

January Crisis: Global Economy Is ‘Like a Heart Patient in Fibrillation’

This is Lyndon LaRouche’s statement on the Jan. 4 “LaRouche Show,” in answer to host Michele Steinberg’s opening question on how to get out of the strategic/economic crisis of the weeks of January ahead. “The LaRouche Show” airs every Saturday at 3:00-4:00 Eastern time, at www.larouchepub.com.

It’s not a question of exactly what direction we take; it’s a question of how we choose our directions from moment to moment. We’re in a period which has many of the characteristics of a heart patient in fibrillation. You’ve just got to stop the fibrillation at that point. And that’s what we’re in now.

We’re in a point where the political systems in the United States, and most of the world, are not functioning. That is, they are not capable of accepting the reality to which they have to respond. Therefore, if you don’t face the reality to which you have to respond, you are likely to make inappropriate reactions — such as our current President’s, my predecessor’s, statement in Texas on “a darn good economy.” It’s not a darn good economy! Unless you’re ducking reality, or drinking something, which I wouldn’t want to drink, myself.

During this month, essentially between about now and the 27-29th of January, the world is going to go through one of the most dangerous periods of crisis in recent memory. Already, the international financial system is disintegrating. There are many courses it may follow in this disintegration. But you’re now at a point where the recent 18-plus percent drop in the value of the dollar, relative to the euro, European currencies, signifies, not a trade problem — that is, not a factor of trade balances — but this means that the international financial system, which is predominantly denominated in dollars, is disintegrating.

That is, the assets of the United States dollar are not just U.S. domestic assets. They are U.S. obligations, or obligations to the United States, from other countries in other parts

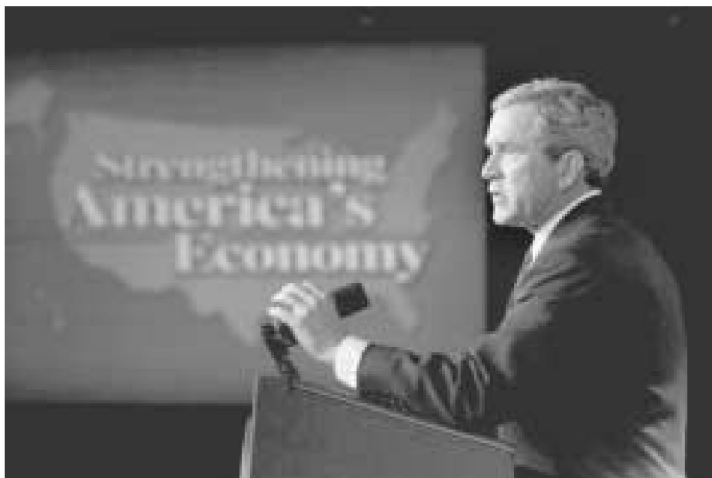
of the world — such as Argentina, which is now in the process of disintegrating as a nation. Brazil, which is on the verge. Other countries of South and Central America are in various conditions of disintegration. Sub-Saharan Africa is disintegrating.

And Europe can not survive under the present trends in its economy. That is, Europe — like 46 of the 50 states of the United States, and municipalities like New York City — can not raise enough money to pay the current expenses of government. If they were to increase the tax rates, they will collapse the economy — that is, the municipal or state economy — more rapidly than they nominally increase the tax revenues. So you get to that point where increasing the tax revenues, or cutting expenditures, doesn’t work, because it makes the problem worse. It’s not a cure.

So, you’re at the point where there’s only one kind of cure. Put the system as a whole through bankruptcy reorganization. That is, have a group a governments: Each government puts its own central or national banking system, such as the Federal Reserve system, into bankruptcy reorganization; because there’s no way the Federal Reserve system can balance its books, under the present trends. The only thing that keeps it alive is the backing of the United States government. Similarly, the central banking systems of Europe, of other parts of the world — they are hopelessly bankrupt. They can not continue to operate successfully under current conditions. They do not have additional sources of current revenues coming in to solve their problems. They are bankrupt in a very special sense, as only nations and central banking systems can become bankrupt.

How To Recover

But the bankruptcy of these institutions, and the craziness into which they plunge when they are bankrupt, becomes a threat to the security of the world. And therefore, to stop the



LaRouche in the studio; Bush giving heart-surgery patient another dose of blood-thinner. “I know how to fix the problem. These guys don’t. I’m not laughing at them. I’m standing by and preparing to help them . . . including the President.”

fibrillation in the monetary and financial system, governments must intervene—to shut down the fibrillation; that is, to put these institutions, private institutions, or nominally government-controlled institutions, into bankruptcy reorganization, under the supervision, in one case for example—the Federal Reserve system—of the United States government. Or, in the case of the IMF system, which is also bankrupt, a group of nations, which are the primary backers and owners of the IMF, will have to put the IMF, also, into bankruptcy reorganization.

If these things aren’t done, there’s no way to stop the fibrillation, and what might happen is incalculable, but terrible. You don’t know how the patient is going to die; but you know the patient is in the condition where death is imminent.

Now, the same thing applies to the question of recovery. We can put the system into bankruptcy reorganization; but how can we recover? Where’s your recovery program?

Well, President Bush has got the idea that he does need a stimulus program. And I understand he’s got Karl Rove and a couple of other people trying to cook up something that might be an economic stimulus program. But actually, relative to the problem, it’s a joke.

So we’ve got to have a very serious reorganization of the U.S. economy. A recovery program in the style of Franklin Roosevelt’s measures back during the 1930s. What we need is large-scale infrastructure projects.

The maglev, for example; the magnetic levitation rail system is an example. We don’t have a functioning national rail system any more. We need one. Well, the maglev is a good way to start rejuvenating it. Our air traffic system is collapsing. All kinds of things are collapsing. So we have plenty of work to do. We have a water crisis, for example; another problem, especially in the West and Southwest; we’ve got to do something about it.

So, much to do; much work to be done. And the government is going to have to take the view of raising some credit through the Federal government, which is the only agency which can really do this; and in cooperation with the states, take a number of projects of the type I’ve indicated—including energy systems and so forth—and say, “For the next 25 years, we have these following programs.” Or like the TVA under Roosevelt, these will be going ahead as the stimulant for the real economy, to get employment back in shape; to produce markets for private entrepreneurs who otherwise are going to collapse for lack of markets, and so forth. We have to do these kinds of things.

To do this, we have to do something else, which is even tougher.

Suspend All Deregulation Laws

The reason we’re in this crisis, is because beginning about 1964, the United States and England, followed in due course by continental Europe, went into a change in the economic system. These nations had been predominantly producer nations, traditionally. That is, the orientation of the national economy was production of wealth, especially physical wealth, with a large emphasis on high-technology, capital-intensive investment, basic economic infrastructure, modern infrastructure, and so forth—that was the characteristic. So Americans, or Europeans, looked at themselves as producers. If they weren’t producing something themselves, they were part of a society which was productive. And they estimated their value—their future, the future of their children and grandchildren—in terms of “I am productive; I am producing real wealth. I am valuable. I have not to apologize for my existence, to anyone.”

What happened is, beginning about 1964, with the cultural

paradigm shift in the United States and the Wilson government in England in the same period, which was a similar disaster; we began to shift—as with the rock-drug-sex youth counterculture and other things—we shifted away from being a society oriented to high-technology production, scientific progress, infrastructure, long-term investments, and so forth. We went into a consumer society. We said, “We are going to get what we need to eat and wear, from other parts of the world, from poor people who will work for us at slave-labor prices. Our people will not work any more—or, fewer and fewer of them will work. They will live as part of a consumer society, on bread and circuses, as Rome did from about the Second Century B.C. on, until it collapsed as a result of that policy.”

We’re in that kind of a process of degeneration.

This is not, therefore, a cyclical crisis. This is not a boom-bust cycle crisis. This is a collapse of the entire system. This is the kind of crisis from which no one recovers. There is no automatic “bounce-back.” There is no upturn. It’s all the way down; and the only way you go from down, is worse.

Unless you change the system. Changing the system means, essentially: Repealing all of those measures, especially in law, especially by the Federal government, which involve deregulation; which involve deindustrialization; which involve consumer society as opposed to producer society. All of those kinds of laws on the books must be eliminated in one sweep.

In other words, you can take, essentially, what was done from 1971—when Nixon blew the system out with his decision of Aug. 15, 1971—until Carter left office (or better said, Brzezinski left office at that point). And the deregulation and other measures taken during that 10-year period, set into motion a destruction of the U.S. economy, such that the U.S. economy, under law—even with a stimulus package—can not recover today, unless you have one sweeping set of decisions, made at the government level—the Executive Branch and the Congress—which says: Those laws are now suspended for the duration, until the recovery; and then we’ll consider the whole thing again.

But that means that all deregulation, and things similar to that, have to be cancelled. The 1971 decision on a floating-exchange-rate system, above all, must be cancelled. We’ve got to go into a long-term recovery process, 25-50 year perspective, of building up the economy of the United States and other countries.

The Eurasia Maglev Breakthrough

We have one big asset on the horizon—not in the United States, but it affects us very much. As most people may have picked up by now, at the end of the year, and beginning of this year, the Chancellor of Germany, Gerhard Schröder, was paying this visit to Shanghai in China, where he received an honorary degree at the university and so forth. But essentially what he did: He got on the most modern, most efficient railway system existing anywhere in the world today. He got on

with the Chinese Prime Minister. They sat in comfortable chairs. And he had a potful of flowers floating on water, on a small table in front of him, where he was sitting. This thing went from Shanghai to the newly-built Shanghai International Airport, at speeds of up to 431 km/hour. And none of the flowers spilled out of that bowl of water, in which the flowers were floating, on the small table in front of the Chancellor.

This system was built as a technology-transfer—or technology-sharing, better said—operation between Germany and China. I know a good deal about the thing. I was one of the people pushing for this for a long time; one of the boosters of the project. So I’m very happy about it on that account.

But what this means, is that China will now move into a series of more rails of this type, rails of this speed. This probably includes, finally, a line from Shanghai to Beijing and Beijing airport—probably; that’s not settled yet. But there are others—like to the old city we used to know as Nanking, and so forth. These areas are now being included for the same kind of treatment.

More significant, is: This project was done in a relatively short period of time. There’s no country in Europe, or in the United States, which could do what was done, in putting this high-tech system of magnetic-levitation transportation into place, for that distance, in that time. Only China could do it. That says something.

That tells you that China is a growing economy. It’s poor. It is not a great military power by our standards; not today; won’t be, for a long time to come. But it shows a capacity for responding to the challenge before it, which is actually gratifying. It’s astonishing. All spectators who know anything about this business were pleasantly astonished, as I was.

Now, this means that Germany and other countries of Europe, which are not going to survive under the present trends—there’s no way they can balance their books; there’s no austerity program that’s going to work; it will only make things worse—Europe is going to depend on a process which I’ve been pushing. That is, back in 1998 in particular, I pushed for the formation of a “Strategic Triangle” of cooperation among Russia, China, and India. Not them alone. My argument is the following.

We need large-scale projects in Asia, and Eurasia, to get the world economy moving. These projects can not go forward without arrangements on cooperation and security among most of the nations of that entire region of the world.

Now you have three major nations in that part of the world: Russia, China, and India. Other nations which are important, such as Japan, Korea, Kazakstan, and so forth. But these are the key nations. If these three nations—of dissimilar characteristics, of dissimilar cultural characteristics—can agree on a joint large-scale economic-cooperation program, and a joint security program for the entire region of Asia/Eurasia; then, all of these nations can come together. And they’re coming together. The six nations of Southeast Asia, Korea, Japan, China, Russia, Kazakstan. These nations are coming together around this project.

The maglev project, the Transrapid, which was demonstrated as an operating system between Shanghai and Shanghai Airport over this year-end; this is one of the steps toward that development.

This means, that if we can get the jam-up about this railroad connection in Korea, between North and South Korea, fixed—no more fooling with these crazy ideas about diplomacy; just do it—Japan will be able to ship goods by rail from Pusan, at the southern tip of Korea, to Rotterdam, by two routes: one, the Trans-Siberian route; second, the middle route, the so-called Silk Road route. This means that with the development of high-speed freight, as well as passenger transit, by land, we have changed the character of the planet.

By doing so, we will open up Central and North Asia for development of its raw-materials potential. We will improve the water system: the great Ob River, and the Irkutsk River, will move water down towards Central Asia, to develop [the region] around the Aral Sea and other areas that are now dying; reverse that process; increase areas of human habitation and development.

But at the same time, this system means that Western Europe and Central Europe—including countries such as Poland, Rumania, Slovakia, and so forth—that these countries will now have a future, as now they have none.

And led by Germany, France, and Italy—which are the chief export-oriented countries of Western Europe—Western Europe can become a fountain of technology, exported in cooperation with countries of the Strategic Triangle now coming into existence.

That means that there is the possibility of a recovery in Asia—if we have a new international monetary system to make it work.

What We Have To Do in January

What I propose as a monetary reform, has been endorsed by a majority of the Italian Chamber of Deputies, and by many parts of the Senate. It is my proposal; it has been adopted and voted up as my proposal. So there are people in the world moving to do what I've proposed be done.

The United States must have a new orientation. The orientation must be to cooperate with this kind of development in Eurasia; a new kind of diplomacy; peace in the Middle East; ending the genocide which is now policy of practice in sub-Saharan Africa. Stop destroying our neighbors to the south, in South and Central America. Begin a long-term process of development and investment. Turn the United States back into an engine of technology. Start with infrastructure. Save the industries we have. Save our air transport system. Save our rail system. Improve our transport system with an idea that we're going to transport across the Pacific too, into China, Korea, and so forth.

We have options. But what we have to do, is do as I say. At this point of crisis, beginning the month of January, we have to begin to make these fundamental changes in U.S.

policy, and policies of other countries. We have to resolve to put the IMF through bankruptcy reorganization, to go back to something like we had between 1946-58; not exactly, but something like it; the same principles. We have to cooperate with Eurasian countries, including our allies in Western Europe, for cooperation in this great Eurasian development project, one of the great projects, and the greatest market, of all humanity today. We have to turn to our neighbors to the south, and go back again to a nation-building, high-technology orientation; to save Argentina; to prevent Brazil from collapsing; to restore Colombia to itself; to restore, fully, the sovereignty of Peru; to build up the nations of Central America; to strengthen Mexico on a stable basis, not a cheap-labor-market basis; to save Bolivia from a drug mob; to prevent that kind of corruption from going on in Paraguay and Uruguay.

We have a great challenge and a great opportunity. It means we have now to say, the system is a failure; going from a producer society to a consumer society was a stupid, evil mistake; going to a floating-exchange-rate system was a stupid, evil mistake; deregulation was a stupid, evil mistake. We're going to fix that; we're going to learn our lesson, correct our errors, and act to stop the fibrillation. And it has to start this month. It has to start in the month of January.

So now, here we are. Congress is preparing to re-assemble. There'll be much fussing in Congress; there'll be various people in the Congress who'll make some measures which are interesting measures, with which I have sympathy. But the question is, are they going to push for the measures which we need? Not just band-aid measures, but measures that will actually begin to fix the problem. Are they prepared to change the system?

Then we come along to the question of the President, who, sometime later this month, is going to have to make a State of the Union Address; or it will be a State of the Dis-Union Address, otherwise. I'll be there all along. I'll be doing various things in other parts of the world; but I'll be there in spirit, and active, and watching, and intervening. Then on the 28th, I'm going to make an address, at 1:00 in the afternoon, Washington, D.C. time. Later the same day—probably; it's not yet certain—the President may make a State of the Union Address. Let's see if he does as well as I do, that same day.

On the day preceding—on Jan. 27—a number of very important decisions are going to be put on the table, including the UN discussion on Iraq, and things of that sort. On the 29th, there are other decisions that have to be faced.

So sometime between now and the 29th of January, we're going to see if the United States looks as if it's going to survive. In the meantime, my job is to be there. I know what works. I know how to fix the problem. These guys don't. I'm not laughing at them. I'm standing by and preparing to help them; to give them the direction of leadership they need—including the President; to give him the direction and leadership he needs, to show him what he does not know how to deal with now: how to fix this economy.