

HELGA ZEPP-LAROUCHE TO BERLIN SEMINAR

Crisis Slams Banking System: Act Now To Avert a Dark Age

Schiller Institute founder Helga Zepp-LaRouche brought a breath of hope to a diplomatic luncheon in Berlin on Sept. 17, which a dozen people attended, from Africa, East and Central Asia, Southwest Asia, and Eastern Europe. Their hopes were rejuvenated and strengthened, while their illusions were shaken and broken.

Questions ranged from, “Isn’t it all a question of morality?” to “What can we really do at the UN General Assembly? They will postpone this discussion to prevent it,” and “Why are you excluding the European nations from the powers that can solve this crisis?”

Some participants stayed longer and had a very productive, un-diplomatic roundtable discussion with Helga and LaRouche Youth Movement organizers, including viewing then-Mexican President José López Portillo’s 1982 speech to the UN General Assembly, and discussing who could do what before the General Assembly, to bring that spirit back, and orient toward a New Bretton Woods and the four-power agreement.

Mrs. LaRouche’s speech follows:

I’m very happy to welcome you for this occasion. Most people are quite shocked at what is going on, but we are not. Because those of you who are familiar with our movement, in particular the economic forecasts of my husband, Mr. Lyndon LaRouche, know that he has made prognoses that this would happen, like nobody else. He has proven to be right, and all his critics and

opponents are completely false, and have been proven false.

Right now the situation is disintegrating. There is nothing in this universe which will stop this process. After you had the de facto nationalization of Bear Stearns, of the mortgage-financing institutions Freddie Mac and Fannie Mae, then Lehman Brothers went under. Next, AIG was temporarily nationalized by the U.S. government, with \$85 billion. Just to give you a comparison: In 1998, when the then-largest hedge fund, the LTCM, was about to go under, the sum was \$4 billion, and the Bank for International Settlements said in their annual report that this was close to a meltdown of the international system. If the 16 largest banks had not come to the support of LTCM, we would have had a meltdown of the system.

Now, obviously, we are talking about hundreds of billions. And the even more critical aspect, is that among these banks, especially in the case of Lehman Brothers, there was a discussion of \$62 trillion in credit derivative swaps, and nobody knows exactly how much there is, because most of it is “over the counter,” which means that no central bank, no government, has any control, and the only published figures so far, in the context of the BIS and other reports, as to what the dimension of this market might be—the figure which was named was \$600 trillion, which is *\$600,000 billion*. (Most people stop thinking when it comes to these amounts of zeroes!) And that is the dimension of outstanding debt, outstanding obligations.



Helga Zepp-LaRouche, shown here at an Aug. 16 conference of the Civil Rights Solidarity Movement (BüSo), the party she heads. “Most people are quite shocked at what is going on,” she told the Berlin seminar, “but we are not.” The LaRouche movement has forecast for many years that the globalized, free-trade system would come to a crash point.

Obviously if you try to maintain that, you can only have it by having hyperinflationary printing of money. (Nowadays you don't *print* money anymore; you create it virtually, on a computer, but the effect is the same.)

Now, I want you to hear what my husband said on the 25th of July, last year, in a webcast in Washington. You can go to the LPAC web page [www.larouchepac.com] and look at the whole webcast.

Lyndon LaRouche: “There *is* no possibility of a non-collapse of the present financial system—none! It's finished, *now!* The present financial system can not continue to exist *under any circumstances, under any Presidency, under any leadership, or any leadership of nations.* Only a fundamental and *sudden change* in the world monetary financial system will prevent a general, immediate chain-reaction type of collapse. At what

speed we don't know, but it will go on, and it will be *unstoppable!* And the longer it goes on before coming to an end, the worse things will get.”

The crisis on the mortgage markets started three days after his speech, and one week after the speech, many people internationally said that Mr. LaRouche has a prophetic ability. Then on the 1st of August, the head of the German credit supervision agency BaFin, Jochen Sanio, said this is the worst credit crisis since 1931. Now, that looks like the understatement of the year, since it is much, much bigger; but I thought it was useful, because it reminds people that out of the depression comes the danger of war, and the danger of fascism. It reminds people that there were two approaches that were taken. One was taken by Franklin D. Roosevelt, with the New Deal, which brought the American economy essentially out of the Depression; but in Europe, unfortunately, the solution that was taken was Mussolini, Franco, Hitler, and the Hitler government—fascism, the solution of Hjalmar Schacht. Therefore, the reference, I thought, was useful.

And then the thing really exploded, when you had the German banking crisis that started in August: the West LB, Sachsen LB, Bayern LB. The answer of the central banks to this crisis was just to pour in liquidity. The European Central Bank, the Federal Reserve just opened the sluices, and poured in hundreds of billions, or what must now have become several trillions. And naturally if you do that, you create hyperinflation.

The problem was the following: The banks were sitting on toxic waste. Because the financial instruments that were created, which Alan Greenspan donated to civilization, are in reality toxic waste. There are mortgage-backed securities; there are structured investment vehicles; they are packaged and resold so many times, that nobody knows anymore where this thing ends, where it goes. And every day, since August of last year, they knew that they themselves were sitting on piles of worthless paper. The interbank trading completely stopped, because they knew that since *they* were sitting on worthless paper, they suspected correctly that the others were also sitting on worthless paper. So activity stopped. But nevertheless the central banks kept pumping in liquidity.

Double Food Production!

From September onward, the hyperinflation became visible, in the prices of food. Because this money, once it is created by the central banks, does not stay under the mattress of some people, but they're using it for speculation. The European finance ministers' recent report stated that there was no role of speculation in the food price development; this is completely ridiculous, since the Chicago Board of Trade had already published, a couple of months ago, that 80% of the food price explosion was due to speculation.

This started to become visible last September. And also in raw material prices, energy prices. Then in October, a report was given by Jacques Diouf of the UN Food and Agriculture Organization [FAO], that there was the danger of food riots, due to the food price explosion in 40 countries. But this report was completely suppressed; you could not read it in the media at all. But by about April of this year, all of a sudden, just in time for the IMF and World Bank annual meeting, all of a sudden the media reported that 40 countries had hunger riots. The government of Haiti was toppled—and this is no joke, because the people who were demonstrating in Haiti were saying that they were not afraid of the guns of the police and the Army, because they would die of hunger anyway. That shows you the degree of desperation which this caused.

Jacques Diouf, by the way, had already said in December that he urgently needed *\$11 million*—a ridiculously low sum—in new funds, to be able to buy seed for the poorest farmers in the developing countries. And in April he said that he was unable to raise that money, and he had come to the conclusion that the advanced countries did not want to stop this hunger crisis.

At that point, I issued a call, saying that the only way that we can address this problem, is by doubling food production. Because obviously the free-market economy has failed. The idea of cheap production and forcing poor Third World countries to export food, when they are starving themselves, is a crime against humanity. I said that immediately one should stop the production of bio-fuels; stop using food for biofuel, which is a crime against humanity. If you would stop that right away, you could immediately feed 500,000 people on the spot. But you would have to double food production anyway, because



UN/Eskinder Debebe

A family in Port-au-Prince, Haiti. During the hunger riots earlier this year, people said they were not afraid of facing the police, because they would die of hunger anyway.

existing food production is simply not enough, and if you assume that there will be 3 billion people more by 2050, the idea of doubling production is a very realistic idea.

This would make a complete, radical change. You would have serious economic development in the developing countries: infrastructure, ports, railroads, nuclear power for desalination of large quantities of ocean water. And you would really have to be serious about the economic development of Africa, Latin America, large parts of Asia.

So, we circulated this call, which received a lot of support. It was signed by many parliamentarians, heads of agricultural institutions, and so forth.

But at the FAO conference at the beginning of June, nothing happened. Basically the only thing which happened was that the true fronts became absolutely clear, between those people who demanded the total free market economy, eliminating all barriers, that the WTO should finish the Doha Round of the Geneva negotiations, which basically would mean to stop all barriers for the speculators, and turn the whole thing over to private speculative interests, and those who wanted to feed humanity.

Depression and the Threat of War

Then came the G-8 meeting. By that time it was clear that the system was really crashing. But the G-8 would

not address it! They did not address the financial collapse of the system. And maybe I have to quote the opinion of General Ivashov, who is a very well-known Russian strategist, the head of a think tank in Moscow, who basically said, maybe one should conclude from the fact that the G-8 did not address the financial meltdown, that some people want to solve the problem militarily.

And I do not exclude the possibility that there are some people who are thinking that, because I do not think that the government of Georgia is really a Georgian government. But Mr. Saakashvili and much of the Georgian government have been sponsored by George Soros—who is even financing much of the police in Georgia—and George Soros is simply an arm of British intelligence. He is basically doing the job of the British empire. I think the fact that the Russian government reacted in a very determined way to the Georgian attack on South Ossetia, probably did much to stop an escalation to World War III. It did not eliminate the danger of World War III, but it made it very clear that Russia would not accept the continuation of the encirclement policy of NATO and the European Union. (I do not make a big distinction between NATO and the European Union, in terms of their encirclement policy against Russia.)

So by now, I think no one can deny anymore that the system is finished. And I would even go so far as to say that unless the measures that are proposed presently by my husband, who is in the United States right now—either the measures he proposes are adopted in the next two weeks, or we may have only half of the American banks left. That is how bad it is. Right now, the next big issue is HBOS, the Halifax Bank of Scotland, which is about to go under. There are several little banks in Denmark being nationalized, or bailed out by other banks, right now.

It really has reached a point where we are looking at potential chaos. This crisis is much bigger than that of the 1930s. In the '30s you did not have these financial instruments; you had a much smaller volume; you did not have continents in the condition that Africa is right now. And therefore what is happening right now can only truly be compared to the collapse of the 14th Century, when the financial houses of Bardi and Peruzzi collapsed, and you had the plunge of Europe into a Dark Age. And the consequence was that one-third of all people died, in the area from India to Ireland. The Black Death. A collapse of civilization. You had flagellants, you had witchcraft, you had a real moral and cul-

tural collapse. That is what we are looking at now, if we don't stop it.

Now, Mr. LaRouche already last August proposed certain measures, which if they had been adopted, would have spared a lot of misery and a lot of consequences. See, we don't care about money; money is very unimportant. But the consequence of this is that a lot of people are dying, and that is what is morally absolutely unacceptable, which is why many of the people who are insisting that the system must be maintained, are actually criminals, and should be in jail. This has reached the point that only a moral moron could deny the consequence, in terms of genocide, for what is happening right now.

So the question is, where should the solution come from? I don't think the European Union right now will do anything. The Ecofin ministers just met in Nice; they came out with ridiculous statements. The only reasonable person right now is Italian Economics Minister Tremonti, who has appealed and called for a New Bretton Woods system. You have interesting voices in France. You have a desert, in terms of knowledge, in Germany.

Three Steps to Survival

Mr. LaRouche said last August already, that three measures are absolutely indispensable. One is the Homeowners and Bank Protection Act of 2007. This is in order to prevent total social chaos: The government has to step in and make sure that the people who are about to lose their homes and apartments, can stay in their apartments and their homes. In the meantime, more than 3 million people have lost their homes in the United States. This has tremendous social consequences, because now you have empty houses, where gangs break in, because copper gets a very good price on the spot market. All communes [cities and towns] are bankrupt, because of the collapse of the real estate and mortgage market. Mr. LaRouche said the government has to take over and basically freeze all of these payments; let the people stay in their homes; and then later sort out a reasonable price which people can pay.

Secondly, you have to save the banks—not the investment banks, and not the investment bankers, and all these things, but the chartered banks, public banks, so the economy doesn't collapse. The idea, therefore, was basically to take over, from the state, some of these chartered banks, which is totally legal under the American Constitution. The American Constitution is totally

different than the European constitutions, because they are based on the idea of a credit system, which is very different than a monetary system. In the United States, according to the Constitution, only the government and the Congress have the right to issue credit. Not the independent central banks, like in Europe.

So that would have been the first step. The second step, which he has added, is to have a two-tier credit system. And to raise the interest rate in the United States, because if you have such a discrepancy between the interest rate of the European Central Bank, which is 4.25%, and the Bank of England, which is 5%, and you have 3% in the United States, then you have an outflow of money, which is not welcome in this situation at all.

And the third measure is the most important, and that is where we are focusing all our energy right now, to put it on the agenda. Because of the power of the financial institutions, Mr. LaRouche has said for a long time that only if the four most powerful countries in the world come together, and decide to create a new financial system, then it can function. He has said that you need the United States, Russia, China, and India to work together and have an emergency agreement. Maybe they would have a preliminary commission among themselves to figure this out, and then a conference to announce that the international system is bankrupt; that a new system will be created in the tradition of the Bretton Woods System of Franklin D. Roosevelt from 1944.

This is very important, because the Bretton Woods system that was created, was a mixture. Unfortunately, Roosevelt died in April 1945, and his successor, Truman, was very much an Anglophile, and accepted the ideas of Churchill. But Roosevelt's Bretton Woods in 1944 had a very important element. It basically said that the new system should be a credit system and not a monetary system—a difference which is very, very important. It should end colonialism forever. It was Franklin D. Roosevelt's definite commitment to a post-war order, in which the economic development of sovereign countries in the whole world would be an integral part of the new system. Now this unfortunately was never realized, because Truman, as I said, was more of a Churchillian inclination. But that is what we have to do today.

Now obviously, what we have to do is to have an emergency conference of this combination, and then other sovereign countries should attach themselves to this combination. Not supranational institutions like



EIRNS/James Rea

The LaRouche party in Germany, the BüSo, organizes in Berlin on Sept. 19. The sign reads: "Financial Crash: LaRouche Was Right: Three-Point Plan Now!"

the European Union, but Germany, France, Brazil, Japan, other countries, should just join. And they would have to be clear that the premises of this bank would be that you would have to write off the vast majority of all outstanding debt, since it cannot be paid anyway—neither the Third World debt nor the Berlin debt, nor most other debt. (Because the city of Berlin has a Eu65 billion debt and no industry. So this will never be paid, so why not just forget it?) We have to eliminate all of the outstanding derivatives and other speculative means. There is no reason why they should exist. They're only virtual anyway.

And then, most important, we have to have a fixed-exchange-rate system, because there is no reason why it should be allowed that individual financiers are speculating against national economies of countries. Why should Mr. Soros and Mr. Rohatyn, or Warren Buffett, or

any one of these people, be allowed to speculate with people's own *Volksvermögen*, the wealth of nations, for their own personal profit? Dr. Mahathir from Malaysia said a couple of years ago that Soros was a "criminal"—and I agree, because he was speculating down what the Malaysian people had worked for for 40 years. So, we need fixed exchange rates. And then, very important, we need a system of national banks, of sovereign governments, which issue credit, for a credit system.

A Credit System, Not a Monetary System

Now, let me just say the difference between a monetary system and a credit system: A monetary system is based on the rotten ideas of Adam Smith and all his followers, that you have to buy cheap and sell expensive. And this does not work, at least not in the long term. The best example of why it does not work, you can see right now in the case of China, because China unfortunately followed that advice, and accepted to be a cheap labor production place for Wal-Mart and many other export markets in the United States and Europe. And now China has a real problem, because with the collapse of the system, the collapse of the dollar, the Chinese remarkable development, which has averaged 12% or more, only allows a certain portion of the population to be developed. The larger part of the Chinese population is still in a very poor condition—almost 80% are still on a more-or-less Stone Age level. I have travelled to China a lot, and can verify that this is the case. Now they are confronted with this problem, that they have \$1.2 trillion in reserves, denominated in dollars—Treasury bills, bonds, stocks of Fannie Mae, and other such things. They have a lot of their income in this.

Therefore, the new system must be a credit system, where the purpose is not to make profit, but the purpose is to develop the cognitive powers of the population. Because the only source of wealth is not by buying cheaply and selling expensively. The only source of wealth is the creativity of the population, because it is that which enables the economy to grow, to have scientific and technological progress, and therefore increase the material wealth of the population.

That all has been elaborated by Mr. LaRouche in many papers. I can only encourage people to look at these, because this is a very complex matter, which I cannot do justice to in these remarks.

Russia is not a problem, because there is right now a big debate about a New Bretton Woods system in Russia. I am absolutely certain that in China there is a

very serious concern about how to get out of this crisis, and I know that the ideas of Mr. LaRouche, at least in some quarters, are very much accepted. The same goes for much of India, where we have relations with many important people.

Crucial Battle for the United States

Obviously the big missing question is: What about the United States?

The British empire forces around George Soros have really done a lot to ruin the only Presidential campaign which could have addressed the problem, namely that of Hillary Clinton. Hillary Clinton, in her campaign, took up a lot of Franklin Roosevelt's ideas, by stressing the needs of the lower 80% of the population, the lower income brackets. And there was a huge media effort, and by some corrupt elements in the Democratic Party, to run her out, despite the fact that she had the most popular votes. She had 18 million votes, which is more than Obama, or any other candidate in the history of the primaries in the United States. But she obviously felt that she could not oppose herself against this situation.

And now, you have a situation where the two candidates, McCain and Obama, are confronted with the meltdown of the system. And both of them have *no* idea. Mr. McCain is famous for having said that the economy is not his strength. So, if you have a Presidential candidate, in this time of crisis, who admits that he doesn't know about the economy, it's not so good. And Obama is a lightweight. He has not said one thing that would convince me, or most people, that he has any idea. So therefore, Mr. LaRouche has said that it is six or seven weeks to the election, and a lot can happen between now and then. Maybe some other people will emerge as candidates. Right now it is difficult to say, but it is not to be excluded.

In any case, we are mobilizing right now in the United States. We are rallying forces in the Democratic Party, and we are also trying to get other institutional forces to go back to the policies of Franklin D. Roosevelt. It would be better if Hillary Clinton had been the candidate, because we would have been in a better position.

But right now, Mr. LaRouche has also said that if Russia, China, and India together would announce that they would like to have a new system based on the ideas of Roosevelt, it would create the right shock effect in the United States. And I'm totally certain that the perceived pain about the collapse of the system will be an encouraging element to go in this direction.