LaRouche to Chinese Press

Crash of the Dollar Means Global Collapse

Li Mao, Washington correspondent for the Chinese publication Science and Technology Daily*, sent these questions to Lyndon LaRouche, following LaRouche's Nov. 16 webcast (see* EIR*, Nov. 24). An article based on the webcast and this interview appeared in the daily on Dec. 4.*

Q: You warned that if the U.S. dollar were devalued by more than 30%, the America economy would go down, and so would that of China and India—even the whole world. Would you please specify the reasons?

LaRouche: There is a revelant conceptual problem, a problem of scientific incompetence among most economic forecasters. They forecast like a mathematician forecasting the trajectory of a billiard ball on a tabletop. Theirs is the method of mechanistic-statistical forecasting, of trajectories in Cartesian space-time.

Competent economic forecasting takes into account long-term cycles of physical-capital investments within the economy considered as a dynamic process. That is my method of forecasting, which is consistent with Riemannian methods.

Competent forecasting in today's world must take into account the lack of coherence between monetary-financial values and physical values considered independently of monetary-financial assumptions.

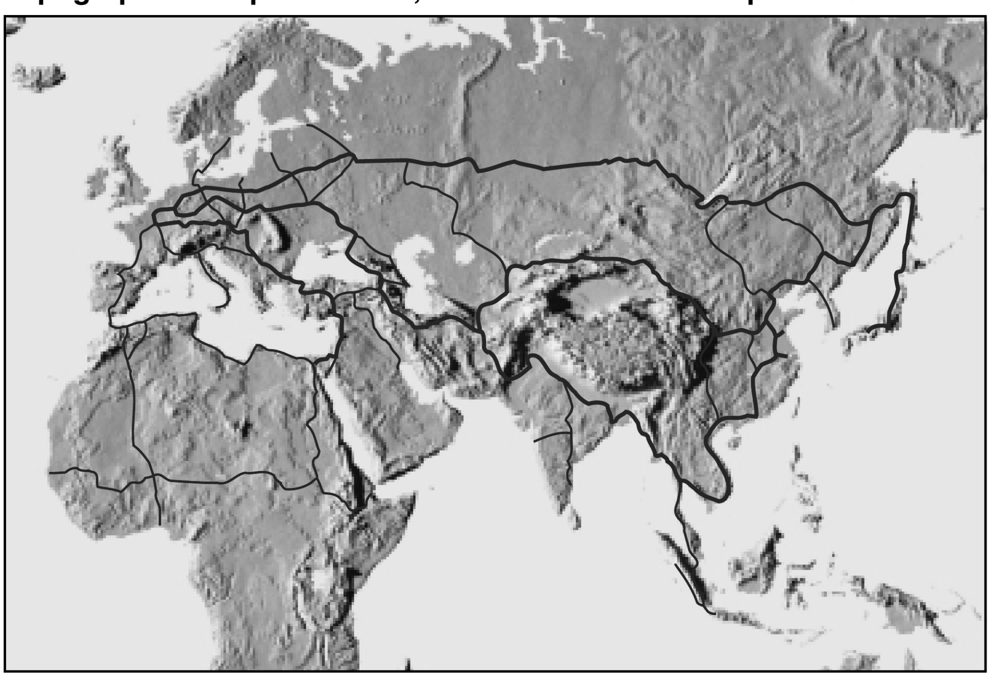
Thus, in the trans-Atlantic economy of the recent three and a half decades, the monetary-financial capital has soared at an accelerating rate, whereas, the physical values per capita and per square kilometer have been collapsing at an accelerating rate.

What has kept the world market functioning since the 1971-1972 termination of the Bretton Woods system based on the U.S. gold-reserve-denominated dollar, has been the assumption that dollar-denominated values are in some way sustained by general belief among nations and traders, that the dollar will remain negotiable over the long term, in approximately current values.

If the dollar suddenly collapses to levels about eighty percent below current estimates, the collapse of the dollar will mean a collapse of every currency holding dollar-denominated monetary-financial reserves. This would not stop at an eighty percentile collapse; that collapse would be the trigger for a global panic. In that condition, unless the specific reforms which I have outlined are promptly adopted, the entire world-trade system would go into a chain-reaction collapse to some low percentile of current levels.

Nothing can save the present form of International Monetary Fund system. It is inevitably doomed, in one way or another. It is doomed, either to disintegrate, or doomed to be replaced by a new system installed under emergency conditions.

Topographical Map of Eurasia, with Some Main Development Corridors of the Future



The best way for China to use its monetary assets effectively, LaRouche advised, is to issue long-term credit for investment in Eurasian infrastructure—such as the actual and proposed development corridors shown here.

Q: Last month, a Japanese economist, who was interviewed by my colleague in Tokyo, said the U.S. dollar crisis was approaching silently. The dollar was facing devaluation, and in the worst scenario it could collapse, which would bring a great shock to the world economy, if the expanding U.S. trading deficit and debt were not stopped or solved. What is your comment on this, and in what circumstance, might this terrible assumption become a reality?

LaRouche: This fear is a reality. Were I the President of the U.S.A., which I am not, and will almost certainly not become soon, and had I support of the leading U.S. political party in the Congress, I would be prepared to take appropriate cooperative action with some leading nations, and this could halt the collapse-process, and would lead to a new, global fixed-exchange-rate monetary system through long-term agreements, of a quarter to half century, among leading nations and groups of nations. As long as we have the current U.S. President and Vice-President, safe escape from a likely global chain-reaction collapse is not probable.

Q: At present, the U.S. government is pushing very hard for the Chinese RMB (yuan) to be increased in value. How can we explain this practice, against your not wanting a devaluation of the dollar, and what are the impacts on both the U.S. and China if the RMB's value continues to climb?

LaRouche: While I would wish a lower rate of China's dependency on cheap exports, and more concentration on China's internal development, any devaluation of the U.S. dollar, as by increasing the relative price of the RMB, would tend to unleash a catastrophe. Unless the U.S. agrees to the kind of reform I have indicated, there are no current remedies for the crisis presently in sight.

Q: In order to prevent the U.S. dollar from too much devaluation, what must the international community do, in your opinion, especially from the China side?

LaRouche: Long-term trade and investment agreements, based on physical, rather than current monetary-financial values, especially for projects in technologically progressive investments in basic economic infrastructure, are always correct steps of reform. Such steps will tend to minimize the effects of a crisis, and will provide the benchmarks for needed general agreements of reform among nations.

Q: China now is one of the countries in the world with a huge amount of U.S. dollar reserves. What are the potential risks to China? What are your suggestions for China to use those dollars effectively?

LaRouche: Were I a citizen of China, I would emphasize the use of such monetary assets as long-term credit for technologically progressive investments in creating (physical) basic economic infrastructure, both within China, and in joint Eurasian development programs.

Rohatynite Slashes New York Health Care

by Patricia Salisbury

Despite the well-documented crisis in every area of the nation's health-care system, a commission headed by a longtime partner of Felix Rohatyn, has released a report recommending draconian cuts in the New York state hospitals and nursing homes. The report of the Commission on Healthcare Facilities in the 21st Century is now on a fast track to implentation in January 2007, thanks to provisions which turn its recommendations into law if the state legislature, which is prohibited from amending the report, fails to reject it by Dec. 31.

The Commission was handed its extraordinary powers by New York Gov. George E. Pataki and the state legislature. And the Bush Administration is doing its part, with a promise in October of $1.5 billion over five years for implementation of the report, with a key stipulation: The legislature must accept the Commission's recommendations wholesale.

New York's Commission on Healthcare Facilities in the 21st Century was formed in 2005 with a mandate to recommend changes to the state's health-care system. On Nov. 29, 2006, the Commission released its recommendations, which include the closing of 9 hospitals and restructuring of another 48. If implemented, the cutbacks would affect about one-fourth of the hospitals in the state, eliminating 4,200 hospital beds, or 7% of the total numbers. The Commission is also proposing to shut down 3,000 nursing home beds (3% of the total), and privatize hospitals currently run by the State University of New York. Moreover, the restructured hospitals would be subjected, in most cases, to radical downsizing, merger, and elimination of entire areas of services.

The stated central assumption of the report is that the crisis in the New York State health-care system is "overcapacity," although 70 hospitals and more than 63 nursing homes have closed since 1983. Ignoring the fact that 20% of the state's residents under age 65 are uninsured, and that hospitalization costs are a crisis for even most middle-class families and individuals, and without even a token mention of threatening pandemics such as avian flu, the study asserts that hospital beds are empty throughout the state. It then determines to eliminate these beds by "rightsizing" institutions in order to save and redirect money.

The Commission's proposal for massive closings and downsizings is accompanied by vague promises that eliminating the costs associated with "brick and mortar" institutions and hospital beds will permit an increase in primary care physicians, preventive health care, and community-