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LaRouche in Rome

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## The Remedy: Put the System in Bankruptcy

*Lyndon LaRouche made these remarks to an informal hearing at the Italian Chamber of Deputies, June 17.*

What I shall say to you will not always be things on which you would be prepared to act, legislatively, but I think it all is relevant to what you should take into mind and take into consideration, in looking at the matters you will have to deal with.

The “good news”—relatively good news—is that we’re essentially in a worldwide collapse of the international monetary-financial system. This is not something for the future; this is what has been happening since July of 2007. It just has been speeding up, and getting to a more and more crucial position, largely as a result of the failure of the United States to do its work in the reforms which could have been implemented in 2007.

The second thing is, the present policy of the present

President of the United States is a catastrophe, which has remedies, however.

Let me start with—first, what was the situation? On July 25th, of 2007, I gave an international webcast, in which I announced that we were on the verge, in a matter of days, of the beginning of a general collapse of the international financial system. This collapse, which I forecast would begin with the collapse of the weaker part of the mortgage banking system in the United States, and internationally. That, of course, happened three days after I forecast it, which is rather fast results, and has continued ever since.

At the present stage, that particular contagion, which started at that point, has now reached the point of a general threat of a breakdown crisis of the entire international financial-monetary system. The good part of the whole story is, that there is a remedy. But, it’s going to be a question of: Who’s going to do it?

We could, at any moment, in terms of days or weeks, we could have a general breakdown crisis, by which I mean a situation, as in the state of California, within the United States, for example, of large sections of the world going into a place where government *breaks down*; breaks down largely for financial reasons. In other words, the government just has no money, and has no money to maintain conventional essential institutions within that state or a number of states.

The entire United States is actually on the verge of such a situation, as are a number of countries in Europe—that is, they’re reaching, the point has not occurred, but the verge of the crash, the verge of a condition under which the income can not be developed by governments to cover essential, traditional functions. And then, simply government just walks away from those responsibilities, because it’s totally impotent.

For example, under the present rules of the European Union, governments have no authority to increase their capital funds. And therefore, in the case of a crisis, the question of an emergency float of capital funds, or injection of investments, as capital investments, to reverse the problem—it doesn’t exist.

So, this is the general condition. We’re also on the verge—at the same time that we’re in a *deflation*, because of collapse of employment and collapse of production (in the U.S., it’s worse now, than it was in the 1929-31 crash. It’s that deep. And this is the condition around the world.) But we’re on the verge, where, in the attempted bailouts of highly speculative financial operations, we’re on the verge of a hyperinflation, like

that of Germany in 1923. It could begin to explode at any point. So, you're in the mixture of a *deflationary* crisis in terms of the physical economy, and an inflationary crisis with the attempt to sustain certain kinds of institutions.

## What To Do Now

My remedy, of course, was, in July of 2007, to resort to the final institution of bankruptcy, as we understand it in the United States. You simply take and declare an institution in bankruptcy. You don't shut it down, but it operates under operation-in-bankruptcy. Then you sort out the things which should be paid and covered immediately in an operation to maintain the functions of society, and you put some of the rest in limbo. And you then, gradually, you sort the mess out.

That usually, however, coming out of a depression, a collapse like that, which is what we're going to be facing now, in Europe and elsewhere, means that you have to put the thing under regulation. But at the same time, you have to do things which start growth, under these conditions. Therefore, you set priorities on capital funds, at low rates, over a *long term*, to get institutions back into motion, and then the income you generate by putting institutions back in motion, becomes the means of financing a recovery process.

So, the question is: Is there the *will* to do that? One. Two, does the will exist *among* nations, to establish a system of cooperation which will deal with that?

For example, take the case of China. China was used for years as a cheap-labor market, to replace production in Europe and the United States. Now, this happened, because the Chinese worked more cheaply than Americans or Europeans; and therefore, it was a cutthroat dumping of the European market, the American market, but in a highly deflationary/inflationary mode. We shut down the industries in the United States and Europe, on which those European economies depended for their income, and we transferred the production and the capital investment to China, where the labor was cheaper. As a result of that, we've gotten into a situation, where now, in Europe, as in the United States, we have shut down our sources of income. We have a rate of unem-



EIRNS/Patrick Holzer

Lyndon LaRouche brought "good news" to his Italian friends: *The bankrupt international financial system is collapsing; the question now is, what will replace it? Here, LaRouche (center), with Sen. Oskar Peterlini to his left.*

ployment which exceeds that of the so-called legendary Great Depression of the 1930s, and it has not stopped—it's accelerating.

So we're rapidly moving toward a crisis.

What happened is, instead of using the law of bankruptcy, to put the national economies under regulation and to organize their recovery, we went in the opposite direction: We went to bail out highly speculative kinds of investment, or so-called investments, in financial derivatives. Our entire financial, insurance, and banking systems were saturated with this kind of garbage, at the same time that the real, legitimate income, by production and investment in real creation of wealth, was being starved.

So now, we've bailed out those insurance companies, in the order of, in the U.S., \$13 *trillion* of bailout, of things that should not have been bailed out, they should have been put into reorganization. We now are cutting health care, by the order of magnitude now of *\$1 trillion of U.S. health care*, is being cut by this administration—and that's not the end of it! It's going to become worse.

The health-care system is being shut down, at least if certain laws pass, proposed by President Obama, under which we will *reduce* the number of people who live: We are copying a law which was adopted as the NICE [National Institute for Health and Clinical Excellence] law, in Great Britain, and is being forced down the throat in Germany, which means that whole categories of people will be written off for accelerated death



NASA

*Advanced industries in the U.S. and Europe were shut down, and shipped to cheap-labor markets, like those in China. The result: today's disintegrating economies in the formerly advanced sector. Shown: Italian aerospace company Alenia Spazio technicians prepare a satellite for the Orbiter Columbia in 1996.*

rates, by denial of medical assistance, and cutting the relevant programs, shutting down medical institutions, and so forth. So we're in this kind of horror show.

The only remedy, of course, is, again, put the entire world system into bankruptcy reorganization, which requires a concert of nations to agree that this has to be done. Because in doing this, we have to ensure stability, economic stability and political stability, at the same time. Therefore, there has to be an agreement among *some* leading nations, to start this process as the model for the rest to follow.

My view and recommendation—because Europe is no longer operating with the kind of freedom that European nations had earlier, because of the euro process, where European governments can not create credit for the purpose of recovery of their industries, long-term investment, and we need that kind of credit. So what I proposed is, that the United States should go to China, to Russia, and to India, as key countries which would be easy partners to make: China depends upon the United States for its economy. Russia, if it uses its head, depends upon the United States to stabilize its own country; all these countries need a long-term reorganization of the banking and financial system, in order to regulate and manage this thing. But the management must come globally, not just by one nation at a time. Groups of nations must agree to share agreement on a common credit

system, among nations, at a fixed exchange rate. Then we can afford, and be able, to generate the credit over, say, a 50-year period, to get some of the industries going, largely through infrastructure investments, which are needed to build up and save this economy. It can be done. I'm proposing that it *be* done.

### It's Coming On Fast

But I'm also, at the same time, admitting, that this is a very difficult thing to do at this time, politically. And therefore, I would hope that by my informing people that this is the situation, they would begin to think in these directions, and then we could get some cooperation to this effect. But the problem is, this is coming on fast. This is not something for the distant future, it's not a speculation: I can guarantee you, that under the present system, with the policies of gov-

ernment in Europe and the United States, I can guarantee you, that we're headed for the worst crash since the 14th-Century New Dark Age, and this, on a global scale. And therefore, it's important now, even before the feasibility of doing this is apparent, to have the *idea* of the need to do it clearly in view. And thus, hope, that as the crash becomes worse, that people will recognize that they're willing to do what they were not willing to do earlier. Because this is the necessary thing.

And the other part of this thing, is the problem that most people out there, including in government and outside government, really don't understand this situation. And it has to be explained and made clear to them. Because you're not going to get a voluntary agreement to the kind of measure that's required, unless people understand what the problem is and what the solutions are.

And so therefore, that's what I'm saying: I'm saying to you, that I can not suggest that you're going to do these things, but I can suggest that you're going to think about them. And that therefore, we're going to build up a constituency for cooperation rather rapidly, I would hope, to be prepared to take the necessary action. And I think this is one of the places, in Italy, where that discussion has to go forward. And that's my purpose in my remarks, today. I presume you have some things you may want to ask me about it.