

countries which participate in this scheme, or—maybe, and—an additional source: the worldwide taxation of financial speculation, which was already mentioned today.

Who Will Create a New Financial System?

What countries could participate in this new financial architecture? I don't think that we can come to an agreement on the worldwide scale—under the United Nations, or some other international organizations. Perhaps only those countries which are ready to make steps in this direction, can take on the burden of the creation of the new financial architecture, not waiting for others. Because the time is limited, and the main players, namely the United States and Japan, in fact are not ready to limit their opportunities to create the world currency.

Both Japan and the United States create their currencies, not on the basis of their reserves, but on the basis of growing national debt. And these currencies, in fact, are pure national debts. And in order to go to the new financial architecture, the financial authorities of the United States and Japan should declare bankruptcy (I'm not sure about Europe), but this, to my mind, is quite evident, and, of course, these countries are not ready to do that.

What countries are ready, to my mind? Those countries who still keep control over their currency creation, money creation, and have enough reserves to protect their currencies from devaluation. Russia, for instance, has now currency reserves twice [the size] of the monetary base. So, each ruble has reserves—each ruble in circulation, which was created by the Central Bank, has reserves equal to two rubles. Of course, it is a crazy policy—I shouldn't comment on that now. But, at least it will give enough room for maneuver, for Russia to participate in *any kind* of new financial architecture based on fixed exchange, or other rules of currency exchange.

China and India are countries which are also ready to participate in the new financial architecture, because they are keeping control over their monetary system. And as you know, they were not affected by the financial crisis of 1997-98, exactly because they kept control over their monetary systems, and didn't liberalize them. For these reasons, having enough currency reserves and keeping control over money creation, these countries could easily participate in the new financial architecture.

The Arab countries could do the same, because of the large currency reserves which they have. I mean the Arab countries trading with oil.

So, at least we have a couple of countries, which are dominant, together, in the Eurasian continent. If the European Union joined this, it means that the whole Eurasian continent would be the platform to establish the new financial architecture.

I don't think the United States could participate in this new system, because their currency simply has no reserves. They have no reserves, and they have to limit their currency

creation several-fold—and they're not ready to do that. And if you wait for the United States, I'm afraid that we shall go into collapse altogether.

So, my suggestion is, perhaps, we can elaborate some recommendations, at least for those countries which have opportunities, to start to think and negotiate about the new financial architecture.

Of course, it is not an easy question. And, for instance, I can tell you, that when I proposed to the Russian Central Bank and to the Russian President, to launch an initiative to switch to a new financial architecture, I didn't get any real answer. Because such steps, of course, will have immediate results. If at least two or three superpowers, in the Eurasian continent, will try to discuss together the new financial architecture, it could be a trigger for the financial crisis. So, it is a very delicate issue, but at least, I think we should think about that, and there is no other way than to push those who will be ready to make a first step—not wait for when the whole system will go into collapse.

Money Is a Question Of Physical Economy

Here are Lyndon LaRouche's closing remarks to the seminar.

The most important thing is, that we're dealing with a world in which there's a conception of money, which is the popular conception of money *by* governments, and by leading institutions, which, from my knowledge, is insane, by the standard of the effect of the concept, the way it's applied. That the value of money should not be determined based on some current accounting value. That accounting should be banned as a method for determining the value of money.

The value of money should be determined by a *scientific* principle, *not* an accounting principle. And the scientific principle is: What is a physically defensible determination of the will of governments and the ability of governments to perform in creating credit, over the long term, for the development of their economies and their productivities? And therefore, we among nations, should recognize this process, *use* this process, and set *values* in terms of credit, and exchange, on the basis of those determinations, which must be *physical, scientific determinations*. Because, the crucial thing is, what is the physical life of the investment? How is it going to be maintained? And how long is it, and what's its quality? Those are the bases on which you should issue credit: on knowledge of the determination and competence of the government *to create value*, to create wealth, and to have sufficient wealth, *to repay the debt you are creating, in a timely fashion*.

This is a *physical* question, *not* an accounting question.