

# EIR Strategic Studies

LAROUCHE IN NEW DELHI

## As \$1.4 Quadrillion Crashes, There Is Reason for Optimism

*Lyndon LaRouche and Helga Zepp-LaRouche addressed the United Services of India, a private, membership organization of more than 12,000 active and retired officers, and the Forum for Strategic and Security Studies (FSSS), a leading military think tank, on Dec. 5, in New Delhi, India. The LaRouches were in India Dec. 1-11, where they held a number of seminars and private discussions, to promote LaRouche's concept of a Four-Power alliance against Britain's imperial drive for a New Dark Age. Here is an edited transcript of LaRouche's Dec. 5 address. See last week's EIR for speeches on Dec. 3 at the FSSS.*

Good to be with you again, for those who were here yesterday. I saw some of you, when we spoke yesterday, and I presented an estimate on what I called "Plan A" and "Plan B" (see box) for the world today.

On the one hand, with the Clinton crowd taking over much of the future government of the United States, under prospectively, President-elect Obama, there are reasons for optimism. In a sense, I'm sort of a part of that crowd, by ties to it, and particularly, with the credibility which I have come to enjoy as a result of my successful forecasting of the greatest financial crash in modern history, which is now in process, and my proposals for measures to be taken, on that account, are rather influential in these circles. So there's going to be, not a clear shot at having my policies adopted, but certainly, there's an increasing propensity in these circles, to resort to my proposals for reforms, both on the U.S. domestic side, and also, internationally.

Now, the principal international reform, which I discussed somewhat yesterday, is to establish as a pivot: cooperation among the United States, India, Russia, and China, to launch a general reform of the international monetary-financial system. Because without that kind of reform, there's no possibility of avoiding what would become a New Dark Age.

As to the New Dark Age itself, the problem is this: Since 1987, the process of degeneration of the United States, and of economies of other parts of the world in general, especially Europe and the Americas: This degeneration has been associated with the use of what are called financial derivatives, which are actually a form of gambling. This mass of financial derivatives now totals about \$1.4 quadrillion in nominal value. This is now crashing. This bubble of derivatives has been crashing since, in fact, the end of July 2007. The rate of that collapse is accelerating. We're at a point of unpredictability, in which the inevitability of a crash is almost certain; the exact timing is not certain, as it can not be in these matters.

So therefore, what is required, is a way of getting the world economy out from under this financial derivatives bubble. Because there's not enough money and wealth in existence to pay off this bubble, or to come to a resolution of sentiment on this bubble. And therefore, we simply are going to have to put the world system through financial bankruptcy reorganization, in the same way you would with a firm that you wish to save because it was valuable for society, but it was hopelessly bankrupt. And therefore, you put that firm into



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*LaRouche outlined his proposal for an international reform, pivoted around cooperation among the U.S.A., Russia, China, and India, without which, he said, “there’s no possibility of avoiding what would become a New Dark Age.” He is shown here speaking to a conference in Kiedrich, Germany, 2007.*

financial reorganization, in order to ensure the continuity of its functions on behalf of society, while getting some of the creditors to eat a lot of the losses. And we’re going to have to do that.

### **The Anti-Monetarist U.S. Constitution**

Therefore, to put that across, against the very powerful international financial interests which are defending that bubble, we need a powerful coalition of nations, *to break the back of the opposition to reform.*

Now, what I have proposed is that there are four nations which are crucial. The United States is crucial, not only because of its dollar, and because of its historic situation in the process, but because of the nature of its Constitution. We’re the only nation on this planet, the United States, which by its Constitution, is anti-monetarist. Our system is not based on an international monetary system, as most other nations are subject, to an international monetary system. The U.S. system is a

constitutional system based on credit.

Let me explain that, because it’s not well understood: Under the U.S. Constitution, no money can be uttered, except by the approval of the U.S. Congress. It is uttered, as a sovereign utterance by the U.S. government, *not* any banking institution. Banks are not allowed to utter currency, under U.S. Constitutional law. The issue of currency occurs through the authorization of the Congress, the House of Representatives, specifically, which authorizes the Presidency to proceed with a proposed schedule—flexible or otherwise—of uttering credit. This credit is then uttered, usually, through the banking system. And the credit is designated to be used for certain kinds of purposes, certain kinds of investments. These investments then go through the banking system, and normally, we should have a National Bank which would take care of that; we have a reform to that effect. This credit, going through the system, is then monetized: That is, the U.S. dollar is uttered on the basis of this credit.

Now, every other system, every other state, in general, has an agreement with the international monetary systems, in which the state may or may not have such an agreement, or it may be imposed, by certain international institutions. But therefore, the world as a whole is actually under the influence of an empire of monetary power, which no nation actually controls. Traditionally, the Bank of England used to be the keystone of control of the world empire, the world empire of *money*.

So, we’re now at a point, where the world empire of money, the international monetary system in its larger sense—not just the name of the system, but in the larger sense—is hopelessly bankrupt: with over \$1.4 quadrillion debt, which is open debt, which is crashing now, far beyond anything that could ever be paid. The question is, who is going to cancel most of that debt?

Now, there are powerful interests which do not want that debt cancelled. And if each country tried to deal with that problem by itself, it would tend to be crushed. Most nations trying to fight the IMF, for example, would be crushed, or fight these institutions. Therefore, you need a powerful political combination of states, each of which would be incapable of carrying out the reform by itself, but together represent a bloc which is too powerful for any force on this planet to resist. The importance of Asia, of course, includes the fact that Asia is particularly important for the future of mankind: because of its population, and because of the urgent need for development in Asia, and the very large masses of people who



*Russia sits on top of one of the greatest concentrations of raw materials on this planet, especially in Siberia. Its scientific community has the capability to develop this potential. Pictured here, an oil-drilling site in Siberia.*

are unskilled, essentially, or marginally skilled; who have no capability of survival, unless there are improvements in the conditions of life, through investment and development in times to come.

### **The U.S.-Eurasia Combination**

The future of the world will depend upon how the world looks at two parts of itself: Looks first, at Asia, where the greatest issue, the greatest crisis is located. In the masses you have in India, 63% of the population, perhaps, is in extreme poverty. In China and throughout Asia, you have comparable situations. We have a potential explosion on our hands, a social crisis explosion, on our hands. Therefore, unless we have a perspective of development of Asia, which relieves this source of threat and crisis, by effective development, effective measures of development, we don't have much of a chance for the world at large. And therefore, it's very important, that the United States, which is key to the solution, because of our Constitution, and the major nations of Eurasia, be united; and the key nations of Eurasia, are Russia, India, and China.

Now, Russia has a very specific role in this: Russia is not what it once was in terms of power. But Russia has invisible power. Not political power, but invisible power, economic power: Russia is sitting on top of, in its total territory, especially in Siberia, one of the greatest concentrations of raw materials on this planet. You can not go in there, and carve Siberia up, for example.

You actually have to develop those raw materials: Which means you need large-scale railway systems and similar systems, power systems, the whole bit. Russia's scientific community has that capability.

For example, take very specifically, the Vernadsky Institute, which is centered in Moscow, is a center of this very specific capability. So, Russia is key, because Asia's development requires a very large increase in raw-materials supplies, especially mineral supplies. And without this cooperation, it would be impossible to develop these resources sufficiently to deal with the problems of the mass of poor—shall we say, across the board, 60% or more, of the Asian population is in terrible condition. And therefore, this is necessary.

The United States is crucial, because it's an English-speaking power, and the world has been divided, since 1763, since specifically, the February 1763 Peace of Paris, between two English-speaking powers on this planet: one, the United Kingdom so-called, the British Empire; on the other side, we in the United States, who were opposed to the British Empire. We are two cultures, or a single culture in part, divided by a common language. And we are divided. There are people in New York who will deny that, in the New York banking community. But the typical American does not like the British, and for good reason, especially the patriots. And we don't like the British, not because of the people, with whom we often have affectionate relationships. But we do not like their empire. And the biggest fight is that, and therefore, the issue is the British Empire, which is the only empire of any significance on this planet today, contrary to many rumors, and stories, and fairytales.

The United States has not been functioning much lately, as you may have noticed. We've had three bushes, and we need trees! We've had 12 years of apostasy, and some other periods are not too good from 1968 on; since the assassination of Kennedy, in point of fact. This sort of thing. Reagan had some useful points, and Clinton was a good person as a President, but he never cracked the problem. And probably could not have cracked the problem at that time; it was too powerful for him to control.

Because of Prime Minister Jawaharlal Nehru's forward-thinking decision, India is now a nuclear power, and well situated to rapidly develop its economy. Nehru is pictured here with his daughter Indira Gandhi, and grandson Rajiv Gandhi, both of whom became prime ministers of India; also shown, Units 1-4 of the Nuclear Power Corporation of India Ltd.'s Rajasthan nuclear plant in Rajasthan state.



NPCIL

### A Development Perspective for Asia

So therefore, we need that kind of unity, with a perspective on the future. One of the things, which, India is very crucial in, is, because of Nehru's decision, nuclear power: India is a very important nuclear power. Not for nuclear weapons, but for the use of nuclear power, particularly because of the problems of poverty and similar kinds of things, especially toward the south side of India. Only with nuclear power, which India is particularly well situated to develop—it already has a foot in the door on the thing—can we deal with the problem of the poor of India, particularly along the coasts. For example, the plutonium charging of the thorium cycle, of the small reactors along the coasts of India, is the solution, in a sense, for providing the power needed for purifying water, and for providing the infrastructure, which can transform an unskilled population—agricultural, and other population, unskilled; we're not going to increase their skills very much in less than a generation or two; but you can, in the meantime, increase their net productivity, through the proper form of infrastructure, such as water resources, power resources, and so forth. Just by walking in with this kind of infrastructure, you can create an environment in which the population can increase its productivity.

You have a similar situation, but a different one, in the case of China. And, all through Asia, the problem is essentially the same. You have a population which does

not have the skills to progress much by itself. But if you provide the appropriate selection of infrastructural development, you can magnify the productive powers of a population, and nuclear power in India is a typification of the many kinds of infra-

structural projects, on a large scale, which will do that.

### Four Cultures To Unify the Planet

Now, the point, of course, of the four nations, is not to exclude any nation. What you need is a combination of nations, which is sufficiently representative, and powerful—and different! The very important thing about these four nations, is *four different cultures*: Therefore, the dissimilarities among the cultures are extremely important, because you're trying to unify the planet. And if you can not show that you can unify the planet around sovereign cultures, of different cultural characteristics, you can not unify the planet. You've not created the image that we want, the image that Franklin Roosevelt desired, to eliminate all semblances of imperialism, of colonialism, from this planet: to create a planet based on an association of *sovereign nation-states*.

Now, to bring sovereign nation-states together, you're bringing together different cultures; you're giving expression, through national sovereignty of the cultural inclinations of each people—you have to be able to bring those cultures together. You have to signal to all parties, that their cultural distinctions are going to be appreciated, in the form of common cooperation. That's the purpose. So the idea of four powers, joining together to force through a reform, is not to create an



*Zimbabwe is being starved to death by the British, LaRouche charged. We have to break that up, and, at the same time, develop the sense of national culture; we have to come in with some very large-scale, multinational, infrastructural projects. Shown here: A marketplace and bus terminus in Masvingo, Zimbabwe.*

empire, or to create a power, but is to break one up in order to make room—.

For example, let's take Zimbabwe, the former Northern Rhodesia: It deserves freedom. It's being starved to death by the British, today. All of Africa, between Anglo-American interests, is looted, committing genocide in Africa, especially Southern Africa. And therefore, we have to break that up. That means, however, at the same time, we have to develop the sense of national culture in these areas, and we have to come in with some very large-scale, multinational, infrastructural projects, in which these various nations, as sovereigns, participate to a common interest.

Therefore, our purpose is not to establish a four-power dictatorship of the world. Our purpose is to *break* the opposition, to break the imperial tradition, as Roosevelt had intended to do, had he lived; and to create a situation, in which the objective of the United Nations as prescribed by Roosevelt—not some of his successors—is realized: A community of sovereign nation-states, united around cultural differences, for the sovereignty of people. And that's the objective which we should be committed to.

## A New Bretton Woods System

As to the feasibility: This is going to be a fight, but I've found in recent times—I first uttered the warning on July 25 of 2007. I said, in a matter of days, we're going to be in the beginning of a breakdown crisis of the U.S. and international financial system. And three days later, that began. This was never a so-called "mortgage crisis," this was a crisis of financial derivatives. And the reason that I was uniquely able to forecast this, as I had done, was because I was looking at the right problem. Other people were looking at the bottom end of the problem, some of the mortgage problems. I was looking at the top end of the problem, of which the mortgage problems were merely a reflection: *that the financial derivatives system*, which is dominating the world today, was about to crack, because it could no

longer be sustained. And since that period, the 28th of July of 2007, the international financial system has been careening toward a *general breakdown crisis of the entire world system*.

If we do *not* make a reform, in some short time ahead, there won't be much civilization on this planet. So this is not a question of a small reform, this is a strategic issue in the highest sense, the most extreme sense. And we have to bring together nations on this.

Now, what's happened in the United States, in particular? In general, you will find, in the United States, as in Europe, especially in Europe, much chatter about the idea of a "New Bretton Woods" system. The reference is to Franklin Roosevelt's 1944 proposal, for a Bretton Woods system. Unfortunately, many of the people, such as the Russians and Italians, and some of the French, and so forth, who are talking in favor of a new Bretton Woods system, don't know what they're talking about! Because they're talking about a reform of an international *monetary* system, when a new Bretton Woods means *eliminating* the international monetary system, and replacing it, under a new credit system.

I'll give an example of what that means: The United

States' importance is, as I said, our Constitution specifies, that no credit can be uttered, or currency, in the name of the U.S. government or the U.S. people, except by a vote of the House of Representatives in support of this action by the Executive branch. This is unique. What we need is a world system, based on that: Because we're going to have to write down 50%, 90%, 80%, of the nominal assets, financial assets of the world. *They can not be sustained.* The wealth does not exist to sustain them. Therefore, we have to write them off the books.

Now, we won't do that suddenly, but we'll do that through an organized process, by government. We'll set up laws and rules to do that. But we're going to have a new system, which will be based essentially on a new conception of currency: The new conception of currency will go back to the model of the United States, that no currency can be uttered, except by the sovereign nation-state.

Now, what we need, of course, is a fixed exchange rate among nations. Because otherwise, that doesn't work, and because we have to create large masses of new credit, to finance the large infrastructure and other projects which will be the drivers for a general economic recovery of the planet. We're going to have to finance long-term development projects in Asia. We're going to have to finance long-term development projects in Africa. We're going to have to do similar kinds of improvements in all nations. We're going to go into debt, but this time, we're going to do it the right way. Every debt that's created will be solidly rooted in some useful contribution to infrastruc-

ture, or actual productive capacity, or production. Water problems, power problems, all these things will be primary. And that's where we're headed.

### **The Opportunity: To Create a Credit System**

The function of the United States, under our treaty agreements—under treaty agreement of the United States Constitution—the same procedure applies for foreign credit, as it applies to domestic credit. Any nation, which enters into a treaty agreement with the United States, in terms of monetary affairs—debt, etc.—that nation has access to the same kind of protection and rights, as a citizen in the United States. And therefore, on that basis, if we organize the more powerful nations of the world, to come together to create such a *credit system* among sovereign states, we can generate the credit to do the kinds of things which have to be done.

And that's the opportunity. And we have more and more people, particularly with the present, new incoming administration; we can't—as I say, I can't guarantee anything, because there are many unpredictables. But I can tell you, that my friends, or people who are allied with me and my friends in the United States, *will be* staffing most of the leading positions in the incoming, new U.S. government. And they are more and more inclined to agree with my proposals. And therefore, I can suggest these proposals to you, now, as I do, not in the sense that I can guarantee anything; but I can indicate to you, that's the way the wind is going. And let's hope it keeps blowing in that direction.

## **LaRouche's 'Plan A,' or The Empire's 'Plan B'**

In discussions with leading military and security forces, and others, in India in early December, Lyndon LaRouche made reference to two possible outcomes of the current global crisis, which he termed, "Plan A" and "Plan B."

Plan A, he said, assumes that the incoming U.S. Obama Administration "actually adopts the kinds of policies which I foresee as required." This would mean, especially, the United States forming an alliance with Russia, China, and India, in what La-

Rouche has termed a "Four Powers" combination, with which other sovereign nation-states would ally, to create a New Bretton Woods international credit system. Should this happen, LaRouche indicated, there are reasons for optimism.

On the other hand, if things go the other way, we have Plan B, which can be summed up as "Hell on Earth." The vulnerability is a failure on the part of national leaders to understand that the Anglo-Dutch Liberal imperial system would rather trigger a period of global chaos that lasts for several generations, than lose their grip on financial and political power.

Everything now depends on whether we're in Plan A, or Plan B, in Washington, as of Jan. 20, 2009.