

# LaRouche in Rome: Free Market or New Deal?

*Here are Lyndon LaRouche's remarks to the Rome forum on June 6, organized by EIR, on "The Future of the Economy: Market Radicalism or New Deal?" He was joined at the roundtable, by Italy's Deputy Finance Minister Alfonso Gianni, and Giulio Tremonti, former Finance Minister and currently vice chairman of the Italian Chamber of Deputies. The hour-long audio of the three speeches, without the open discussion, can be downloaded from Radio Radicale.it at <http://download-2.radioradicale.it/cache/MP443717.mp3>.*

Since we have a crowded agenda, I shall limit myself to three essential points, and some comment on that, to conclude the statement of the points.

First of all, the world system, in its present form, is hopelessly bankrupt. There will never be a recovery of the present world, international monetary-financial system: It will never occur. Only a new system could survive. And only *with* a new system, could Europe or the United States, or the world as a whole, survive.

It's never possible to give a precise mathematical projection of the date of an inevitable financial collapse, because there are various acts of free will which can change the course of history, to make a bad situation worse, as a way of preventing a collapse. That is, if you want to stop a collapse which is intrinsically inevitable, the best way to do it, is to do something that makes the system worse, as has been done since 1987, when we had, in effect, a 1929 collapse.

For example, the United States is internally ungovernable at the present time. By the same standard, every government in Western and Central Europe is also ungovernable at this time. They're ungovernable, because the dominant force in the world today is typified by hedge funds. As long as you allow the hedge fund operation, which is largely a British operation, run through places like the Cayman Islands, you can not actually determine the destiny of any nation, in terms of this collapse.

You have a situation comparable to that of Europe in the middle of the 14th Century, when the House of Bardi collapsed in a hopeless bankruptcy. The only solution is to establish a new monetary system.

Now, it happens that all European systems are monetary systems, and they really don't function in a case like this. The attempt to establish any form of economy based on a money system, where money is independent of government, is impossible. Since 1971-72, the world has been run by money, not the world of money by governments. In the case of the



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*In his speech to the forum in Rome, LaRouche (center) declared that, "only with a new system, could Europe or the United States, or the world as a whole, survive." With LaRouche, are members of the Movimento Solidarietà, (left) Andrew Spannaus and (right) Claudio Celani.*

United States, we have a solution for this in our history: The United States does not constitutionally have a monetary system, not in the sense of European monetary systems. The United States system is a credit system, not a monetary system. The lawful constitutional utterance of money in the United States, is by an Act of Congress. Then, this issue of money is used as a form of credit, which can then be used to support a banking system. This was essentially the approach that Franklin Roosevelt took in March of 1933, when he came into office, after the U.S. economy had collapsed by one-third as a result of the Hoover Depression, which had actually been the result of the entire policy of the 1920s.

### **Government Credit To Promote Development**

Under Roosevelt, as earlier under similar Presidents who had operated in this way, the chief function of government credit, that is, in the form of government debt used as credit, had been to promote both large-scale investment in long-term infrastructure development, and certain categories of investment in the private sector. The other essential part about the U.S. economy, to make it work and make money work, is to have a regulated economy. You do not allow the floating of money in free circulation to determine value. You use various forms of regulation, including customs systems and so forth, to keep the currency within a rational values relationship in the economy as a whole.

One of the things that's obvious, is, you can not run a national economy if the prime rate of lending by governments or other institutions, runs up over 1.5 to 2%. Otherwise you will

tend to get long-term, secular inflation. And when you have inflation, the value of money and everything else goes to Hell. Because, when you loan money, if you loan it at a fixed rate that people can afford to pay, or that's profitable to the economy, you've got to prevent inflation from raising the cost of the debt; otherwise, you are putting a constriction on the growth of the economy. In the case of the United States, particularly, we found out that you have to have a fixed-exchange-rate monetary system; otherwise, you can not avoid the bad effects of fluctuations in international trade.

There were many errors made after the death of Roosevelt, in the way the monetary system of the U.S. was run. Briefly, the purpose of Roosevelt had been to take what the United States had developed, as the world's greatest monetary system and greatest economic system the world had ever known; but during wartime conditions, this system was used to build a war machine which was necessary to defeat Hitler. But a war economy is not a good economy; it does not produce net value in terms of what you spend for. But what we

did in the United States, as part of everything Roosevelt did up through the end of the war, was to build the greatest productive machine the world had ever seen. What Roosevelt had intended, was to use the war machine, its productivity, to convert it to international as well as national uses, to rebuild a shattered world.

When Roosevelt died, Truman, who was a stooge for the British, started a conflict with the Soviet Union. This resulted in a war-economy situation again, which taxed the world, and created many other problems. At the same time, out of London, we developed an actual fascist movement inside the United States, which Eisenhower called the "military-industrial complex." Despite these problems, and the errors that caused them, up until the assassination of Kennedy, over the entire period from the end of the war until Kennedy's death, the U.S. economy and the U.S. system worked. Since the death of Kennedy, with the beginning of the long Indo-China War, which ruined us, the United States and the world system began to decay, under the related impact of the war and the rise of the "68ers." And with the decision of Nixon, and more specifically, George Shultz, in 1971-72, in creating the floating-exchange-rate system, the world economy as a whole has gone to Hell.

In October 1987, we went through the equivalent of a 1929 Crash in the stock markets. The decision was made, in which Greenspan was typical, to go to a wildly speculative monetary system, which has ruined the world economy, and has brought us from a depression situation which existed in '87, into a breakdown crisis of the entire world system, which is the state of affairs right now. Over the entire period, taking into account the effect of the Vietnam War spending, over the

entire period from 1971-72, under the floating-exchange-rate monetary system, we've had also a political process identified with the 68er phenomenon, which is actually the shift from a productive economy, to a purely speculative economy. The productive powers of labor, physically, per capita and per square kilometer, have been crashing, and the infrastructure has been crashing around much of the world.

Despite what has happened in China and what has happened to some degree in India, India and China are actually long-term failures. These are Asian-model societies, in which the lower 80% of the population is treated almost as animals. In both cases, you have an increase within the upper 20% of family-income brackets, and including a super-rich stratum within that, but the lower 80% has been falling in value, even relative to the so-called improvements and advantages of these economies on the international market.

### There Is a Way Out

So, there are two things now, which I point now, as solutions or partial solutions for the present state of affairs: First of all, I have proposed that the United States government, Russia, China, and India, form an initiating bloc to agree to establish a new, international monetary system. And I recommend this, because these three partners—I listed Russia, China, and India—are the only three nations which are powerful enough in terms of their independence, which were likely to actually support such an initiative. No government of Western and Central Europe would even consider supporting such a measure. However, if these four powers agree to initiate such a proposal, it will work. And that proposal, I've made clear both to people in the United States, and to the relevant other three governments.

Now, we made a second step, which was part of my recent trip to Moscow. Some years ago, my wife, Helga, in expanding the definition of the Eurasian Land-Bridge development, as a system of transport and development tracks, had a discussion with a friend in Japan with the Mitsubishi operation; we looked at their specifications on the Eurasian Land-Bridge, the tunnel-bridge system from Siberia to Alaska, which would become the basis for a worldwide transit system, which I would aim at essentially getting to a magnetic levitation system, rather than a friction-rail system, in some short order.

Now this is necessary, when you think of the condition of the populations of China, India, and other Asian countries. These countries are now inherently unstable, despite the surface appearance of success. The mass of poor in these countries is a political-economic time-bomb. Without some large-scale development programs, you can't do much for them. We have, in the northern part of Asia, vast resources underneath the soil: Under a high-technology environment, which requires a transportation system, you can, with technologies we know and skills we have now, we can develop these areas into sources of raw materials which will address this problem.

Helga and I have, over a period of years, made several approaches to Russia, on supporting such a policy—that is, the

Siberian development policy. There was recently a conference in Russia, which I addressed by message, which adopted this policy, with very specific predicates. The intention is, to establish a rail-type connection, which runs from Eurasia, into the Americas, down through the Americas, and of course would run on a different track into Africa, to create a world system of transportation which is a transportation net for world development. The government of President Vladimir Putin has recently indicated its support for this proposal, and is making approaches to the United States on this issue. It is reported to me, though I've not yet confirmed it otherwise, that Putin will be making this point, or this representation, at the G8 conference now going on.

This is the kind of world we live in. We can put the world monetary-financial system under reorganization, provided we have specific motivating proposals which will make it work. Otherwise, the prospect for the planet, without such proposals, would be a very early arrival of a dark age.

## LaRouche's Ties to Italy Are Longstanding

Lyndon LaRouche has been invited to Italy many times over the past decades, visiting Rome, Florence, Milan, Vicenza, Ascoli-Piceno, and other cities, where he has addressed meetings and conferences, large and small, with political, business, and media figures. Among the highlights from the past ten years:

**April 1997:** In Rome, LaRouche calls for a New Bretton Woods Conference.

**April 1998:** Again in Rome, LaRouche addresses members of Parliament on the New Bretton Woods, and meets with "cold fusion" scientists.

**October 2000:** On a visit to Ascoli-Piceno, LaRouche offers an alternative to globalization.

**June 2002:** LaRouche speaks on the New Bretton Woods at the Cenacolo Hall of the Chamber of Deputies.

**July 2001:** LaRouche tours Milan and Vicenza in Italy's northern industrial region.

**March 2002:** LaRouche is back in Milan, where he meets with entrepreneurs and legislators.

**April 2003:** In Rome, LaRouche outlines an exit strategy from war.

**May 2003:** On a tour of Vicenza and Milan, LaRouche launches a Youth Movement in Italy.

**October 2003:** LaRouche advises Vicenza businessmen, "Start by ignoring money."

**February 2007:** Back in Rome, LaRouche briefs members of Parliament on the new U.S. Congress.