

EIR Introduction

The breakdown of the elites and the economic crisis

by Lyndon H. LaRouche, Jr.

The following speech was delivered on behalf of American statesman Lyndon LaRouche to the conference "History as Science," co-sponsored by the Schiller Institute and Civil Rights Movement-Solidarity on Dec. 9 in Kiedrich, Germany.

I wish to address you on the subject of the breakdown of the elites, with special focus upon two things: the international financial monetary breakdown crisis in progress, and the relationship of this intellectual and moral collapse of the majority of the elites of most leading nations relative to the current crisis in Russia and the former Warsaw Pact/former Soviet Union area.

Thirty years ago, immediately following the assassination and coverup of the assassination of U.S. President John F. Kennedy, those forces which had been responsible for authoring the assassination—Anglo-American forces in particular, the same forces which were behind the attempts to assassinate [Gen. Charles] de Gaulle in particular, for the same reason—moved to make a fundamental change in the cultural disposition of the leading institutions of North America and western Europe. This was an Anglo-American operation coming from a certain section, the extreme liberal section of the Anglo-American oligarchy, from circles typified by such as Bertrand Russell, the Huxley brothers, and H.G. Wells.

The 'Age of Aquarius'

This is a project which is sometimes called the Nietzsche Project, the "dawning of the Age of Aquarius," the superseding of a long period of Christian civilization in Europe by a new phase of civilization or destruction of civilization based on the ideas of Friedrich Nietzsche and his co-thinkers, or co-movement thinkers: the bringing of the Age of Dionysius or Aquarius to the fore.

It was also an age which was characterized by bringing to an end the attempt to base civilization on the individual processes of cognition, as scientific discovery typifies cognition; and to replace that with a kind of symbolic, affective, emotion-



Lyndon and Helga LaRouche visit Berlin's Charlottenburg Palace on Oct. 11, 1988, before the Berlin Wall came down. LaRouche writes that the function of his exploratory presidential campaign at this stage is to provide, not only for the United States but for the world, a reference point for policy. "I shall address largely the axiomatics."

al, associative reasoning like the ancient feminist cults.

As a result of that shift from a policy commitment to bettering the conditions of life of nations, families, and individuals through the benefits of scientific and technological progress *applied* to improve the human condition, a shift was made to a rock-drug-sex counterculture, which destroyed, in rapid succession, large sections of the college-age youth, then proceeded to the high school-age youth, and then to children in the preadolescent strata.

As a result of that process and the things that go with it—these cultural paradigm changes—the U.S. population today *is no longer capable of the kind of industrial and scientific undertakings for which it was admired as recently as the 1960s*. We see a similar thing in the postindustrial rust bucket called Britain; we see similar processes ongoing rapidly in Italy, in Germany, in France; we see a crisis in Japan of yet-undetermined portent, but in progress; and so forth and so on.

We see conditions in Africa which are beyond belief; we see a collapse of the level of civilization as practiced in Central and South America, and grave threats to all parts of Asia. We see a collapse in the former Warsaw Pact nations of eastern Europe, to approximately 30% of the level of physical output per capita and per square kilometer of 1989. We see a momentous collapse in the former Soviet Union of large, if not precisely determined, magnitude—at least not to my knowledge.

We see, worse, a process of a world as a whole going to

hell, and a group of elites ruling these nations, at least in the majority, who seem utterly incapable of grasping the nature of the situation or understanding the effects of their policy.

Now many people will say, in response to this, "Well, what policy do we give these elites? What policy do we give these governments to solve this problem?" And I would propose to you that there is no particular policy, in the sense of a theorem or suggestion, which would do much good, because the problem here is not bad policy; the problem here is the establishment of axiomatic assumptions which govern policymaking, which ensure that virtually none of these governments under the present leadership or present elites, *would be capable* of accepting or even tolerating the kind of policy structures which would be needed to lead civilization out of this mess.

Axiomatic assumptions must be changed

Let's go back first of all to 1989, to focus a bit on the Russian situation. At that time, with the fall of the Berlin Wall in eastern Europe, the western nations, if they had chosen to do so, had the greatest opportunity for building peace in the twentieth century. *And they blew it*. Under the leadership of Margaret Thatcher in England and George Bush in the United States, and their respective advisers, they blew it. They turned the greatest opportunity for peace-building in this century into the threat of new nuclear wars, of new superpower thermonuclear conflicts, and of the alternative or accompaniment of the spread of chaos through 80% and more



German Chancellor Konrad Adenauer welcomes President John F. Kennedy to Bonn in June 23, 1963. The elites of the western nations today do not measure up to the stature of Adenauer, Kennedy, and de Gaulle. With the collapse of communism, they faced an unprecedented opportunity for building peace; but they squandered it, bringing on instead the threat of new nuclear wars.

of this planet.

They turned the greatest opportunity for building peaceful prosperity into the threat of a thermonuclear, epidemic-ridden, famine-ridden, vastly mass-murderous New Dark Age—*planetwide*.

And thus we find the situation in eastern Europe. We find the Russian people thrown back upon this misery which is imposed upon them not so much by the heritage of communism as by the imposition of International Monetary Fund (IMF) conditionalities, [former U.S.] Ambassador Bob Strauss's ideals, and the shock therapy of George Soros the looter, and of his spokesman, Harvard University's Jeffrey Sachs.

The cruelty which is being wreaked upon Poland and other nations of eastern Europe, as upon the developing nations, and also upon Russia, Ukraine, and so forth, builds up a reservoir of potential hatred against the western nations as the authorship of this policy, which threatens, in the case of the continuation of such a policy, either the emergence of a Third Rome imperialism imbued with thermonuclear hatred against the West within that region of the world—how soon or how rapidly one knows not—or else, in the alternative, a degeneration of that part of the world and most of the rest of it, into chaos.

Democracy and free trade

The policies which reign among the Anglo-Americans, the pseudo-policies of democracy and free trade, are the chief cause of this problem; and if they are not reversed, this planet will see such hell as has not been known on the planet as a whole in all known human history. Not absolute doom, perhaps; the human spirit and human nature is a very redoubt-

able thing and sooner or later a recovery, perhaps, for humanity must be expected. But what we can say, is not an absolute doom, not an absolute apocalypse, but something near enough as to awe us all. And all of this will occur if we confine ourselves to discussing particular policies and fail to address the *cultural change* that is sometimes called a cultural paradigm shift, which was introduced about 30 years ago.

The center from which to look at this policy paradigm issue, is two standpoints: one, the standpoint of physical economy, and two, the standpoint of fundamental scientific discovery and its realization as technological progress.

What I shall be doing, I trust, in the very near future, is to consolidate some work I began many, many years ago, a project which has languished somewhat during the time of my imprisonment: to set up a realization, in terms of data bases and analyses, of the science of political economy as I more or less re-founded it over the course of the past 50 years.

Essentially, what I propose to show in some detail (not perfect detail, but at least preliminarily sufficient detail for policy planning) is that the planet over the past 30 years has collapsed by the standards of demographics related to per capita, per household, and per square kilometer consumption and production of physical wealth. Not monetary wealth, not dollar-value wealth, but physical wealth, as measured in market baskets of essential household and productive—that is, industry, management, infrastructure—goods.

When we look at the matter from that standpoint, as opposed to the faked figures which pour out of all of the statistical agencies, including the infamously incompetent and fraudulent RUNS production from the World Bank and similar institutions associated with the IMF; when we look

instead at the bare facts of physical production and consumption per capita, per family, per square kilometer; when we look at the condition of infrastructure, such as fresh water per capita, per square kilometer; transportation in ton-mile-hours per capita, per square kilometer; in market baskets, in physical content per capita, per square kilometer, we see readily that there has been *no significant growth* in any part of the world economy since the year 1970—almost 25 years ago.

In fact, shortly after the assassination of President Kennedy, there was a turning point about the mid-1960s (1966 through 1968) where the downturn began, at least in the United States, such that from 1970 to the present, *there has been no net economic growth in the United States per capita and per square kilometer at any time since 1970*. That's a fact. Those facts are obvious on the surface; it's necessary, of course, to treat these in much greater detail for purposes of policy planning.

Who is credible?

What I shall be doing in the coming period, is the following. I shall be continuing an exploratory presidential campaign. The function of that campaign at this stage is to provide, not only for the United States but for the world, a reference point for policy.

That is to say, what is our condition? What has happened to us over particularly the past 50 years—but especially the past 30 years? How did we get here? Show the connection; and what do we do about it, to get out of here. In what direction do we go?

I shall address largely the axiomatics. The manner in which I shall do this, is to present to the U.S. and other publics, a series of chronologies on policy. And I shall do it from a personal standpoint, because I've been active in policymaking (with not much influence, of course, until the mid-1970s), but policymaking. That is, a public commitment on policy, a matter of record, over the past 30 years. On a few policies over that period, and some other matters only recently, in the past 20 years. But that record is absolutely clear.

On the other side, we have what governments and so-called experts have said who have attacked me, or who have attacked the particular kinds of policies I've represented without attacking me by name, but have attacked those kinds of policies and perspectives which I've advocated as adoptable.

Then we have those who have proposed policies which are different than mine, independent, [although they] may not have taken my own pronouncements into consideration at all.

Then we have the results, the practical results on, variously, a national and an international scale.

We can see, therefore, who is credible. Is the kind of policy method which I've employed correct? Does it stand the test of time? How do my critics, my direct critics, stand

up on this, or critics of the same policy which I've advocated, even if they did not mention me or direct it against me in particular; and third, how about those who simply were making the policy of nations in that period? And what were the events?

Who is credible? Or more particularly, *what method of analysis* is credible? What was right, what was wrong? What is true, what is false?

Because, in point of fact, for all the abuse my friends and I have taken for our political advocacies, the fact is, we have gained objectively a unique authority in these matters. I dare say there is no government in the world today which has greater earned credibility on matters of analytical method, of forecasting, of policy studies, than we do.

People are not going to look, in this time of crisis, simply toward new ideas; they are going to look to an alternate set of authorities. They are not going to take Johnny-Come-Latelys who come from nowhere out of the bushes and entrust great power to them—only a few fools will do that.

People looking for alternatives, serious people, are going to look among us, to find which among us has earned authority. They are going to turn around, away from those who have lost authority, or who have earned a loss of authority, and they're going to turn to those who have *earned* an alternative authority. Not to blindly follow, but to learn, to hear, to think, to act accordingly.

And I propose to you that the following answers will emerge. And I will propose to you also that it is my job, in particular, or my main job, to help make those answers apparent within the independent judgment of many groups of people around the world.

Imago Dei

The answer is, first of all, that we must distinguish mankind absolutely from and above the beasts; that mankind is the only living creature which has demonstrated the capability of *changing the characteristic relationship of our species to nature* in such a way that we can willfully, through scientific and technological and related progress, increase the potential population density of our species. No other species can do that. In Christianity, we call that *imago Dei*, that creative power of reason—of *cognitive* reason, not associative reason, but cognitive reason, which places man in the image of God.

Secondly, because of this power of reason, mankind can look at the experience of our own discoveries over many thousands of years to date, beginning perhaps with the first development of solar astronomical calendars, maybe 20,000 years ago or something of that sort. We can see the ideas which have been brought to us as scientific discoveries and cultural discoveries over these many thousands of years.

We can see something more than the importance of those discoveries. We can see in all those valid discoveries—valid in the sense that they contributed to progress in man's knowledge of nature and so forth—a *method* which is exercised by

each of those minds who have made that discovery. We can see that method because our children and we ourselves can replicate that experience of discovery—as they should be doing in schools—for example, just as a child replicates Pythagoras' discovery of his famous theorem, or a child slightly older in geometry class replicates the proof of the five Platonic solids, and so forth and so on.

Each of these discoveries can be experienced *de novo* within the mind of a child if the thing is done in a certain sequence. And thus every person can recognize that there is a method of discovery, a method of changing ideas, of going from less adequate principles to more adequate principles, which is the direction of progress.

What is scientific method?

This is the true scientific method. This is true in the physical sciences; this is also true in the arts. And we know that by following this method, and by applying this method to improving our behavior in respect to nature, that we can improve the condition of man—as measurable, for example, in increase of potential population density.

We see thus that every single individual who generates or who communicates these vital discoveries to become general human practice, is an indispensable and, shall we say, sacred individuality. We see thus the importance and relative sacredness of the family which generates the newborn individual, which nurtures that person in loving nurture until they become an adult, so that we have a valuable new human being who, as an adult, can also contribute to the generation, application, and distribution of these important ideas.

We see the importance of the state, and the importance of the sovereign nation-state based on a literate form of common language and common principle in nurturing the Good to protect the individual, to protect the family, to nurture the good they contribute, to the benefit of present and future generations.

We see a natural order in things made apparent to our reason from such reflections. We see that the life on this planet is best ordered by sovereign nation-states based on literate forms of language and common principle, among all nations hopefully based on the same general notion of principle, which we call natural law—a natural law for mutual benefit of all humanity among neighbors in a division of labor. And we should hope to bring about that order on this planet, by whatever means and however long a struggle that takes; but to bring it forth nonetheless. Not for any utopian reason, but simply because that is the only just, peaceful order which is possible among men and women.

We must thus place those values of scientific and related discovery, and the sacredness of the individual life as the axioms upon which society bases itself, and push aside the sometimes quite literally satanic ideas which we associate today with the so-called environmentalist movement, with post-industrialism, with chaos theory, with the rock-drug-sex counterculture, and so forth and so on.

If we do that, then we can make that axiomatic change and build up from among people who are dedicated to that, a kind of elite, the elite of the educated people who, such as a priesthood more or less, are concerned more than the rest, day to day, with the care for the society; who find their whole identity in caring for this society, for the next generations to come, for the relations among states; who proceed not as dictators or tyrants, as powers, but, as Plato described them, as philosopher-kings.

We must renew, regenerate, and, to a large degree, replace the present ruling elites over society, and to replace them with an emerging beneficent elite of philosophers who care for society and who seek to instill in nations, and in individuals within those nations, the kind of conscience which is needed to guide nations to make those kinds of cooperative decisions, those changes in policy, which will enable us to escape from the New Dark Age now facing us.

The 'third way'

Let me conclude with one brief case in point: the economic crisis. The world is now gripped by a form of psychosis called free trade. I do not exaggerate; it is not hyperbole to call it psychosis. Nor would it be hyperbole to say it is a metastatic cancer. This is a process by which junk bonds, derivatives, and other instruments of free trade speculation in Russia, but also in the United States, loot the existing investment in infrastructure, in industry, in all kinds of physical assets. These assets are then sold, by pillaging them at 10-20¢ on the dollar, so to speak, in order to put more money in the hands of a few speculators who take that money to multiply its notional value on speculative markets, and then turn around and say, "We require more loot! We require more privatization!" which is simply looting; it is Genghis Khan all over again in Russia, or in the United States.

The more this bubble of derivatives grows; the more it has looted from the real economy, from farms, from industries, from infrastructure, from entitlements, pensions, the medical care of the population, from nature itself, in order to live another day, that same cancerous bubble of financial speculation must loot the economy—the real economy, the physical economy—more savagely than it did the day before. And thus we have, not a cyclical crisis, but a systemic one.

We must destroy this cancer of speculation. We must return to the kind of principles of statecraft in these matters, which were understood by Gottfried Leibniz in, for example, his proposals to Czar Peter II. We must return to those principles of statecraft which were understood by the first U.S. administration of President George Washington; the ideas of Alexander Hamilton; the ideas of Benjamin Franklin; the ideas of the Careys, Mathew and his son Henry; the ideas of Friedrich List; the ideas of similar people and, in the case of Russia, the echoes of appreciation of List by such geniuses and collaborators of the great Mendeleyev as Count Sergei Witte.

We must build nations which are based on a dirigist model, as some of our people used to speak of Colbert and, later,

Charles de Gaulle, in which the state takes responsibility for creating the infrastructure needed in terms of water management, sanitation, public transportation (especially rails, modern rails), power supplies, health care, and education, and fosters through that means and through public credit, the growth of private enterprises which are partners with government in building up infrastructure, but which are also the means through which technological progress is translated into agricultural and manufacturing production, and other forms of physical production.

We must have a dirigist form of government, a third way, so to speak, between Mazzinian communism and free trade. After all, Karl Marx was a protégé of Mazzini, of that freemasonic group; and on the other side, were the teachings of Karl Marx's teachers in economics, Adam Smith, the Physiocrats, and David Ricardo.

We must return to the only successful model of economy from the past centuries, a model conceived by Gottfried Leibniz, as in his advice to Peter the Great; the model associated with George Washington's first and second administrations; the model associated with the name of Alexander Hamilton, treasury secretary under President Washington; the model associated with Mathew and Henry Carey, and with Friedrich List and others, and also the model admired so much by that friend and collaborator of Mendelejev, the great Count Sergei Witte.

We must have what was called in the late eighteenth and nineteenth century, the American System of Political Economy, in which the state creates a monopoly in the generation of currency and credit through a currency issued by the treasury, under the control of government. That currency, loaned to enterprises of state infrastructure, and to private firms for meritorious investments in production, becomes the basis for the growth of employment and useful production and trade within the nation.

By having cooperation among states which have such so-called dirigist models, we shall bring the world out of chaos, if we choose to do so.

The time will come fast for us to make that kind of choice, for when the systemic collapse of this metastatic cancer of speculation called free trade occurs, there will be nothing but chaos before us, except as nations choose to turn to the third way—the American System.

But that is, after all, only a good economic system. It will work only if it is based on respect for the creative uniqueness of the human individual, and is based on a commitment to scientific, technological, and related cultural forms of progress, and is based on investment in those improved modes of production which realize, in practice, the benefits of scientific and technological progress as increased potential population-density and thus, as increased standards of living for the population as a whole.

The development of the EIR economics database

From late 1979 to the close of 1983, *EIR* produced a quarterly economic forecast based on the LaRouche-Riemann economics model method. This report was constructed quarterly from, primarily, a Gross National Product-defined database, using a set of constraints supplied by Lyndon LaRouche. During this period, the *EIR* reports were the only consistently reliable published forecasts available from any U.S. source.

Forecasting of this kind was discontinued during early 1988, at LaRouche's recommendation. By this point, the margin of fakery in U.S. government and Federal Reserve System data rendered any report using such data worthless.

Instead, the *EIR* economics staff expanded *EIR*'s own database for relevant categories of demographics and measures of economic activity. At present, the data cover the 1700s through to 1993 for the United States, and selected years from the 1960s through to 1985-93 for 137 countries.

These data series were assembled from sources including the World Health Organization, U.S. Department of Agriculture, U.S. Department of Energy, U.S. Department of Commerce (in particular the Bureau of Economic Analysis), U.S. Census Bureau, U.S. Geological Survey, World Bank, U.N. Food and Agriculture Organization, Unesco, International Labor Organization, Federal Reserve System, the Organization for Economic Cooperation and Development, the International Monetary Fund, various manufacturing and trade groups, and similar agencies which collect statistics centrally.

Although problems abound with data from these sources due to errors, inconsistencies, and worse, nevertheless, there are no other sources from which to begin. The *EIR* data are subsequently cross-checked against whatever better statistics become available for a particular nation, year, category, etc.

The present "working" statistics base of *EIR* consists of roughly 300 database tables, containing tens of millions of data items. These vary from raw numbers as given by sources such as those listed above, through varying stages of refinement, to *EIR*'s own calculations of various kinds, especially rates of change in key physical parameters of national economies, e.g., type of power use, by ton-mile of freight hauled, over time.