

Goodbye Humpty Dumpty

The following statement was released on July 28 by Lyndon H. LaRouche, Jr., U.S. Labor Party and Presidential candidate.

Although the Eurodollar Humpty-Dumpty has not yet struck the ground, the past 24 hours' events, centering around London and Paris, have pushed it off the wall. The wall being a very high one, some brief time must pass before the actual, decisive crunch occurs. Overall, allowing for the fact that a number of curious developments may transpire before the tragic "thwack" and "kerplop" resound, the general nature of the result is now broadly a foregone conclusion.

There is a minority of well-informed persons who already recognize the implications of yesterday's events. Most others, to whom the power of the Manhattan banks is a treasured perception, will go through an agonizing process of successive misinterpretations of the development before the reality of the matter is broadly comprehended.

We must expect to witness a shortlived but vigorous debate over the hypothetical proposition, whether the U.S. dollar is or is not "undervalued" in terms of current exchange-rate trends. The form that debate will take will properly remind more astute observers of the situation described by satirist Jonathan Swift concerning the learned circles of his not-entirely-fictional floating island of Laputa.

Among the amusing sidelight developments of the next week or so will be the allegation by some that I personally caused the collapse of the dollar. Pointed reference will be made to a strong resemblance between my proposal to launch an International Development Bank as a private banking venture and the pattern of actions emanating from certain Paris, Arab and other relevant circles. It is true that certain relatively powerful forces have followed their own version of my monetary gameplan, however they have recently kept a maximum distance from direct contacts with myself and my associates for several reasons, reasons most emphatically including concern to avoid the consequences of any visible collaboration with the Labor Party leadership.

On that specific point, although the actions of certain forces did have the effect of triggering the current Eurodollar crisis in its present form, neither the eminent Jacques Rueff nor others can be rightly charged with improper actions on this account. The Carter-Mondale policies absolutely ensured the collapse of the dollar during this quarter's developments, whether or not Western European and other forces intervened to effect a showdown. Moreover, these Europeans and others have acted merely to defend their nations' most vital interests against the effects of the lunacy represented by the Carter-Mondale energy-austerity package and the kamikaze-inflationary attack on Western Europe by U.S. Treasury Secretary Blumenthal.

In keeping with the greatly augmented intellectual authority I and my immediate associates have gained because of this development, I have a special responsibility at this juncture for summarizing the principal, relevant facts of the current situation, and including some points of explanation and advice to aid, particularly, trade-union leaders, industrialists, and congressmen in the United States.

I shall cite first the most relevant points of background information concerning the present developments. I shall then cut through the nonsense-discussion over the "undervalued dollar" by identifying what bankers term the "fundamentals" causing the dollar to tumble in the direction of a bottomless collapse. I shall then refer to the probable course of developments and situate necessary lines of USA action in that context.

How The Break Developed

There are three most prominent facts to be taken into account to understand the developments of yesterday. First, certain French, Arab and other forces have been preparing for the establishment of a gold-based new monetary system along lines significantly coinciding with my proposals. This has been in progress for some time, and has been unavoidably increasingly visible during most recent weeks. Second, the kamikaze-style inflationary assault upon Western Europe and Japan by the Carter-Mondale Administration forced Europeans and others to commit themselves to effective counter-measures. Third, the Carter-Mondale Administration's unleashing of its rent-a-political-puppet, Egypt's Anwar Sadat, against France's long-standing ally, Libya's Qaddafi, as part of a "bust-OPEC" action directed against Europe and Japan, left Western Europe with no alternative but to exploit the weakened position in which Blumenthal had situated the Eurodollar market, to save Europe's credit and export potentialities.

It is of some importance, but only secondary importance, to know whether the Carter Administration's manipulation of Sadat simply coincided with a broadly-pretimed development, or whether Sadat's aggression against Libya caused the timing of the monetary break to be pulled forward. It was going to occur in any case. The Carter Administration's launching its "bust OPEC" caper against Europe and Japan eliminated any reasonable possibility that the action could be postponed further.

Labor Party Role

It is one of the ironies of the situation that although I and my close associates have played an important part in these developments, I do not know at this juncture exactly how much I contributed directly to the present course of events. A summary of what I do know in that connection has included usefulness.

The first reaction to my announcement of the private International Development Bank effort was an en-

thusiastic endorsement from among a wide selection of leading major and other bankers. It was uniformly agreed among those circles that the analysis was correct and the proposal "brilliant." After slightly more than a week of this pattern of interested responses, the "iron curtain" was rung down. A defamatory "line" began pouring out of the mouths of leading bankers with whom I had sufficient earlier acquaintance to know that they were engaged in bare-faced lying. This was corroborated from certain very high-level circles, to the effect that many of the same bankers professing to denounce my private banking proposal were boosting it enthusiastically behind closed doors among privileged circles.

In general, I knew that a massive deception operation was afoot. Banking and allied circles who were publicly denouncing my proposal were at the same time acting to put it into effect.

The reason they should adopt that tactic was obvious enough. I am personally under the most massive and intensive surveillance of any living individual of the moment, the subject of pathological extremes of fascination among Carter-Mondale and certain Manhattan circles. Governments, major parties, major industrial and banking groups in numerous countries have reported themselves to be under the strongest pressure from the U.S. State Department and allied agencies to give no direct or indirect support to the Labor Party or its efforts. The best way for any force to act on my proposals was at the maximum distance from any overt sign of collaboration with me.

Consequently, I knew that some forces were grouping around a course of action at least paralleling my proposals, and soon knew who some of these were. However, in general, I did not know — and still do not — the exact lineups in terms of various known configurations of financial, political, and other interest. Under these circumstances, I played the game accordingly, tossing the right added information "over the fence" of the containment around me, knowing that all on the other side of that fence would receive this information, including those known and anonymous persons to whom the messages were primarily addressed. Once I was certain that I had the "cat among the pigeons" to this effect, I was free to tip off certain relevant friends and acquaintances in the USA as to what the game was and how I was playing it.

Consequently, although I know certain addresses at which the answers to my questions might be found, I do not yet know the exact configuration of the total forces involved, nor do I know to what degree my proposals have shaped the exact course of actions adopted. I merely know that what I have contributed caused the perceptions given in Labor Party work on a new monetary system to figure significantly in shaping the thinking of these partially known, partially anonymous circles. Consequently, my capacity to predict what they will do next is not based on privileged confidences, but on an understanding of the general reality of the situation and of the kind of thinking those forces are visibly applying to the problems represented.

Lacking other forms of payment for its services in creating a new world monetary system, the Labor Party has been compelled to take compensation largely from

the contemplation of the ironies of the process.

The Debated Value of The Dollar

No one in the United States can competently criticize the actions of the Labor Party on this account. If the "European snake" of currencies is stabilized on a gold-reserve basis, this does not injure the United States, but exactly the contrary. If the United States lacks the combined brains and guts to defend its own vital interests in maintaining levels of industrial and agricultural production and employment against the lunacy of the Carter-Mondale Administration, such cowards and fools ought at least to be immensely grateful that someone in Western Europe has the combined competence and will to force the United States to follow a course in its own most vital interests.

David Rockefeller has been reported as stating that the dollar is "undervalued." This is sheer nonsense, as satirist Jonathan Swift would keenly appreciate. Under the Carter-Mondale "energy" and monetary policies, *the U.S. dollar is not only presently enormously overvalued* in foreign exchange, but its present tendency to fall is a plunge with no bottom. The proof of that point is a matter of what the Bank of England yesterday referred to as "fundamentals."

The value of any currency on international markets is determined in a twofold way. The first valuation of a currency in international markets is as a trading currency. This value is determined in terms of negotiable bills of exchange against "hard-commodity" exports and export-import balances on "hard-commodity" account. The second valuation of a currency in international capital markets is based on the rate of profit on investments within the national economy. It is the relationship between these two international valuations of a currency which is the proper concern of individuals in the position of U.S. Treasury Secretary Blumenthal and Federal Reserve Chairman Burns.

Both the trading-value and the investment-value must be maintained, and any weaknesses on trading account must be fully compensated on investment account. This, George Washington's administration, and the second administration of Thomas Jefferson, clearly understood, as did the Whigs of the Lincoln administration. Neither faction of the Carter-Mondale Administration nor Senator Humphrey's tame Joint Economic Committee of the Congress comprehends so elementary and vital a set of facts. On this matter, Secretary Blumenthal is an imbecile, whose only useful function is to make Arthur Burns appear quite sane by contrast.

I explain each kind of valuation and then explain the present gross overvaluation of the U.S. dollar in those "fundamental" terms. In those terms, the necessity for the Bank of England's action becomes indisputably clear to any rational person.

As a trading currency, the international value of a currency is first of all what one can buy with it. In the end, this comes down to a list of industrial and agricultural exports from that nation. If there is a deficiency of such exports relative to the claims against the nation in terms of its currency, then either the foreigners convert those unsatisfied balances into term investments in the

nation's internal economy, or they have no option but to demand gold payment to make up the shortfall in export balances.

At present, the rate of expansion of dollar-denominated claims in international markets far exceeds combined export balances and gold reserves available. As Blumenthal forces the Fed to print new volumes of dollars for international circulation — dumping large masses of unsupported dollars on the world market — and as the Carter-Mondale policies force a drastic fall in industrial and agricultural exports, the dollar's true value as a trading currency is falling at an accelerating rate, with no bottom in sight.

Under the Carter-Mondale "energy package" and related austerity and WPA-style make-work programs, the U.S. dollar as an investment currency is collapsing even more rapidly than as a trading currency.

This, after all the armtwisting and cute, cute covert operations Carter-Mondale run against the Saudi royal family seeking Saudi support of Chase Manhattan, the Saudi royal family is faced with the "fundamental" fact that it must reasonably expect losses in the order of 30 percent on today's dollar purchases during the remainder of 1977 alone. The recent fall of the dollar from DM 2.36 to DM 2.26 on the Frankfurt exchange underlines this point most dramatically.

The lunatic antics of Secretary Blumenthal are a grotesque aggravation of the problem. However, contrary to Arthur Burns and David Rockefeller, moving Blumenthal off to Scott Paper Company's toilet paper production line does not solve the more fundamental problem.

The cause of the U.S. depression is twofold. First, the collapse of exports. Second, the collapse of the internal economy. The U.S. Congress's submissive "compromises" with Carter-Mondale are the fundamental cause of the collapse of the dollar at this moment. As long as that prostration continues, the situation will get much worse rapidly.

The key to the collapse of exports is the so-called "IMF conditions" for loans to developing and other nations (such as Italy, Britain, Denmark). These are not real loans, but mere bookkeeping frauds. In general, New York and other banks rewrite unpaid debts upon their books as new loans issued, without a net penny actually going into the so-called borrowing nations as a whole.

The "IMF conditions" are modeled on the Chilean "solution" of 1973. Chilean President Allende was not overthrown because he had Communist support for his government, but because Chile could not pay its debt to New York banks under conditions of the fall in its copper earnings, and Allende resisted going as far as Milton Friedman prescribed in forcing genocidal extremes of austerity on his nation's population. This is the same policy the New York banks imposed upon Peru from the beginning of 1976 — although not without rearguard internal resistance there — and upon other nations.

These "IMF conditions," outlined in broader terms by World Bank lunatic Robert McNamara, demand that nations slash their internal consumption *and production*, in order to squeeze from a shrinking internal economy the means to roll over pyramided debts — debts which are largely pure inflationary write-ups of line-entries on

Manhattan and other banks' ledgers. The object is to squeeze out sufficient flows of funds from these nations to cover up cosmetically the fact of the bankruptcy of Manhattan and other dubious banks.

The result is a catastrophic collapse in imports by those nations. These reductions in imports are translated immediately and directly into falls in exports from Western Europe, Japan, Canada and the United States. That is not the limit of the effect. "Reverse leverage" is set into motion. Any drop in export levels of industrialized nations causes a significantly larger drop in the overall levels of industrial production within those industrialized nations. This causes a sharp drop in trade among industrialized nations, dropping their imports level still further. In short, a spiral of collapse is set into motion by those methods of loansharking practices against the Third World.

The Carter-Mondale "energy policy" ensures that this collapse turns into the worst depression ever. The only basis for increasing the developing nations' debt-paying and import capacities is to increase both their levels of total production and the per-capita rates of industrial and agricultural productivity through a high-technology development orientation. The crucial element for all such development is energy production, which means primarily the export of nuclear energy plants and electrical grid construction on a massive scale from the industrialized into the developing nations. By simultaneously attempting to destroy nuclear energy export programs and also destroying the supporting infrastructure for such programs within the United States, Carter is turning the United States back toward the depths of the Middle Ages, and making the U.S. dollar almost worthless on international markets.

Meanwhile, for spice, Carter-Mondale-Humphrey domestic programs destroy large portions of the internal market. Instead of opening up productive, industrial employment, Carter-Mondale-Humphrey are shutting down industrial production and employing the unemployed at slave-labor wages in non-productive WPA jobs, which is simply purely inflationary waste.

It is not astonishing that some West German editorial circles have derisively described the Carter dollar as a "Blumenthaler" (the diluted coffee served to young children in Germany is termed "Blümchen Kaffee," and "Thaler" is the original, German name of "dollar.")

France, the Bellwether

Yesterday, on the same day that the Bank of England expressed its well-founded appreciation of the Carter dollar, France's President Giscard d'Estaing announced that France was going fully ahead with the projected 10 gigawatt nuclear energy program. This morning, the prefect of the region at which this weekend's projected 100,000 anti-fission demonstration is to occur announced that no demonstrators would be permitted within five kilometers of the site, and that adequate police force would be deployed to enforce the order.

The environmentalist-terrorist movement, linked to Marcus Raskin's networks and the Brussels-based World Federalist Youth organization, Agenor, is about to find that its days of more or less free rampaging against industrial progress have come to an end. If they insist on

pursuing their course after the clear warning given, the end will be, I regret to foretell, a very bloody one.

The possibility of saving the French franc and all the European Economic Community currencies as well, depends absolutely upon France's key role in a joint European program of massive nuclear-energy and electricity-grid exports into the developing sector. With such a program, and only with a package which includes such a program, the franc and other European currencies can be quickly put on a gold-reserve basis for export. To attempt to interfere with that program at this critical juncture of dollar-collapse is to make war upon the European and other nations involved.

West Germany might conceivably vacillate briefly on this issue, but "fundamentals" prescribe that West Germany, Benelux and Italy have no real choice but to swing over decisively. If the Carter-Mondale forces attempt to sabotage this process by various monetary tricks, Europe will either resist that in the most forceful way with existing governments, or produce new governments quickly which do. Cute tricks and covert operations are now of greatly reduced effectiveness since Carter's Libyan caper. The fundamentals have begun to operate, and now real politics will assert itself.

Any effort by the Carter-Mondale-Humphrey to counter this development will only worsen the situation of the dollar, as long as the present Carter-Mondale policy continues. If Europe is shifting toward a hard-commodity policy, while Carter-Mondale-Humphrey continue the deindustrialization-funny money policy, with or without suprausterity in the USA, the "fundamentals" referred to by the Bank of England yesterday mean that Europe must win at the expense of the dollar.

Since the Carter-Mondale crew is faced with that reality, the risk that they will attempt to provoke a general thermonuclear confrontation with the Soviets, as a "last gamble" for saving the Manhattan banks is the gravest problem of this period.

Otherwise, the best solution is to get me into the White House very quickly. The only alternative is someone in the White House who accepts my authority as the administration's "grey eminence." There is no problem facing the United States which Carter, Mondale or Humphrey would not make worse, and no problem which I can not solve.

Goodbye, Humphrey-Dumphrey. All the king's horses and all the king's men couldn't put your world together again.

Carter's Puppet Attacks Libya

The following statement was released on July 25, by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman.

Contrary to all lies being conduited through press and other "authoritative sources," the Egyptian invasion of Libya is the activation of one-half of a plan of the Carter U.S. National Security Council, which has been planned to be put into operation for at least three months to date. The other half of the plan is an Israeli strike into Lebanon and Syria, triggered through destabilization of the delicate balance in Lebanon.

Highest-level European circles have been duped into accepting the version of the operation put out from Washington and NATO Brussels headquarters. The insiders' "cover story" for this operation is the explanation that this is a Brzezinski move to clean out all Soviet bases and influence from the Middle East.

The truth is that it is an operation whose objective is the destruction of the French, West German and Italian economies through a violent disruption of OPEC and Middle East petroleum supplies. It is, in short, an action taken in behalf of the policy being pushed by Senators Jake Javits and Frank Church, and Javits' and Church's backers, of course.

Although the primary objective of the actions by David Rockefeller's puppet Anwar Sadat is to break up OPEC and break the back of the European economies, there is a dangerous element of confrontation with the Warsaw Pact in this operation. However, the issue of the confrontation has nothing to do with the story being put out from Washington and Brussels. The pattern of confrontation is that of which I warned in my nationwide

U.S. half-hour television address of Nov. 1, 1976.

Essential Elements of Information

The essential elements of information to be considered in arriving at an evaluation are as follows.

Anwar Sadat and his minister-president are currently functioning under the terms of a rental contract held by David Rockefeller of Chase Manhattan Bank. The reported rental fee paid for Sadat's services during the present period is in the vicinity of \$900 millions. There are also indirect influences to the same effect on Sadat, through pro-Rockefeller or pro-London factional elements within Saudi Arabia. For all practical purposes connected with the current operation, Sadat is at the moment a mere puppet of Zbigniew Brzezinski, and each of Sadat's actions, until further notice, are being fine-tuned by the corresponding Washington, D.C. and Brussels coordinating agencies.

Any report to the effect that Libya's government is in any way a Soviet influence-conduit is nonsensical, and if from high-level sources a deliberate lie. Historically, to date, the Libyan government's closest political ties are with a certain department of the intelligence services of a certain Western European country, not Italy. All high-level intelligence and informed political sources in the world are adequately informed of this arrangement. Although the details are complex — as all political intelligence connections involving states are — the essentials of the arrangement are quite clear.

Libya is not a Soviet political influence in the Mediterranean or Africa. Libya in no sense "belongs" to the Soviet orbit. Rather, Soviet relations to Libya con-