

# EIR Strategic Studies

HELGA ZEPP-LAROUCHE WEBCAST

## ‘A New Credit System After Bankruptcy Reorganization’

*Helga Zepp-LaRouche, the head of Germany’s Civil Rights Movement Solidarity (BüSo), gave this speech to a webcast from Berlin on Oct. 29. It has been translated from German. A lengthy discussion followed, which is not included here, but is available on video in German, and with English simultaneous translation, at <http://bueso.de>.*

Dear Guests, Dear Internet watchers, we have a very, very dramatic situation indeed—even though most citizens, at least in Germany, are probably unaware of that fact. There are two diametrically opposed directions in which human history, and the strategic situation, could develop.

One thing is for sure: If we stick to the current system, the system of globalization, and the casino economy, which has taken off again, we will have a new mega-crash, that will make the panic and shocks of last year look like peanuts. There will be company bankruptcies, mass layoffs, social chaos, and then, in relatively short order, the danger that mankind will plunge into a new Dark Age.

But fortunately, that is not the only direction. The other one, completely different, is what we are just seeing the beginnings of: the potential for a new financial and economic system to come into being. That means the possibility of reconstructing the physical economy, which is what the BüSo and the LaRouche movement have been promoting for over 20 years now:

the construction of the Eurasian Land-Bridge, and the program that our movement has proposed for over 40 years—the relaunch of the world economy in the form of a just world economic order.

Now, here in Germany, we have a new government, the Black-Yellow [Christian Democratic-Free Democratic] coalition. And I can assure you that if you watch the debates and the politicians’ speeches on TV, or read the newspapers, the difference could hardly be greater, between what they say, and what we know the actual situation to be. The line being put out is: “Okay, we’ve managed to more or less survive, the worst is over, and now we just have to consolidate things.” The truth, however, is that right now, even as we are sitting here, the continuation of the human race hangs by a thread. The next mega-crash is now looming and it will come just as certainly as the “Amen” at the end of a prayer.

### Europe in a Straitjacket

But Germany’s destiny will not depend primarily on developments here in Germany, because its capacity to determine its own policy, or even Europe’s capacity to do so, has been severely constrained, ever since we lost sovereignty over our own currency, since we have no political union, but a monetary union. Europe has put itself into a straitjacket, since the EU treaties, since Maastricht, and the possibility of sovereign interventions in financial and economic policies has been massively rolled back.



EIRNS/Helene Moeller

*Helga Zepp-LaRouche addresses a BüSo campaign meeting in Dresden, Germany, Aug. 26, 2009.*

But, with all due caution, there are hopeful signs that the German government no longer wants to submit completely to the dictate of Brussels. But those are the only “green shoots” to be seen. For the most part, the government is still completely imprisoned in the axioms of globalization and monetarism. The best reflection of its imprisonment is the fact that this government is attempting to throw a lot of different problems into one pot, and to find solutions for things that are simply insolvable in that way. For example, on the backdrop of a huge increase in public debt, you have the promise to lower taxes and, at the same time, to reduce indebtedness, which has, unfortunately, been incorporated into the German Basic Law [the Constitution].

It will soon become obvious that these three things cannot happen. The idea that taxes can be reduced by EU24 billion is completely unrealistic. It will never pass the Bundesrat [upper house of Parliament], and protests are already being heard from the municipalities and states, which would bear the brunt of it through lower tax revenues. They’re already suffering from enormous losses, and just can’t accept it. Berlin, for example, has filed a constitutional complaint over the policy of lowering taxes, and the Christian Democratic governors of the Saar and of Sachsen-Anhalt have protested.

The most important thing, which we have to discuss at length this evening, is that we are now, potentially, in the greatest crisis of humanity, although its effects have not yet been fully felt. The solution cannot come from Germany alone. But we do have grounds for optimism, provided that a broad discussion is launched in Germany, over how to replace the bankrupt system of globalization, by an alliance of sovereign nations.

### **Russian-Chinese Breakthrough**

In the past weeks, certain developments have brought humanity much closer to the solution. There has been a dramatic development which, as usual, has only been mentioned fleetingly in the German media: On Oct. 13, Russian Prime Minister Putin, during a three-day state visit to China with Prime Minister Wen Jiabao, signed on to at least 12 long-term agreements for cooperation, amounting to hundreds of billions of dollars in the coming years.

The agreements cover construction of railway systems, energy supplies, and other projects, in Russia and in the Far East, with direct investments from China into Russia. There is also a joint manned space project.

That’s not all: Prior to those agreements, President Medvedev had met with his Chinese counterpart, Hu Jintao, and they approved the “Russia-China 2018 Cooperation Program.” This involves hundreds of other projects in the northeast of Russia, Siberia, and the northeast of China. And Vladimir Putin, in particular, repeatedly stressed that the emphasis is on cooperation in high-tech branches and on finishing processes of production, not just raw materials.

And on the way to Beijing, there was an important meeting in Vladivostok, featuring treaty agreements, and on Oct. 14, at the meeting of the Shanghai Cooperation Organization, cooperation was also expanded.

And these treaties could possibly be the beginning of a new credit system.

### **The LaRouches’ Role for Two Decades**

These are not empty words! We have played a long-term role in this, especially Mr. LaRouche, as ideagivers. I myself have been promoting the Eurasian Land-Bridge for the past 19 years.

It is probably no coincidence that Mr. LaRouche and myself were in Rhodes, from Oct. 8 to 12, [2009], at the 7th Annual Session of the World Public Forum “Dialogue of Civilizations,” an institution that was established by Russia—mainly by Vladimir Yakunin, the

head of the Russian Railways; by the Indian futurologist Jagdish Kapur; and a prominent Greek businessman. More than 600 experts, politicians, and others were gathered there. This Forum stresses that all problems can be solved on the basis of dialogue.

This year, Mr. LaRouche spoke on the economics panel. His speech was short, but it presented a dramatically new concept for solving the crisis.<sup>1</sup> Basically, he said that the crisis can only be solved if the four most powerful nations—the U.S., Russia, China, and India—work together for a new international financial system. That found a lot of resonance amongst the participants.

I also gave a speech, explaining why we emphasize these projects, and why the EU, in its present form, is not in a position to contribute to the solution, because it's clinging to the neo-liberal paradigm, and has accepted the austerity mechanism of the Stability Pact.

At any rate, the discussion around this issue was very much present in Rhodes. In addition to public speeches, we also discussed it in many private conversations with participants. And it was clear that such meetings between Russia and China were about to take place. Then, when the news came of Putin's visit to China, and the extent of the projects became public, everybody was surprised, and most pleasantly so.

Many Russians—not only in Rhodes, but in general—had feared in the past that China would attempt at some point to simply take over areas of eastern Russia. China has a very big population, and Russia far less; the country is largely underpopulated. But these agreements lay out the framework for long-term cooperation between Russia and China, without that danger, with the possibility to develop Russia with help from China—i.e., China will help build a global rail network in Russia, and Russia will help China develop nuclear power and many other things.

Straight after the meeting in Rhodes, a leading Russian newspaper, *Zavtra*, published an interview with Mr. LaRouche,<sup>2</sup> which was taken up on many Russian websites. Then, an important human rights lawyer wrote an open letter to President Medvedev, which I will read to you:

“Mr. President!

“I have decided to write to you, taking advantage of this new means of communication you offer through the Internet.

1. Published in last week's *EIR*.

2. See last week's *EIR*.

“My letter is occasioned by the publication in the newspaper *Zavtra*, of an interview with the well-known American economist and political figure Lyndon LaRouche. In 1993-1994, I had the good fortune of taking part in a human rights defense campaign on his behalf, and I know him well personally.

“His views and his approach to researching world economic and global political processes represent a good contrast, in their competence, depth, and insight, to the behavior of our well-known nightingales of monetarism, and the scientific liberal extremists with their henchmen in government institutions, such as A. Lifshits, Ye. Yasin, A. Kudrin, A. Chubais, and Co., whose most recent statements most probably are already known to you.

“If we wish to restore a sovereign Russia, I believe that LaRouche's position on the current financial and economic crisis deserves special, very serious attention, because it is not based on short-term considerations, it is competent (backed up by experience of accurate forecasts over recent decades), it is globally responsible, and it indicates real ways out of a general catastrophe.

“It would be most regrettable if, in determining foreign and domestic policy priorities in such a critical situation for Russia, you were to ignore the experience and knowledge of this outstanding public figure, which are substantial, quite multi-faceted, and very much needed, especially now.

“In the cause of serving our common Fatherland, my wish is for you to be more consistent in upholding Russia's national interests and, relying on the people, to shift as quickly as possible from mere words, as correct as they might be, to their practical implementation.

“I flatter myself with the hope that this will be the case.

“V.A. Kuzin, lawyer”

This letter is posted on President Mebedev's blog and is circulating widely. It reflects a broad discussion about the ideas of Lyndon LaRouche.

## Toward the Eurasian Land-Bridge

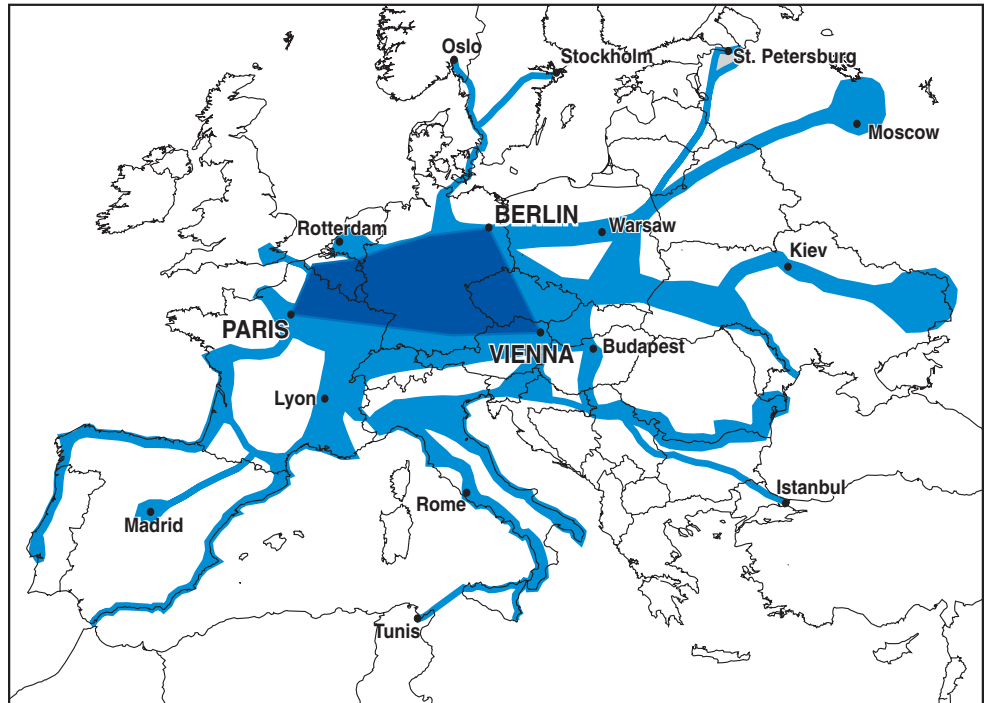
But as I said, we haven't begun just now to discuss this conception, we've been doing so for 20 years. It is becoming a reality. In 1989, after the fall of the Wall, we immediately had the idea of the Productive Triangle (**Figure 1**). That is, the idea that once the Iron Curtain separating East from West was gone, you could take the region Paris-Berlin-Vienna, that forms a triangle about

the size of Japan, and make it more productive, through investments in modern, vanguard technologies.

We proposed, for example, to have the maglev train built there, and inherently safe nuclear power plants, such as the high-temperature reactor, and biophysical processes. This would have given a tremendous productive impetus that could be spread further, in the form of corridors going from Berlin to Warsaw, to Kiev, to the Balkan region. Instead of the economic slaughter that took place in the East after the fall of the G.D.R. [communist East Germany], those obsolete industrial capacities could have been used to modernize infrastructure in the East.

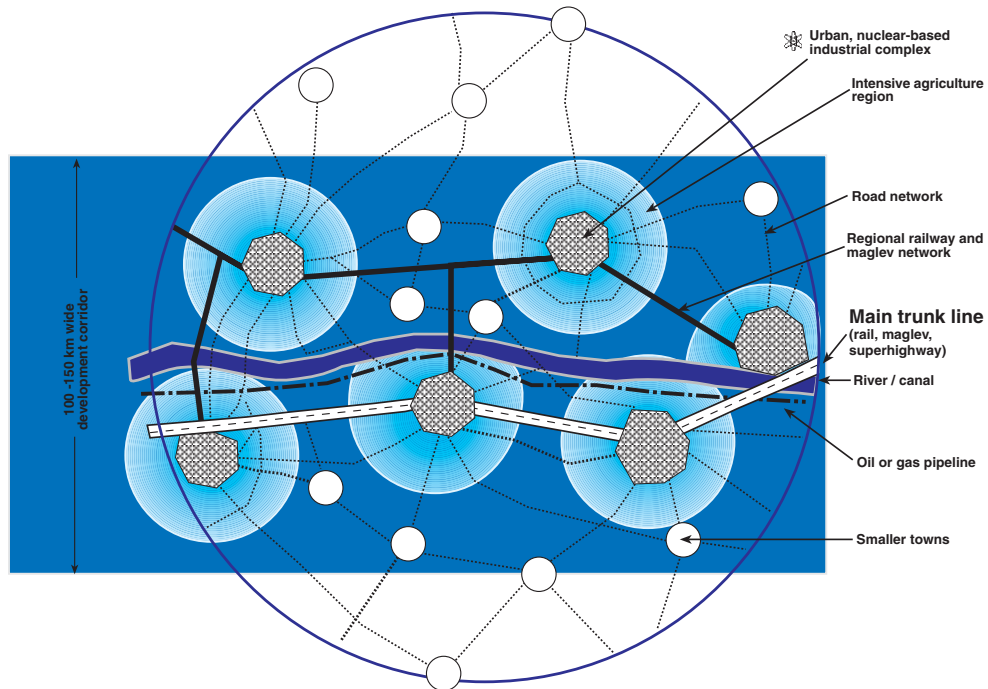
After 1991, after the Soviet Union had disintegrated, we expanded this conception into the Eurasian Land-Bridge. That means linking the population centers and industrial centers of Europe and Asia, through so-called development corridors (Figure 2), which should be about 100 km wide, and with integrated infrastructure, intercity trains, railways, waterways, computerized train stations, new energies, new communications. In that way, you could basically create the same conditions in those Eurasian corridors, that have been limited, up to now, to areas with access to the oceans or river systems.

I haven't counted, but I



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Figure 1. The Paris-Berlin-Vienna Productive Triangle, and its spiral arms, from a 1990 EIR study.



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Figure 2. Graphic representation of a “development corridor.”



EIRNS/John Sigerson

**Figure 3.** Main routes of the Eurasian Land-Bridge.

guess we have done hundreds of conferences and seminars on this since 1991, in all major European cities, in Latin America cities, in U.S. cities, and even a few in Africa. For a long time, we were lonely voices calling out in the wilderness. People asked who was supposed to pay for it: “This is a utopia that could never happen!” But we were consistent and we said, “This *has* to happen!”

We had many, many of our own conferences on this. This, for example, was in 1998, when I took part in a one-week trip to four Chinese cities, on the Eurasian Land-Bridge (**Figure 3**).

We went to Beijing, Nanjing, Lianyungang—that’s where the Land-Bridge ends (**Figure 4**). A new nuclear power plant is being built there, a second one. The foundations for the first one were being dug when I



EIRNS/R. Magraw

**Figure 4.** Zepp-LaRouche at the port of Lianyungang, China, 1998.



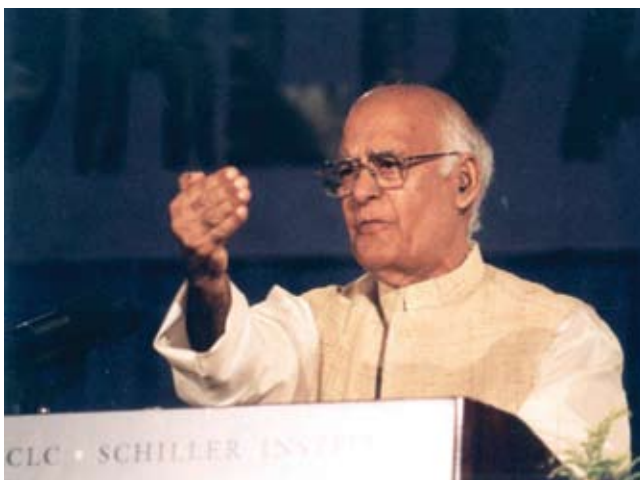
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**Figure 5.** Right to left: J.C. Kapur, Lyndon LaRouche, I.K. Gujral, Mrs. Gujral, Helga Zepp-LaRouche.



Office of the Indian President

**Figure 6.** Indian President K.R. Narayan receives the LaRouches in December 2001.



EIRNS/Stuart Lewis

**Figure 7.** Chandrajit Yadav addresses a Schiller Institute conference in Virginia, August 2003.

was there. I made the trip with Professor [Dmitri] Lvov, from the Russian Academy of Sciences, Professor Titorenko, and some others. The purpose of the trip was to recruit regional industrialists in China to the idea.

The next picture (**Figure 5**) is in New Delhi, and you see Mr. LaRouche speaking to the man on his right, the former Prime Minister of India, K. Gujral; and that is Mr. Kapur on the left, one of the founders of the Rhodes Forum.

The next shows a visit to Indian President K.R. Narayan (**Figure 6**). He was a former ambassador in Washington, and he asked Mr. LaRouche—whose last trip there had taken place 19 years before—to come more often, because Mr. LaRouche is a true friend of India.

**Figure 7** is the former minister [Chandrajit] Yadav, who was in Indira Gandhi's Cabinet. We had a very good situation in India, because in 1979, we worked on a 40-year development program for India, and we had several opportunities to speak to Indira Gandhi. That's why the ministers from that time were totally enthusiastic about Mr. LaRouche, saying he is the only American they can trust. Mr. Yadav passed away, unfortunately; he had a very large movement in India.

## After the Crash

These are diverse articles that reported on our trips in this context [not shown]. This one is from 2007, in Kiedrich (**Figure 8**). Our conference was on the theme, "Construction of the Eurasian Land-Bridge After the Crash." It was just six weeks after the housing bubble had crashed in the United States. We stood up at this point, and said: We have a program of how to reconstruct the economy after the crash. The picture shows Mr. LaRouche and [Russian] Prof. [Stanislav] Menshikov, who is one of the greatest experts on the New Deal. He worked with John Galbraith, and he understands the American System very well.

The next picture is an article I wrote [published in the Russian journal *Politika*—not shown]. I think it's the speech I gave in 2001, at a committee of the Duma in Moscow, where I spoke of the Eurasian Land-Bridge as a war-avoidance strategy peace plan. The idea was that, if Eurasia is linked together through long-term

economic cooperation, this is not only extremely useful economically, but also, when a common level of reason is reached among all these different nations, together with mutual economic interests, then you have the best war-avoidance strategy.

Next, is Mr. LaRouche on Russia TV; he has been shown there quite often.

This (Figure 9) is a conference that Mr. LaRouche addressed, of an important Chinese organization in Los Angeles, an organization that is promoting reunification of Taiwan and the [Chinese] mainland, and they have often published articles on Mr. LaRouche's ideas. In the recent period, several big newspapers in China have reported on the Four-Power arrangement.

In 2001, there was a seminar at the Duma, which was organized by the economist [Sergei] Glazyev, where different experts, including Mr. LaRouche and myself, discussed the financial crisis.

I wanted to include these pictures, so that you don't think that these things we're talking about are just programmatic suggestions. We have—Mr. LaRouche for the past 48 years, and I for the past 38 years—please don't calculate the years!—and even more so since the Eurasian Land-Bridge has been on the agenda, worked to organize a new financial and economic system. In 2007, for example, we were in Moscow at a conference on expanding the Eurasian Land-Bridge over the Bering Strait to America (Figure 10).

The idea is to connect the Trans-Siberian Railway to the Bering Strait—it's a few thousand kilometers, and then, run a connection over to Alaska through a 100-km tunnel. I can assure you of the level of enthusiasm reigning among the scientists at this conference—they were like little boys, saying "Yes, in 20 years, when we have this maglev connection under the Bering Strait, into the Americas, we can go from Acapulco in Mexico to Mumbai, in India, faster overland, than by sea!"

Next is the project for a Transrapid maglev line from New York to Paris. That could also be done quickly over land, and it's on the agenda.

This was a Russian policy the whole time, even at the time of George W. Bush. And the governor of Alaska was totally for it, the former governor Sarah Palin, whom you might know of.

And now, Putin said at this meeting with the Chinese: Precisely because the crisis is here, we are not allowed to cut back on development, but we should use it,



EIRNS/Julien Lemaitre

Figure 8. Russia's Prof. Stanislav Menshikov shares a laugh with Mr. and Mrs. LaRouche, at a Schiller Institute conference on the Eurasian Land-Bridge, 2007.



EIRNS/William Salisbury

Figure 9. Lyndon LaRouche addresses a conference in Los Angeles on the peaceful reunification of China.

to get out of the crisis.

And that is extremely important.

Getting back to the Bering Strait tunnel, it involves developing Siberia and the Russian Far East, where, by the way, you have the greatest raw material reserves in the world. But it's not about raw materials extraction, in order to loot them and cart them off. The challenge is to create humane living conditions in a permafrost environment. The people who extract and develop these raw



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Figure 10.

materials have to live decently and even to create new cities; they need transportation, communications, energy supplies for processing the raw materials.

### The Challenge Facing China

For China, this is very important, because China is in an extremely difficult situation. Unfortunately, the Chinese fell into the trap of globalization. They were talked into becoming the country of cheap production for America, and this is doubly problematic. China has had a tremendous development. Anyone who has been there knows that China is a fantastic example for development, from a totally underdeveloped condition, into one of the most developed. But, unfortunately, that only applies to about 30% of the country.

I was in China in 1971, during the Cultural Revolution. I was probably the only Western journalist who had the chance to visit China, when I was on an ocean liner. I know how China looked at the time. In Shanghai, there were 10,000 bicycles and one car. I once went from Tsientsin to Beijing. It was a normal journey, on a dirt road, and the hens scattered in front of the car, and the donkeys. It was quite an adventure.

And, in 1996, I went back there, for a conference on the construction of the Eurasian Land-Bridge. Then the

highway from Tientsin to Beijing was beautifully smooth and fast—in Germany, you won't find a single highway that is so modern.

And of course, the coastal regions of China and the South have developed enormously; but 70% of the population still lives in very backward conditions, some of them in Stone Age conditions. Now China has a dual problem: On the one hand, the export markets are collapsing, especially in the U.S.; and on the other hand, the country's \$2 trillion of currency reserves, of which \$1 trillion is denominated in dollars, threaten to be devalued because of the dollar collapse.

Therefore, long-term cooperation, such as the treaties with Russia worth a few hundred billion dollars, is very important for China, to give real worth to China's dollar reserves. If China just sits on them, the money threatens to be devalued; but as soon as they invest it, then you have the seeds of a new credit system.

So this is the solution, the potential solution, to China's problems, but also for Germany. For Germany to orient to this new dynamic is a question of survival. I'm sure that's clear for some of you here. On Oct. 21, the East Caucus of the German economy—i.e., Klaus Mangold, who heads it—took 16 top managers to meet with Putin, and they agreed on some long-term invest-



ment agreements, for EU500 million—not so much, but better than nothing. And Mangold had only invited those managers who were interested in long-term cooperation, as opposed to making money fast and turning a profit.

So, where do we stand now, in terms of Mr. LaRouche’s Four-Power agreement? What is the situation in the U.S.?

### The Obama Administration

Here in Germany, what’s happening in the United States is being astonishingly censored. The U.S. is, right now, in an existential crisis. Nothing is left of the Obama euphoria. You remember when Obama was in Berlin: There were 200,000 people there—total mania. The Americans were totally enthusiastic. In January, Obama had 78% approval ratings. Now he has only 49%. That’s the fastest drop in approval ratings of any American President, in the history of the U.S. Thirty-nine percent think he’s terrible, and only 27% find him good, so more people are firmly against him than are for him. And his rating is falling from week to week.

Unfortunately, Obama has turned out to be a case of deceptive packaging. This was not a big surprise for us, because we were already very critical of the \$4 million in campaign support that he got from the financial sector. We did not feel good about him, but when he was elected President, my husband said, “Okay, now that he’s President, we will give him the support he needs, because he’s the President, in a difficult situation.”

And, he promised an awful lot. He promised that he would orient his Presidency around Lincoln and [Franklin D.] Roosevelt. He promised millions of new jobs, thanks to his stimulus program.

But that was not to be. Nine months later, most Americans are completely disappointed, and the “change” promised by Obama set off a shock—comparable to Rosemary, the first time she saw her baby! It turned out quite different.

Instead of “change,” we had more of the same that Bush had given us: a policy in the interest of the bankers.

Altogether, since the outbreak of the crisis, \$23 trillion have gone to the banks in bailouts. Unemployment is at record highs. Over 1 million unemployed have lost their unemployment benefits, and that number is growing by 2,000 every day.

There have been 3 million home foreclosures this year alone. Tent cities of the unemployed are spreading



EIRNS/Tiffany Wamsley

*A LaRouche PAC organizer with the world-famous “Obama-’stache,” at a town meeting sponsored by Rep. John Dingell in Michigan, August 2009.*

everywhere. Social services required for bare existence are being cut, because municipalities are bankrupt and can’t give out the money. And, after the total disaster in the auto industry, in Michigan and Ohio, it’s now hitting the aerospace sector. For example, in Wichita, Kansas, 20,000 highly qualified jobs in aircraft construction were just cut, and the machine-tool sector has collapsed by 67%. That is huge!

The Obama Administration is trying to cover it up, of course. Christina Romer, the chairman of Obama’s Council of Economic Advisors, claimed, on Oct. 21, in front of a Congressional committee, that the stimulus program had created 1.5 million jobs. But everyone knows, and official reports say so, that only 13,000 jobs have actually been created under the stimulus program, and they are probably the jobs of the people who distributed that money. There was no real growth. Ms. Romer had to admit, when she was asked, that she had counted in the 1.5 million jobs that had *not been cut*—they were not created, but just didn’t go down the drain.

Then you have the story in the European media that Obama wants to cut bonuses to managers by 90%. That's simply not true. In reality, the Administration has lost all credibility with the population. The general inspector of the TARP program, Neil Barofsky, said that this program led to even bigger banks, because some of them were swallowed by others in order to create megabanks, and now you have super megabanks, which are too big to fail. His statements destroyed the Administration's credibility even more.

But the most important failure of Obama is, of course, the subject he wanted to be the focus of his Presidency: the health-care reform. Some of you know that Mr. LaRouche said, in an April 11 webcast, that Obama's health-care reform was based on the model of the British system called NICE [National Institute for Health and Clinical Excellence], where entire categories of patients are considered unworthy of living. And that program is based on euthanasia program of the Nazis, the Tiergarten 4.

At first, this caused tremendous agitation: "How can Mr. LaRouche say such a thing?!" And then the picture of Obama with the famous mustache circulated around the world. But by now, the American population realizes that it's true: Certain categories of patients simply will no longer be getting sufficient care. That's why, starting in August of this year, a mass strike process has been unleashed, because the population has lost all confidence in Obama. Obama wanted to ram his health-care reform through by July, and now it looks like he probably won't get it through this year.

And it would be better so. Because, the core of his reform is the IMAC [Independent Medicare Advisory Council]. That is a proposed health-care panel, which was called a "death panel" by Sarah Palin, which would decide who gets what treatments, and who doesn't. There are now several bills in the Congress and the Senate, but none of them has a majority. If public medical insurance is in one, the Republicans won't go along, and if there's none, the Progressive Democrats won't. So it won't go through. And the above-mentioned Christina Romer said that the only real problem in the U.S., is the health-care system; that's what's bringing the economy down.

That is absurd, of course. But the intention is to make the population shoulder the costs of the bank bailouts, by cutting back on health care.

Vice President Biden has just talked of an economic depression. That caused an incredible uproar in the White

House, but in fact, the situation in the U.S. is worse than in the 1930s, because at that time, there were family companies, small and middle-sized companies, family farms. But with globalization, a lot of that production has been outsourced to cheap-production countries.

### **The Next Bubble To Burst**

Now, the popping of the next bubble is imminent. One bubble that will collapse is the real estate market. According to the FDIC, this market makes up 56% of the loan portfolios of the banks, and for the smaller banks that have less than a billion dollars in assets, the percentage is much higher. Seventy-four percent of all loans of the 6,500 small banks are secured by commercial real estate, which means that if the market crashes, 90% of all U.S. banks will be faced with enormous problems. Home foreclosures will continue, as the banks attempt to make up for these losses. The price for commercial real estate has dropped by 35% since 2007, office buildings are empty, rent has gone down by 20% compared to last year.

Another even more dramatic bubble that is about to burst, is the CDS market, credit default swaps. This is a derivatives market, where credits are insured against loan defaults. The head of the French central bank, Christian Noyer, who is also on the board of the European Central Bank, recently pointed out that this market had experienced an incredible concentration over the past two years, so much so that there are only a few "mega-players" left. In 2004, this market amounted to \$6.3 trillion, and by the end of 2007, you already had \$57 trillion. I don't know what it is right now—it's probably much more. Lehman Brothers was the biggest CDS trader, until it collapsed. The danger is that, because of the circular interrelationships, there is an enormous risk.

For a long time, especially during the parliamentary election campaign, the crisis "didn't exist" here: "The worst is over," "We have hit bottom," "Look at the little green shoots," we were told. But the tone has changed completely in the financial press. *Business Week's* headline: "What happens when the dollar crashes? Trade wars, bank collapses. And that's just the beginning." *Fortune Investor Daily* says, the situation on the commercial real estate market reminds them "terrifyingly of the situation in 2007," which led to incredible losses on the bond market. The *Wall Street Journal*: "U.S.A. faces a new financial crisis." The *Financial Times*: "Was October 2008 only the dress rehearsal for the

much worse crash that is coming now?”

Mr. LaRouche has long explained why we are in a systemic crisis, and not just a cyclical crisis that will calm down at a certain point (Figures 11-13). The lower curve is real production. It has been falling for a long time, as we know, and since July 2007, it's been in a free fall. The contraction of the real economy is enormous; for example, European steel production, Chinese steel production, the automobile sector, the suppliers, and other areas as well. Then we have the financial aggregates curve; this is the part of the financial system that has to do with real production. It went up until July 2007, and since then, it's been on the way down.

Many people say, “Well, that's no problem, everything is getting cheaper, we have deflation.” But the problem is that the deflation will be short-term, because the other curve, the monetary aggregates, is growing exponentially. That curve shows the huge bailout packages, all the liquidity that was pumped into the banking system. The danger is that at some point soon, this hyperinflation will affect the prices in the real economy, and then you will have a situation like 1923 in Germany, but worldwide, potentially.

This is not a curve that shows real numbers. It's a dynamic between those processes of the real economy and part of the money economy.

I should also say that there are a number of economists in the United States, who belong to the expanded institution of the Presidency, who have taken Mr. LaRouche's Triple Curve as the basis of their own investigations. They have huge amounts of data on the real economy and the financial economy, and they came to the conclusion that this concept is the only one that explains the current situation.

So, an important debate on this has now begun: How can we get a handle on the problem, that's reflected in these two upper curves? It's also being debated how to return to the so-called Glass-Steagall Act that Roosevelt introduced, after the crash of '29, as an instrument to prevent such excesses. The law says that commercial banking must be strictly separated from investment banking. In other words, banks that are dealing in the real economy, in the population's savings or pensions, and other things related to the real economy, are prohibited from speculating in high-risk areas. Then, if a bank engaged in high-risk operations goes under, the population doesn't have to pay for it.

FIGURE 11

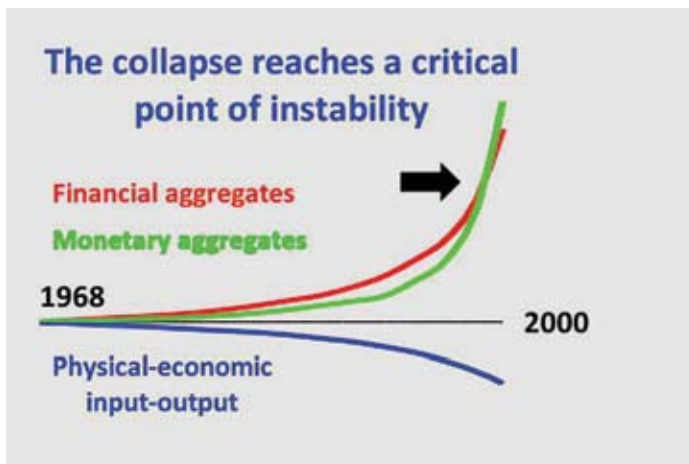


FIGURE 12

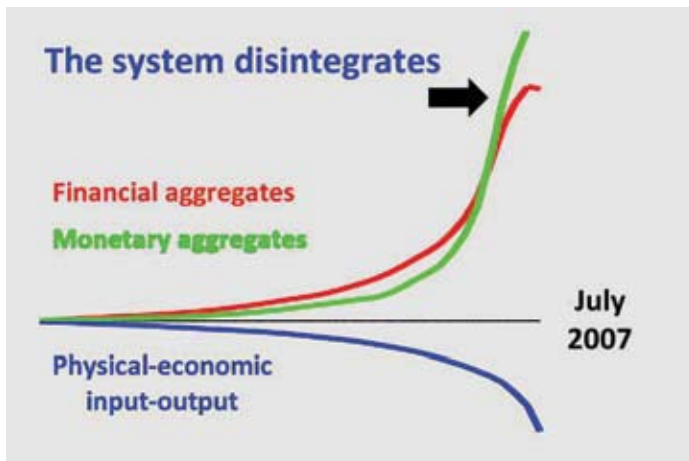
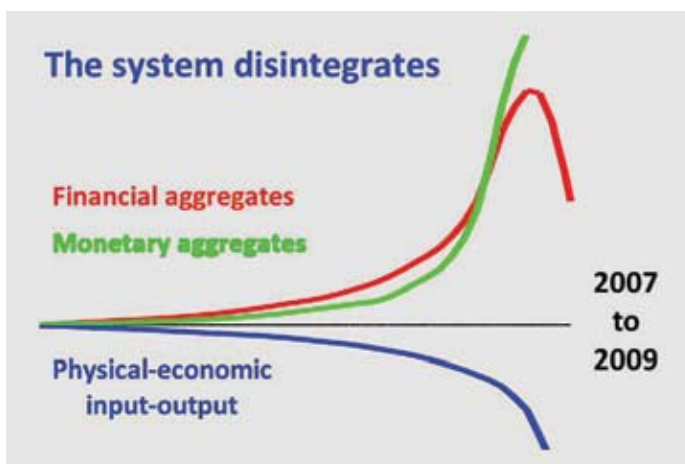


FIGURE 13



This law was very useful, and it was only abolished in '99, by Larry Summers. Unfortunately, he is currently the main economic advisor to Obama. The former head of the Federal Reserve, Paul Volcker, who was at the Fed until 1987, is promoting the reintroduction of the Glass-Steagall law, and all kinds of others as well. Mervyn King, the governor of the Bank of England, is promoting it, and even perhaps the worst speculator of all, George Soros.

They all have different motives. Paul Volcker does not want a new system, he just wants to bring order into the current system. And Volcker wants to get rid of all the creative and innovative financial instruments that were created by Alan Greenspan when he was head of the Fed, and go back to the situation before that. But he's a monetarist. Mervyn King has a different motive: He knows Great Britain is hopelessly bankrupt, and the City of London cannot survive a new crash, such as the one brewing. So, he is on the opposite side from Gordon Brown on this.

But there's much more involved. The British economist John Kay wrote in the *Financial Times* three days ago: "When the next crisis hits, and it will, that frustrated public is likely to turn not just on politicians who have been negligently lavish with public funds, or on bankers, but on the market system. What is at stake now may not just be the future of finance, but the future of capitalism."

He's not just talking about Great Britain, but the entire Western system. You can be sure that the City of London is watching the mass strike process in the U.S. with eagle eyes, and how it can change the situation.

## The New German Government

Before I come to the solution, allow me to mention the situation in Germany again. The new government has said very little concretely, about its plans. It has set up many working groups to work out the new policies, which led the SPD to comment that the new government apparently doesn't have the ability to govern, if it first has to establish working groups. What is clear, is that they plan massive cuts. They want to increase the charges for water, sewerage and garbage, up to 20% more. They might eliminate the EU10 [per quarter] co-pay for doctor's visits, but then put a certain co-pay on every visit, which will deter the poor and low-income earners from going to the doctor. If you have to pay EU3-5 per visit, it's too much for some people.

In the future, the insurance companies are supposed

be able to decide themselves on the costs instead of government regulations. FDP [Free Democratic Party] financial expert Daniel Bahr is happy with the idea, and that might be because, in his second job, he advises insurance companies.

Unfortunately, some representatives of doctors' associations, who were critical of the health-care reform of [SPD Health Minister] Ulla Schmidt, are now talking about a new start. This is a total illusion. With this government, the three-class medical system<sup>3</sup> will get worse.

And suddenly, the European Commission is warning that the swine flu is much more aggressive than feared, and that 30% of all Europeans will be infected, and there could be a high number of deaths.

The most scandalous, is that, while in France, statements and warnings have been put out since the beginning of this year, but especially since Spring, saying that 45,000 Frenchmen could die, yet in Germany, you haven't heard anything (we had an election campaign here). The European Commission said nothing. And now that same commission is saying that swine flu could jeopardize the economic upturn. Thank God! Now, we finally know why we have an economic crisis, and that there might not be a solution under present policies.

No, this problem is very dramatic, and the WHO [World Health Organization] has warned that vaccines will only be available for 2% of the population in developing countries. If the swine flu breaks out full-force, you can imagine what the consequences will be.

I must really say that, if we consider the policy that has been carried out over the past years—old people not being treated if it's too expensive, too few vaccines—it fits very well into the intention of people such as Prince Philip, the head of the World Wildlife Fund, who think there are too many people on Earth, and the world population should be reduced to 2 billion anyway.

We obviously missed the chance to launch a crash program for new vaccines on time, and to develop the needed capacities. At the last three summits of the G20, it became clear that governments are simply the enforcement arms of the banks. In the case of the U.S. government, it intends to cut health-care costs by 30%, explicitly, because it costs too much to "save" the banks.

Our new Health Minister Philipp Rösler wrote a

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3. The three classes of patients are those rich enough to pay for private insurance, those who are in the public health system and able to meet the co-payment, and those in the public health system who cannot do so (or aren't insured at all).

paper in 2003, when he was still active politically in Lower Saxony, titled “Cuts in the Social Budget.” He said: “Painful cuts in all areas are necessary, unfortunately, in order to get a grip on the desperate budget situation in this state. We foresee that this could bring hardship to those concerned on individual level. But one thing should be clear: These are unavoidable hardships. If we don’t act now, we will not be able to act later.” You can read that on his homepage.

That is typical FDP, but it’s totally wrong, a completely wrong paradigm. The idea that you have to make cuts in a pie which is getting smaller, is precisely the paradigm that just failed. The neo-liberal paradigm is just as bankrupt as that of Communism in ’89. And if we stick with the false doctrine, we will have a social explosion, not only in Germany, but worldwide.

The crisis in the health system can only be solved if a clean break is made with the bankrupt system of globalization, and we return to a policy of productive full employment in every country of the planet. That means going back to the health system that we had in Germany before, which was the best in the world—that is, before the reforms of Ehrenberg, Seehofer, Dressler, and Ulla Schmidt.

### Plight of the Dairy Farmers

I would like to go into the situation of the dairy farmers. Some of them—and you’ve seen the demonstrations on TV—do understand that they’re in a struggle for survival, and that is why farmers demonstratively dumped the milk from their milk trucks onto the fields (**Figure 14**). But other dairy farmers do not understand the situation, and I fear they are in the majority.

One and a half weeks ago, there was a demonstration in Luxembourg at the time of the meeting of the agriculture ministers, and EU Agriculture Commissioner Mariann Fischer Boel said she had emptied her pockets and found only EU280 million, but she would give it to the farmers.

That would mean that each farmer gets about EU1,000 more! But many of them are losing EU8,000 per week. If a liter of milk costs EU.22 to EU.25, while the actual cost of production—that is, the price the farmer needs—is EU.43 per liter, that means they cannot survive.

So, there were 700 tractors. You could see, on the one hand, the farmers throwing their milk away, and across from them, the police, with their water cannons and blockades. This is absurd, because the police are in

the same situation as the farmers. Jobs are being cut in the police forces, although violence is increasing in the population; politicians are not supporting the policemen. Many of them know that if social unrest develops into riots, they will be expected to intervene, and they don’t want to.

There is also the fear that jobs are being cut, among other reasons, in order to prepare the way for the Army to deploy inside the country. Although this is unacceptable, and illegal, it could happen in an emergency situation.

I could continue the list of people hit by the crisis: Opel workers, employees of Quelle, etc. It’s clear that the problem can only be solved if each group stops considering only their own problem. They have to see further than the end of their noses, and understand that the whole world financial and economic crisis has to be solved, if there’s going to be a solution for the individual groups.

Many farmers have the illusion that if they buy up the farms of their bankrupt neighbors, if they expand, they will somehow survive, in spite of the low prices. They have the idea that if the farm is big enough, they can get by with a milk price of only EU.30.

### Cartelization of Agriculture

But they don’t take into account the fact the enemy of the farmers is the system of globalization, and that there is no intention to ensure independent family farms. On the contrary, the conscious policy is to let the farms go bankrupt, so they can be integrated into agro-industrial production.

Under globalization, there has been an unprecedented transformation in agricultural production. Especially, in the so-called “developed countries,” you had a total transformation and industrialization of farming; some even speak of “food manufacturing.” It is increasingly dominated by trans-national cartels, such as Cargill, Archer Daniels Midland, Monsanto, just to name a few. These giants are involved in every single phase of food production.

And I’m going to show you a diagram (**Figure 15**). The first group are companies involved in agrochemical production and seeds; they produce pesticides, seeds, fertilizers, etc. The major companies are Monsanto, Dow, DuPont, Bayer, Syngenta. In the second group are companies involved in foodstuffs processing: They buy the products from the farmers and then process them. Examples: Cargill, ADM, ConAgra, IBP. And third, you have the food producers. They process the products into name brands, to be sold to consumers:

Type of Firm	Activities	Examples
Agro-chemical firms and seed producers	Production of agricultural inputs such as fertilizers, pesticides, seeds	Monsanto, Dow, DuPont, Bayer, Syngenta
Processing firms	Purchase and processing of agricultural products	Cargill, ADM, Conagra/IBP, Tyson, Smithfield Foods
Food producers	Processing food for the consumer market	Nestlé, Philip Morris, Unilever, PepsiCo, Coca-Cola
Food handlers	Sale of end products to the consumer	Wal-Mart, Carrefour, Metro, Albertsson's, Lidl, ALDI, Kaiser's Tengelmann

Figure 15.

Nestlé, Philip Morris, Unilever, Coca-Cola, Pepsi Cola. The fourth group are the retailers, that sell the end-products to the consumer: Wal-Mart, Carrefour, Metro, ALDI, Lidl, etc.

To understand how these cartels work, let's take a look at Cargill. They have 98,000 employees, 50 different lines of business, 800 branches in 61 countries. It is the largest private company in the U.S.A., the third largest company in Europe. In 1997, they had \$56 billion in turnover, and were richer than many developing countries. As a private company, they don't have to reveal what their activities are. It is the largest grain trader in the world, the largest processor of oil seeds, of malting barley, and they control one-fourth of world grain production.

That gives the cartel unparalleled power to control prices on the world markets, and they do so by either flooding the market with grain, or simply holding grain back for months on ships or in storehouses. They own their own satellites, which allow them to forecast floods or droughts. They are the biggest beef-packer in Canada, the second biggest phosphate producer in the world; they do considerable operations in salt, peanuts, coffee, truck transport, river trans-

port, sugar beets, fodder, steel, hybrid seeds, rice processing, citrus fruits, poultry production, fruit and vegetables.

These cartels are now forming groups that work together, to increase their power. For example, Cargill and Monsanto work together, and form the top of a pyramid of companies that work together, in a complicated network, with no transparency (Figure 16). This process of cartelization is increasing, so that fewer and fewer companies control everything, through horizontal and vertical networking, and, from there, they exert control over all of farming and food. There is a huge concentration of power. They dictate all aspects of production, both quality and quantity. Monsanto, especially, is famous for its one-time seed, which farmers can buy from Monsanto; but they cannot reuse their own seeds after the harvest—it doesn't work—so each year, they have to buy seed again from Monsanto.

In this way, farmers are brought into complete dependency, from planting to harvesting, to selling. You have the four steps that I showed you: The cartels are involved in every production process, which means their profits are very, very high, but not for the farmers. The farmers are losing the most, and are forced to accept the conditions of the cartels. The entire food supply for humanity is increasingly controlled by a handful of

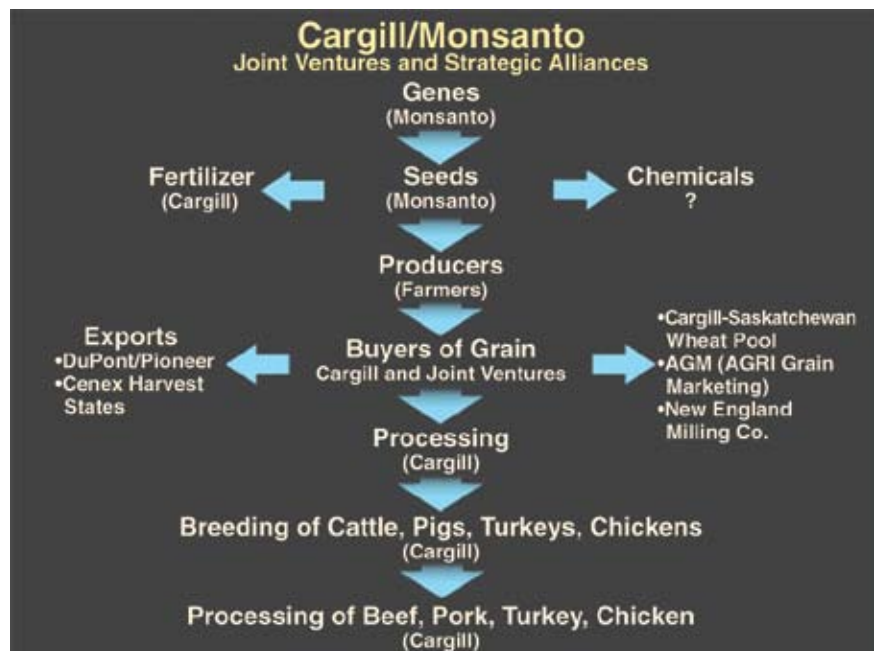


Figure 16.

people, whose goal is not to ensure a better supply of food, but to make maximum profits.

In the sector of milk production, Nestlé plays a very important role in Europe, in the export of milk—mainly as powdered milk or condensed milk, for use in chocolates or candies. The CEO of Nestlé was a man named Helmut Macher, who is also on the board of J.P. Morgan, the leading British bank in the U.S.

The second largest dairy producer, Borden, was bought up in 1995 by Kohlberg Kravis & Roberts, an infamous private equity firm, or a locust, that handled the following takeovers in Germany, among others: Demag Holding, the industrial group Wincor-Nixdorf (money distributors), Autoparts Unger, Duales System Deutschland (recycling), Nobel Dynamite (chemical firm), Tenovis (business communications).

Of course, all the speculators who have invested here seek maximum profits, in the name of shareholder value, according to the free-trade motto “buy cheap, sell dear.” The dairy farmers are supposed to buy as cheaply as possible, and they want to sell as dear as possible, to maximize gains.

The author, Dan Morgan, writes in his book *Merchants of Grain*, that when Cargill sells a shipment of corn to Dutch fodder producers, the corn is transported down the Mississippi River and brought to Rotterdam by ship. Simple. But on paper, the journey is much longer. Cargill sells the corn to Tradax International Panama, which then contacts their purchasing agents in Geneva. Tradax Geneva sells the corn, through Tradax Holland, to a Dutch John Doe. All profit is credited to a company in Panama (which is a fiscal paradise), and Geneva is only paid a commission.

Therefore, the producer is badly paid, the middlemen gain a lot, and the consumers and producers foot the bill.

The European Union is determined to tear down the last barriers, and go for a total free market. That’s why the EU wants to finally ram through the Doha Round of the World Trade Organization. The EU’s slogan is, “All power to the speculators and the middle-men.”

### **Farmers Need Parity Prices**

If the farmers in Germany or other European countries think that they have a chance with the European Union, I have to tell them they are not in their right minds. Because the system of globalization is going to kill the family farmer. The aim is not to make sure that people have food on their plate, but profit maximization

for the cartels; and the role of the European Union is simply to put this policy through.

As long as farmers don’t understand this—I’m launching, in a certain sense, a dramatic appeal to farmers, because they are a very important part of providing long-term adequate supplies for the population. They have to produce the basis for the rest of the population, and they must understand that. Until they do, and some already have, luckily, but not all, the family farms will continue to die out!

What do we have to do? We have to have parity pricing for farmers; that is, the price has to cover actual production costs, plus a margin of profit, in order to be able to invest in new equipment, and to ensure a good standard of living for the family. That is the only way to guarantee that anybody would want to be a farmer in the coming generations, and not just work as slaves for the new agro-industrial cartels.

This demand should not only be made by farmers, but by all sectors of the population: doctors, patients, middle-sized entrepreneurs, automobile workers, Quelle employees, etc. Because we are all the victims of globalization.

If we want to stop a New Dark Age, we need a complete system change. All the measures taken in the last 26 months, since the so-called subprime mortgage crisis in the U.S., have only served to promote the casino economy. Banks have consolidated even more, and profits are going up, as before. But it’s not just the banks that are in these cartels. I took the example of agriculture to focus on another aspect of globalization, but you could look at the same thing in almost any area of economic life.

### **The LaRouche Plan**

That’s why we have to change the system and put the LaRouche Plan on the agenda. What is the LaRouche Plan?

LaRouche has long been suggesting that a solution to the crisis is only possible through a combination of the four strongest nations on the planet: the U.S., Russia, China, and India. Why doesn’t he say “Germany,” or another combination?

Well, just look at the power of this financial sector—and I only took the food sector to illustrate the cartels’ power; you could do it for the oil industry, raw materials, and many others. The fact that we are now, 26 months after the outbreak of the crisis, in an even worse phase of the casino economy, has to do with the fact

that these financial institutions and cartels are more powerful than governments! They simply dictated to governments what they were supposed to do, and the governments did it. So, we need a combination of the four most powerful countries, which are strong enough, together, to take on the interests of this financial empire.

As I said at the beginning, we're not quite there, but it's going in that direction. This is very important. We're right now in a phase where we see the possibility of the crashing of a system, on the one side, but also the beginning of a new system, which is still in its seed-crystal form, but not so small. What should happen is that these nations, which other sovereign countries could join, must convoke an emergency conference, to implement a bankruptcy reorganization of the system, and simply cancel the toxic waste, all these "creative financial instruments," and derivatives. We have to separate legitimate from illegitimate debt; governments have to intervene to defend the common good. Everything that has to do with the real economy—salaries, pensions, public banking, credit to industry and commerce—should be put under state protection. To a certain extent, we can look to Roosevelt's New Deal, which got the United States out of the Depression in the '30s, or to the reconstruction of Germany after the Second World War, when the Kreditanstalt für Wiederaufbau, the Credit Loan Corp., on the model of Roosevelt's Reconstruction Finance Corp., was applied in Germany, and which transformed Germany within a few short years, from a rubble-field, into the country of the "economic miracle."

We have to orient ourselves to the U.S. Constitution, which indicates that, in a credit system, only the sovereign government has the power to utter credit. And investments have to go into those areas that actually raise the productivity of the economy—for example, basic research, scientific and technological progress, higher energy-flux densities, inherently safe nuclear reactors like the HTR, a crash program for fusion, a science driver in manned space travel, and the Mars project to begin colonization of space.

If we finance this credit system, which would take the form of multilateral treaty agreements among nations, whereby each country would control

their own currency and their own credit, then the problem can be solved. Then, the treaty agreements between China and Russia can really become the beginning of such a new credit system.

## A Crisis and a Chance

We have come to a highly dangerous moment in history, at which the collapse of civilization is possible, and the 6.7 billion people on our planet right now could be reduced within a few generations to only 1 or 2 billion, unless we make the necessary changes. That means we have to break with everything that has been accepted up until now, under globalization.

The change we propose is not a small one. We propose to bring the economic and political order into harmony with the laws of the universe. Ever since man emerged in the history of evolution, the cognitive potential of mankind has been the place where the non-entropic development of the universe occurs. That was correctly recognized by Nicolaus of Cusa in the 15th Century. And this creative potential is also the only source of social wealth. It is this creative potential that has to be in the center of the new system.

Russian scientist V.I. Vernadsky said very clearly that it is legitimate, in the evolution of the universe, that the proportion of the Noösphere, the area dominated by human cognition, should increase in respect to the Biosphere. That is the orientation that should determine cooperation among nations of this planet.

Nicolaus of Cusa said, back in the 15th Century that different nations can only cooperate because they all have wise men, scholars, scientists, and artists that understand a universal language, that of human creativity.

What we need today, to get out of the crisis, is a passionate love for mankind, for the community of nation-states which is united around the idea of mankind as a whole. And, if we can mobilize that force in time, then, we will not only be on the verge of potentially the worst crisis of humanity, but also at the beginning of an age which will, for the first time, fulfill the dignity of man and the beauty of Creation (Figure 17).

Fighting for that is what I would like you all to do.



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**Figure 17.** Ten-year-old Jian Wang performs in the award-winning documentary "From Mao to Mozart: Isaac Stern in China."