



## Emergency World Reorganization What Each Among All Nations Must Do Now

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Personal Memorandum

To: ICLC, *EIR* Editorial

From: Lyndon H. LaRouche, Jr.

Re: Action Memorandum

The world's nations are presently burdened by what is fairly estimated to be much more than \$100 trillions nominal value of combined on-balance-sheet and off-balance-sheet "derivatives" and kindred, fictitious financial instruments. This mass of fictitious paper is now collapsing in upon the world's financial and monetary institutions. Unless that mass of fictitious claims is wiped off the books very, very soon, the result will be a total, and chaotic disintegration of the world's existing public and private financial assets and monetary systems. There is no economic catastrophe in all modern history which compares with the global disaster which, unless prevented, will strike world-wide, within a period more likely countable in weeks, rather than months.

Under the rules of the game as perceived by U.S. Federal Reserve Chairman Alan Greenspan, and many other desperadoes in governments and financial institutions around the world, the only alternative is a desperation-driven, reckless hyperinflation, like that which crushed Weimar Germany in 1923. This has been the desperation-driven folly of the government of Japan, since the close of 1997. The recent proposals of circles such as Britain's Prime Minister Blair, or even the cautiously similar proposals of the circles of Germany's former Chancellor, Helmut Schmidt, will, if attempted, have similar effect to those taken by Japan's Obuchi government, or, more recently, Wall Street's hysterical Alan Greenspan.

In such circumstances, equivocation, sometimes called euphemistically, "crisis management," can be fatal to entire nations.

There is no time remaining to continue those infantile games of shillyshallying, called “crisis management,” which are typified by what has been just exposed, this past week, as U.S. Federal Reserve Chairman Alan Greenspan’s prolonged, duplicitous, and reckless cover-up of the Long-Term Capital Management situation. If “sex scandals” in high places offend you, you should order the world’s governments (at least most among them) to stop playing their favorite masturbational game of “crisis management.” Meanwhile, be thankful that the world is not now facing a global war, like that of World War II, under the command of the kind of sodden-brained bankers and politicians who will always resort to “crisis management,” rather than facing up to reality.

It is to be emphasized, in this connection, that what passes for “crisis management” practices in today’s governments, is the product of a severe mental disorder, one commonly found among the generations currently dominating most leading positions in governments, banks, and other key institutions. The easily recognized code-name for this mental disorder, is “I don’t go there.” Or, “It can’t happen, because I will simply refuse to go there.” Among the victims of this mental disease, the problem is recognized as of the form: “I don’t have to face reality. We, who live in the ‘information age,’ can simply switch channels.” Or, in other words, “I don’t have to face reality; I can always switch to a newspaper, or rally to a political party, which shares my preferred delusions.”

This mental disease, when accompanied by delusory seizures of little-Napoleonic vanity, may be expressed, euphemistically, by its victims’ use of the term “crisis management.” It is a disorder which, under present circumstances, will probably prove fatal to those entire nations whose governments are under the influence of victims of the “crisis management” disorder. That fatal result could strike now, within as early as a matter of weeks. The time for shillyshallying is over.

### ***A Program of Action***

It is time to set forth clear *directives* defining the range of actions to be taken.

We use the term “directive” in the Classical military sense associated with Germany’s Scharnhorst and “old” Moltke, and also, with Lazare Carnot’s 1792–1794 period of command of the military forces of France. In this case, the directives are issued to the governments of nation-states asserting their absolute sovereignty. The implementation of the directives (e.g., *Auftragstaktik*) is left to individual governments, acting individually, or in concert, as they may choose. This approach, avoiding the folly of quibbling over complex supranational architectures, is the only approach which could succeed, in the time available, under present, rapidly devolving circumstances.

The general directives are as follows:

1. In general, it must be recognized that this is not only the most explosive and dangerous financial and monetary emergency in modern history, but an immediate, and unavoidable threat. Only pre-emptive and immediate actions could prevent the present situation from bringing about the virtually immediate collapse of civilization world-wide. There will be, repeatedly, objections in the form of: "Is it really that bad, after all?" The answer is, invariably, "It is not only that bad, but much worse." To the related objection, "But are such measures really necessary, after all?" The answer is, "Your life and your family's life probably depend upon these actions."
2. Each nation must assert the principle, that there exists no higher political authority on this planet, than a perfectly sovereign nation-state republic. The subversion of this sovereignty under the pretext of over-reaching powers assumed by supra-national agencies must end, otherwise there is no feasible alternative to a general, early, and global disintegration of the world's financial, monetary, and economic institutions, even disintegration of most among the nations of the world, each in their entirety. It is also to be understood, that any breach of that principle is tantamount to an act of war.
3. Supranational agencies should exist only as fora for either deliberations among nation-states, or facilitating agreements each has made as a perfectly sovereign nation-state.

For example: It is desirable that an institution such as the International Monetary Fund (IMF) facilitate the implementation of agreements among the nation-state parties, but must never over-reach the bounds of that function, to use its power to prescribe the policies of a sovereign state.

4. Under this assertion of sovereignty, each nation must assume perfect sovereignty respecting its financial, monetary, and economic affairs. Under present circumstances, this requires immediate measures of capital controls, exchange controls, international regulation of financial and monetary affairs, and terms of trade, by each and all individual sovereign nation-states. This must include the setting of protected prices for essential commodities of domestic consumption and export-import trade. In many cases, it will be necessary, at least temporarily, to introduce rationing of essentials of household consumption and production, to ensure the protection of the continuity of such essential trade in defiance of price-speculation against actual or perceived scarcities. It is by parallel and cooperative use of these methods, that national economies shall be defended against an already inevitable, early, sudden, and rapid collapse of fictitious financial instruments.

5. Each sovereign state must place its financial, monetary, and economic affairs under general financial reorganization, as in general bankruptcy. Each such nation must act by its own sovereign authority and responsibility, to bring its own house into order in this manner and degree. The essentials of basic economic infrastructure, agriculture, manufacturing, international hard-commodity trade, and general social welfare, must be defended. Other financial claims are either nullified, or converted into long-term frozen assets at lowest interest-rates.
6. In general, the practice of issuance of international financial loans shall be terminated, “for the duration of the period of the continuing state of crisis.” Instead, state-backed credit shall be issued, chiefly long-term credit for basic economic infrastructure, agriculture, manufacturing, and world trade, at low discounts (below 1–2% per annum). This credit shall be issued by methods of national banking, using private “industrial-style” banking as the customary medium for issuance and supervision of state-backed credit issued as long-term and other loans. The level of credit so issued shall correspond to volumes sufficient to bring national physical-economic output above national-economic break-even levels. It is to be acknowledged, that large-scale basic economic infrastructure investments funded largely by state-issued credit, will serve as the principal means for reaching break-even during an initial, medium-term period, and beyond.
7. In general, the use of financial leverage as a method for assessing the market values of financial assets, shall be terminated, even outlawed, as “derivatives” should have been outlawed as “economic crimes” of fraud upon the finances and monetary affairs of nations, from the inception. An agro-industrial standard of return on medium-to-long-term investment, measured in ways cohering with physical-economic standards of growth, must be the general rule in the marketplace. This general rule must take into account both the essential function of basic economic infrastructure, and also the decisive role of capital-intensive, power-intensive modes of investment in scientific and technological progress, in determining those increases in the physical-economic productive powers of labor, per capita and per square kilometer, on which actual net economic growth depends absolutely. The lending, investment, and taxation policies of sovereign states and their partners should be crafted to provide the disciplining environment in the marketplace required to satisfy those specifications.
8. International agreements require but a single general directive. No new “international authority” is needed; the world’s economy is already being suffocated to death by an overdose of supranational authorities.

The sovereign interests, rights, and responsibilities variously stated or implied in the foregoing eight points, reflect a principle of self-interest by each nation-state. The function of international relations is to adopt that notion of the self-interest of a sovereign nation-state, as the common rule defining a community of principle, as U.S. Secretary of State John Quincy Adams defined a “community of principle,” in his crafting of what became known as the 1823 Monroe Doctrine of the U.S.A.

The method for setting estimated semi-fixable parities of the currencies among sovereign nation-states participating in such a newly formed community of principle, is the method of “basket of physical commodities.” This should be aided by reestablishing a gold-reserve standard among participating nations, as a convenient device for managing the medium-term stability of prices of currencies.

### ***The Strategy Required***

The foregoing eight-point directive should be regarded as elementary. No one who actually knows modern history, including economic history, should suffer any conceptual difficulties on this account. It is the international implementation of that same eight-point directive, which requires a certain elegance from among the relevant statesmen. Several considerations must be enumerated on this account.

### ***The Principle of Emergency Action***

Every sovereign nation-state has available to it, those inalienable emergency powers inhering in the right of any sovereign nation-state republic to continue to exist. In U.S. constitutional law, this power is acknowledged, and specified, with varying degrees of explicit reference, and, otherwise, implicitly, in the U.S. 1776 Declaration of Independence and the Preamble of the 1789 U.S. Federal Constitution. The anti-Locke, Leibniz principle, of “life, liberty, and the pursuit of happiness,” contained within that Declaration of Independence, and the related obligation to “ourselves and our Posterity,” in the Preamble of that Constitution, are exemplary. Combined, these two constitutional cautions define the breadth of allowable emergency action, in scope, but also the specific moral limitations under which emergency action may be defined and employed.

To correlate the presently exploding global emergency with those principles, three leading considerations must be clarified: (1) The source of the authority for such emergency powers; (2) The authority of such powers to override existing statutes; (3) The elementary considerations which exclude the possibility of any non-absurd form of explicitly limiting definition of such emergency powers. These three considerations are summarized, each, as follows.

1. The history of the emergence of the modern nation-state, defines its relatively absolute authority, short of conditions of justified warfare, but also informs us of the precise source of that authority, and the limitations attached thereto. The modern nation-state was developed to create an institution freeing mankind from the imperial and kindred forms of tyrannies earlier imposed by various forms of oligarchical rule. The latter are typified variously by landed aristocracy, financier oligarchy, and the rule by an oligarchical form of bureaucratic caste. The urgency of the existence of the sovereign nation-state republic as a power, to protect the people against the over-reach of oligarchical pretenses, defines that nation-state whose political and related internal affairs are based upon a specific, literate form of language-culture. This nation-state form is the only known form of political institution which represents the interest of its people as a whole, and defends that interest against oligarchical over-reach. Insofar as the nation-state performs that delegated function, it has an authority which is implicitly universal with respect to matters of international and related law. It is from this latter quality of its authority, that proper notions of emergency powers are to be derived.
2. The nature of *the relevant class of emergency*, is that, in each instance emergency powers are invoked, the crisis represents a state of affairs which has not been anticipated by pre-existing statute. By the nature of the crisis, the emergency is of a form which either was not anticipated in the crafting of relevant statute, or was of such a form that it could not have been anticipated until that point in time. In such a case, only the U.S. Constitution, as expressed chiefly by its Preamble and the related guidance from the Declaration of Independence, imply the needed powers and their limitations for addressing the crisis. In such a case, the task of government is not the bureaucrat's typically pettifogging project, of making new stereotypes in law governing possible future emergencies, but to take such immediate action as the given crisis requires, that according to the kind of constitutional principle implicit in the Preamble of our Federal Constitution.
3. The general form of such emergencies should be compared to the usual circumstances of discovery of some experimentally validated new physical principle. In each case, the discovery was prompted by a paradox, a paradox which called into question all previously adopted beliefs respecting the laws of nature. To continue human progress beyond the point of that sort of crisis, a discovery was required, a discovery for which no precedent existed, nor could have existed. This same principle, so encountered within the domain of physical science, applies to the kinds of tasks which statecraft incurs under conditions of the type of emergency which confronts our entire planet today.

Hence, the emphasis upon *Auftragstaktik*. We are confronted with a crisis, for which action is required. Those of us who understand how the crisis was brought about, know that the continuing cause of this disaster has been the pattern of follies imposed, as today's widely accepted law and other opinion, upon the world's governments, since approximately the death of U.S. President John F. Kennedy. We know that it is those changes which must be quickly uprooted, and the effects of their wicked influences addressed. The actions required, can be summarized efficiently in a set of strategic directives, as has been done here, above. The efficiency of such directives depends upon the implementation which follows the broad guidelines of those directives.

To propose to assemble a virtual rabble of decision-makers, usually featuring those parties who are still today advocates of the policies which have caused and aggravated this crisis, is scarcely a noble enterprise, nor a fruitful one. Some relatively few, in the position to issue influential directives, must preempt the situation. If the presently incumbent President of the U.S.A. does not assume the leading position in setting forth those directives, and that immediately, this planet is doomed to collapse into a global "new dark age," as soon as but a few months, or perhaps even some weeks ahead.

The general directives must specify actions which individual sovereign nation-states can enact unilaterally. The first need is to set forth immediately clear, common and simple guidelines for such unilateral actions, as we have done above. This is somewhat akin to taking to the lifeboats. There is no sane alternative available to doing precisely that. Initially, set currencies, pragmatically, at some relative values referencing their prices prior to what the hedge-funds and other financial pirates unleashed during 1997. Next, set up international projects and lines of credit, for increasingly large-scale movements into physical-economic forms of growth, in basic economic infrastructure, agriculture, manufacturing, and movements of high-technology capital goods into the relatively less developed regions. The methods which the Franklin Roosevelt administration copied from the U.S. economic expansion of 1861–1876, provide the model of reference sufficient for this purpose. The exceptional success of Germany's Kreditanstalt für Wiederaufbau in the period of post-war reconstruction, is an excellent model for comparison.

The general directives are clear enough. What is needed, as General Ulysses Grant would have said of his Hammer: what we need now, is people who think and act like that U.S. master of *Auftragstaktik*, General William Tecumseh Sherman, to get the job done. When war breaks out, first fire the old generals; do not convene a meeting of the old generals who made the mess, to apply their alleged expertise to a situation which they have never understood, nor are prepared to understand.