this reason, that I have emphasized that *we nations must now adopt a span of not less than two generations, fifty years, the usual "life-span" which includes the span of the initial financial investment of most basic investments in essential economic infrastructure, as the unit of long-term capital development of Eurasia as a whole*. Two generations of combined capital technological improvements in infrastructure and production of traded goods, will be required to bring the present masses of the poor of Asia (in particular) up to a level of parity throughout most of the continent.

That said, it is most unfortunate, that the world is presently at the point of a general, chain-reaction-like breakdown of the system which is defined by the interaction between the Truman doctrine's underlying assumptions, and the reaction of the rest of the world to the effects of that doctrine. Those assumptions expressed by the Truman policy, which I shall identify in my response here, have been operational throughout the entire span of the time between the day President Roosevelt died, and today.

The conceptual problem this history poses, is a problem which arises in the case that the believer in a system is unaware, as the followers of Euclid have been, of the fallacious axiomatic assumptions which are embedded in that system. The kinds of assumptions to which I refer, are typified by those which were overturned by Johannes Kepler's uniquely original discovery of the universal principle of gravitation. The principle of gravitation, as that discovery can be re-experienced from a careful study of the pages of Kepler's *The New Astronomy*, existed throughout the universe's existence, but its efficiency was not recognized until the discovery was made by Kepler.

In the case of the cycle to which I refer, in speaking of a "Truman Era" here, the needed, violated principles have not been entirely unknown, but they have been usually ignored in most attempted explanations of economic and other aspects

of history. They could be generally known, if people could, and would see inside their own minds more clearly, and if our numerous poor had the conditions of life needed for pursuing such studies.

The chief error in most long-term trans-Atlantic modes of economic analysis and forecasting today, is the error of reliance on the mechanistic-statistical methods of empiricism; whereas, the long-wave behavior of living and social processes is not mechanistic, but dynamic in the sense of the hypergeometric system of the Nineteenth-Century scientist and successor of Carl Gauss, Bernhard Riemann. (The relevant lack of such needed scientific competence in most current academic studies of economic processes, explains why most of the present mass of the world's hedge-funds, which are based on mechanistic-statistical methods, are doomed to collapse, probably very much sooner than later.) In study of social processes, it is of crucial importance, for the sake of the needed cooperation within and among nations now, that we make a critical, deeper examination of the practical implications, and origins, of the hidden, mistaken assumptions which people, even many notable academic specialists, and also governments, share unwittingly, in relying upon mechanistic-statistical methods of analysis and forecasting of economic developments.

1. The Present Long Wave in History

Prof. Dai et al., Observation 1: The world we live in today is undergoing complex and profound changes. Steady economic growth, rapid progress in science and technology, the accelerated relocation of industries and the movement of production factors world-wide have created a dynamical international market. However, such a widening gap between the rich and the poor underscores the cause for the increasing imbalance in global development, and therefore incurs two dangers, as Mr. LaRouche stated. *They are: 1) the danger of uncontrolled conflicts and wars; 2) the danger of a general breakdown of the world financial and monetary system*. Those two dangers are the biggest threats to human society. So, I believe his point of view is accurate and significant.

Question 1: Mr. LaRouche mentioned many times on various occasions, that a new round of the Bretton Woods meeting should be held to establish a fresh international currency system. In my opinion, going back to a fixed-rate system is surely not a feasible solution. We may enhance the function of IMF Special Drawing Rights, which could finally be a dominant currency at the international monetary market.

So my question is, what's your concrete thought of this "new Bretton Woods System"? And how could a new international economic system be established?

LaRouche: From approximately the time of the British



World Bank

The Bretton Woods conference, July 4, 1944. Professor Dai and his associates wonder whether the principles of Bretton Woods could still be implemented today—notably the fixed-exchange-rate system.

celebration of victory over the combatants in the so-called “Seven Years War,” at the February 1763 Paris conference, the Anglo-Dutch Liberal system, that of the East India Company of Britain’s Lord Shelburne, achieved relatively global domination of the world’s monetary-financial systems, through general acceptance of the teachings of the East India Company’s Haileybury School of the followers of John Locke, Bernard Mandeville, the physiocrats Dr. François Quesnay and A. Turgot, and the follower of Mandeville and the Physiocrats Adam Smith. The Haileybury School, which was developed under the direction of Shelburne’s Jeremy Bentham, also featured such persons as David Ricardo, Malthus, and the British East India Company’s James and John Stuart Mill.

That Anglo-Dutch Liberal system was not entirely original at those times. The system had its axiomatic roots in the domination of the medieval *ultramontane* system’s Venetian financier-oligarchy, and that oligarchy’s chief enforcement-tools, the Norman crusading chivalry. There were differences, but the essential, underlying distinctions which are to be considered as bridging medieval and modern times, are ultimately expressions of the same implicitly imperialist species.

After the temporary collapse of the Venetian system into what is identified as a “new dark age” of Europe’s Fourteenth Century, a genuinely new system was established as the new form of modern European society, a new form of society established by the influence of the great ecumenical Council of Florence. That reform produced the first modern European nation-states according to the so-called commonwealth principle, which was already characteristic of Louis XI’s France and Henry VII’s England, and was responsible for initiating all of the special achievements which have occurred within modern European civilization.

However with the crushing of Constantinople, which was arranged by Venetian interests, the Venetian financier-oligar-

chy and its old system regained much of their former power, largely through Venice’s organizing the waves of religious warfare of the 1492-1648 interval. In the meantime, Venice itself had undergone a systemic reform, led by the central figure of Paolo Sarpi, a reform which produced modern Anglo-Dutch Liberalism and French Cartesianism among its notable products. Sarpi’s system allowed some degree of unavoidable toleration of scientific and technological progress, but also concentrated on mystifying the principles of scientific discovery.

The intent of the Roman Empire, like Sparta before it, and the pervasive intent of the feudal system, had been to hold the mass of the population to the life-style of herded human cattle; the emergence of the European commonwealth form of society, in the Fifteenth Century, established the right of all of the people to share in shaping the ideas of society, rather than just the rich and powerful few. When faced with the effects of the Fifteenth-Century establishment of representative government of the commonwealth type, the feudal Venetian oligarchy saw itself as forced to adapt to that strong impulse for scientific and technological progress which the Fifteenth-Century Renaissance had set into motion. So, Sarpi et al. chose to accept the fact of technological progress, but created a system which was designed in the tradition of the legendary Olympian Zeus, to cripple the ability of even the educated, even scientists, to understand science. Sarpi’s corrupt, anti-humanistic system became known as Anglo-Dutch and Cartesian Seventeenth and Eighteenth centuries’ *Liberalism*. *This led to the creation of the modern Sophist cult of stupidity, called “Malthusianism,” and sometimes called “environmentalism” today, by means of which Europe and the U.S.A. have largely destroyed themselves during the recent four decades.*

With the 1688-1689 triumph of the tyrant William of Orange, and the latter accession of King George I to the newly established British throne, the progress of European civilization, while only seriously damaged, was held back by the influence of Anglo-Dutch Liberalism according to the model of Venice’s Sarpi, a model which acquired global imperialist hegemony during the course of Europe’s Eighteenth Century. The so-called “Seven Years War” which concluded with the Paris Treaty of February 1763 was of crucial significance in this development which has contained to shape world history to the present day.

The repressive measures which post-February 1763 Britain imposed upon its English colonies in North America, coinciding with the adoption of that treaty, sparked the resistance movement leading into American Declaration of Independence of 1776 and the subsequent establishment of the U.S.A. as a constitutional Federal Republic, in 1789. The French Revolution and its consequences, including the role of a Napoleon Bonaparte modeled upon the Grand Inquisitor Torquemada as the predecessor of Adolf Hitler, made possible the awful Treaty of Vienna, and temporarily prevented any sig-

nificant expansion of the “American model” into Europe, until the U.S. victory over Britain’s Confederacy puppets in 1865. At that latter point, the American System of political-economy, the world’s leading alternative to the Anglo-Dutch Liberal system and its ideas, emerged as a great challenge to the global imperial reach of the British system. From that point on, the U.S. could never be conquered by foreign armies, but only, as we have seen since, as now, by foreign ideological corruption, chiefly that of imported Anglo-Dutch Liberalism.

The characteristic of the *specifically anti-Anglo-Dutch*, American System of political-economy, as defined by Preamble of the U.S. Federal Constitution and by U.S. Treasury Secretary Alexander Hamilton’s policies of economy and finance, expresses the influence of the great scientist Gottfried Wilhelm Leibniz in shaping the philosophical-scientific outlook of great European thinkers, and American scientists and political leaders such as Benjamin Franklin and Alexander Hamilton. On this account, the American System of political-economy, as implicitly defined by the Preamble of the U.S. Federal Constitution, is pitted against the broad sweep of the Anglo-Dutch Liberalism which has dominated Europe and much of the rest of the world during most of the ebbs and flows of Liberalism’s power since the relevant Paris Treaty of 1763.

In fact, since 1763-1865, the most crucial struggle within globally extended European civilization, over the issues of social and economic policy, has been the conflict between the American and Anglo-Dutch (e.g., British) systems of leading political-economic and social philosophy.

Today, this long wave of historic struggle between those two leading systems of modern European civilization, is that also expressed as the internal virtual-life-and-death conflict between the heirs of the American System, such as Franklin Roosevelt, and the modern Roosevelt-haters among Truman-admirers and others who are ideologically “colonials” echoing the inherent corruption of the Anglo-Dutch Liberal system.

Thus, the replacement of President Franklin Roosevelt by President Harry Truman, was an earthquake-like change in the ruling system of the United States, a change which came as a form of moral corruption which has led, across intervening decades, to our present arrival at the brink of the awful, global monetary-financial collapse which is no longer avoidable today.

With the successful assassination of U.S. President McKinley, in 1901, a British asset, Theodore Roosevelt, a scion of the Confederacy, assumed the Presidency. After that Roosevelt’s term in office, came the traditionalist Taft, but, then, after Taft, came another Confederate fanatic, the pro-Ku Klux Klan fanatic, Woodrow Wilson, who mobilized a wide rebirth of the Ku Klux Klan while he was President. 1920s U.S. Presidents Coolidge and Hoover, were also effectively agents of the influence of the Anglo-Dutch Liberal financier forces operating from inside, and, in fact, against the U.S.A.

Franklin Roosevelt on Stage

In 1931, the British Empire was struck by the collapse of the British gold standard. In this situation, the patriotic faction of the U.S., those in the tradition of President Abraham Lincoln, regained control of the Presidency through the election of President Franklin Roosevelt. Had this not occurred, then, Adolf Hitler would have surely secured a nuclear-weapon-armed world empire under whose aftermath the world would probably be living still today.

The close of World War II left the world outside the Americas in ruins. Franklin Roosevelt’s organization of the Bretton Woods fixed-exchange-rate system made possible the economic recovery of Europe at that juncture.

Suddenly, with Roosevelt’s death, Harry Truman, a President who was virtually a British puppet, replaced Roosevelt. Essential features of U.S. and world policy changed, suddenly, and radically, away from Roosevelt’s intentions. However, happily, there were some things that Roosevelt’s enemies were temporarily unable to change at that time.

Since the U.S. dollar was the only viable currency on the world market, no rebuilding of Europe or Japan would have been possible without the credit system provided by the U.S.-based Bretton Woods system. That Bretton Woods system lasted in name, until President Nixon and his George P. Shultz destroyed it, in 1971-1972. It lasted in fact until the successive British sterling and U.S. dollar crises of 1967-1968. The crippled Bretton Woods system, was killed by the inveterate totalitarian George P. Shultz, et al. under the administration of President Richard Nixon.

These step-by-step changes from Franklin Roosevelt’s policies, are best understood by grouping the sundry features of those changes under a single title: The Churchill-Truman “Cold War” policy. On the surface, it was an anti-Soviet policy; in reality, and more importantly, as we should recognize more readily, in hindsight, today, it was also an anti-U.S.A., pro-Anglo-Dutch Liberal policy; the arranged conflicts with the Soviet Union and China were used as levers against the legacy of President Franklin Roosevelt, to bring about the destruction of the system of the modern sovereign nation-state: to bring about what is called “globalization” today, a “globalization” which is a modern copy of the medieval empire of the Venetian financier-oligarchy’s so-called *ultramontane* imperial system.

How the U.S.A. Was Corrupted

As students of the history of China may appreciate more readily than most in the U.S.A. and Europe, great changes in policy unfold over successive generations. To change a generation, begin with corruption, as ancient Athens was corrupted by Sophism, by corrupting a new-born generation; in this present case in today’s United States, it was the infants and children of families associated with today’s upper twenty percentile of family income brackets. To bring about a general, top-down corruption of the society as a whole, direct the



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President Nixon meets with Cabinet members on May 4, 1971, prior to floating the dollar—and thereby collapsing the Bretton Woods system—in August of that year. George Shultz is on the right.

development of these targeted children and adolescents, as from the age-brackets born between 1945-1957, as the Congress for Cultural Freedom and similar Truman-Era institutions created the moral and intellectual degeneration of today's upper twenty percentile of family-income brackets, the so-called "Baby Boomer" generation of influence over the operation of leading institutions today.

As long as people think in the short term of a decade or so, or in terms of their more or less immediate personal experience, they remain ignorant of the long-wave processes which are already shaping their future lives' conditions. The individual who is a victim of that influence, thinks that the impulses which he or she finds welling up from within him are "my interests, my opinion"; therefore, he does not recognize that this was the way he or she was conditioned—or, should we say "programmed"—sometimes from the day of his birth; this is the conditioning which causes him, or her, to act and react as they do.

So, people speak of the authority of a so-called "popular opinion" which is actually a product of the kind of "brainwashing" which the London Tavistock Clinic, the Congress for Cultural Freedom, and kindred enterprises performed on the targeted generation of the university-bound stratum of U.S. children born between the death of President Franklin Roosevelt and the shock of the 1957 U.S. economic recession. So, the moral and economic degeneration of the post-1963-1968 U.S.A., was launched with the inauguration of that traitor to Franklin Roosevelt's patriotic cause, Harry S Truman.

In that way, an entire influential stratum of a generation, may be conditioned, however unwittingly, to destroy its society, as the so-called "environmentalist" generation of the 68ers of the U.S.A., and Europe have done. Those dupes of the U.S.A. and Europe today, will deny that fact to themselves,

because they are responding to the conditioning of their social stratum's generation, a conditioning by the pernicious, existentialist dogmas of institutions such as the Congress for Cultural Freedom (CCF). The technical term used by the relevant technicians of psychological mass-manipulation to identify this "brainwashing," is "a cultural-paradigm shift." It became a shift away from science-driven, capital-intensive modes of scientific-technological progress, to the culturally suicidal dogma of "post-industrial society," "free trade," and the imperialist ideology of "globalization."

Those changes are the principal factors which have plunged the U.S. economy, which was still the world's leader into 1964, into the economic and cultural cesspool which it has become under President George W. Bush, Jr., today.

Wiser people, *who are not* brainwashed as many influential Americans and Europeans from the upper ranks of the "Baby Boomer" generation have been, think at least two generations ahead, and many generations back. Wiser people gain a scientific quality of control over their own opinions, rather than letting their opinions control them, almost as Pavlovian conditioning might have done, as a shepherd might control sheep.

The actions which have led the world at large into the presently onrushing state of global existential danger, have not been free-will choices of behavior; they have been choices expressed as a conditioned form of merely apparent "free will." Once that is understood, the long-wave character of the span from the death of Franklin Roosevelt, to today's threatened terminal crises of the present global civilization, can begin to become visible, conceptually, to the mind. A glance at the internal history of Brigadier John Rawlings Rees's London Tavistock Clinic, should point out some of the ways the mass-manipulation of social layers has been conducted during the recent eighty-odd years.

2. The Original Bretton Woods System

Prof. Dai et al., Observation 2: Thanks to its exploration and practice, the international community has arrived at a deeper understanding that it must secure peace and promote development through cooperation, which is the tendency of world growth. As for China, Foreign Minister Mr. Li Zhaoxing stated last year, "China's period of strategic opportunities as we talk about is nothing but an international environment and evolutionary process where world peace is maintained and common development promoted. It is only under this strategic premise can we achieve the grand goal of building a moderately prosperous society in an all-round way."

Peace and development conform to the human being's wish. Wars and armed conflicts are just contradictory to the mainstream, disturbing and undermining these basic values.

Question 2: It is well known that the political bases for the Bretton Woods system are to be found in the confluence of several key conditions: the shared experiences of the Great Depression, the concentration of power in a small number of states, and the presence of a dominant power willing and able to assume a leadership role. Unfortunately, these conditions are hardly true in today's world.

Do you think a new international economic system could be founded on the different political bases comparing with those for Bretton Woods system?

LaRouche: Actually, the conception of the Bretton Woods system was not the product of some special conditions of that local part of history. Admittedly, there were many necessary improvisations in the Franklin Roosevelt Administration's launching the recovery of a nation which, in March 1933, had fallen to half the level of real product which had been produced at the time of the famous 1929 stock-market collapse. However, it was not the stock-market crash which caused this collapse of production and employment; it was policies of the Hoover Administration, policies akin to the austerity policies in Europe which had paved the way for the February 1933 award of dictatorial powers to Adolf Hitler.

Had Hoover adopted Franklin Roosevelt's policies, the 1929 crash would not have caused a deep collapse of the U.S. physical economy. Roosevelt's recovery measures thus demonstrate, more fully, the savage incompetence of Hoover and his austerity policies. Roosevelt's successes also demonstrate the lack of any justification for the cruelty which the current George W. Bush, Jr. Administration has inflicted on the lower eighty percentile of U.S. family-income brackets.

However, the characteristic, underlying principle of these reforms was shaped by the Roosevelt Administration's knowledge of those principles of the American System of policy-economy which had been the original intention of the adoption of the U.S. Federal Constitution, and which were in direct opposition to the Anglo-Dutch Liberal ideologies of the U.S.A.'s traditional enemy, the British Empire. The economic growth and technological progress of the U.S. economy under President Abraham Lincoln's leadership is an appropriate precedent for understanding the outlook of the Franklin Roosevelt Administration's economic policies.

It must be emphasized, on this account, that from the assassination of U.S. President McKinley to the inauguration of Franklin Roosevelt, the U.S. policy-shaping had been shifted away from the implicit recognition of the Anglo-Dutch Liberal oligarchy as our traditional adversary, since no later than 1688, to a pro-British orientation under most of the Presidents from Theodore Roosevelt through Herbert Hoover. The power which the Franklin Roosevelt Presidency used to reverse those pro-British policies, was as a response to both the massive failure of the British world system, and the effect of the public recognition of this failure of Anglo-Dutch Lib-



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"The moral and economic degeneration of the post-1963-1968 U.S.A.," writes LaRouche "was launched with the inauguration of that traitor to Franklin Roosevelt's patriotic cause, Harry S. Truman." Here, President Truman at the Potsdam Conference, 1945.

eral ideology on U.S. consciousness. This recognition is typified by the wave of 1932-1942 popular hatred of the memories of the Coolidge and Hoover Presidencies, combined with the fact that President Roosevelt's administration acted quickly and dramatically to bring a wrecked U.S. economy on the road to recovery.

By the time of Roosevelt's death in April 1945, the U.S. was the greatest economic power the world had ever known, a power far beyond the imagination of the 1920s, or any time prior to the inauguration of Franklin Roosevelt. The death of President Roosevelt was seized as the opportunity taken by the financier class, to conduct a virtual "palace coup" against the institutions of the FDR legacy.

The most common, and vicious mistake among economists today, in their review of the economic reforms under Franklin Roosevelt, is the widespread adoption of the superstition known as the Anglo-Dutch Liberal ideology respecting money and value. The genius embedded in the revitalization of the U.S. economy under FDR's leadership, in contrast to the previously dying economy, was the way in which FDR used the concept of a system of regulation of trade, tariffs, and prices to correct for the fact, that, contrary to the Anglo-Dutch Liberal system, there is no natural "economic value" expressed by "free trade."

There is no actual, defensible notion of a "law of value" in any currency system. It is the regulation of tariffs and trade by government, directly or indirectly, in one fashion or another, which defends a wise economy against the inevitably self-feeding process of increasing general lunacy, and probable bankruptcy, which is inherent in "free trade." Similarly, the idea of "profit" associated with the American System, is entirely opposed to the lunatic notion of the origin of profit under the Anglo-Dutch Liberal system.

The characteristic, systemic fallacy permeating virtually all notions of economic value adopted among nations of the world today, is associated with *the false assumption, that*

economic value is implicitly located in the exchange-value of money as such. This is key for understanding the difference between the economic cycle of U.S. history under President Franklin Roosevelt, and that change to the beginning of a new, contrary quality of cycle, beginning with the Truman Presidency, which is characteristic of the planetary monetary-financial system today. The extremely radical measures by the U.S. government of the 1970s, in tearing down both the Bretton Woods monetary system and the protectionist measures on which the FDR recovery had been premised, are key to understanding how such measures, promoted in parallel by the British and U.S. governments, unleashed the process leading into the imminent, general, global breakdown crisis of the world economy today.

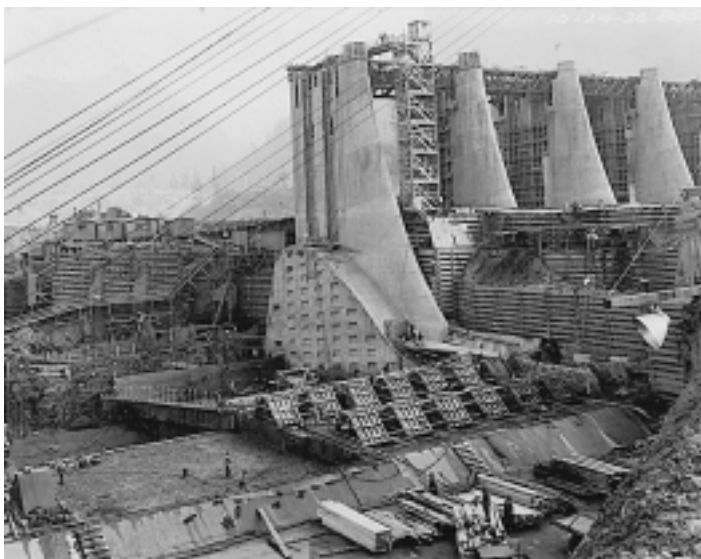
The Present Crisis of the U.S. Dollar

First, in reply to one of the questions posed: it were virtually impossible, in practice, to secure a successful reorganization of the present world monetary order without the participation of the U.S. dollar in a role, admittedly different than that provided by President Franklin Roosevelt's Bretton Woods initiative, but through measures which efficiently pledge the U.S.A. efficiently to agreement to meet the proper core of its pledge to defend the dollar's value in the world system. This will require a profound and very early change in the U.S. Executive branch's and related policies of the U.S. government; but, when confronted with a crisis as devastating as the presently onrushing global crisis will be, the U.S. government under sane chief executives and relevant others, will have no credible choice of alternative to meeting such a fifty-year agreement.

The present international monetary-financial structure of the world as a whole depends upon the stability of the accumulation of either directly or indirectly dollar-denominated obligations, including those on international markets, which are in total, chiefly the hereditary product of the accumulation of obligations of virtually all parts of the world during the recent period of approximately two generations.

Much of that nominal obligation denominated directly, and indirectly in dollar denominations, is of the form of gambling debts, such as financial derivatives; those debts can not be honored, and no attempt should be made to do so. We must, however, defend the core of non-speculative investments and the obligations rightly associated with them, including pensions, especially government-related pensions. We must defend the efficient continuity of society and its productive and related functions, and accomplish this at levels of physical and related output which are substantially higher than present levels of socially essential and other economically useful activity.

On the condition that the U.S. is pledged to honor all its dollar-denominated obligations on those terms, the U.S. dollar becomes what it is not under the present Bush Adminis-



National Archives

The Bonneville Power and Navigation Dam in Oregon, a Roosevelt-era Public Works Administration Project, in 1936. The underlying principle of Roosevelt's reforms was shaped by his understanding of the American System of political-economy—in opposition to Anglo-Dutch Liberalism.

tration and its associated policies. Those obligations become fungible, as long-term securities which can then be used as the basis, at between 1-2% simple interest-rates, for extending long-term credit, at reasonable rates, for development and expansion, and increase of the net productivity of the national and world economy per capita and per square kilometer of territory.

This urgently needed reorganization of the presently hopelessly bankrupt world monetary-financial system, when that system is considered as a whole, will require a financial reorganization of relevant so-called "independent central banking systems." These must be placed in government receivership for their protection under conditions of ongoing reorganization of their financial affairs. The objective of such measures is to maintain the continuity of functioning of the economy and its nation-state functions, "without missing a step between," as President Franklin Roosevelt treated a much less threatening, but otherwise comparable need for a "bank holiday."

However, if the U.S. dollar were not defended at par, the effect of neglecting that obligation would be a rapid and very step plunge into a world depression, which would, for example, hit China's export levels very, very deeply, and very, very quickly.

In this matter, it must taken into account, that the greatest economic liability of China is also its greatest asset: its mass of presently poor people. The transformation of the quality of development of land-areas, as through long-range improvements in infrastructure, and cooperation with other nations, especially those of Eurasia, in developing the improved qualities and quantities of needed raw materials for an expanded and more productive total population of China, will be one of



Treasury Department

Secretary of the Treasury Henry Paulson provides his signature for use on U.S. paper currency—which will soon be worthless, if his policies continue.

the most fruitful investments of the coming half-century, if it is carried forward. This is a very, very good long-term investment, and typical of the spirit and science of investment policy planet-wide over generations to come.

The immediately foregoing remarks lead directly to the most crucial of all of the policy issues of the economy today.

Compare the potential populations of the planet in which, in one hypothetical case, apes, rather than men and women, sought to occupy environments naturally suited to the requirements of either primitive men or apes; and, in the other case, men and women, instead of apes. In the language of Russia's great V.I. Vernadsky, apes belong to the domain of the *Biosphere*, whereas man belongs to the higher domain of the *Noösphere*. The dogs we prefer as house pets may be clever and loyal, but neither they, nor apes, could make a fundamental discovery of science. It is the human individual which made possible the rise of the human population to more than six billions living individuals today; no species of ape could climb so high. It is those sovereign creative powers of the human individual, whose development, and whose applied expression are the source of the creative innovations on which the increase of the relative potential population-density of the human species depends.

The essence of economy, is physical economy, not monetary-financial systems. It is to the degree, that human beings are freed to develop their creative scientific potentials, as poor drudges of a peasant are not, but a modern skilled, science-conscious farmer, or machine-tool designer, is, that the productive powers of society are increased per capita and per square kilometer of territory. The development of the human individual, all the human individuals, in this way, is the only true source of a true margin of gain of real income to a society

as a whole.

Thus, the current trend of globalization, toward moving production from places where infrastructure is lacking, and standards of living are poorer, is driving the planet toward a point, that the potential relative population-density of the planet would continue to fall, as it is already doing, and would fall to levels which would be billions less than the level of the human population today. It is the combined development of a science-driven physical economy, with higher standards of basic economic infrastructure and higher physical and cultural standards of life, which is the only honest source of a sustainable margin of physically real profit.

Furthermore, although the development of peoples demands respect for cultures, such that national cultures are endowed with the right to political sovereignty, the interdependency among peoples in the matter of the management of the planet as a whole, requires means of cooperation among sovereign nations to common ends. On this account, the essential thing is that each nation must regard the benefit of the other, reciprocally, as an essential part of its own obligation.

Although the right to defense is obligatory, the moral authority for subjugation of the other does not exist. The essential task of every nation is not to seek competitive advantage through war, or the bestiality of so-called "regime change," but cooperation among sovereign nations to common planetary ends.

Presently, the planet is afflicted with great injustice. The most cruel is typified by the case of policies of major powers toward sub-Saharan Africa, including the policies of the Nixon, Ford, and Carter Administrations, during the mid-1970s, and the worse, so-called "Christian" policies of the mentally disturbed George W. Bush, Jr. Administration today. The direct opposite is the true self-interested policy of all sovereign nations: to treat the weakness, and the relative underdevelopment of the poorest parts of the planet, as the concern of those of greater advantage.

So, in the case of the Eurasian continent, the mobilization of the often latent potential of western and central Europe, to assist the internal development of technology and infrastructure among the nations of Asia, and of Africa, is in the vital long-term interest of all Europe. In this, it is most urgent, above all else, that we each foster the development of those artistic and scientific creative powers which distinguish every human individual from the beasts.

In Summary: The Policy

Future generations will judge how each of the nations and peoples of today have behaved, by considering the kinds of improvements, or lack of improvements, we the living will have made possible for the two or three generations yet to reach the maturity of retirement-age. If we do not behave and think as mere animals, we are each assured of our ultimate death, and distinguish ourselves from the beasts by that quality of immortality which is realized by the benefits, especially

the benefits of ideas, which we the living bequeath to our posterity. It is the perceived urgent interest of the sane living adult individual of today, to seize that tangible sense of immortality for himself or herself, as did the soldier who gave his life for the future of his family, his community, and his nation.

If we are human, and not greedy, silly monkeys, or baboons, it is not what we possess, or might gain, which is essentially important for each of us, but what we require to perform our service to future mankind.

On this account, the essential interest of nations, as of individuals, is the welfare of the other, especially the people of other nations generally, which is our sense of immortality, our pride in living, our deepest sense of self-interest in being a human being, rather than like a silly, greedy monkey.

The time has passed, when nations could substitute greed and hate of neighbor for the imperatives of preserving a future meaning in having served the cause of humanity generally, even as by making a simple innovation which enhances the power of a section of mankind, or by reciting a classical poem which enriches the soul of a child.

To bring that goal into general practice, we must organize the sovereign nations of this planet around such a common goal, and, as the famous 1648 Treaty of Westphalia showed, make “the advantage of the other” the primary article of agreement among cooperating sets of nations, and among those sets. The point in history has been reached, between the extremes of nuclear warfare and asymmetric resistance, that there is no change for humanity until we, at last, now take that step toward a productive system of cooperation among the nations and regions of our planet.

Since the intervention of U.S. President Franklin D. Roosevelt saved the world from the doom which the combined nations of western and central Europe were bringing down upon this planet as a whole, the institution established under that President Roosevelt, has provided the foundation on which the existence of the world economy has depended for as much success as it has enjoyed since that time. It is upon the dollar established as the instrument of the Bretton Woods fixed-exchange-rate system, that the mass of monetary credit and debt of the entire world rests today. Disturb that foundation, and the edifice beneath crumbles, as the superstructure topples. The heavily indebted U.S. dollar, is the rock on which the debts of the world repose. Weaken that rock, and an immediate chain-reaction collapse of the world system as a whole ensues.

3. Eurasian Cooperation and the U.S.A.

Prof. Dai et al., Observation 3: Therefore, human beings should utilize their wisdom to restrain wars and economic crises to maintain the tendency of peace and development.

From my view, the dispute between countries should be resolved through diplomatic methods such as contact and negotiation. At the same time, we should distinguish the resolution of bilateral disputes from the fight against terrorism. As we can see, terrorism is the most destructive factor in the 21st Century, and it should be eliminated to the core.

However, the disputes between countries could not be resolved simply by means of war. For example, Palestine and Israel have not reached a peace agreement through four rounds of the Middle East war. So I believe the only way to settle the conflicts is diplomatic means, which requires disputing parties to take calm and reasonable position.

Question 3: Eurasian cooperation includes Western and Central Europe, Russia, China, India, and other nations. It is a good proposal, but I think this new cooperation should not exclude the U.S.A., the only superpower today and in the future, and the U.S.A. should play a critical role in the reform of international politics, economics and currency system.

How do you think of this view? Would you please give some comments on it? If your comments are positive, then how could the U.S.A. play a constructive role in this regard?

LaRouche: I agree with that approach, as I have emphasized this within my extended responses to the preceding two questions.

I would only emphasize that the crucial thing is a sudden change in the composition of the current U.S. Presidency. Even some leading people in the U.S.A. itself think that such an early change were impossible. I can not guarantee that the needed change will now occur; but, I have the highest possible authority for reporting that the needed change could be caused to occur soon, given the impact of the shocks about to be delivered to the world system as a whole.

4. U.S. Political Potentials

Prof. Dai et al., Observation 4: Nowadays, the ongoing economic globalization has increased the level of economic interdependence on the one hand and aggravated the unevenness of development on the other hand. So it's time to reform the timeworn international economic systems and members of international society should fully cooperate to correct the unreasonable parts of the current system. As Mr. LaRouche mentioned many times, a new round of the Bretton Woods meeting should be held, and a new international economic system should be established.

As a saying goes, “Reducing pressure could avoid crash,” so the best way to prevent a particular currency from collapse is to avoid it being an internationally core currency.

Question 4: Mr. LaRouche mentioned the necessity for the United States to change its present destructive policies, and to support such a development perspective. We know the forthcoming mid-term election of the U.S.A. in November is an important one.

So, my question is, how much will it affect the prospect of a political change in the U.S.A.? And furthermore, what impact will the 2008 Presidential election have on the political landscape of the U.S.A.?

LaRouche: The U.S.A. is caught within a political-economic vortex. The striking of the Twin Towers of the Port Authority building in New York City struck the population of the U.S.A. with an effect, as I had stated my fears publicly at the beginning of that year: my fear that the combination of the economic downturn which had struck during the preceding year, and the intrinsic incompetence to govern of George W. Bush, Jr., created a situation in which we must expect an event comparable to Hermann Göring's setting fire to Germany's Reichstag in February 1933. The terror of the strike against the Twin Towers had the same type of effect as Göring's securing Hitler's dictatorship by setting fire to the Reichstag. Indeed, Cheney's puppet Bush did come close to gaining dictatorial powers during the events of the evening following that attack. However, actual dictatorial powers were never gained, but the political effects of the incident on the political system as a whole have brought the U.S. very close to the possibility that a dictatorship might be established even prior to the coming November general mid-term election.

In the meantime, the Sept. 11, 2001 incident has produced a certain weakness in the perceived authority of the U.S. Constitution. Yet, one of the factors which increases the risk of a U.S. top-down coup d'état, is the collapsing confidence of the population and political system in the Bush-Cheney Administration. This loss of confidence in the Administration, makes Cheney and his controllers among the circles of George P. Shultz increasingly inclined to early desperate measures. It would be no surprise if Cheney were to launch a months-long aerial attack on Iran prior to the November mid-term elections.

In the meantime, the general collapse of the world's present monetary-financial system is onrushing. The international real-estate-speculation bubble, which was created by former Federal Reserve Chairman Alan Greenspan, is more than ready to implode. The collapse of that mortgage-based real-estate bubble could be sufficient to have the effect on the present world monetary system that the collapse of the Lombard banking house of Bardi had in precipitating Fourteenth-Century Europe into a new dark age.

The current world situation is like a state of war. The existence of the war is certain, and the principal factors determining victory or defeat are generally known, but the exact outcome remains uncertain. In such a situation, one must think like a Franklin Roosevelt, or any other great war-time commander.

As I have warned my friends and others in leading circles of the U.S. Democratic Party, and also others, the immediate future of politics belongs to the cause of the lower eighty percentile of the income-brackets of the U.S. citizens. In the

pattern of results from Democratic primary elections so far, the trend is toward voter preference for the anti-Bush candidates, and for the candidates who are sensitive to the concerns of the voters from the lower eighty-percentile of family-income brackets. The economic and other political shocks to the population are arriving at an accelerating rate. Given the inherent uncertainties which I see clearly as an insider of the political process, unless what I am supporting wins, the situation for humanity as a whole would not be encouraging. However, like a commander, I must fight the battle which is set before me, on which I must act. That is the best that anyone can do at this moment. I estimate that our chances of success are good, but no one can offer guarantees of success at this moment.

5. Shanghai Cooperation Organization's Role

Prof. Dai et al., Question 5: Mr. LaRouche talked about the role of the Shanghai Cooperation Organization (SCO) in Eurasian cooperation. The SCO just celebrated its 5th anniversary in Shanghai this year. I believe its role and influence will continue to grow.

How to handle the relationship between the SCO and the U.S.A. remains very subtle and essential to further cooperation. So, what is your suggestion? Would you comment on this topic?

LaRouche: China is more vulnerable, because of the characteristics of its dependency on the U.S. market, than India, which has a strong base of resistance to externally induced economic crisis in the upper 35% of its family-income base. In other words, China's need for a sane response to the crisis from the U.S.A., is greater in the very short term, than that of India. However, if China is thrown into crisis, all of Eurasia is thrown into an economic meltdown, which would not be good for India, either.

My intervention with the Berlin LPAC webcast, and the new one now scheduled for October 31st, was launched with these considerations in view. The potential for cooperation from Berlin, through Moscow, to Beijing, the port of Shanghai, and Delhi, and so on, is sufficient to prompt immediate steps of Eurasian continental and other cooperation of the type I have promoted with the LPAC webcast. However, there is a certain vacillation among crucially relevant leaders on proceeding to preemptive measures on this urgent matter. My view is that a rallying of intelligent and influential patriots of the respective nations, is what is urgently needed to push through the initial steps of agreement on which the founding of a new world order of cooperation among sovereign nations can be achieved in time to save the planet from a threatened new dark age.

—Lyndon