

On this optimistic note . . . I should say that this was a very good lecture.

I am pleased that my colleague in the Economics Section of the Academy of Sciences, Dr. Glazyev, has arrived. I think he is an advocate and a well-wisher of Mr. LaRouche. I think that he demonstrates very well, a new approach and new type of thinking. Many other economists, I must say, remind me of horses, who charge ahead at full speed, but they have blinders on. They are speeding along the very brink of an abyss. I asked one of these horses about this, and he replied, "Yes, we see the precipice, but the IMF's theory requires that we go this way."

**Sergei Glazyev:** I should like to express my happiness, that Mr. LaRouche is here with us, and has been able to visit our country. He has a large number of supporters in our country, not only among economists, but also from other scientific disciplines, and in the recent period also the political elite is paying attention to what he says. I hope that his warnings and analysis will be listened to in Russia, not only among scientists, but by those who are in a position to make decisions. I think this is all the more necessary, insofar as, according to his hypothesis of world financial, economic, and political development, Russia has a great responsibility, and an important role to play.

I do share this view, and therefore I hope that we shall succeed in attracting the attention of the economics community, as well as political circles, to Mr. LaRouche's forecasts, as well as to the solutions he proposes, on how to create the basis for sustained growth.

**Lvov:** Thank you. I would like to thank Lyndon LaRouche personally, for coming here and bringing us together today. I am also grateful for the very correct concept he presented. Russia has earned its role, through its sufferings and experience. It should show the world a new model of development, and I think that the Americans should listen to a voice from Russia.

## LaRouche Interviewed In Russian 'Currency Dealer'

*The December 2001 issue of the monthly Valyutny Spekulyant (Currency Dealer) carried a four-page interview with Lyndon LaRouche, translated from replies to written questions submitted to him by the editors. The text provided here is drawn from LaRouche's replies in the original English, abridged to correspond with what appeared in the Russian journal. The replies were composed in late October 2001. In accord with the theme of the issue, which was the impending, Jan. 1, 2002 circulation by the European Monetary Union, of*

*the cash euro, Valyutny Spekulyant titled the interview, "The Euro Will Not Strengthen Sovereignty."*

*Valyutny Spekulyant's* editorial introduction: In our last issue, *VS* introduced our readers to an extraordinary man, one of the leading economists of our time—Lyndon LaRouche. During Mr. LaRouche's visit to Moscow [in June 2001], we discussed a wide range of issues with him and his colleagues, touching on his forecasts for the development of civilization, Russia's role in the world, and economic and financial matters, particularly the existing monetary and financial system and the future of the "new economy." The events of Sept. 11, 2001 sharpened the public interest in these problems. We contacted Mr. LaRouche and asked him to answer our questions.

**Q:** What is now happening with the world economy? Analysts express contradictory opinions. Should we expect the leading countries of the world to prosper, or are hard times ahead?

**LaRouche:** All successful forms of national economic systems have been based upon three principles which repeatedly proved themselves in all the successful periods of the U.S. economy: a.) a protectionist form of the state, including state monopoly over the creation of money and a national banking system; b.) emphasis upon the primary, undivestible responsibility of the state for promoting the development and maintenance of all of the land-area and of all of the population of the nation, as by assuming public responsibility for building, maintaining, and regulating basic economic infrastructure; c.) fostering high rates of scientific and technological progress in entrepreneurships, and giving preferential treatment to those entrepreneurships which show themselves efficiently dedicated to that result.

The American System of political-economy, as defined by Benjamin Franklin, Alexander Hamilton, the Careys, and Friedrich List, has been the most successful model of national system thus far. In all the positive features of the Soviet economy's performance, prior to Andropov, the points of similarity to the American System are notable. I have introduced significant systemic improvements to the American System through my developments in the field of the science of physical economy. . . .

The U.S. economy's statistical performance during the recent dozen years, must be examined from a twofold standpoint: a.) the economically unearned resources it extracts from the rest of the world in its role as sharing global imperial power with the world's London financial center, and its power, therefore, to tax the rest of the world for its support; b.) the net performance of the U.S. domestic economy as such.

On this account, two sets of statistics are of most immediate interest: a.) the growth of the U.S. current account deficit; b.) the increasing dependency of the U.S. financial-market bubble's support on vast contributions of financial influxes and credit from its semi-colonial subjects, such as Japan. One is reminded of the decline of the empire of ancient Rome,



whose wealth depended increasingly less on its domestic production, and increasingly more on its imperial power to loot subject territories.

From 1995 through 2000, the principal internal prop to the U.S. financial markets, was the creation of a cancerously hyperinflationary financial-asset bubble around a pair of hoaxes: a.) the so-called Y2K scare, and b.) the myth of the so-called “new economy.” The incited fear, that all the world’s computers would collapse on the date of Jan. 1, 2000, was used to pump vast sums into what became known as “the new economy” stock-holdings. Despite the shocks which hit the financial markets for such stocks during March 2000, desperate efforts kept that market afloat until after the Nov. 7, 2000 U.S. general election. Now, trillions of dollars of shareholdings in related categories of stocks have been lost from the collapse of that bubble, while the real economy is undergoing collapse on a gigantic scale.

On a world scale, the inevitability of the present collapse was made clear by the successive crises of 1997 and 1998. During the first three quarters of 2001, a general collapse in the non-financial categories of the economy has been accelerating at rates exceeding the 1929-1932 U.S. experience, while the nominal value of the financial markets is supported by literally hyperinflationary bubbles, including a gigantic real estate mortgage-refinancing bubble run by the U.S. Federal Reserve System through institutions such as Fannie Mae.

**Q:** It is obvious that you do not approve of the actions of the Russian reformers. They claim that there is no basis for concern about a possible crash of the U.S. dollar. As for their own application of monetarist policies in Russia, they say that

their failure can be explained by the fact that “anti-liberal forces” supposedly did not allow them to carry out their plans in full.

**LaRouche:** Given the facts, it is fairly said, that the one current opinion which rivals U.S. Federal Reserve Chairman Alan Greenspan’s collapsing reputation, is the peril to the essentially political hyperinflation in self-estimation among Russia’s waning flock of liberal economists.

I associate the so-called “young reformers” with what I prefer to classify as “The Andropov Kindergarten.” I associate them with a group of then promising young figures for a future Soviet *nomenklatura* who were seduced by the same global network which created the image of British Prime Ministers Margaret Thatcher and Tony Blair, and also created the takeover of leadership of both the U.S. Republican and Democratic parties by the same radically monetarist doctrine.

Since 1917, Russia has experienced the rise and fall of the Soviet system, and a subsequent, 1992-1998 ruin of post-Soviet Russia. On balance, if we put aside the not unimportant matter of personal freedom, the system which the “Andropov Kindergarten” imposed, as with guidance from the International Republican Institute of the U.S. Mont Pelerin devotees, has done vastly greater damage to Russia and its people than was ever brought upon those people by the Soviet system itself.

Saying that “the young reformers” were not given the chance to prove their system, is like saying that Russia’s current shortage of green cheese is the result of the Soviet government’s failure to colonize the Moon with cheese-gathering cosmonauts.

**Q:** You have repeatedly said that the world banking system is on the verge of a systemic crisis. Why is this? What should be done, in order to create a viable banking system?

**LaRouche:** The world's banking system can not be saved in its present form. We see presently, the attempt to meet an inflationary growth in debt-service obligations, out of a physical economy which is being collapsed at an accelerating rate by precisely the monetarists' methods of "fiscal discipline." Under these circumstances, the liberal monetarist's notions of "fiscal responsibility" create a spectacle like that of a starving man subsisting by cooking and eating his own feet. There is no way in which current financial values can be sustained within the terms of the existing monetary and financial system.

If the attempt were made, to introduce partial reforms which do not amount to bankrupting the existing international monetary and financial system, the world would be plunged into not a mere global depression, but a prolonged "new dark age" of humanity.

Therefore, there is no sane way in which the existing international monetary system can not be put into receivership, and most of the financial charges in the system either cancelled, or frozen as non-interest-bearing accounts pending their reorganization. Those authorities which lack the insight and will to take that course of action would therefore be demonstrating their own moral unfitness to survive.

These measures of reform require the summary cancellation of all recently introduced measures of so-called "globalization," that on grounds of emergency conditions. All authority reverts to the sovereign form of nation-state, and to concerts among such nation-states. These states, individually or jointly, as each case requires, shall take the present international monetary and financial systems into receivership. Those states, either individually or in concert, as appropriate, must take emergency actions to defend and promote the general welfare of all.

As I have stated in earlier locations, there are four indispensable, leading elements for the survival of civilization beyond the relatively short term immediately ahead: a.) Put the existing system into bankruptcy-receivership under sovereign nation-state governments; b.) Create a new source of state-issued long-term credit, in national banking mode, to sustain and expand the national and world physical economies; c.) Launch long-term infrastructural-building projects and complementary investments in productive technology, to sustain and increase productive employment; and, d.) Reform university-led national educational systems to the effect of providing a science-driver impetus for technological progress in designs of products and processes.

**Q:** After Sept. 11, 2001, the dollar fell sharply, as did stock markets in the United States and Europe. Now, there is some rise in share prices, and many analysts say that the U.S. economy has recovered from the shock, caused by the terrorists actions. Is this correct?

**LaRouche:** During the period following the shocking events of Sept. 11, the falsehood was spread, that it had been the Sept. 11th attacks which had caused a decline in the markets. The falseness of that rumor is readily shown by looking at the relevant data for the period ending Sept. 10th. Except for the impact on the airlines industry, there was no significant impact on the markets attributable to the attacks of Sept. 11th. Since that time, there has been an unprecedented rate of hyperinflationary monetary and financial pumping of financial markets, but accompanied by an accelerated rate of collapse in the real economy of both the Americas and Europe.

The report of a "gradual recovery" is false propaganda, aimed at the desire of many for the consolations of officially decreed, wishful delusions. The basis for the acceptance of such delusions is twofold, the fear of opposing openly the official propaganda of the U.S. government, and obsession with short-term financial manipulations which are contrary to all systemic features of the current physical-economic process. In fact, nothing has been done by the U.S. government, thus far, which would reverse the systemically-driven, accelerating downward slide in the economy as a whole.

The world is deep into the terminal phase of the worst general monetary and financial collapse in modern history.

**Q:** You say that the existing financial and monetary system will return, sooner or later, to a version of the Bretton Woods system. What is the difference between the "gold standard" and the "gold-reserve standard" systems?

**LaRouche:** The difference between a "gold standard" and a "gold-reserve standard," is essentially a fundamental difference in systemic character between the British System and the American System of political-economy.

Under the strict definitions of the U.S. Federal Constitution, no currency can be issued except under the authorization of an act of Congress, and the currency issued by the Treasurer of the U.S. Admittedly, this constitutional law has been violated several times in U.S. history. It was violated by a series of Presidents installed by the "free trade" policies of the American Tories' Democratic Party of the Nineteenth Century (e.g., Andrew Jackson, Martin van Buren, James Polk, Franklin Pierce, and James Buchanan).

The British gold standard was introduced through Manhattan banking circles which were known British agents, under the so-called "Specie Resumption Act" of the late 1870s. The tradition of the British gold standard remained in force until President Franklin Roosevelt ended it. Unfortunately, the U.S. gold-reserve standard was nullified by the American Tory faction's President Nixon, during 1971-1972.

The British-decreed international gold standard, based the value of currency on assigning a gold-weight content to a unit of paper currency, and then letting the value of that currency float according to the price of monetary gold on the London exchange. The gold-reserve system was created by pegging the price of gold in U.S. dollars, and setting fixed exchange-

rates between the U.S. gold-reserve-based dollar and other currencies of the Bretton Woods system.

The gold-reserve standard was well adapted to the role of the U.S. in rebuilding war-torn, depression-ridden Europe during the first 20 years after 1945.

Under a highly protectionist form of the original, 1945-1958 phase of the Bretton Woods monetary system, the basis for a set of relatively fixed parities among currencies was supplied by long-term investment and trading agreements, including heavy emphasis on basic economic infrastructure and long-term capital investments in production of agricultural and industrial goods. Notably, basic economic infrastructure has a physical investment-attribution cycle in the order of a quarter-century, while typical industrial investments have physical-economic life cycles of more than ten years.

By arranging long-term credit and investment on knowledge of the way these investment-production cycles work, it is possible, through a well-designed set of fixed-parity agreements, to project medium- to long-term balances on trading and investment accounts. Under those conditions, the short-term, annual balance-of-payment settlements are efficiently premised upon treating gold monetary reserves at a fixed dollar price, as the last commodity considered in calculating balance-of-payment accounts.

Thus, the British gold standard is a rentier-financier system, based upon the Venetian model from which the modern Anglo-Dutch financial system was derived. Whereas, the gold-reserve standard is a lawful expression of economic relations among technologically progressive agro-industrial national economies of an essentially physical-economic design.

At this point, there are no best, worst, and realistic cases available. Either the present international monetary-financial system is ended, and replaced by something like the 1945-1963 form of the original Bretton Woods, or there will be no civilization. Those who seek a middle ground will find it in a continuation of the present slide of civilization into what the ancient Mithra cult defined as Hell.

**Q:** There is much discussion in Russia, among ordinary citizens as well as officials, about the coming circulation of the cash euro. Financial analysts have contradictory forecasts for the euro's regional and international roles. Will the euro be the medicine that can cure the world monetary and financial system?

**LaRouche:** "Euro" is a by-product of the agreements struck among the Thatcher, Mitterrand, and Bush governments during the 1989-1990 interval. The expressed fear of the Thatcher and Mitterrand governments was, that the reunification of Germany would unleash the natural inclination for close, long-term economic cooperation between Germany and the states of the former Comecon. Mitterrand, like Thatcher, was a venomous, virtually "racialist" hater of Germans.

President George H.W. Bush, on advice of U.S. Ambassador to Germany Vernon Walters and others, tempered the

German-hating venom of the British and French; with the result that Germany's reunification was forced upon the reluctant British and French governments. The Maastricht Treaty, chiefly aimed to keep Germany, Italy, and the former states of the Comecon under an Anglo-American thumb, was the result. The principal purpose of the euro, is to prevent a natural revival of the nation-states of continental Europe, while the British remained outside the euro, pending the time that the continental euro was so bankrupted that the British could buy into Europe cheap.

No national economy could enjoy net long-term growth except through the benefit of state-created credit. This credit must be either created by the will of sovereign nation-state governments, or supplied through international loans or grants. The function of such credit, is to provide advance payment for the production of goods yet to be produced, goods which would not be produced without the supply of the credit needed for that production. If a state is prohibited from creating state credit, it has no sovereignty, and will grow only to the degree its foreign masters permit this to occur.

Since the successful assassination of Deutsche Bank's Alfred Herrhausen, in the closing weeks of 1989, no German banker has dared to pursue policies consistent with Germany's long-term economic interest. The primary significance of the euro, in its present, Maastricht-dictated form, is not only to prevent continental Europe's economy from recovering, but to continue to loot it, as if "down to the bone." As long as the terms of the Maastricht Treaty remain in force, no significant recovery of those portions of continental Europe will ever occur.

**Q:** Mr. LaRouche, how do you see Russia's role in the world? And, what would you like to wish all Russians for the New Year?

**LaRouche:** I define Russia as a specifically Eurasian nation, by reference to that historical process of the emergence, and eastward development of modern Russia, which was set into motion during two centuries dated approximately from the Ottoman conquest of Constantinople. It reflects its roots in the culture of ancient Classical Greece; but, modern Russia also incorporates its eastward development, its emergence as the natural cultural bridge linking Europe as a whole to the cultures of Central, East, and South Asia. Its national character is not to be seen as the sum of individual, accreted parts, but, rather, as a functional-cultural process of bridging the relations of European civilization to Asia as—implicitly, at least—a whole.

We must collaborate to bring a durable and productive peace among sovereign nation-states into being on this planet, before it is too late for not only all of us living today, but our immediate descendants, too. This is the greatest crisis of all humanity in all known history to date. We must recognize and accept that fact, embracing no consoling delusions, and conduct ourselves accordingly.