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LAROUCHE IN RHODES

# A Four-Power Agreement Can Create A New World Credit System

*In this 2009 speech to the Rhodes Forum, Lyndon LaRouche presents the proposals he made in the 2006-2008 period of economic crisis in the U.S. which, if they had been implemented, would have prevented the 2008 financial breakdown. But he then asserts that there were no policies—even his own earlier proposals—which could save the U.S. from within the U.S. alone. Only a global effort led by what LaRouche calls the “Four Powers”—the U.S., China, Russia and India—had the capacity to replace the broken and bankrupt monetary system centered in the City of London.*

*LaRouche gave this address to the Seventh Annual Session of the World Public Forum Dialogue of Civilizations (October 8-12, 2009), on the Island of Rhodes in Greece, on October 10, 2009. His remarks are followed by a brief dialogue with the audience.*

In view of the brevity of time, I shall confine my remarks to a certain aspect of the problem. On the 25th of July of the year 2007, I delivered a forecast by way of an international webcast, which I conducted at that time. At that point, on that date, I said we were then on the verge of a general crisis of the financial system of the United States. I said it would break out in a matter of days, and it did: Then, what became known as the mortgage crisis—but it was more than a mortgage crisis, it was the beginning of a process which has continued up to the present day, of a general breakdown of the U.S. economy in its present form. It's a crisis which threatens the entire world. Because if the United States, with its vast debt, collapses, if the debt of the

United States, for example, to China, collapses in value to nearly zero, which it can do, this would set forth a chain-reaction throughout the world system, which would be a crisis comparable to what Europe experienced during the 14th Century. This is the most serious.

However, there's an immediate solution to this problem.

In the first stage, what I proposed was legislation which was campaigned for throughout the states of the United States, for a resolution by state governments, to push through national Congressional legislation, to put the entire mortgage system of the United States into receivership under bankruptcy protection, in which the householders would remain in their homes, and we would, in due course, settle and resolve the mortgage debt.

At the same time, the other action was to put the banking system, the so-called commercial banking system of the United States under protection. We used to have a law called the Glass-Steagall Act, which provided for precisely that kind of action. But we had Larry Summers, who's not unknown to some people in Russia, known as a thief, I generally believe, who had succeeded in causing the Glass-Steagall Act to be cancelled. So the commercial banking system had been exposed, since that time, to all kinds of speculation, which allowed, earlier, only for investment banking. Which meant that the entire banking system of the United States was being corrupted, and in danger of general bankruptcy.

In the meantime, at the same time, there had been a long-term trend, since actually 1968-1971, of a decline in the U.S. economy, a physical decline in the U.S. economy, which had been ongoing, and had accelerated, especially since the 1987 period.

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So now, we no longer had bankruptcy protection of our commercial banking system, and my legislation, which was supported largely through many of the states of the United States, and also through some of the governors of these states, who were leading governors, would have prevented this crisis from going out of control. It would have meant a financial reorganization of many accounts, but they would be done in an orderly fashion under law, not by chaos.

### **We're Still in a State of Chaos**

What we've been in, is a process of chaos, because, instead of resolving this problem, instead of providing social security for people who lived in homes, instead of protecting industries and other places of essential employment, we allowed chaos to reign, under George W. Bush, and now, under Obama. We're still in a state of chaos.

We have now reached a point, because of certain developments in the meantime, that it is no longer possible to do what I proposed then, back in 2007. Now, we're in a general crisis, which can bring down, chain-reaction style, the entire planet. Because we have outstanding, a mass of debt, based on financial derivatives, and financial derivatives on financial derivatives, which, if the process of collapse occurs, it will bring down the whole planet, but for a very special reason: Formerly, when we had a system of sovereign nation-states, we would have up to 80% of the requirements of survival within the nation, produced within the nation.

Under the process of globalization, we no longer have that security.

For example, China's a victim of that. China was offered the opportunity to produce more cheaply, than the cost of producing in the United States, as an arrangement, and China assumed that this arrangement would be stable. But now, recently, with the collapse of the U.S. dollar, with the collapse of the U.S. financial economy, a chain-reaction was created, which China has good reason to wonder if it will be able to withstand this blow, without serious damage.

Therefore, we have two questions here: Not only how to deal with the problem of the economy, but how do we deal with the world economy as well. Because we have to maintain stability among key nations. I have picked out four nations, as absolutely crucial, that they must cooperate, because with their cooperation, and with that of others who join them, it will be possible to undertake the reorganization of the world economy, by

eliminating financial derivatives—just cancel them; they're worthless paper, cancel them. Go back to the honest debt of nations, go to a commercial banking standard, and create new credit to replace the worthless old debt. By creating new credit, and launching physical production programs, in infrastructure and other terms, we could, by agreement among nation-states, prevent a general collapse, and actually launch a program of orderly recovery. And these problems that we now face could be solved.

The problem is, that the world is dominated by financier interests, which are essentially parasitical in character. Our industries, our agriculture, our infrastructure is decaying, worldwide—especially in the Americas, especially in North America, and especially in Western Europe. Western and Central Europe is a disaster area. They no longer have national security, economic security: They're dominated by the British, entirely, under the British system, which was established in the context of the breakdown of the Soviet Union and East German economy.

At that point, the British succeeded, with the support of [French President François] Mitterrand, and with the support of George H.W. Bush, the President at that time, in imposing upon Germany, and other nations of Western and Central Europe, conditions which are destructive. And the Western European economy is generally bankrupt, today, hopelessly so. It could be reorganized, through bankruptcy reorganization, but presently the whole system of Western and Central Europe is hopelessly bankrupt, as other parts of the world are.

### **Long-Term Agreements**

Therefore, the task, as I defined it, is, if Russia, and the United States, and China, and India, agree, as a group of countries, to initiate and force a reorganization of the world financial and credit system, under those conditions, with long-term agreements, of the same type that Franklin Roosevelt had uttered before his death, in 1944, under key nations, the intention of Roosevelt all these years later, could have been realized, and we could do that, today.

That's our chance: Either we do that, or we go under. I can assure you, if you think that there's any possibility that the present system could continue into the coming year, as a system to work with, that there will not be a general, continuing, worsening crisis, at the present time, there will be no economic



EIRNS/Stefan Tolksdorff

*In his address to the Rhodes Forum, Lyndon LaRouche outlined his proposal for an alliance among the world's four great powers—China, Russia, India, and the U.S.A.—to end the global crisis.*

recovery in any part of the planet, under the present conditions.

We're now headed for a general chain-reaction breakdown crisis, caused by not only this particular financial crisis, but caused by globalization. Because under these conditions, every nation has become so dependent upon other nations, that any disease, of the economy, any breakdown disease of the economy, will bring down all nations of the economy, in chain-reaction form. At what speed, we can't be sure. But that's the danger.

So, the issue now is the political decision: Can we have the United States, under an improved Presidency—and it does require improvement—can we have the United States, Russia, China, and India, become a bloc of countries, which each have different characteristics, but if they recognize among themselves, that they have a common interest, they will adapt to each other, and respect each other's different characteristic. The result of this, will be the elimination of the monetary system of the world that has been dominating European civiliza-

tion since the Peloponnesian War.

The imperial systems of the world, are not the United Kingdom, for example, but the British system is an imperial system. It's an imperial system because of its role in an international monetary system. We no longer have nations which control their own money: We have an international monetary system that does control their money. If you control the monetary market, the monetary system, you control the world.

The monetary system is now a disease. We have to put the power over monetary systems, back in the hands of sovereign governments. This must start, with leading governments—a coalition among leading governments, which agree that this is necessary, and will agree to set up a fixed-exchange-rate system, among reorganized, sovereign, national systems of their own currency, their own credit system. These credit systems must be organized in such a way, that, as in the case of China and some other countries, that the remedy for the problems which now exist, are no longer the remedies that we thought would exist, or many thought could exist, a few years ago. We now have to think in terms of generating long-term credit, at interest-rate charges of 1.5 and 2%, because that's what you require in order to do this kind of thing. China is going to require 50 years of long-term development, to bring itself into the condition it desires to be in. Other countries are in a similar situation. Most of North Asia is in that situation; Russia is also in the same situation.

Therefore, we have to come to a discussion, a moral discussion, of what our objectives are. If we do that, we could survive.

### **The U.S. Mass Strike**

On the concluding point, the Obama Administration: In the United States, we have a kind of phenomenon, now ongoing, which affects about 80% of the population, of a type which was described by a famous lady, Rosa Luxemburg. We now have in the United States, ongoing, since the month of August, something we had also in East Germany, especially in 1989: We have a true mass strike, of the type described by Rosa Luxemburg. Not a general strike, but a mass strike, a mass-strike phenomenon, where the majority of the American people, as representative, had gone out, and had refused to listen to their own members of Congress; have condemned them, and said, "You members of Congress, shut up! We want to talk to you, now, and tell you what to do!" That's a mass strike, just as happened



EIRNS/Will Mederski

*In the United States, today, we have a true mass strike, LaRouche said. Here, a mass rally in Washington, D.C., Sept. 9, against the failed policies of President Obama and the U.S. Congress, also featuring LaRouche PAC's famous "Obamastache."*

in East Germany, in 1989, a mass strike of the people standing up, shoulder to shoulder against authority, saying, "You, shut up! We are the people. *Wir sind das Volk!* We are the people." And that's what we're getting in the United States, now: Eighty percent of the population of the United States have rejected, as this point, the present Obama Administration.

And the Obama Administration will either be transformed and reorganized, in composition, or, we will be in real trouble. Because if the United States is not capable of being reorganized, to do this, I don't know how we can pull it off. I know that there's a possibility among major nations, that Japan would cooperate, other nations would cooperate immediately, once this kind of thing were started. But it's up to the major nations, the four I indicated, who must take the initiative, in combination. If they take the initiative, I know the rest of the world will go along.

But we have to understand, we're different nations, with different cultures, these four, and as others. Therefore, if we can cooperate, despite our differences in characteristics, then we have provided a model, which the rest of the world can accept.

Thank you, very much.

## The British Imperial Monetary System

**Moderator:** Thank you, sir.

**Q:** Excuse me, I would like to ask you two questions. The first one: Do you really believe in the procedure, if we abolish derivatives—is it possible to abolish derivatives, while preserving the market economy?

**LaRouche:** Absolutely—.

**Q:** This is first of all. And the second one: I couldn't understand your attitude toward Great Britain as dominating power in Europe. Can you [offer] some proof of it?

**LaRouche:** But first, let's take the second question first, Great Britain.

The mistake is the assumption, that the British Empire was the empire of the United Kingdom. The British Empire is not the empire of the United—.

**Q:** It's over now.

**LaRouche:** No, the British Empire is actually an international financier interest, a monetarist organization, which is an expression of old Venetian system, which operates through the monetary system of the world.

In other words, the issue here: The world is now run by monetary systems, not by national credit systems. Our view, as the view of the U.S. Constitution, is that we do not want a monetary system running the world. We want sovereign nation-states to have their own credit systems, which is the system of their currency. And as Roosevelt proposed, in 1944, and has been argued otherwise earlier, these nation-states should set agreements, on a fixed-exchange relationship among themselves, for the purpose of being able to guarantee low-interest credit, for international credit, without the inflationary effect of a floating-exchange-rate system.

Therefore, eliminate the monetary system. Use the national currencies of nation-states, sovereign nation-states, to come into a fixed-exchange-rate relationship,



EIRNS/Daniel Grasenack-Tente

*The mass strike has also erupted again in Europe, as the 20th anniversary of the Leipzig Monday demonstrations was celebrated in Germany, as seen in this photo of a 100,000-person rally in Leipzig, Oct. 2, 2009, with the BüSo banner held high.*

which can be adjusted but it should be fixed, so that we do not have inflation in interest-rates' charges on outstanding loans. Because, our requirement, now, is we have to think in terms of 50 years ahead, of credit expansion, for basic economic infrastructure, in order to get the economy moving again.

So that's the point of the thing: Is to get agreements among nations, which are dissimilar enough to be representative. If you want a general agreement, you have to have agreement among nations which are dissimilar in characteristic. You get that agreement, and with the terror that's going to strike this nation, now, with this crisis, it's possible to make great changes. But it takes big nations, with smaller nations associated with them, who can force through this kind of change globally. It's our only chance.

## The Mars Project

**Moderator:** Thank you. [In Russian]: Very interesting. Professor Kochetov also wanted to ask Mr. LaRouche about something.

**Q:** Mr. LaRouche, your very content-rich report [audio break] ...look for some alternative to globalization, or should we expect some nationalist and other counter-movements against globalization? You were talking about the monetary, but what will be the reaction of the economy, for example, the cycles of production, if, indeed, the "alter-globalism" would prevail?

**LaRouche:** Well, first of all, we have to get back to

more emphasis on physical economy, and the development of the minds of peoples, in accord with physical economy. The hallmark for this, is the Mars project. In order for man to meet Mars—the same kind of thing was done with the Moon project, but the Moon project was already, you remember with Kennedy, was a Mars project. The intention was, if we could get to the next planet in the Solar System, we would have developed the technologies needed to solve all problems on Earth. That was the principle.

The idea was, that the Moon would be a base of operations, from which to build the industries to send

to Mars, to send the operation to Mars. This involves a relativistic economy, as Einstein defined relativism, in terms of electromagnetism and gravitation, as being the same phenomenon. Because, to get to Mars, means you have to travel about six days, in an accelerated mode, using helium-3 as a fuel, as the driver. And the helium-3 is there, on the Moon, to be taken. So, with a fusion energy process, with a helium-3 mode, mankind can reach the Mars orbit from the Moon orbit, within six days! The question is, how to do that?

Now, if you give man a future to work for, rather than just working from the past, mankind is motivated to develop the scientific and other skills, and develop them enough to do this kind of job. We need a mission-orientation for the next three to four generations, to get this Mars project in place. The purpose is not to get there quickly, now. The purpose is to give our economies a purpose, and the purpose is also to take each nation on this planet, and give every people, and every nation a sense of participation, in this great common interest of mankind, to take care of our own global system.

Therefore, we need to simply take all this derivatives garbage, which is credit upon credit upon credit, beyond imagination! It's pure thievery and gambling. And gambling debts, when lost, are cancelled. Therefore, we don't need to pay the gambling debts, called "incentives" and "financial derivatives."

But we do have to provide a mechanism, where nation-states can generate enough credit, within themselves, to solve these kinds of problems, and go on to reach Mars!