

LAROUCHE'S NEW BRETTON WOODS

Monetary, Financial Reform On Agenda at Rome Meeting

by Claudio Celani

Lyndon H. LaRouche, Jr. was the main speaker in Rome on July 2 at an *EIR* conference, convened to discuss the world strategic and economic crisis and ways to build support for his “New Bretton Woods” policy. LaRouche was joined on the podium by Dr. Nino Galloni, an economist and director general of the Italian Labor Ministry, and by Sen. Oskar Peterlini, initiator of a Parliamentary motion calling for a New Bretton Woods conference. The speakers were introduced by Paolo Raimondi, chairman of the Italian Solidarity movement.

The conference took place at the Sala Auditorium at the Basilica of Santa Maria degli Angeli, before an audience of more 100 economic experts, academic representatives, diplomats, journalists, and students. The expectation was high and the prominent guest met it. LaRouche explained how the current strategic and economic-financial crisis is the product of policies imposed on the world by what he calls the “utopian faction” in the United States, the same faction which President Eisenhower referred to, in his last speech, as “the military-industrial complex.” This faction, whose philosophical outlook stems from the tradition of H.G. Wells and Bertrand Russell, emerged first after the death of Franklin D. Roosevelt, when Roosevelt successor Harry Truman repealed the peace negotiations policy with Japan started under Roosevelt, and took the militarily useless decision to drop two nuclear bombs on Japan.

After the Eisenhower parenthesis (1953-61), came the turning point with the Cuban missiles crisis, when the utopians succeeded in terrorizing the world with the threat of nuclear war; eventually, the world suffered under a 12-year-long utopian regime through the combined Kissinger and

Brzezinski “Presidencies” (Henry Kissinger and Zbigniew Brzezinski were the real controllers of the Nixon-Ford and Carter Administrations).

Kissinger and NSSM-200

The utopian policy is best expressed in a document signed by Henry Kissinger, called National Security Study Memorandum 200, produced in 1974 and originally classified. That paper argued that non-Anglophone nations with strong demographic growth were going to consume and exhaust resources which were destined otherwise to be consumed by the Anglophone world—and, the paper said, it was incumbent on the U.S. government to make sure that this did not occur.

The same policy was restated under Carter, in the document called Global 2000. Today, the utopian faction is committed to establish a world Anglophone empire, based on the model of the Roman Empire, through a policy of perpetual war.

But they made a mistake, LaRouche said: They decided to launch the empire not at the beginning, as Rome did, but at the end, when the empire is already collapsing. The world economy is collapsing and only a return to policies on the principle of the General Welfare, LaRouche explained, can save it. If we compare the two periods, the post-1945 Bretton Woods agreement that prevailed until 1962-65, and the successive phases, especially after the formal breakup of the Bretton Woods agreements in 1971, it is evident which system worked, and which did not.

With all its flaws, the Bretton Woods system made it possible to rebuild Europe after World War II, to develop Central and South America and other parts of the world. Today, we

must build a new system based on the Bretton Woods model: fixed parities among world currencies, guaranteed by a gold reserve (different from the British system of the gold standard) and a policy of long-term, low-interest credits to launch international development projects.

The Bush Presidency, LaRouche said, has lost any credibility after the President's speech of June 24 and developments of June 26. It is up to persons in responsible places in the United States and Europe, to rally the population in support of this policy. We must do this, LaRouche said to his audience, despite the fact that people are opinionated, stubborn, and unwilling to abandon prejudices which are leading them towards their doom. It is the task of leaders to tell the truth, and stop the practice of retailing only what are considered accepted opinions.



Lyndon LaRouche was the keynote speaker at EIR's conference in Rome on July 2, mobilizing support for a New Bretton Woods. Left to right: Sen. Oskar Peterlini, Paulo Raimondi, LaRouche, and Dr. Nino Galloni of the Italian Labor Ministry.

'Neo-Liberalism' Destroys Labor

Dr. Nino Galloni presented aspects of his economic work, aiming to show how the current economic system is doomed. Globalization was already finished, before Sept. 11, Galloni said, even if what happened that day gave the U.S. government the pretext to start reversing globalization policies. One of those principally responsible for the economic collapse is the International Monetary Fund, an institution whose mission, as contemplated by the original architects of Bretton Woods, was entirely different from what it became. Originally, the IMF was supposed to help developing countries to settle their trade imbalances, created by the necessity to import from industrial economies the capital goods, machinery, and equipment necessary to start an independent industrial development.

But instead of doing this, the IMF betrayed its mission and started simply to finance debt incurred for other purposes, including financial debt. Galloni showed how imbalances grew bigger and bigger, due to a lack of policies for industrial development. The same mechanism hit some industrial countries, like Italy in the '70s—countries which were forced to devalue their currencies and increase interest rates to attract capital flows.

Galloni spoke polemically against the general attitude of political parties, NGO (non-governmental organizations), and other movements which today campaign against poverty and hunger in the Third World, but refuse to face and to reverse the causes of this poverty in the world.

Dr. Galloni then focussed on an area of his special competence: how neoliberal policies are destroying the labor market and pension systems. Neoliberal reforms in these sectors, in fact, stand on two pillars: so-called "flexibilization" and privatization. Flexibilization means that, in order to reduce production costs, laws have been introduced allowing firms to

dismiss (through early retirement) older workers, and to employ younger people who earn only 50% of what the older, more experienced workers made. This scheme is literally blowing up a pension system which is already under stress.

Because of zero population growth, the Italian people—who are in the worst such situation, demographically, in Europe—are getting old. It has been calculated that in 2014, the point will be reached when the retired population will be equal to the active labor force. This means that the active 50% will have to pay the pensions for the other 50%, in addition to paying contributions for their own future pensions. But how can this be possible, when future workers will earn, at best, 70% of today's wages, due to the "flexibilization" schemes we have introduced today?

The solution, Galloni said, is to stop thinking in monetary terms. A pension system can work only if we have a situation in which the active part of the labor force is producing, in physical terms, enough to maintain themselves and the retired population. Or, put another way, it can work only if during his active lifetime, the worker has contributed to increasing the productivity of the nation in physical terms, so that, when he retires, he can enjoy the fruit of his work in terms of higher benefits coming from the economy.

Senator: Convene a New Bretton Woods

Dr. Galloni's presentation created the context for Senator Peterlini, who built up a system of pension funds in his region, Trentino-Alto Adige (South Tyrol), before becoming a member of the Italian Senate. Peterlini showed, with charts and graphics, the dilemma the pension funds face today: If they invest the money of their members in "secure" assets, like government bonds, they will lose customers because they cannot promise a high yield; if, however, they invest in (pre-



The conference at the Basilica of Santa Maria degli Angeli drew more than 100 policymakers and political activists.

sumably) high-yield assets, they are exposed to the inevitable collapse of the stock and capital markets. To save pensions, Peterlini said, it is therefore indispensable that the world financial and monetary system be reorganized.

Through his association with the LaRouche movement, Peterlini has drafted a motion—a platform—calling for just such a reorganization, which was presented in the Parliament at the end of February, and has drawn remarkable support. In the Senate, prominent names like former Prime Minister Giulio Andreotti, or former Labor Minister Cesare Salvi, signed the document; in the House (Chamber of Deputies), former Ministers Maccanico, Melandri, and Treu, as well as current Defense Committee chairman Ramponi, signed.

More than 100 members of both branches of Parliament have signed the platform, of which Peterlini read some excerpts. The motion called on the Italian government to “take the initiative to propose the convocation of a new international conference among heads of state and government . . . in order to establish a new international monetary system, and take the measures necessary to eliminate the mechanisms which have allowed the creation of the speculative financial bubble, and the systemic financial crash.”

LaRouche was asked by moderator Raimondi to offer his views on how a pension system should work, and he stressed that in a healthy system, with a low-interest-rate policy and a regulated capital market, pension funds would find it profitable to invest in government bonds or in bonds issued by utilities, guaranteed by central and local government.

Central Banking

The leader of an Italian consumers’ organization asked LaRouche to comment on the current private nature of central banks such as the U.S. Federal Reserve. They are, LaRouche said, a legacy of aristocratic power which has survived the

birth of modern Constitutional states. The United States had a short but extremely successful experience with national creation of money, during the Civil War, through the famous “greenback” created by Lincoln to finance the war and the building of infrastructure. Europe was inspired by this reconstruction to launch its own industrial development. But then, the Specie Resumption Act was introduced in the United States, and not long after, the Federal Reserve System was created, which is anti-Constitutional.

According to the U.S. Constitution, LaRouche said, only the Congress can authorize the government to order the Treasury to issue money. In a New Bretton Woods system this must be addressed. We will have national money creation as a form of credit which will reach the economy through the private banking system, directed only to the kinds of infrastructure and pro-

ductive projects indicated by governments.

A well-known lawyer asked if behind the attempts to prevent a dollar-euro parity there are efforts by London, which has not joined the European single currency. Dr. Galloni answered that, in principle, “to think bad of the British is never a sin, as my brother, who is a missionary priest, always tells me.” However, he added, we must not miss the point that the euro rises against the dollar not because the euro is strong, but because the dollar is weak.

Middle East Crisis

The representative of a Palestinian Catholic organization asked LaRouche to comment on American policy on the Israeli-Palestinian conflict, to which LaRouche gave a long and elaborated answer. The basis for a peace settlement remains the Oslo agreement, LaRouche said. The problem with the Oslo agreements started first, when the World Bank took over the economic side of the accords, and sabotaged it. Secondly, when Israeli Prime Minister Rabin was assassinated in 1995. Thirdly, Clinton’s last effort failed because Clinton let himself be duped by Ehud Barak, allowing him to introduce the issue of the Temple Mount, on which Ariel Sharon later staged a crucial provocation.

Today, the U.S. government is backing a government of Israel led by those “politically responsible for the Rabin assassination.” There is no solution in the Middle East outside of an ecumenical dialogue. The question of sovereignty over the Holy Places must be regulated according to the principle that all world faiths (Jewish, Christian, and Muslim) must have access to the holy places. And this can be settled only through a real ecumenical dialogue similar to the one currently led by the Pope.

LaRouche spent several days in Rome meeting political, religious, and institutional leaders, reporting, among other things, on his recent visits to Abu Dhabi and to Brazil.