

II. Economics

Zepp-LaRouche Addresses Peru's National Congress of Economists

On Nov. 11, 2023, Helga Zepp-LaRouche delivered a pre-recorded 24-minute address to the closing session of the 29th National Congress of Economists of Peru. There were upwards of 50 members in the main auditorium, and another 60 joined by Zoom link, including the 24 department (state) chairs of the Economists Association around the country.

Zepp-LaRouche had last addressed Peru's Economists Association in a [keynote address](#) back in November 2016, which is remembered to this day. This year's annual meeting was held at the National University of San Cristóbal de Huamanga in the city of Ayacucho.

Here is Mrs. Zepp-LaRouche's speech and her answer to one of the questions. Subheads have been added.

The Economist's Role, Facing the Current World Crisis and the Emerging New World Economic Architecture

Dear Ladies and Gentlemen, my best greetings to you from Germany!

Thank you very much for inviting me to speak to you again. I gladly remember that you already invited me in November 2016 to address your national convention and to speak about one of the hottest topics of our time: The role of economists. Because when does any scientist have the opportunity to witness the complete bankruptcy of the dominating system up to now, and to be challenged with the task to design an entirely new system based on completely different axioms, than the system which is just going under? That is exactly the situation we find ourselves in today.



Schiller Institute

Helga Zepp-LaRouche

It is now apparent that the trans-Atlantic neoliberal system is unable to maintain the accumulated quadrillions of [dollars in] outstanding derivative contracts—caught between the Scylla of quantitative easing (QE) and a resulting hyperinflationary blowout, and the Charybdis of quantitative tightening (QT) with high interest rates to try to curb that inflation resulting in a chain reaction collapse of corporate and banking sector insolvencies—It is exactly the moment, which the American economist Lyndon LaRouche, my late husband, had presciently prognosed in August 1971, when President

Nixon had dismantled the Bretton Woods system by replacing the fixed exchange rates with floating ones. He recognized, that that had meant a change of the focus of the financial system away from real physical production for the common good of society, to a speculative system where the profit maximization of the speculators was the main goal. He updated that analysis for the next decades each time financial institutions increased the deregulation of the markets one notch further, always pointing to the consequences of the monetarist decisions, but at the same time offering remedies based on the principles of physical economy.

The monetarist schools of the economists of Wall Street and the City of London preferred to believe in statistics—increasingly, the linear models of information and game theory, algorithms, and money as such—totally convinced that this casino economy would last forever, as long as they could control the terms of trade, the pricing system, and the conditionalities of the credit system. Intoxicated by their lust for money they even predicted, shortly before the systemic crash in 2007–2008, that there would be no more cycles in

the economy and everybody could become a millionaire as long as people “stayed in the market.”

Instead of responding to the systemic nature of the crisis of 2008—where for a short period the terror of disintegration of the system caused some people, such as [then President of France—ed.] Nicolas Sarkozy, in October 2008, to call for a new Bretton Woods system—the central banks resorted quickly to an essentially limitless quantitative easing, leading to exuberant excess of financial aggregates over the sector of the real economy.

As a result, we have now finally the breaking point LaRouche warned about in his famous “Triple Curve”: That a “crossover point” is reached, where the effort to keep the increasing mountain of debt liquid is no longer functioning. One indication of this, is that according to the last data released by the FDIC [Federal Deposit Insurance Corporation—ed.], there are over half a trillion in unrealized losses in the U.S. megabanks. Bank of America alone has \$131 billion in unrealized losses out of a bond portfolio of \$760 billion. So, the final blowout of the system is extremely near.

Look at this graph of the “Triple Curve” (Figure 1) which points to the crossover point I was mentioning:

The Belt and Road and De-Dollarization

But at the same time a completely different system is emerging. Since Chinese President Xi Jinping an-

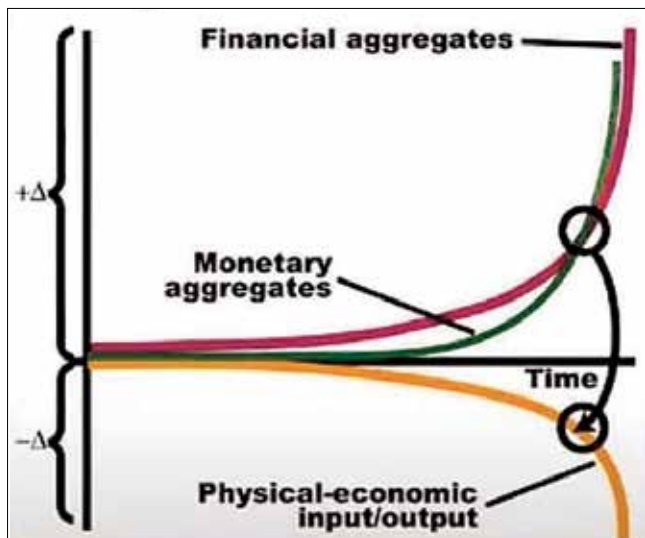
nounced the policy of the New Silk Road in 2013, for the last 10 years the BRI [Belt and Road Initiative] has slowly but steadily become the largest infrastructure development program in history. By offering participation in the BRI, China has provided all the 150 participating countries [an opportunity] to eventually replicate the Chinese economic miracle, by which China was able to lift 850 million of its own population out of poverty and create a rapidly growing middle-level-income society.

In terms of economic method, China is doing essentially what LaRouche had proposed with our “World Land-Bridge” proposal; that is, to open up all landlocked areas of all continents with infrastructure corridors, in order to give them the same location advantage for industrialization, that previously only those countries had, which are located at oceans and rivers. Now, after ten years, there are many countries being transformed by their cooperation with the BRI.

So, the rise of China to become essentially the strongest economy in terms of physical production, and making that the anchor of the new system, was one thing. It created the possibility of an alternative to the system which did not offer economic benefits for the countries previously called “developing countries,” but which had stopped developing a long time ago. Because of the option to work with China and the BRICS-Plus, the countries of the Global South have revived the dreams of the Non-Aligned Movement of the ’50s, ’60s and ’70s, which could not be realized then due to the brutal opposition of the financial institutions; and they are now totally determined to overcome the colonial system which had essentially dominated them for 600 years, and replace it with the economic buildup of their countries.

The second major factor which came into play was the weaponization of the dollar. The policy of unilateral sanctions against countries whose governments were regarded as not submitting to the dominance of the dollar system—which [Francis] Fukuyama had euphemistically termed “The End of History,” after signs of the disintegration of the Soviet Union had emerged, and the essential assumption was that all countries would take up the liberal model of democracy including the neoliberal economic model—eventually backfired in a gigantic blowback. The unilateral sanctions imposed on many such countries were clearly a policy of regime-change, aimed at causing a rebellion of the populations against their governments.

FIGURE 1
LaRouche’s Triple Curve: Monetary Growth Overtakes Debt Growth



EIRNS

After the five expansions of NATO to the East, despite clear promises given to [Soviet leader Mikhail] Gorbachev at the time of the unification of Germany, and the regime-change in Ukraine through the Maidan coup and following war against the Russian populations of Ukraine, the sanctions regime against Russia was openly pronounced to “ruin Russia,” as the Green Foreign Minister of Germany [Annalena] Baerbock threatened.

The confiscation of \$300 billion of Russian assets in the U.S. and European banks—as before the theft of \$9 billion from Afghanistan, after the Taliban took over the government in August 2021, as well as a variety of similar measures against other countries around the world—convinced the countries of the Global South that it was not safe to keep assets in dollars. Many countries started to trade in their national currencies, and a process of “de-dollarization” was set into motion with the final aim to set up one or more alternative reserve currencies. The ideas of Lyndon LaRouche about such a currency based on a basket of commodities play an important role in these efforts.¹

Milestones Toward a New System

In the last half-year, the dynamic to create a new system took on a tremendous momentum. While the BRICS had already created the New Development Bank (NDB) in 2014, as well as the Contingent Reserve Arrangement to protect developing countries against speculative attacks, as they had occurred during the 1997 Asian Crisis, now the New Development Bank was upgraded to become a major bank for development. When President Lula of Brazil inaugurated Dilma Rousseff, the former President of Brazil, in May of this year to be the new president of the New Development Bank, headquartered in Shanghai, he announced proudly that the New Development Bank would become “the great development bank of the Global South.”

That was exactly the idea behind the proposal for an “International Development Bank,” the IDB, which



CC/Palácio do Planalto

With the election of Dilma Rousseff (left) to the Presidency of the BRICS New Development Bank in April, it is poised to become “the great development bank of the Global South,” said Brazil’s President Lula da Silva (right).

LaRouche already made in 1975, and which had a major influence on the final resolution of the conference of the Non-Aligned Movement in Colombo, Sri Lanka in 1976.² Despite the fact that already then the vast majority of the world’s population [had] demanded a just new world economic order, that request was squashed at the time, with the aid of destabilizations against every government that had demanded such a change, very similar to what happened with President Gen. Juan Velasco Alvarado in Peru in 1975.

Today such resistance still exists, but the momentum clearly goes in the other direction. In a rapid sequence, the formation of a completely new system of economy and a different type of international relations is taking shape. At the end of July there was the Russia-Africa Economic and Humanitarian Forum in St. Petersburg, where 49 of 54 African nations participated, and where 30 different energy projects, including hydropower, gas, oil, and nuclear power projects were agreed upon between Russia and 16 of the participating nations.

The BRICS summit in Johannesburg, South Africa at the end of August represented a watershed milestone in the formation of the new system. Six new countries were invited to join the BRICS-Plus by January 1, 2024: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates. Fourteen other countries applied

1. Lyndon H. LaRouche, Jr., “[On a Basket of Hard Commodities: Trade Without Currency](#),” in *Executive Intelligence Review*, Vol. 27, No. 30, Aug. 4, 2000, pp. 4–19.

2. Helga Zepp-LaRouche, “[The Role of the Non-Aligned Movement in a New Paradigm of International Relations](#),” in *Executive Intelligence Review*, Vol. 49, No. 45, Nov. 18, 2022, pp. 5–9.



Gianluigi Guercia

Six additional countries will formally join the BRICS Jan. 1. Shown: Leaders of the BRICS-5 at their summit in Johannesburg, South Africa, September 2023.

for admission, and around 20 more have indicated the desire to join. The new BRICS-11 already will include 42% of the world's population, 47% of the world's crude oil production, and 36% of the world's GDP.

In the beginning of September, there was the 43rd Summit of ASEAN in Jakarta, [Indonesia] where the “Spirit of Bandung” was recalled by many participants as the guiding light for the struggle of the developing countries now.

Immediately following, in mid-September, the Eastern Economic Forum in Vladivostok, [Russia] featured 950 speakers and 7,000 participants from 68 countries, [with] the enormous potential for the development of the Far East of Russia, where all the elements of the Periodic Table can be found as natural resources, and for which President [Vladimir] Putin announced very ambitious plans of development with vast projects of infrastructure, industrialization, and city-building.

Days after that the G77 Summit in Havana, with 100 delegations, was opened by UN General Secretary António Guterres with an urgent call for a new international financial architecture, to free countries of the Global South from the “chains of colonialism.”

And finally, in mid-October the Third Belt and Road Forum for International Cooperation took place in Beijing, celebrating the 10-year, unprecedented success story of the BRI, in which delegations from 150 nations participated.

(One of the projects of the BRI in Peru is the port

of Chancay. Already since 2019, COSCO [China Ocean Shipping Company—ed.] signed an agreement to build a new port on the coast of Peru, and in 2022, the China Harbour Engineering Company, a subsidiary of China Communications Construction Company, agreed to build the complex at 992 hectares [2,450 acres], which would include breakwaters, docks, and a 1.8 km tunnel to warehouses. Chancay will become the largest container port on the Pacific Coast of Latin America; going into operation in 2024. Obviously, of extreme importance is the building, as well, of a bi-oceanic rail corridor from Brazil on the Atlantic to the Pacific—which China has offered to help build and finance—which would link up with such projects as the port in Chancay.)

The BRICS and a New System

The new emerging system is not yet finalized, but the series of summits following each other within the short interval of only three months is a reflection of the momentum for development and an unmistakable sign, that the pendulum of history has moved to Asia and the countries of the Global South in general.

Four of the six new countries of the BRICS-11 are part of Southwest Asia: Iran, Saudi Arabia, U.A.E., and Egypt, which is simultaneously the bridge to Africa; and these countries share a large part of the world's oil production. Mediated by China there has been earlier the resumption of diplomatic relations between Iran and Saudi Arabia, ending potential tensions resulting from the rivalry of the two nations in many countries of Southwest Asia.

One should take into account the tectonic shift toward a new economic system as the background to the war erupting between Israel and Gaza, and why the aim of what President Putin called recently the “geopolitical string-pullers” is to create chaos. Therefore, the Southwest Asia peace conference called for by China, in its present capacity as the chair of the UN Security Council this month, is extremely urgent, and all countries are called upon to support the settling of this conflict, which otherwise threatens to evolve into a regional, and in the worst case, a global war—which, given the involvement of large arsenals of nuclear weapons, could mean the end of mankind.

We are experiencing an epochal transformation.

The old order, where the “rules” were determined essentially by countries of the Global North, and the “developing sector” was hardly allowed to develop, is being replaced by the emergence of a new paradigm in international relations which is based on the equality of all nations, respect for the sovereignty of all, respect for the different social system of each one, the principle of non-interference in the internal affairs, and cooperation for the mutual benefit of all.

Chinese President Xi has repeatedly stated that the BRI is not directed against any country, but to the contrary, every country is invited to participate. It is more urgent than ever before to overcome geopolitical thinking, and instead reach a new paradigm in international relations, where the interest of the one humanity is put in cohesion with any national interest. The clearer the countries of the Global Majority demand this kind of cooperation from the countries of the “Global North,” the better are the chances of success, because it is actually in the real self-interest of the United States and European nations to cooperate with the Global South rather than try to hold onto a unipolar world which no longer exists.

National Missions for Economists

In this strategic setting, the economists of each nation can play a decisive role. In light of the clear failure of the neoliberal model, the economists of a country should get together and design a complete, comprehensive economic development plan with the aim to transform the country into a middle-income state in the shortest possible time, starting with basic infrastructure for the entire country. This means basic integrated transport systems of highways, railways, waterways, as well as energy production and distribution, communication, as the precondition for industrialization and modern agriculture. Part of this general plan must also be so-called soft infrastructure, such as a national health and education system, research and development centers, and science cities which are designed for research and teaching.

Now is the moment in history to shift from previous forms of economic activity to [those determined



CC/DF4D-0070

Economists can play a decisive role in bringing in basic infrastructure, the precondition for general industrialization and modern agriculture. Shown: A China high-speed train (CRH5A) on the Beijing-Shanghai rail line.

by] the economic science of physical economy, which rejects the principle of the British system of economy, which assumes that wealth is derived from the control of the terms of trade, by “buying cheap and selling dear,” or from the possession and export of raw materials. Physical economy is based on the notion that societal wealth is entirely the result of the creative powers of the individual, ... ability to discover and learn, again and again, new physical principles which, applied in the production process as scientific and technological progress, lead to an increase in the productivity of both the powers of labor [and] the industrial and agricultural capacities; which, in turn, lead to an increase of the material wealth of society as a whole.

Investments in basic infrastructure should not be seen as generating profit as such, but as the essential precondition for the flourishing of industry and agriculture, for which the state bears responsibility. The education of the labor force to the average levels of the standard of the BRICS countries will represent the absolute key for achieving the goal of becoming middle-income countries in the near future.

If such a group of economists can get together to work out a crash program for Peru, this plan can be the focal point for a general mobilization of all layers of society: the university professors and students, entrepreneurs, farmers, women’s organizations, elected officials in the provinces and cities, and other civic organizations. It is this mobilization about an optimistic vision for a better future of Peru, which will generate the energy and the enthusiasm, which

will invigorate the entire country and set the creativity of people free.

There are times when such a plan would be buried in the drawers of some office. And there are times of epochal changes, where it is ideas that matter, and can kindle national movements for development. This is such a moment!

Whatever you do in Peru as patriots for your country, is at the same time part of the construction of the new system, the BRICS-Plus—and the efforts by the Global South to finally become free through development, in which each country has the chance to use its own resources, and by adding to the value chain up to the highest level of science and technology, to become an equal partner in the alliance of the nations of the world.

In this way you can act as patriots for Peru and world citizens for the New World Economic Order at the same time, which, as Friedrich Schiller recognized (whose 264th birthday we celebrated yesterday), must not be a contradiction!

Thank you.



Executive Intelligence Review now offers automatic monthly billing for its intelligence package. Receive *EIR's* weekly magazine and its *Daily Alert* in your inbox for \$50/month, billed monthly. Cancel anytime. Subscribe today!

Details at:
<https://store.larouchepub.com/EIR-Daily-Alert-p/eirpk-0000-000-00-001-std.htm>

Dialogue

Question: [via interpreter] There's discussion of a new currency within the BRICS-11. So, within the group of the BRICS-11, what currency is strong enough, so that that group could begin to at least move forward with this idea? Because if Peru, for example, were to join this group, which you've talked to us about, I think that that would be a more stable currency than that of many of the countries that are part of this. So my question, again, is, what's the strong currency within that group, that you think could be established with this new physical economic order and this new world economic order that you've discussed with us?

Thank you very much.

Zepp-LaRouche: Well, right now, there is a conference taking place in a city in Russia, in Chelyabinsk, where they're discussing the plans of the Russian economist Sergei Glazyev, who is working together with the Chinese on how such an international reserve currency could work. And from everything I have read from him in the past, he is taking into account very much, the writing of my late husband, Lyndon LaRouche, "On a Basket of Hard Commodities: Trade without Currency," which is the idea that eventually they will put a new currency backed by a basket of commodities, including gold, but also other basic commodities; but pegging the value of the currency to the level of productivity of the respective participating countries, so it's like a dynamic concept. However, my understanding is that this is not so easy, and therefore, they're going about it very carefully.

So, I think there are right now, basically, many trades taking place in national currencies, where, obviously, [China's] renminbi is having the strongest role. I think China has invested, in the 10 years of the Belt and Road Initiative, altogether the equivalent of \$1.9 trillion in renminbi. And so, I think that any group of currencies would be very strongly anchored on the yuan and the renminbi, for the time being.

But I think this would be only a transitional period, until a real reserve currency could be established. And my understanding is also that neither China, nor any of the other BRICS countries, intend to replace the dollar. I mean, this is not meant as economic warfare; but it is more that these currencies would then exist in a parallel form with the dollar for a very long time to come—naturally, depending on what happens to the dollar—but that is the intent.