

To Return the World to Industrial Growth, Restore the American System in the U.S.

Lyndon LaRouche and the LaRouche Youth Movement, along with Helga Zepp-LaRouche and EIR's Paul Gallagher, held a conference call on May 5, to map out the campaign to save the U.S. auto industry (see last week's issue). Below are continued excerpts from the dialogue between LaRouche and the LYM, which followed his opening statement, and Gallagher's report on the shutdown of the machine-tool and manufacturing capabilities in the U.S. auto sector.

Role of the Army Corps of Engineers

Q: Hey Lyn, this is Miles in D.C. I have a meeting today with a military LA [legislative aide]. I was just curious, if you could develop a little about where you foresee the Army Corps of Engineers playing a role in this process.

LaRouche: Oh sure! I've said, we've got to go back to 18 divisions. Largely, you would take what we did before, as was done in the carryover from the 1920s discussion of this in the United States into the 1930s, which was a production-oriented strategic discussion. Eisenhower was a key factor of this in the middle of the 1930s, as was MacArthur. So, the reason we were able to do what we did in the United States, in the 1930s, was because we already had a cadre, which was

centered around a certain section of the military, and the Corps of Engineers in particular, which knew exactly, and had a strategic conception of what to do under these circumstances. And that's what happened.

What we have now, is we have this crazy thing that happened with Katrina, with the New Orleans, etc., crisis of this past year. And you see that there was no Corps of Engineers' function of the traditional type, in the situation. That Homeland Defense taking over FEMA, which had been a competent operation under President Clinton, was now totally incompetent! And FEMA was rendered incompetent by Homeland Security. Now, they're trying to cut down FEMA for the sake of Homeland Security; you should shut down Homeland Security for the sake of FEMA!

But more important is, the basic FEMA capability is actually grafted onto the military Corps of Engineers. And it's the Corps of the Engineers that's been cut back. Therefore, what I would do, is to go to an 18-division strength, which was the 1989-1990 strength. That is to say, we don't have to activate for purposes of war as such. But we need the other function of the military, the military corps of engineers function. And in case of a war, or similar problem, it is generally the military



Franklin D. Roosevelt Library

"We don't have to activate for purposes of war as such," said LaRouche. But we need "the military corps of engineers function" to build infrastructure, to deal "with crises that require fast mobilization." This 1935 photo shows a project being carried out by the Army Corps of Engineers to build a dam on the Mississippi, near Gulkinberg, Iowa.



Franklin D. Roosevelt Library

“You find, when you process people through a Corps of Engineers training, as we did in a sense with the CCCs during the 1930s, they come out of that experience as a transformed and upgraded labor force.” Shown here is a Civilian Conservation Corps construction project in California, in 1933.

corps of engineers, which is the core of any logistical capability for fighting anything that has to be fought. But at the other times, in its normal function, it has a peacetime function of building infrastructure and things like that, and dealing with crises that require fast mobilization, and prepared mobilization.

So, I would simply take it, and since we have a lot of unemployed youth in the United States who have virtually very poor education, and very poor prospects in life; who tend to come from areas which are drug-afflicted: Our national interest is to draw these youth *away* from these areas of pollution of their life, and to get them for a couple of years into an area where they change their lifestyle, and come out of that with some kind of perspective on a useful role of the rest of their life. And you find, when you process people through a corps of engineers training, as we did in a sense with the CCCs during the 1930s, they come out of that experience as a transformed and upgraded labor force. They go out of military service and so forth, into the civilian economy in a normal way. And you have both benefits: You have a constant cycling of people into this kind of process, which gives you an in-depth reserve capability for organizing, if you have to, and at the same time you’re doing a useful job.

And therefore, what I would simply say, at this point, is rebuild the strength potential of the U.S. military to the 18-division level. And take most of the increment, probably about 10 divisions, most of that increment would essentially be

trained, and have its capability located within the functions of the Corps of Engineers.

Greenspan’s ‘Wall of Money’ Scam

Q: Hello Lyn, this Joel from Detroit. I’ve come up from organizing with a question, that you actually had laid down, but I just haven’t understood it. In the webcast, actually, you referenced this “wall of money” policy that Greenspan came up with, to try to bail out the banks. And the way it works, as you explained, is that they were taking these bundled mortgages and using that as a way to get money from the Federal Reserve. A few questions have arisen from my organizing, on the question of how does a bank really function? I’ve looked at Hamilton’s *On the National Bank*, and he explains it very well, but he’s still in the context of a gold reserve, which makes a lot of sense. And in Chapter 7 of your book, *So, You Wish To Learn All About*

Economics?, you also talk about it.

Two questions come up from this: First, how does a tangible necessity of uttering money—like we utter money, but is the tangible aspect of it in the physical production? And what if that doesn’t work very well?

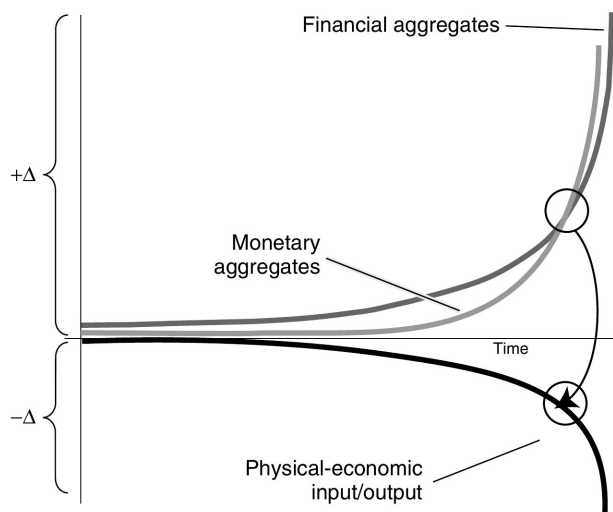
LaRouche: No, in Europe it is not physical production, in the European system. Because it’s private, and it’s parasitical. Whereas the American System, which we’re not operating fully under, it’s a hybrid. But in this case, don’t worry about trying to argue against the theory, because most of the theory that’s taught in universities and elsewhere, and in popular utterances is absolutely nonsense.

What happened in 1987, was the banks were drained of money, because they had taken a hit, in a 1929-style stock market crash, which had been building up. It didn’t just “happen” on that day, it had been building up over the period. So, the Federal Reserve comes in, and buys, in a sense—using Fannie Mae—has Fannie Mae buy mortgages from the banks. Now, the banks get money from this, but how do they get money? Because the Federal Reserve provides Fannie Mae and Freddie Mac with the money to buy the mortgages, and then Fannie Mae pays the banks. So, now the banks have been replenished with money. At the same time, Greenspan and company go to these banks, and now involve them in a financial derivatives-driven speculative gambling operation.

These things now also create assets, like stock market assets, stock price assets, that kind of thing, all kinds of

FIGURE 1

The Collapse Reaches a Critical Point Of Instability



“Now you have the absolutely impossible situation: an increase in the financial assets, through speculation,” and the Federal Reserve has to generate a greater amount of monetary aggregates to cover the speculative assets. This is the crossover point, as shown here in LaRouche’s “triple curve.”

assets—price increment assets and all kinds of things. Now, the Federal Reserve does the same thing, it prints money, which it issues as credit to those people who have appreciated monetary-value assets.

Of course, the whole thing is fictitious; while the economy has been, since 1977 in particular, has been collapsing, downward, per capita and per square kilometer, the amount of money in circulation the amount of financial assets in circulation has increased, and the amount of money in circulation, from M3 and related ways, has been increasing up to a point, at a slower rate, than the increase in financial assets. Now suddenly, you get a period where the financial asset generation is less and less efficient. So now, therefore, the amount of money which the Federal Reserve has to generate to cover the nominal financial assets, is greater than the amount of financial value increased.

So now, you have the absolutely impossible situation, a general *physical* collapse in the economy, per capita and per square kilometer; an increase in the financial assets through speculation, supported by an increase in money, as through the M3 mechanism of the Federal Reserve System; and then, more and more, the money supply is being increased electronically and otherwise by monetary obligations to support financial growth, at actually a net rate which is faster than the growth of the financial growth. That’s where I did this thing about the crossover (see **Figure 1**).

So, you look at this thing in this way, as I describe it, and it’s perfectly comprehensible. If you go the other way, and try to talk about the theory of money, a theory of gold, a theory of finances, you go into a sea of confusion, because you don’t have the parameters which define the process. You’re trying to interpret the process from things, rather than interpret the things from the standpoint of the process. That’s where the confusion rises.

How Do You Keep Private Banks in Line?

Q: Thank you. The second question was, I just wanted to understand from Hamilton’s point of view, the bank operates very much from the principle of the General Welfare. It says the progress is in the whole. But, how do you dictate or tell a private bank to stay in those parameters? Or how do you legislate those parameters?

LaRouche: Well, it’s called, taxes, tariffs, tax rates. Tariffs, that sort of thing. And since you print the money, and they’re not allowed to have any other money, you establish national banking which is to regulate the flow of money, which is the government’s money. The government prints it, it’s the government’s money. It’s the government obligation, as a debt by the government; it’s also a government asset.

So therefore, the government exerts the control over the flow of money, through tariffs and trade regulations, and taxes, and through the regulation of the national banking system, of the Federal side of the national banking system; and lets the state side float within the framework defined by a national monetary system.

Again, don’t try to get from the details to the whole; go from the whole to the detail. The principle is, that sacred provision of the Constitution—not of the General Welfare, which is the higher expression of this—but the implementation part, is that the monopoly on the utterance of currency belongs to the Federal government; but the amount of uttering done by the Federal government is defined by a vote of the Congress, by the consent of the Congress.

So therefore, you have a national system, on the utterance of money, unlike any of the European systems. Now, you have to say, since you’ve given this power to the Federal government, how do you *use* that power, in order to regulate the system and to try to deal with correcting dysfunctions which tend to arise in the system? And that’s how it’s done.

Don’t try to go from the part to the whole; go from the whole to the part. Don’t go from a mechanistic approach, which is what most commentators do. Go rather, to the dynamic approach, which starts from the whole, and then defines how the whole determines the way the parts interact dynamically.

How To Create More Capital for Investment

Q: Howdy Lyn. In your recent paper—this is Dan Sturman, here in D.C.—you mentioned something called “progressive repayments,” something I haven’t seen before. You

put it in the context of circulating more financial capital for investment in the economy as a whole. Could you go through what “progressive repayments” are in this sense?

LaRouche: Well, the point is, you take a loan out for 30 years, and you either get monthly or annual payments on that loan, huh? Usually they’re monthly. Or, they’re paid, actually, annually or quarterly, but they’re calculated on a monthly basis. The best system is a simple interest rate. A compound interest rate is more problematic. But that’s all there is to it. A progressive repayment is simply, you incur an obligation, and you have postponed repayment of the obligation. If you take a loan out for 30 years, you are postponing repayment of what you borrowed over a 30-year period. And the amount that you have to repay is progressive, by monthly increments and so forth.

Q: And then those payments can be used to recirculate into—?

LaRouche: Well, for example, what happens with the Reconstruction Finance Corporation or with the Kreditanstalt für Wiederaufbau in Germany? Abs, of course, was the German genius behind this operation—Hermann Abs, who was then head of the Deutsche Bank or what became the Deutsche Bank again. And what they did was, they created the Kreditanstalt für Wiederaufbau: They would issue loans to entrepreneurs, in particular, for production. Now the entrepreneur would start to produce, aided by this loan. Now the entrepreneur had an obligation to repay the loan; or not repay the loan, to deposit the proceeds of his operation in a bank. The money going into this bank, now is capital in the bank. It represents the basis for lending money, by the bank. And therefore, you had not only the initial loan of money to the economy through the Kreditanstalt, but the Kreditanstalt itself, through its mechanism with the banking system, was actually generating bank capital which could now, with the consent of the Kreditanstalt, issue a still-larger amount of credit, based on the manifest growth in the real economy.

In other words, you invest in a firm. The firm begins to grow in its total activity. It is depositing money in a bank, based on the growth of its income. This growth of its income as a depositor in that bank, it’s transacting its account through that bank, now means that the system now has a greater flow of money through the banking system involved. This greater flow of money through the banking system, enables the banking system *itself* to create credit for expanded investment. And that’s what happened in the case of the RFC, under Roosevelt. And that’s what they imitated in a sense, in a German form, through the Kreditanstalt für Wiederaufbau in Germany.

Germany had the most efficient use of Marshall Fund and other credit, of any nation by far. The British were the worst. The French were laggard. But Germany had, under this regime, the highest rate of improvement in its productive output, its standard of income and all these sorts of things, of any nation, because of the way the Kreditanstalt functioned,

which was simply using a very obvious principle in a clear way.

Infrastructure Loans Increase The Debtor’s Ability To Pay

Q: This is Merv in Detroit. It’s a similar sort of question, but about amortizing the debt. Because the thing that comes up with Felix Rohatyn, and any proposal that just proposes to build infrastructure—the problem that comes up, is in the payment of the debt, it doesn’t seem like there’s any basis. They’re just saying “building infrastructure” and there’s no idea of actually increasing the productivity of the economy.

LaRouche: That’s right.

Q: It’s not just investing in the infrastructure per se, but it’s infrastructure which is going to be applied so that the capitalization of the debt comes from the increase of the productive powers.

LaRouche: First of all, look at the book *The Economic Hit Men*, remember?

Q: Yes. And also what you wrote in *Earth’s Next Fifty Years*.

LaRouche: Okay, fine. So, Rohatyn is an economic hit man. Now, what did the economic hit men do? They organized loans for projects in developing countries and bankrupted the countries, and then took over the countries—as the case in Ecuador, for example. And George Shultz, who is the backer of this administration, the key figure in this administration’s creation, was a key man in this thing, as identified in the book, and as we know to be the case.

So, Rohatyn has no intention of doing any good for society.

What you do, when you issue loans in infrastructure, first of all, you are concerned with building the economy. And you issue loans on the basis of building the economy; you build it on the assumption of *increasing the debtor’s ability to pay*. You set the conditions, which conform to the increase of the debtor’s ability to repay. But if you do it otherwise, if you don’t take that into account, and just go ahead and make loans, you come in like a village loan shark: Some family’s short of money that week, and the loan shark comes in, and he gets control of the debtor who can not meet the repayments rate demanded by the loan shark, and the loan shark charges penalties on top of that, increases the debt, and you become permanently a prisoner of the loan shark. He’s an economic hit man.

Rohatyn is essentially a gangster, a thug, a neighborhood loan shark gangster, who does the same kind of thing on a larger scale. And because it’s done on a larger scale, he has greater respectability, than the poor thug in the local community. It’s the same thing.

When you are creating credit, and creating debt, you are responsible to think through the consequences of what you’re doing: that your purpose should not be to create debt, or to

make money by lending. Your purpose should be to use the mechanisms of credit as a way of increasing the wealth of the economy, per capita and per square kilometer. Which means that you have to have a strong investment in increasing the productive powers of labor, which means you're going to a more and more capital-intensive form of production; you're building up a higher ratio of infrastructure which supports the ability to have production. And so, people like Rohatyn are nothing but thugs. And only people who have *no* understanding whatsoever of economy, would ever let Rohatyn touch anything of their policymaking!

You have politicians, leading politicians, members of Congress and so forth, who have no understanding of how an economy works: Rohatyn comes in and says, "I can provide you without any trouble, having to fight the government, I can provide you with all the credit you need from my friends and so forth, and we can provide you with everything that you need! You don't need to go to government! You don't need to make legislation! You can keep within the system, within the free enterprise system. We'll take care of you—you can have all the infrastructure you want." You won't get it, but they'll promise it! Promises are cheap. Delivery is more expensive.

And so, people who have no understanding of economics, and there are many of them, in the Congress for example, in the Senate for example, who have no understanding of economics, and therefore, they go for Rohatyn out of their own ignorance of economics. And you have people in economics, like the wolf, waiting for Goldilocks. And the wolf, Rohatyn, is waiting for the Goldilocks of the Senate, to eat them. And they believe, because they don't know any better, because they're ignorant of economics, they believe this stuff.

Infrastructure Increases Productivity

Q: This is Vickie from D.C. I was reading *On the National Bank*, yesterday, and he mentions how, I guess when they were trying to make the First National Bank, that they were looking at the bank in Philadelphia, and there were all these requirements to make it into a National Bank. And I was wondering what would be required to make a National Bank, and how would the Federal Reserve be able to do that? And the other question I have, is, why is it 50% [of new investment] for infrastructure, why was that specific number chosen?

LaRouche: Because that's about what it requires. If you don't have about that amount, it's not going to work.

People don't recognize the economic significance of infrastructure for production. For example, let's take the question of a rail system, as opposed to a highway system. Now how many jobs do people have, and how many hours a day do they spend commuting among these jobs? When you don't have, for example, a high-speed rail system, or you don't have urban areas developed in a rational way so that people don't have to travel three or four hours a day to commute to and from work.



"About half of the total new investment in the U.S. economy should go into infrastructure," said LaRouche, to make the economy more productive. People spend hours per day commuting because of suburban sprawl; the over-concentration of what industry exists, in a small area; and the lack of rapid transit.

For example, I saw this in New England, you had people commuting to work in the Greater Boston area, and they would commute from New Hampshire or from southern Maine. Now, this in those days, was about an hour or so trip, more than an hour trip, down the main trunks. So a person is going to work at say, 6 o'clock, or 8 o'clock shift in the morning, trying to get there by 7 or something, or 7 o'clock shift opening, and what time do they leave home? What time do they get back, coming through some traffic problems on the way back? Maybe they're leaving about 3 o'clock in the afternoon, leaving work or the plant to travel back, and they get back home at 4:30 or 5 o'clock, maybe later. So, all these things which are not usually taken into account adequately, are part of the cost of production. They're paid for out of the lives and hides of the people involved, but they're that.

So therefore, you can improve the efficiency of infrastructure by cheap power; by better organization of plant location and residences; by, instead of having production over-concentrated in a small area, distributed over a larger area, so that you have greater efficiency in terms of the lives of the people who work there. You have better distribution of power, you have better maintenance of water. All of these things, which are not in themselves, part of the investment in production, will determine variably the productivity of labor in that area, the real productivity.

So therefore, the ratio generally now, is about half of the total new investment in the U.S. economy should go into

infrastructure, as opposed to into industry and agriculture. Because, if you decrease the ratio on infrastructure, you will have a less productive economy per capita, in terms of production, than you will if you maintain infrastructure, at, say, 50%. That's the reason.

It's an approximation, but it's based on an understanding that infrastructure is part of the cost of production. Infrastructure is distinct in the sense that it's not owned, generally, by an individual entrepreneurship, a corporate entrepreneurship, but it's owned by the state or a regulated institution of the state. And therefore, since it's publicly controlled rather than privately controlled, some people think it's not productive. That's because they're stupid, they don't understand production. Production depends upon infrastructure. And the ratio, in today's economy, about 50% of the incurred *necessary* cost of production, has to be in infrastructure.

Q: This is Josh in Boston. In our initiating of this process of reorganizing the monetary system, which we're going to cause in our current work, I want to know what kind of substantial changes in our relationship to this kind of reorganization will we need—what might happen in that? And something I don't understand, what are you going to do, what's your role, that no one currently in the world has the competence presently to do in this kind of reorganization? What kind of role are you going to play, and what kind of supporting role—?

LaRouche: To answer questions like this [laughs]—it's exactly it!

Q: Am I going to do some work?

LaRouche: That's right! You got to do some work. You don't object to that, do you?

Q: I have no problem with that.

LaRouche: Right, exactly. The harder I drive you, or put you into situations where you are driven to solve problems, the more you're going to accomplish and the stronger and better you're going to be.

Q: Okay, that's a good answer. Thanks

Why We Need a Space Program

Q: Hey Lyn, this is Jessica in Berlin. I have a question on this machine-tool idea, also around the space program. I'm wondering if you could go into that. Because in the '80s, you had this "Woman on Mars" video and all these kinds of programs. Is there something particular you think about the idea of a space program, man on the Moon, or Mars, that could be part of this project?

LaRouche: I'll just give one example which came up: You take the chemistry which has been discovered on Mars, by these little tiny rovers, relaying their experiences out there on Mars, back to Earth. And we find that, just as you find that the chemistry of living processes is different than the

chemistry of non-living processes, as Pasteur for example demonstrated this, you find that on Mars, even within what is ostensibly the inorganic area, you find chemistries which we don't know about on Earth. That is, the same essentially primary materials, seem to have a different chemistry, because of the different conditions. That's typical of the problem we have.

You see, people have been thinking about Earth as a self-contained reality, and we go out and explore other planets, to see what *their* reality is. Well! That's not the case! That's the mechanistic view of the Solar System. In point of fact, as Kepler already showed in his work, the Solar System is a product of the Sun's evolution, which is still ongoing. And every part of the Solar System is manifesting a set of laws which is unified. The Solar System is not an additive collection of different kinds of things; the Solar System is a process which generates things which look different, and in a sense are different.

Now, if we want to understand where we live on Earth, we have to first of all recognize that we, living on Earth, in part of a Solar System—our weather is not determined by the Earth, our weather is also determined by the Solar System, the rate of radiation from the Sun on the Earth. That is, the temperature of the Earth is regulated more by pulsations on the Sun than anything else. The idea of global warming and so forth, is absolute absurdity! Yes, the planet does get colder and warmer, but there's no such thing as global warming. If you would increase the amount of carbon dioxide production, you'd cool the planet! Because if you increase the production of carbon dioxide, in concentration, you'll increase plant growth! In the oceans as well as in the land. And you would actually have a higher rate of cooling, for example, because grasses and other plants of that type absorb 1 to 2% of the Solar radiation, and transform it from heat into living processes. Up to 10% of the Solar radiation will be captured by trees, and give you more trees, in place of an increase in temperature. So, the usual stuff is all nonsense.

So, what is important to us, is to explore the Solar System, to recognize that the conditions on Earth, are a reflection of the conditions in the Solar System as a process, including the Sun. And therefore our exploration of the Solar System, to find out things about the Solar System we would not recognize on Earth, but which affect us on Earth, is extremely important. That's the driver.

Also, there's a higher purpose in this: Mankind is not supposed to reach a level of perfection at which perfection stops. Mankind is supposed to improve itself constantly, and that is by scientific and technological progress, among other things, and therefore we do things, because, as some people said, "It's there." You go to Mars, as you went to the Moon. You go to the Moon, why? What's your motivation? Well, the motivation is, we've got to go there. Why? "Because it's there!" Then you say, "We've got to go to Mars." Why have we got to go to Mars? "Because it's there!"



Wieck Media

Visteon's Ypsilanti manufacturing center—presently up for sale, with its workforce shrinking—in Ypsilanti, Mich., is one of the many plants the United States will lose if Congress does not intervene with an FDR-style mobilization. In addition to infrastructure projects, plants such as this one could build material for space projects. Plants from the auto sector played a critical role during the Apollo Moon project.

And that is the healthiest part of the human mentality, which says, we do something we think we ought to be able to do, because it's there to be done. And when we look at it and we find out what it is, we always find out that doing that was a good idea with many benefits. So we trust a principle: We go to do good things, master knowledge of the universe, because it's there to be mastered.

Why a Fixed-Exchange-Rate System?

Q: It's Alicia from Boston. My question, I know you've mentioned many times that we need to go back to the Bretton Woods system, and having a fixed, as opposed to floating-exchange-rate system. I'm wondering if you could elaborate on that more. Like what are the implications that having a fixed exchange rate would have on the nations outside of America?

LaRouche: Well, for example, let's take a certain section of industry which can support, shall we say, a 3% borrowing rate on capital for that industry: What happens if the value of that currency fluctuates on the world market, and you go above, say, to a 4% or 5% rate, what's the effect on the industry? You collapse it. If you have inflation in relative currency values, you are going to have a disaster, as we have had, in

terms of production and standard of living. Therefore, what we do, instead of saying, "Let us let the currency rate float, and let it tell us what a good rate is," I said, "No, none of that bunk! We can't live with that." Therefore we'll create a fixed-exchange-rate system, and we'll manage the system according to maintaining a fixed exchange rate, in terms of practice.

In other words, instead of saying, "Why don't you let it float?" Because that would be a stupid idea. And you say, "Now the problem is, forget this idea of a floating exchange rate. Fixed exchange rate is what we require. How do we manage it?" And that's the way you go at it.

Canada: The Common Interests of the Americas

Q: In Montreal, we're going to be down for a week of action, in Ontario. The question I have is concerning what you said about the United States. I agree that the thing has to start there, but . . . I was just thinking if you could elaborate on our role as Canadians—

LaRouche: Well, first of all Canada is very closely related economically to the United States, as you know. Going into Ontario, particularly, it's very obvious there. You have a different thing in the prairie states in Canada, and also on the coastal states (and also some other parts I could talk about!). But all right, we know that the Canadian economy depends on the United States in two ways. (It also has an English connection of course, the Commonwealth connection.) But it depends on the United States in two ways. First of all, a primary connection, is that much of the industry, the agriculture and manufacturing of Canada, is related to the U.S. economy. It's contingent upon it. The auto industry is a very clear example of that problem. Also, Canada and the United States have a general relationship to the development of North and South America as a whole. So therefore, our well-being, both in Canada and the United States, and mutually, depends upon this hemisphere. So you have a natural characteristic relationship, such as the Americas actually should be a group of related nation-states, each sovereign but related, who have immediate, close cooperative relations on a great number of questions of internal interaction.

Eurasia, for example, is now emerging as a continental system, or has the potential. We've had a division between

Europe and Asia, divided in various ways, as between Russia, which is sort of a Eurasian country, as opposed to a European *or* Asian country. Then you have China, India, and so forth. But now in the process of industrial and agricultural development of Asia, we have a system in which there's a certain tendency for integration of Eurasia as one continental system, of cooperation among several sovereign nation-states. So, that kind of thing.

Africa is another problem. It has two aspects, the northern aspect, north of the Sahara, and south of the Sahara. This is also a large-scale system.

So, the Americas is a system, not in the sense of being isolated from the rest of the world, but it's a system which has much tighter integration interaction than it does with places outside the Americas, or that should be the normal case.

So therefore, when you're dealing with Canada, from the standpoint that we're talking about, it's less the local issues in Canada as such, which are significant; but rather, those issues where there is a common interest, and a common concern, or should be a common concern. And therefore, when you're approaching these things, as a matter of discussing what our policy is in the United States, or in Canada, discussing the interaction of the two countries and their interdependence, is what the thing is. For example, what we're doing with the auto industry in the United States can also be stated in very many ways, through corporate interconnections and otherwise, with the auto industry and related industries in Canada.

So, going into Ontario, you're going to come up straight against that. And so that, I think is the way to focus: is to take what we are doing in the States, and present that as a case of interest between the two countries, and within this hemisphere. That's a very good starting point, to get the conversation going.

Gallagher: Also, four of the biggest plants that are being closed are in Ontario, that are immediately on this list of what's now 64 plants that are in the process of being shut down. Four big ones are right in the Windsor area, and on the Ontario side, close to Buffalo, are being shut down now. . . .

How Would We Manage Raw Materials?

Q: I know you've touched on this before, but I'm not really clear on how, under a new system, would raw materials be managed? Do you think that nations, either the government or companies that are of that nation, should control the raw materials of the nation? And if that's so, then how would you actually establish treaties to ensure that nations that don't have the materials they need to develop would be able to get ahold of those materials?

LaRouche: You said the magic word: "treaty." What we're going to have to move to, first of all, so we can regulate prices of raw materials by cracking down on some of these financial entities. Because, they're rotten and they have many

points of legal vulnerability. They have Enron-type susceptibilities. They're pretty much pirates and thieves, and pirates and thieves are engaged in what is already criminal or should be defined as criminal. So that will take care of some of the problems.

But in general, "treaty" is the key. A major section of production of the world as a whole, is going to depend upon a quarter-century to a half-century life-cycle of long-term investments, in infrastructure and in industry; and in agriculture, also. So therefore, you're going to have trade relations among countries which have, shall we say, "excess" raw materials supplies, such as Russia, which has a large excess of potential raw materials, if they develop to do so. Petroleum resources and natural gas are not the limits of Russia's resources. There are much richer resources which are available there. But they have to be developed.

Now you have countries like China, India, and so forth, which have a relative shortage, relative to population growth of these materials. We have at the same time, large-scale commitments, implicitly, on line for production by Europe, including Russia, for the needs of China, and other countries in Asia. Now the way to handle this thing is to go into a period of quarter-century to half-century long-term treaty agreements, which bundle a number of these requirements, trading requirements, together, at low-rate loans, like 1% to 2%. So now these long-term treaty agreements in the form of loan agreements, cover the contracts to supply certain raw materials and develop them at certain prices. And it is in the common interest to do so, because we don't want inflationary measures to disrupt our agreements. We want progress. So therefore, what we'll tend to get into is long-term treaty agreements among nations, which cover the regulation of the assured price regulation of primary materials.

And this is where the nuclear and fusion power comes in: It's only with the aid of nuclear fission, to a lesser degree, and in the longer term by thermonuclear fusion, that we can rationalize the utilization of the combined richer and relatively poorer quality of primary mineral resources of the planet. We're going to have to do more and more to manage the planet, in terms of its ecological characteristics.

So therefore, the price of raw materials, is not going to be a price of something dug out as something "there" from the soil. It's going to more and more a process of replenishing and maintaining the flow of supplies which are becoming increasingly more costly by present standards of production, whose costs will be reduced in relative terms, relative to total income, by more and more application of very high-density sources of power.

So these things are all interrelated, but the secret here, is, we must enter into a world system, which is based on long-term treaty agreements among nations, among groups of nations. And it's under these kinds of agreements that we can stabilize a set of common interests, in maintaining stable prices for supplies of raw materials.

[THIS PAGE IS INTENTIONALLY BLANK]