

## EIR Feature

# Unbalanced minds cannot balance the U.S. budget

by Lyndon H. LaRouche, Jr.

*On Jan. 15, in Arlington, Virginia, Democratic Presidential candidate Lyndon LaRouche addressed 250 supporters at a Martin Luther King Day event. The address was excerpted for a half-hour national television campaign broadcast on ABC-TV on Jan. 27.*

This is Martin Luther King's birthday, and it has fallen upon this occasion, to do something which is necessary. And, I can't think of a more appropriate anniversary date upon which to celebrate.

Martin's role in history is one which is much underestimated in the romantic versions, or the popular versions of his life. In fact, as Amelia [Boynton Robinson] and others have explained to me, in Alabama, the time came when Martin, a graduate of Boston University, a young minister in the civil rights movement, was, by chance, designated, nominated to become the leader of the civil rights movement. He was just a young minister, with no particular distinction obvious to people around him, except people knew him as a fine young man. And, in the few years of his life that remained to him after that designation, he changed. He grew. He's one of the few authentic leaders of the United States in the Twentieth Century.

He did something which I've referred to on a number of occasions, something that impressed me very much in following him. When he was presented with a crisis, he would go into what I've described often as a personal Gethsemane, which is not, perhaps, unusual for a man of the cloth to do. And, faced with a crisis of the movement, would recognize that the movement had to undergo a *change*, a change in its conceptual outlook. And he would come forth from this period of retreat, and make an address which presented a *concept*, such that, after he was murdered, with the consent, or, shall we say, encouragement of his enemy, J. Edgar Hoover, the movement stopped.

Now there were other circumstances at play which arrested the development of the civil rights movement, from that time on. But one of the obvious things,



The National Council of Senior Citizens demonstrated at the White House on Nov. 8, 1995, urging President Clinton to veto the Republican budget-balancing plan. LaRouche points out that the United States had no chronic budget deficit until the Carter administration, and it became worse under Reagan. In the second Reagan term, Sen. Phil Gramm doubled the national debt, in his effort to balance the budget.

which is obvious to me from discussing with many leaders of the movement who were close to him at the time, was, there was no one available to replace him. He was the one man who could present conceptions to a movement, on which the movement lives. Not practical suggestions. Not decisions. Not pragmatic decisions. But *conceptions*, to lift the movement to a higher conceptual level of its role. Not just as a movement of the oppressed; but a movement to make the Constitution of the United States, in its original intent, real for *all* the people of the United States and the world.

Thus, the civil rights movement under Martin, had a *mission*. It was a not a mission of victims, but a mission of leadership, of those on the field of battle who seized the first rank of the fight and said, “We’re leading the way for all mankind toward freedom”—the difference between the victim and the fighter.

Now we’ve come to a time, in the history of the world as a whole, in which the civilization which has become a world civilization in the course of the past 500 years, is about to disintegrate. One says, “Well, when will it happen?” I don’t know. It will happen soon.

The patient, as I’ve said in describing this in a number of places recently, goes to the doctor and says, “Doctor, what’s wrong with me?”

The doctor says, “You’re very sick.”

“How sick, doctor?”

“Well, you’re going to die.”

“How soon?”

“I don’t know. I can’t predict when that will occur. But it will be soon. Be prepared.”

That’s the condition of the world monetary and financial system and the political institutions attached to it today. The monetary and financial system of this planet, is presently *dying*. It is very near its death, its final moment. *Nothing can prevent this monetary system, this financial system of this planet, in its present form, from dying soon.* There is no way to prolong its life, it cannot be saved. The only practical question is, whether the nations of the planet go to disaster with the doomed financial and monetary system.

Ordinary suggestions, ordinary gimmicks, ordinary slogans, ordinary programs are useless for this kind of period. What is needed, first of all, is a clear conception of what the problem is, and, second, once the problem is understood, then there must be a clear conception of the solution. If people don’t recognize the problem, they’re not going to take the medicine. And if you don’t come up with the right medicine, they’re not going to make it anyway. But they won’t take the medicine, unless they first understand the problem.

So tonight, there are three things which I want to summarize, because they have to be presented as, perhaps, Martin would have wished we do it: to present these in a conceptual form, not just detail by detail, but a conceptual picture of what the problem is, and what we have to do about it.

The first thing I’ll do, is address this insanity which has gripped the nation in the recent weeks: the insanity of the so-called “budget crisis,” a crisis which should never have



*Dr. Martin Luther King, Jr. (left) with Attorney General Robert Kennedy, during the March on Washington in 1963. "The civil rights movement under Martin," says LaRouche, "had a mission. It was not a mission of victims, but a mission of leadership, of those on the field of battle who seized the first rank of the fight and said, 'We're leading the way for all mankind toward freedom.' "*

occurred, for which there is no good reason. The attempt to balance a budget, by unbalanced minds.

Once we've dispensed with that, I want to turn to, concentrate, summarily, on the nature of this crisis, why the system is dying, to explain to those who are sitting by the bedside of the dying monetary system, what the system is sick of. And it's not just Gingrich, but there are other things also. And then, summarily, at the end, to indicate the nature of the way in which we should approach providing a solution.

### **'We committed no crime'**

But, before saying that, I want to say one thing about myself. I'm saying, tonight, as I do on other occasions, some things that are "very heavy," I believe the expression is. And, when I say things that are heavy, you have certain funny people around the United States and elsewhere, who say, "Pay no attention to him. He's been convicted of this or that," and so forth.

Well, in short, it's necessary to emphasize, that neither I nor any of my associates have anything of which to be ashamed. We committed no crime. The government records, the testimony of government witnesses, the testimony of government agents, clarifies that there was no crime committed by us, but was committed by a section of the government, on the initiative of Henry Kissinger, and with the complicity, largely, of George Bush, plus a bunch of crooks in the Justice Department, especially its Criminal Division, who have to be

cleaned out. And no one yet has the guts to do so. I would propose *that I do*.

But if there are any doubts of that, we have the printed literature which is circulating around the country, which people—which you can give to your friends. We have tape sessions from hearings which occurred here a few months ago, in Washington, which give an overview of what the problem is, what the problem is with that crew in the Justice Department, and so forth.

So, we have nothing of which to be ashamed. But, unfortunately, we have to make that point strongly to people, to get out of their heads this nonsense, that somehow what we have to say has to be disregarded, because somebody got convicted. It has nothing to do with anything.

We were convicted for only one reason: because in 1982, some people behind Henry Kissinger decided I was becoming too powerful in the world. And they said, "Get rid of him." And, as a result of that, in January 1983, a "national security" operation was set up to try to put us out of business.

After the President of the United States adopted a proposal which I had developed, called the Strategic Defense Initiative, this went into high gear, and a group, under national security cover, including the *Wall Street Journal*, the NBC-TV News, the *Reader's Digest*, all kinds of groups, the Anti-Defamation League, other groups, were called together to run a defamation campaign to set up to bring about my extermination.

And, when they couldn't accomplish that by other means,

FIGURE 1

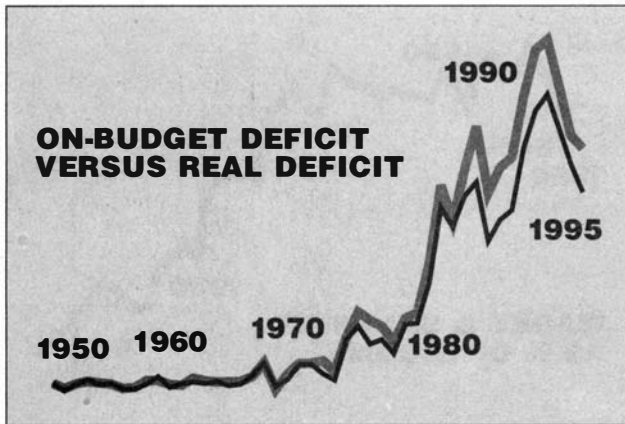
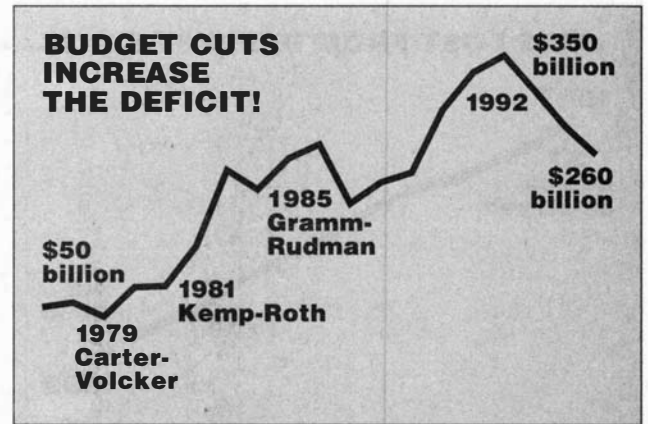


FIGURE 2



they made an artificial—an illegal bankruptcy, and they used the illegal bankruptcy, as they said themselves, as the pretext to try to put us out of business. We're not out of business. We're here. The evidence is that the government lied all the way through it. It's important to say that, because people have to understand.

They'll say, "Well, why did they prosecute you? Are you black, or something?" This is very frequently said. "Why did they do this to you? You're not an African-American." Well, I guess I'll have to become one, to make things—and eliminate that little misunderstanding.

But, it's because we were important, and because the people *feared* the truth of what we have to say.

### The truth behind the budget crisis

Now, let's get on with it. Let's get to this question of this budget crisis. Let's have the first slide [Figure 1].

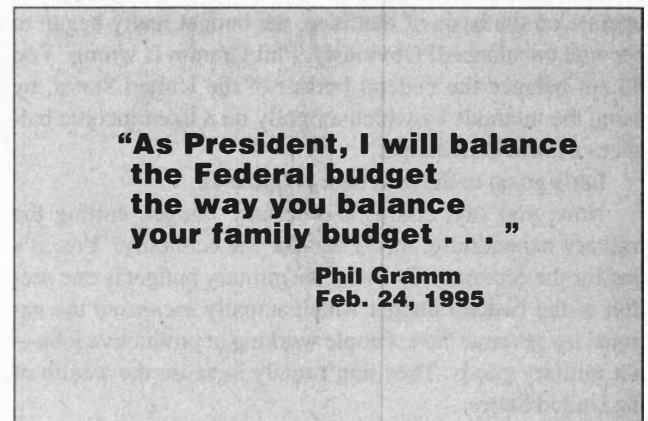
Now, what is the budget crisis? Until 1976, the United States in the postwar period *had no chronic budget deficit*. 1950, it picks up here, into 1976: *No chronic budgetary deficit*. None. *Until Carter became President, we didn't have a chronic budgetary deficit*. Carter became President—we'll get to this again—the budgetary deficit zoomed [Figure 2].

By the time that Reagan came into office, there was about a \$50 billion-a-year budget deficit. By the time that Reagan, the first Reagan term, with the Kemp-Roth legislation, [was over], the budget deficit had *doubled*, as a result of the Kemp-Roth efforts to balance the budget.

By the second term of Reagan, Gramm-Rudman occurred; and then, the budget deficit zoomed. *Phil Gramm doubled the national debt*, in his effort to balance the budget. That's a case of an unbalanced mind trying to balance a budget.

Then, this kept going, getting worse and worse under the President in charge of vice, George Bush, when he became

FIGURE 3

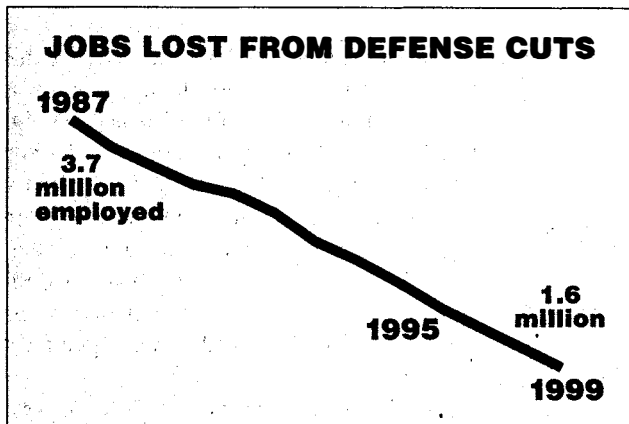


full President and vice took over completely. And then, the budget deficit zoomed again.

The budget almost died, as a result of the attempt to balance it by the Republicans, and Carter before them. Then, when Clinton came in, the budget deficit subsided. And now, they say—the Republicans, who ran the budget deficit up, with the help of Jimmy Carter and Paul Volcker—now say that Clinton is bad, and you've got to get rid of Clinton to balance the budget. I would say they want to get rid of Clinton to *unbalance* the budget, and go back to what they were doing before.

Let's go on to the next case [Figure 3]. Now, this is what Phil Gramm said. And here's where the problem is. Phil Gramm has said, Milton Friedman has said, that you have to look at the Federal budget of the United States government as like a household budget of a family living on a fixed income. Therefore, you have to cut your expenses to fit your income.

FIGURE 4



Now, as you just saw, every time they tried to do that—and that idea came in about 1976—and when they began to operate on the basis of that idea, the budget really began to become unbalanced! Obviously, Phil Gramm is wrong. You do not balance the Federal budget of the United States, by using the methods by which a family on a fixed income balances a household budget.

Let's go on to the next case [Figure 4].

Now, you say, cutting the defense budget, cutting the military expenditure, that's bad for the economy? Yes, it's bad for the economy. Because the military budget is one section of the Federal budget which actually *increased* the national tax revenue base. People working at productive jobs—not military goods. They don't really increase the wealth of the United States.

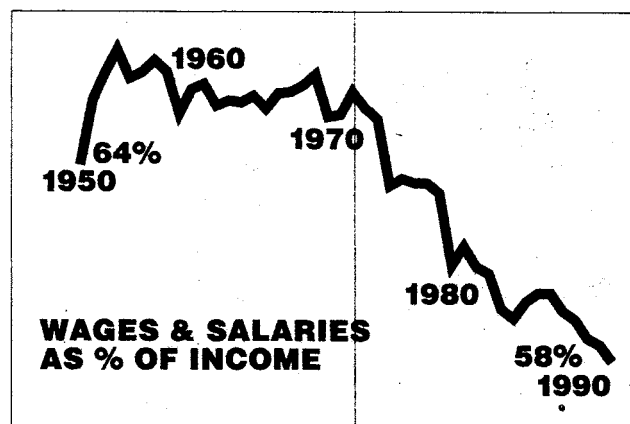
But the *industries* which are sustained, and the technologies which are promoted through the military and aerospace sector, are one of the main sources of *increase of the tax revenue base*. That is, people being more productive, producing more physical wealth, using better technology, better machine tools; this increases the national budget.

For example, during the 1960s, for every penny that the United States spent on the aerospace program, development program, the U.S. economy was returned an estimated 14¢ in income, of which the tax revenue base was *greater* than what was spent on space.

When you spend on necessary infrastructure, that is, transportation, power, things of that sort; freshwater, clean water; when you spend for that, when you spend for technology, *the increase in revenue* which is generated through the economy will be *greater* than what the government expends to create those jobs.

So, therefore, the major function of the national budget of the modern nation-state, from the time of Louis XI in France in 1461, has been for the national government to *promote the*

FIGURE 5



*increase of the wealth of the population.* And it's been found, that wherever governments do that in a prudent fashion, the increase in the revenue of government, as well as the people, is *greater* than the expenditure which government must make to bring that about.

In other words, the function of government is to do things for the economy, which the economy otherwise cannot do for itself.

Let's go on to the next one [Figure 5].

Now, what you see here, which has happened to us over the period since 1966-70, is that the U.S. economy has been *collapsing*, in terms of jobs. The problem that Martin Luther King saw before he died, in terms of the economic condition of the American people, was of a completely different kind than we face today. Then, there were jobs. Then, the problem was: to get the jobs to the people. Now, the jobs don't exist. Not productive jobs. The factory jobs which used to be the transition belt from coming out of the South on the farms, into industrial life—they don't exist. The cities and the communities which used to be the bedrooms of industrial employees, they are now the slums, the drug-infested slums of the country. That's what's happened to our economy.

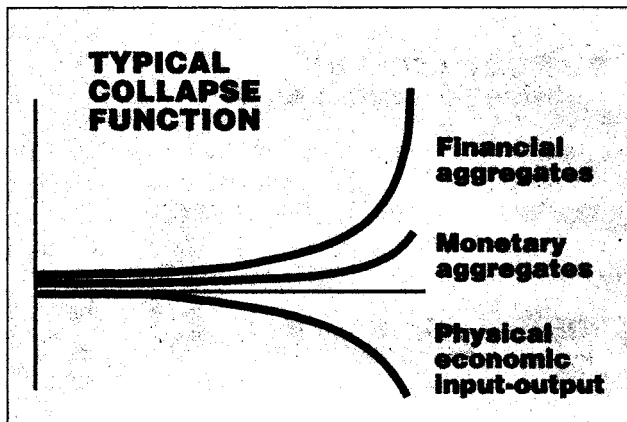
So, what we have to do, is to get rid of the insanity. On top of it, remember: The seven-year balanced budget idea, is a complete piece of lunacy.

Consider the following facts. If the Republicans were going to the White House to say, "We want to try to balance or come in to an agreement on a relatively balanced budget for the fiscal year 1996," the Republicans could have had that agreement with the President at almost any point. No problem. So the issue today is not a "balanced budget."

There are two pieces of insanity which have been added to the whole discussion, which are the reason why the government is shut down, or has been shut down.

Number one: They're talking about economic forecasts.

FIGURE 6



That is, what will the national income and taxes be each of the following years, for the next seven years? Now, those figures that they're using don't mean a thing, for reasons that'll become clear to you. No forecast figure beyond 1996 means a thing. And for anybody to fight about such figures, or to try to base a budgetary plan on such figures, is complete lunacy. The income of the United States may be *half* of what they say it's going to be, on the basis of what could happen this year, in 1997-98.

Secondly, the issue of the budget is not the question of balancing the budget. The issue of the budget is the fact that the so-called "Red Guard," as a German newspaper described Gingrich's crowd, the Red Guard in the House of Representatives, the so-called freshmen or whatever they are; four-legged whatever-they-are; that these fellows are determined to, first of all, shut down entitlements by beginning to chop them into nothing. Secondly, they are determined to deliver a tax-cut benefit to the people in this country who need it the least: the idle parasites who speculate on financial gain on Wall Street, and people like that, by cutting the capital gains tax rate, which is what started the whole thing years ago.

So, the whole thing is lunacy. There is no reason for it. The problem is, that Americans have been brainwashed for, now, about 25 years, in Milton Friedman's famous, deathless words, "You have to balance the Federal government's budget the way a family on a fixed income balances the household budget." And because people who don't *think* about it, but who keep hearing those words, say, "Well, we have to balance the Federal budget the way a household would balance its household budget." And they just repeat that, until their eyes turn glassy, and they keep repeating it: "We need a balanced budget amendment." What we need in this country, is a balanced mind amendment!

Let's go on to the next one [Figure 6].

Now, here's what the real problem is. I said we're coming

to the end of a system, the end of a monetary and financial system. Here's the problem.

Now, this is not exactly a statistical picture. But it's a picture of the *concept* of what we're looking at. Imagine this is the year 1966. Until 1966, this country looked like it was going to survive. We had the benefit of the Kennedy tax investment program, the Kennedy space program; and, it looked like this country was going to go on the way it had, as a country which invested in education, in science and technology, in energy, energy supplies, in infrastructure, and so forth, all to improve the productive powers of labor, so that what government did from year to year, was to foster the growth of the economy, both in absolute numbers, and in per-capita level of income.

But instead, what has happened in the past 30 years, especially the past 25, is *the physical income of the American people, and their productivity, have both declined continuously*. And we'll get into some of the figures.

Next curve: But while the physical income and physical productivity per capita have been declining, the amount of money put into circulation has been increasing. Now, how does money come into circulation under our system?

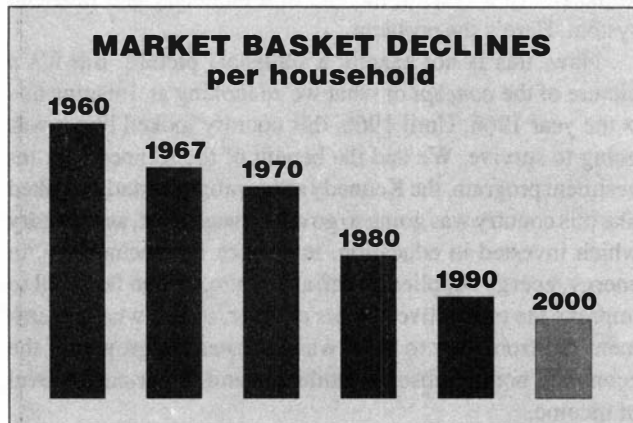
It is not issued by the government. As a matter of fact, the national debt is not caused by the Federal government deficit. In point of fact, the Federal government deficit is caused by the national debt. People say we go into debt as a nation because of a deficit in the Federal government. That is not true. We run a deficit, or have, largely because of the increase in the national debt.

How is debt created? The Federal Reserve System, a private bank chartered by the Federal government, through its discount function, issues money. It prints money, against the money it issues, to put in circulation. Credit from discount. It puts in circulation. The way it creates the money to put into circulation, is it puts the Federal government into debt. So you have collusion between people in the government and the Federal Reserve, to generate an increase in the Federal debt, in order to generate money, to put it into circulation.

Up until 1966, under the old system, the pre-'66 system, the amount of money put into circulation was generally correlated with investment in production, or with trade. After 1966, we stopped. We drifted away from that. And we began to invest in speculation, international speculation, rather than production and trade. So therefore, money was no longer—the amount of money in circulation was no longer regulated by the amount of production in trade, but began to be regulated, also, by a growth of pure parasitical speculation.

The third problem is that finance curve, which is quite distinct from either the physical production curve or the money curve. In finance, you have absolute speculation; and we'll get into just a bit of that. The difference between the money growth and physical output, is the creation of debt, the primary debt, including Federal government debt.

FIGURE 7



The increase of financial holdings and obligations, relative to money in circulation, creates an additional financial debt. So you have a ratio of financial obligations against junk bonds, derivatives, real estate speculation, and so forth, as compared to a growth, inflationary growth, of primary debt such as Federal Reserve debt, and so forth.

What has happened, is that, in this case, you have to pay for the money debt, the Federal Reserve and related private debt, out of real income, physical income. Physical income is dropping, money and debt are growing.

On top of that, you have financial obligations. These have to be paid for with money. That is, a financial obligation is a demand to pay in money, to settle in money. Therefore, it is a charge against the money in circulation. When this ratio [pointing to the financial curve] becomes very large relative to this ratio [pointing to the monetary curve], and this becomes large relative to this [pointing to physical output], then you are in a hyperbolic condition in which the economy is doomed. There's nothing you can do to save a system, once these curves begin to get in this ratio. We'll come back to this again, but look at some of the other figures.

We see the collapse of real per-capita consumption is reflected in just these bars [Figure 7]. That over the past 30 years, especially the past 25 years, the per-capita, per-household income of the American people, in physical terms, has been collapsing. A lot of that has been buried, the collapse has been buried for a time, in the collapse of basic economic infrastructure.

Just go around to any of these cities. Take pictures of Baltimore, for example, or pictures of these so-called ghetto areas of Washington, D.C. Take them from the 1950s, the 1960s, then look at them from the 1970s, the 1980s, and today. Just look at these same areas: These areas have deteriorated. They've gone from liveable neighborhoods, although the neighborhoods of the relatively poor, to junk. To hellholes. And that's part of the picture.

FIGURE 8

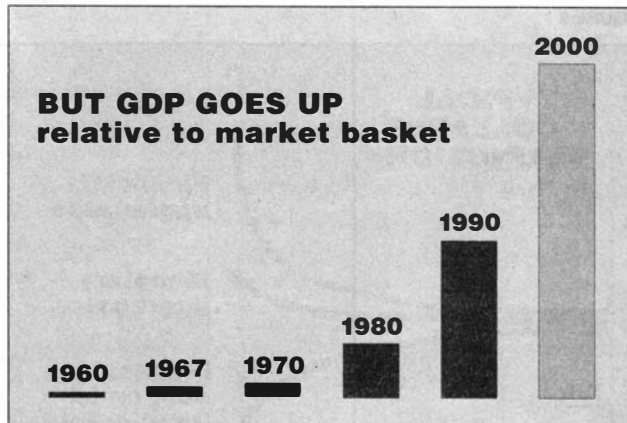
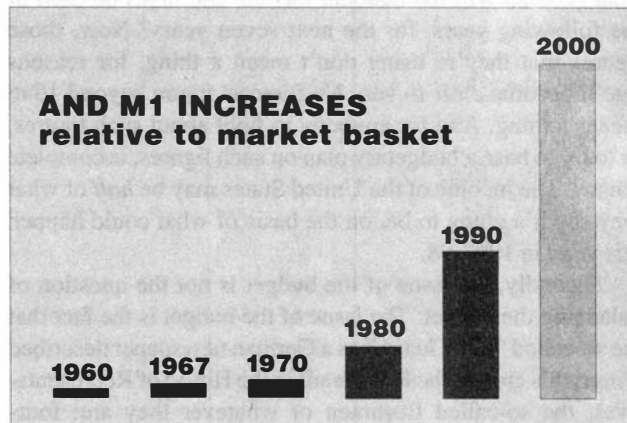


FIGURE 9



Now, despite the fact that the real physical income per capita of the people of the United States and around the world has been collapsing, the way they calculate the Gross Domestic Product, in value-added terms, shows the income as increasing [Figure 8]. So you're told constantly, that the income—that people are better off than ever each year. That's not true. They're shown, in accounting terms, to be better, but the accounting terms are fraudulent. Because they do not correlate with what we just considered, the actual physical content of the market basket.

Now, the other thing here, is the turnover [Figure 9]. You see, again, this is reflected. That M1 is the primary money in circulation, U.S. currency in circulation. The amount of so-called accounting value of sold product, of GDP, has been increasing rapidly, relative to money.

More significant is the financial turnover [Figure 10]. Right? Relative to the market basket.

For example: We can estimate that, probably today, at

FIGURE 10

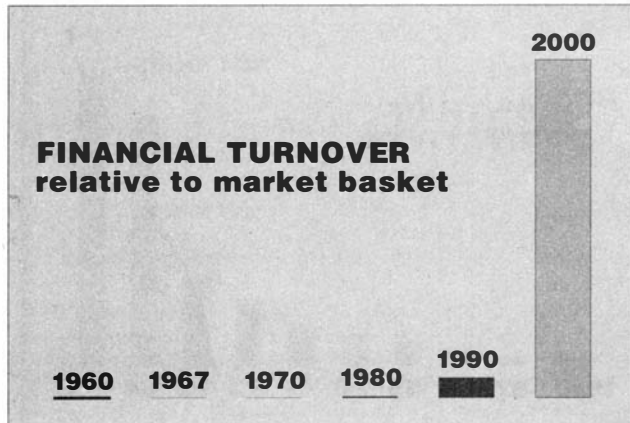
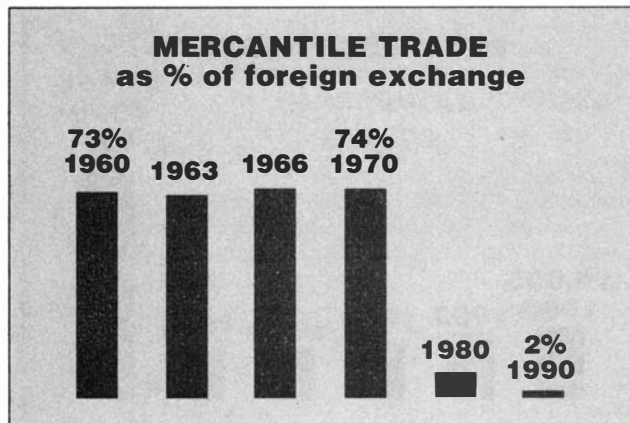


FIGURE 11

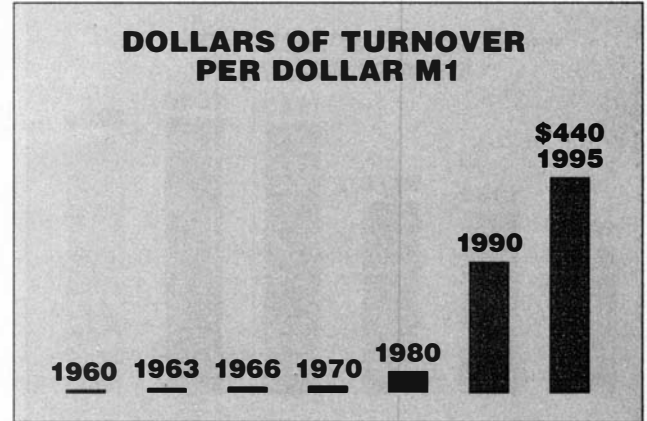


least, including off-balance-sheet figures, there's about \$3 trillion a day turnover in financial speculation, financial turnover in markets. *Three trillion dollars a day*, or more. Because a lot of this is off-balance-sheet accounts, and we don't have control over it. But it's fairly safely estimated. *Three trillion dollars!*

Do you realize we're headed toward a *quadrillion dollar a year* international financial turnover? Scores of times greater than the total product, estimated product of the planet? Do you realize that that turnover corresponds to tens of trillions of dollars of debt? Financial obligations? Financial obligations which can never be paid? That the financial obligations are against a growing monetary debt, which, under present conditions of collapse of the physical economy, collapse in the number of jobs, collapse in budgets, *can never be paid*. It's the end of a system.

Now, the same here [Figure 11]: Go back into pre-'66, essentially. In the old days, of the total U.S. foreign exchange

FIGURE 12



turnover, that is, U.S. dollars and other currencies, about 75% of that, 70-75%, of the total financial turnover, was accounted for in terms of merchandise trade, that is, imports and exports. Right? 1970. 1980. Today, 1990.

When Bush left office, it was down to probably less than 2%. Today, it's probably about one-half of 1%. So, of the dollar turnover, the foreign exchange turnover in the U.S., it's about one-half of 1%. In Britain, it's much worse.

In England, for example, the other day, the prime minister, who's a Major catastrophe, was answering some questions in the Parliament. You know, they have that funny zoo over there they call the Parliament. And, he said, "Well, these people who have criticized my government's policy, in effect, are wrong." He said specifically, "All over the world, everybody knows our economy is a success, except in this country." It's a disaster.

This is even more significant [Figure 12]. Because the ratio, you have the ratio of money turnover, with respect to goods. You have it in foreign trade, imports and exports. You have it in domestic production. Now you have the ratio of financial turnover to money, money turnover. Look at this: same thing. Hyperbolic.

So you see the significance of what I was showing before. First of all, the income is down—

The GDP is calculated up, but that doesn't correspond to reality [Figure 13].

We see what happened under George Bush's reign [Figure 14]. When Carter began to ruin the economy, particularly with the Volcker measures, in here, with the Volcker effect, that money ran out of investment in job creation and production, and ran into speculation. High interest rates.

You cannot afford to borrow money to do business, when the cost of borrowing is greater than the rate of profit on any reasonable expectation. You can't. So people began to speculate.

For example, the savings and loan system was put into



FIGURE 13

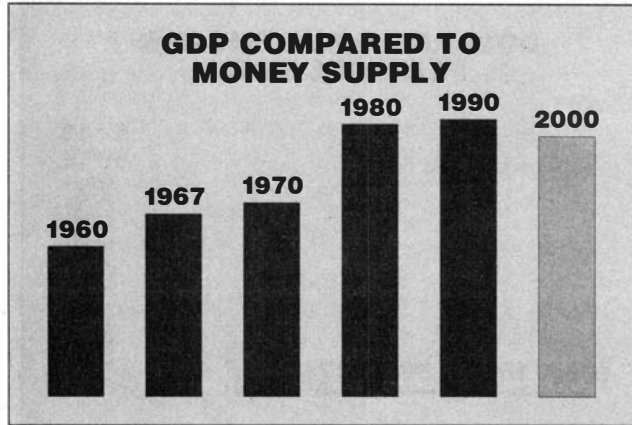


FIGURE 15

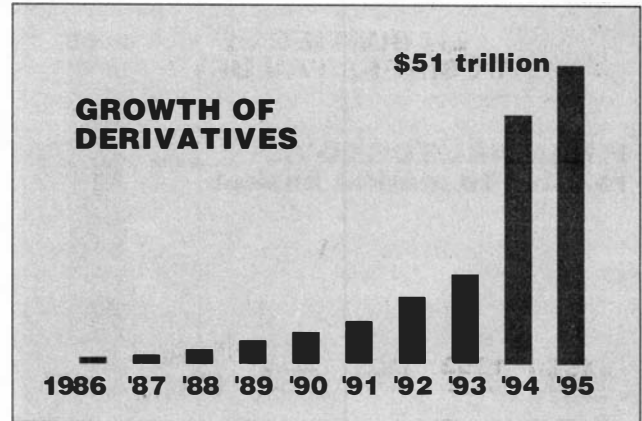


FIGURE 14

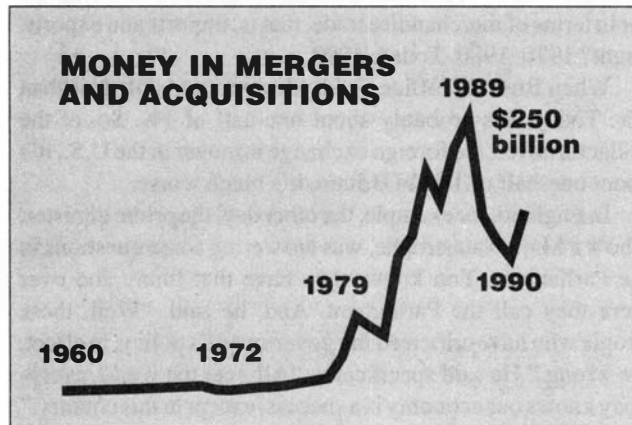
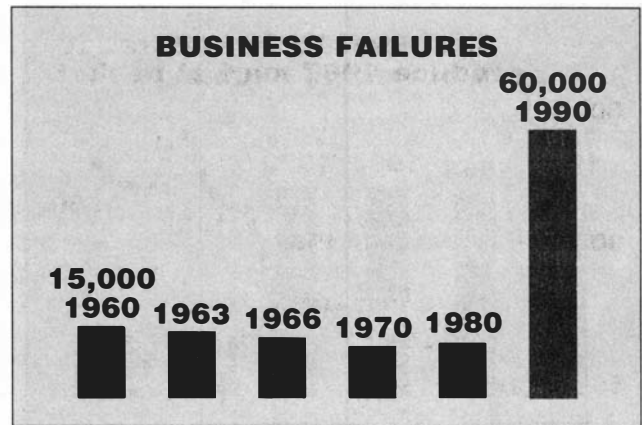


FIGURE 16



bankruptcy, virtually, by Paul Volcker's measures under Carter, as continued in the first years of the Reagan administration. Because in order to cover their debt, savings and loan banks, and other banks, would have to go into the market and borrow on short term, at a higher cost than the loans they had issued, the income on the loans they had issued. As a result, they went bankrupt.

You cannot borrow at 11 and 12% on short term, to carry loans you have outstanding, for which you'll get 4% interest, or 6% interest. And that's what happened to them: They were bankrupted. Right?

In the same period, in the '80s, you had a first period, up until 1987, from '82, approximately, to '87, in which George Bush's friends (he was then vice president in charge of vice, or something), would invest in junk bonds, in junk bond acquisitions and takeovers. In 1987, with the '87 crash, the junk bond speculation of Bush and company came to an end. And then came the growth of derivatives [Figure 15]. And today,

derivatives and related speculation is the form in which it takes.

So now, as a result of that, you see—what? Business failures [Figure 16].

The liabilities of business failures [Figure 17]. That is, how much—what is the loss of money to the economy, in nominal value, with each average business failure? So the liabilities of business failures, number and total quantity of losses to the economy, are up.

The same thing is true in terms of productivity [Figure 18]. Look at productivity. Now, what these figures are, as you'll see quickly in a series of charts here, is in order to compare the standard of living and the productivity of the labor force—the 1960s, then the 1970s, 1980s—what you have to do, is compare the amount of work the labor force would have to do, to maintain the standard of living it had, say, in the 1960s. And here's what this is. Textiles. The percent of the workforce presently employed we would require to meet

FIGURE 17

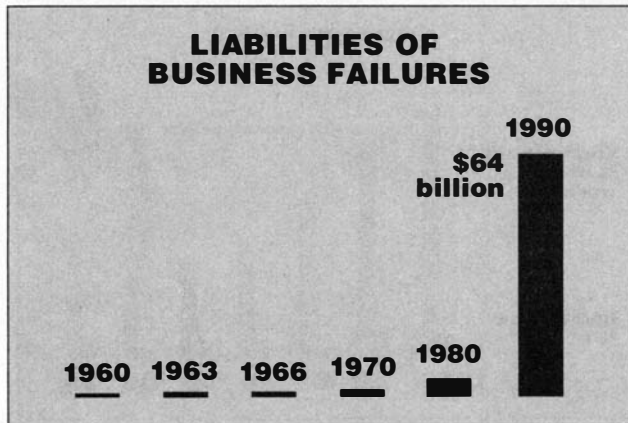


FIGURE 19

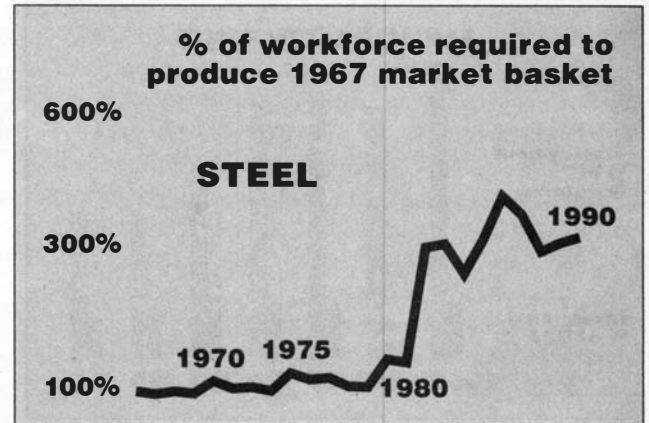


FIGURE 18

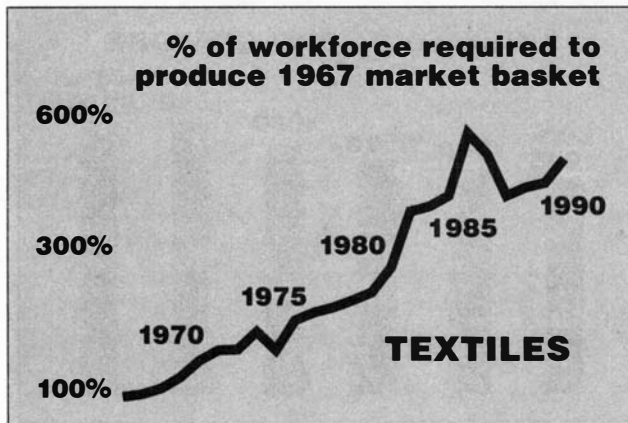
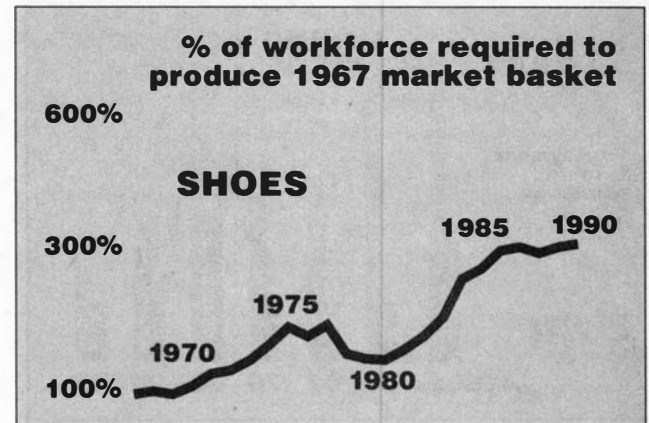


FIGURE 20



the 1967 standard of physical consumption of households. Look at it!

Steel: same kind of pattern [Figure 19].

Shoes, footwear [Figure 20]. You can't get shoes in the United States any more. They come from China. American workers who are producing shoes, are competing with 20¢-an-hour Chinese coolie labor. And even in China, that's not enough to keep a person alive.

Machinery's flat [Figure 21].

Now, the same thing [Figure 22]. The employment of the labor force, against the investment in manufacturing as a percentage.

Same pattern in mining [Figure 23].

Same in transportation: stagnant and dying [Figure 24].

Agriculture [Figure 25]. See, we're getting continued production, but the investment is collapsing.

You find that—and everyone knows this—in order to maintain the same income standard you had in 1967, you have

FIGURE 21

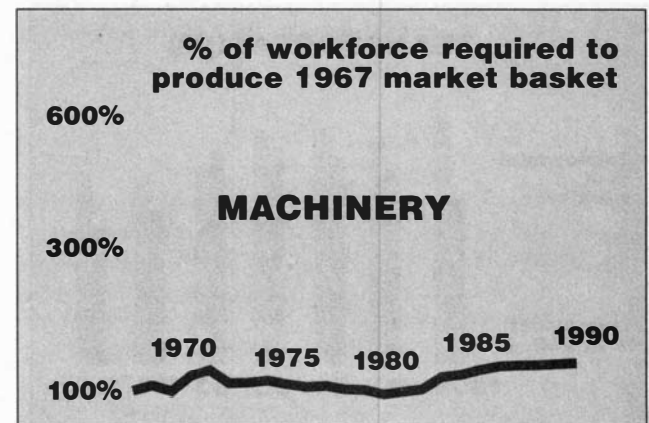


FIGURE 22

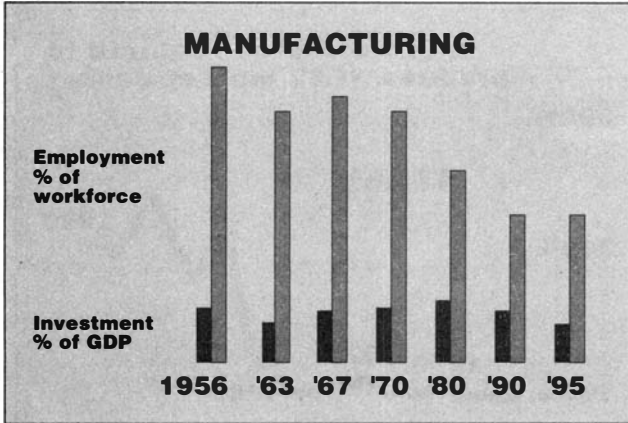


FIGURE 25

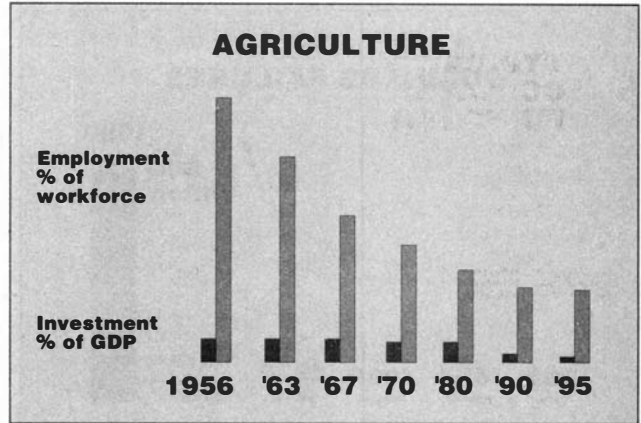


FIGURE 23

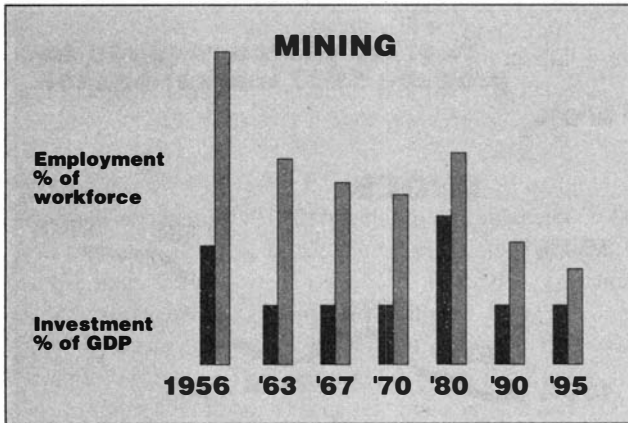


FIGURE 26

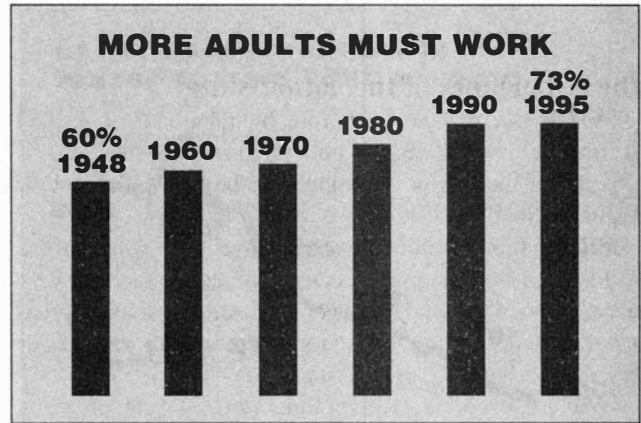
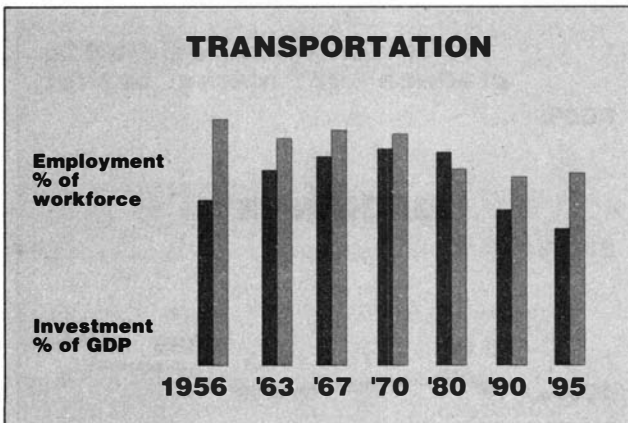


FIGURE 24



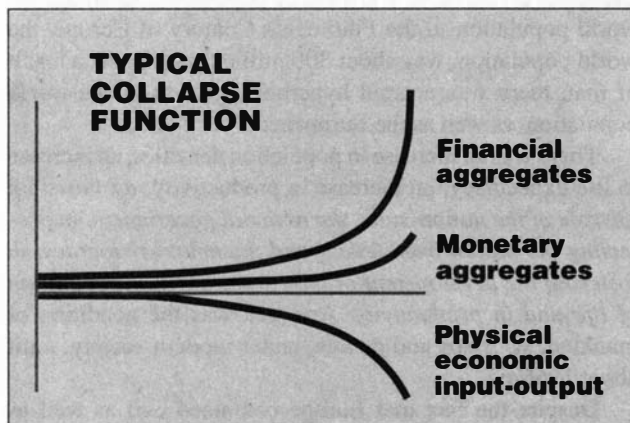
to have two, or two and a half people working in a household, where one worked before [Figure 26]. I don't know what they do with the half, but that's the way it works.

All right, now we're back to this [Figure 27]. So therefore, what you're seeing is a collapse of physical production and consumption per capita, per household, and per square kilometer, over the past quarter-century. Actually the past 30 years, but the past quarter-century.

We're seeing a growth in money, as money becomes decoupled from production and goes more into financial areas, as a support for financial speculation, than it does for production. Therefore, money grows, and that's the reason for the growth of the national debt. And this growth of the national debt then, in turn, causes through chain reaction, a growth in the Federal deficit.

At the same time, money goes into speculation, as opposed to production, or infrastructure. As a result, you have a zooming of financial obligations based on pyramided specula-

FIGURE 27



tion, of which derivatives is the worst expression. And then the whole system is about to collapse.

Now, we're talking about the end of a system.

### The importance of the nation-state

As I've said many times before, but it has not yet reached all Americans and American policymakers yet: A revolution occurred in Europe, in the middle of the Fifteenth Century [Figure 28].

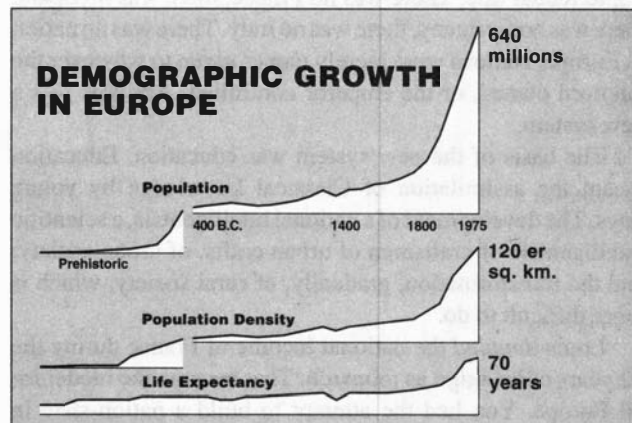
Prior to this revolution, every culture in every part of the world, was a moral failure. Because, in every culture, in every part of the world, the condition of 95% or more of the population of the world, of these parts of the world, was that of slavery, serfdom, or worse, as under the Aztecs in Mexico.

With the beginning of the modern nation-state, of which the first example was France under Louis XI, between 1461 and 1483, a new form of society came into being. The new form of society did not *begin* then, it began earlier. It occurred over hundreds of years, under the influence of Christianity earlier.

The purpose of providing boys who were orphans, or from poor families, with a Classical education, thus beginning to produce from among the 95%, the poor, the oppressed; producing people who were no longer Yahoos, people who could walk on their hind legs. People who had education, Classical education, who had knowledge; who could apply knowledge and use it in the course of life.

And, out of the people who acquired this education, there came an intelligentsia, people who were thinkers, leading thinkers, who were drawn largely from the ranks of the poor families, from orphans and poor boys. This was the kind of movement that was fostered by Dante Alighieri; and Dante insisted upon the replacement of Latin as the language of affairs of European nations, and the creation of a new kind of State, which was based on a literate form of the popular language, and people being educated in the literate form of

FIGURE 28



the popular language, to create, in place of Yahoos, a national intelligentsia drawn largely from the ranks of the poor.

So the time came that we had a Renaissance in Europe, in the middle of the century, as typified by the Council of Florence, in particularly the sessions of 1439-40 at Florence. This established the conception of a new kind of nation-state, a new kind of society.

And, in response to that, and partly directly as a result of the people who had organized the Renaissance at Florence, the young Dauphin in France, later Louis XI, was educated, trained, and backed to create a new form of nation-state, which he put into motion the minute he became king.

He subordinated the landed aristocracy, and also the financial aristocracy of France and Europe, and took France, which had not been a nation up until that time. France did not exist as a nation, prior to Louis XI. Never did! It became a nation under him. He subordinated the potentates to—what? To the nation of France. What was the nation of France? Well, it was all its people. Did all the people participate, democratically, in this process? Not exactly.

No, but the *national intelligentsia*, the intellectuals of the cities, the scientists, the educated people, became the force upon which Louis relied to subordinate the nobility, both the landed aristocracy and the financial aristocracy.

And this group, the intelligentsia, the natural leaders, the Martin Luther Kings, if you please, of the people, became the force upon which the government relied to curb and check the power of the landed aristocracy and of the financial aristocracy.

And those representatives of the people, in the name of the people, with the authority of the head of State, constituted a nation. Prior to that time, there were no nations. Nations were simply extensions of feudal land ownership, or of financial interest. And the landowner, who was an aristocrat, was beholden to an overlord. And the overlord was beholden to an emperor, who had all power.

There were no nations. Nations were chopped up according to feudal title. There was no France, there was no Spain, there was no Germany, there was no Italy. There was no nation in Europe. Nations were merely names given to whatever the landlord owned, or the emperor controlled. And this was a new system.

The basis of the new system was education. Education meant the assimilation of Classical knowledge by young boys. The development of a national intelligentsia, a scientific intelligentsia of craftsmen of urban crafts, of urban society; and the transformation, gradually, of rural society, which is more difficult to do.

Louis *doubled* the national income of France during the 22 years of his reign as monarch. That became the model for all Europe. You had the attempt to build a nation-state in Spain, the attempt to build a nation-state in England, and so forth, as a result of this success in France.

But the principle is: education, scientific education, the assimilation of Classical knowledge. The creation of a national intelligentsia, drawn from the ranks of all of the people, and the subordination of every interest to the common national interest under the leadership of such an intelligentsia.

Under this policy of spreading education toward universal education, universal Classical education, and the fostering of

scientific and technological and cultural progress, we had, in European civilization, a growth of population, such that the world population in the Fourteenth Century of Europe, the world population, was about 300 million people. As a result of that, there was a rapid hyperbolic growth of the *world* population, as well as the European.

There was an increase in population densities, an increase in life expectancy, an increase in productivity, *all based on the role of the nation-state, the national government, in protecting the nation from feudal and financial aristocracy, in fostering the development of improvements in the condition of life and in productivity.* And that was the condition of mankind, with ups and downs, under modern society, until about 1966-67.

Despite the fact that Europe contained evil as well as good, that is, the old financial aristocracy maintained power (today it's called the British Empire, and what that represents), European society in itself was constitutionally good, even though it was still dominated by evil forces left over from the past. And thus, the world as a whole benefitted from European civilization.

Remember, that every culture prior to Europe's Fifteenth Century, had represented the great oppression of over 95% of all people in every culture: slavery, serfdom, and even worse, were the common condition of 95% or more of all humanity. And European civilization *changed that, for the better.* Every part of this planet today has benefitted, up until '66, from that revolution, and the spread of it. The spread of colonialism and imperialism, of course, was the other. But all the conditions which are evil under European influence in the world today, were *worse* prior to the Fifteenth Century. There were attempts to do things in this direction, but they all failed.

### The mission of the United States

*This* is what we in the United States represent. When France was destroyed, from the inside and outside, as a leading force in Europe during the course of the Eighteenth and early Nineteenth Century, it fell to the United States and its constitutional form of existence, under our Federal Constitution, particularly that Preamble to our Constitution which is the noblest act of law in all human history, to be the leadership for an aching world which aspired to the benefits of what European civilization *should have made available* to all people on this planet.

We were, for a long time, the bearers of the hope of every oppressed section of this planet. In the postwar period, when the United States came into power, dominant power beyond question on this planet, we failed. Perhaps because Franklin Roosevelt died too soon, and his successors controlled Truman, and brought about a system under which we were actually the dumb giant carrying the British monster on our back around the world, and doing the bidding of the British monster.

So we have betrayed, in that sense, our great calling as a



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nation, to bring the benefits of European civilization, minus its evil, to this planet, or take the leadership in so doing.

As a result of our doing that, as our failing, we have now brought ourselves into the condition, under British influence, in which we ourselves are about to be destroyed. *We do not* have to be destroyed.

What we have to do, is realize, that what this country was founded upon, the heritage of the Renaissance, the heritage of all the things that led into the Renaissance, that that is a great heritage. And we have *but to abandon the errors we've made*, especially in the postwar period, since Roosevelt died, and to get about our business, and to realize that our destiny as a nation, because of the power which has been given into our hands, our destiny is to free mankind from this great evil and take the leadership in bringing the blessings of the American Revolution, and our constitutional system, and making them available, not only to every person *in* the United States, but to every part of this planet.

*Only if we can get out of the mud*, and capture that vision of what the United States was *intended* to be, to be the cynosure among nations of all the despairing and hopeful around the world. We are the embodiment of this tradition.

Therefore, we don't need to find some miraculous new solution. All we have to do, is to recognize what was good about us, what was good about European civilization, what *we should* have done, and begin to do it.

We can mobilize this nation, together with other nations, to create a new monetary and financial order on this planet. We can do what the Founding Fathers of this Federal Constitutional republic intended to do, as they tried to do under Washington and Hamilton. We can create a national banking system. We can reorganize the currency. We can put the bankrupt system of the Federal Reserve System into bankruptcy. We can issue credit to employ the unemployed, in things which have to be done, to restore our productivity. We can restore the system of education. We can work with other nations to build world trade. We have new technologies we can foster and develop. We can "fix it," so to speak.

We may have periods of difficulty in times ahead, in doing this, the kinds of difficulty we've gone through before, when we fight wars, where sacrifice was made, sacrifice even of lives as well as material to fight wars. We can sacrifice in the same sense, if necessary, to ensure that this nation and the people of the world get through this difficult time, and come out to better times.

There is no reason to worry about why to fix up this old, sick system that's dying. *Bury it*, and go on, and get about our business.

Okay. That's my point tonight. And I hope that I have done, in my way, what Martin Luther King would have done in his.

Thank you.

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