

Editorial

It's Not Just the Dollar, It's the System

All of a sudden, the world's financial press, and even other news outlets, are filled with headlines about the "dollar crisis." As Lyndon LaRouche noted in early 2004, the international financiers were fully determined to prevent a financial debacle from occurring prior to the Nov. 2 U.S. elections. Now those elections are over, the crisis is here—on schedule, as it were.

But the fundamental point to be made is that the undeniable "dollar crisis" is actually a marker for the terminal blowout of the bankrupt world financial system. The world system seems to be on the verge of a round of dollar crises like those of 1997-98, the which nearly brought the global system to a halt. This system is finished, and the only question is, what will take its place.

The "news" around the dollar plunge is in itself extraordinary. Every day seems to set new lows for the world's premier currency against the euro, and the dollar is also falling against the yen and other Asian currencies. Gold is rapidly rising, and major purchasers and holders of dollars—including Russia and China—are making vague threats about the possibility of "diversifying," or worse.

Li Ruoguo, the deputy governor of the People's Bank of China, stunned many with his statements in an interview with the *Financial Times*, published Nov. 23, where he declared that China would not upvalue its currency under U.S. pressure. He said: "China's custom is that we never blame others for our own problem. For the past 26 years, we never put pressure or problems on to the world. The U.S. has the reverse attitude, whenever they have a problem, they blame others." China reportedly holds foreign reserves of \$515 billion, and should it reduce its current level of purchases, much less dump reserves, it would be devastating to the U.S. currency.

The first deputy chairman of the Russian central bank, Alexei Ulyukayev, and Konstantin Korishtshenko, a deputy governor of that institution, have also recently made statements indicating that Russia is thinking of diversifying its reserves, to put more into euros.

U.S. financial commentators, and such mouthpieces

of the international financial oligarchy as the *London Economist*, are warning loudly of potential catastrophe for the United States, using terms such as "Armageddon" and, "The emperor has no clothes."

Yet, it is obvious that if the United States is bankrupted by the collapse of the dollar, and of the inflow of foreign funds that hold up the U.S. economy, it is not only the U.S. that will suffer. Such a collapse will destroy the *world* financial system that is based on the dollar, unless there is a new international financial arrangement put in place, based on sovereign governments, new fixed exchange rates, and a perspective toward providing credit to reconstruct the world economy.

This reality has been a major factor in preventing China and Japan, in particular, from dumping their dollars, since, as soon as they do so, they will have to take a tremendous loss. Yet, in the face of the current dollar fall, they are taking that loss anyway.

There are basically only two directions in which the situation can go. The first is an accelerating crash under conditions in which the basic financier control of world financial flows remains unchallenged, thus leaving these synarchist bankers in a position to "reorganize" the collapsed bankrupt system along the global fascist lines they have signalled through monetarists such as Robert Mundell. The outlines of such an approach are already visible in the demands for vicious austerity being directed at the United States, as well as virtually every other nation.

The second is a bankruptcy reorganization which sets aside large portions of the world's debt, and restores control of the world financial system to sovereign governments. The only workable plan for such a reorganization currently on the table, is the New Bretton Woods proposal by leading economist Lyndon LaRouche, who uniquely understands how financial arrangements have to be subordinated to the long-term physical economic needs of the world economy, in order to put the world on track toward prosperity once again.

Let's face it. The dollar system *is* finished, but there's a solution available. It's time to get to work.