

LaRouche calls for new Bretton Woods system

by EIR Staff

Speaking to a forum of the FDR-PAC in Washington, D.C. on Jan. 4, Lyndon H. LaRouche, Jr. laid out a broad foreign policy orientation for the second Clinton administration, centering around two proposals: that the U.S. President convene an international conference to establish a “new Bretton Woods system,” to put the world economy through bankruptcy proceedings and to reorganize it for productive development; and that the United States join in global projects of benefit to all mankind, with a special focus on the Eurasian land-bridge program.

The forum, the first on foreign policy by the FDR-PAC, was devoted to the theme of rebuilding Bosnia-Herzegovina. The keynote speaker was Faris Nanic, former personal representative of Bosnian President Alija Izetbegovic, who made a strong appeal for the United States to take the lead in the economic reconstruction of his nation (see p. 65 for the text of Nanic’s speech). Helga Zepp LaRouche and Umberto Pascali of the Schiller Institute, in their presentations, stressed the need for an ecumenical approach to solving Bosnia’s problems, an approach based on morality and natural law. While the international oligarchy is promoting a “clash of civilizations,” trying to set Islamic peoples against the West, said Zepp LaRouche, the United States should act in its own true interest, and adopt a foreign policy like that of John Quincy Adams, in the interest of the sovereignty and development of all nations.

The FDR-PAC was founded by associates of Lyndon LaRouche in summer 1996. It held five forums in Washington on domestic policy issues at the end of 1996, and a forum is scheduled for Jan. 11 on the theme, “Africa: Looting Ground for ‘Bush, Inc.’ or Breadbasket for the World.”

In order to address the issue of Bosnia, LaRouche presented a strategic picture of the overall international situation,

the economic and financial collapse, and the onset of a new Dark Age. Bosnia, he said, is “not just a country which has a need, which we ought to, on moral grounds, assist and remedy. We need a policy which is needed to solve the Bosnia problem, but a policy upon which our survival depends as well. It’s not a matter of should we or should we not help. The question is: Do *we* wish to survive? Because *we* will not survive ourselves, unless we change the policies in a way which addresses our problem.”

The global economy is collapsing, because of the policies of the British oligarchy, and its war against the nation-state, LaRouche explained. We shut down our economy, because the oligarchs weren’t interested in production. We shut down our space program; we shut down our machine tool industry. Then, after the collapse of communism, we put eastern Europe and the former Soviet Union under International Monetary Fund conditionalities. In order to further British geopolitical goals, George Bush and Margaret Thatcher started the war in the Balkans.

What is the solution to this crisis?

The general nature of the solution

“The general nature of the solution is obvious,” LaRouche said. “We had a financial system and a monetary system, from 1946 through 1966, which more or less worked. It was called the old Bretton Woods system. The system was based, not on gold currency, but on a gold reserve system. The function of the gold reserve system was to keep currencies, relative to one another, at fairly constant values. This meant that if you loaned money to someone, that the currency of the fellow to whom you loaned, would have approximately the same value five years from now, that it had today. So you didn’t have a borrowing premium that you put on the loan, based on the

expectation of the fluctuation of the currency.

“To promote long-term trade and investment in international markets, requires stable relations among currencies. And, the function of the Bretton Woods system, the original one, was to provide that mechanism, and to induce governments to maintain stable relations, that is, discipline among their currencies on a gold reserve basis.

“Under that policy, we in the United States operated on what was called a national economic security policy, which was a key part of our postwar national security policy. That is, we had a protectionist policy, in effect, and we encouraged other governments to have protectionist policies, because it was our desire that we be able to trade with these countries, which we could not do, in a stable way, unless they had fairly stable currency values. Therefore, if they needed something, if they needed to protect a certain industry, we would encourage them to do so, with tariffs and other protective agreements. We would enter into multilateral agreements, or bilateral agreements, with various countries for the purposes of mutual economic protection, to protect their sugar growth, or to protect this particular industry, and so forth, because we knew that the protection of that industry as a source of income and wealth inside the country, and on the international markets, was *essential* to maintain the value of that friendly country’s currency. And that’s the way we did it.

“Also, long-term borrowing was cheap in the international markets. If you wanted to invest in a country, the long-term costs were cheap, at 1-2%, for example, in many cases. Or, you would have agreements of various kinds, which would reduce it, effectively, to that. So therefore, we could export, as the Germans could, and so forth—we could export capital to developing countries, at fairly favorable terms, particularly those which had some labor force, an agricultural industrial labor force, with some potential.”

The return to such a system, LaRouche said, means that the President of the United States must launch a general monetary and financial reform, to prevent a financial collapse from plunging the planet into chaos. “That means, the President must say, ‘We are going to proceed to put what we know to be bankrupt financial and monetary institutions, into bankruptcy, that is, into receivership, for financial reorganization under the supervision of government,’ the same thing you do with a local bank if it goes bankrupt. The relevant state or federal institution must come in and put that bank into receivership, take it over, and process it, try to protect some of the depositors, and things of that sort, to prevent social chaos, to prevent that thing from becoming a spreading disease within the society, and to try to see what we can salvage out of it, in an orderly way, as opposed to a chaotic way.

“Therefore, the United States must act, together with other powers, to put the world into bankruptcy reorganization. *Every financial system, every banking system in the world, is presently bankrupt!* Particularly those that are involved in derivatives.

“Therefore, the United States must take leadership, international leadership, in proposing a new Bretton Woods, which would be a good term for it, which is what I’ve proposed—that we’re going to go back to the principles of the Bretton Woods system in its best years, and the United States, as the principal prospective partner in such agreement, will try to get every nation that’s willing to go along with this idea, to assemble and do it. And, those that *don’t* wish to go along with it, that’s just tough, we’re going to go ahead with it anyway.

“That means that we have to create new banking systems, which is very simple to do, on the basis of the Hamilton model. We go to *national* banking. We use the relevant article of Section I of the Federal Constitution, to create new issue of currency, not calling in the old one, the old Federal Reserve notes, but *terminating* further issuance of Federal Reserve notes, using that currency on deposit with the National Bank, as a means of credit to get the U.S. economy going, and get some other things going in international trade. . . .

“Our concern is not who’s got a favorable or unfavorable balance of trade; our concern is to make sure that all the members of a community of nation-states become prosperous. And, therefore, our concern is that they become prosperous and secure, just as their concern is that we should remain prosperous and secure. And, therefore, we can make trade agreements and tariff agreements on that basis.”

The role of the land-bridge

The project for a Eurasian land-bridge, LaRouche continued, is the best way to stimulate the world economy. This project, in which the United States has a vital interest, is the largest single driver, not only to get the world out of the economic depression, but to move ahead, into some degree of stability.

“We must do this,” LaRouche concluded. “We may not be in full agreement yet, but we’ve got some agreement to begin with. And, we’ll start from there. We have the basis for coming to an international policy agreement on strategy, among such powers, on an ecumenical basis, to say, ‘We’re going to do this. We’re going to take this system out of its misery, establish a new system, a new Bretton Woods. We’re going to take the land-bridge and what it represents as a policy, as a global policy, and we’re going to rebuild this planet.’

“And in that process, we then look at Bosnia, and you see: Bosnia is not a charity case. Bosnia is one of the parts of the planet where there is a labor force, which has a fairly high level of skill as a labor force, which can be called out of its unemployment—90% unemployed, I understand—called out of its unemployment, organized, with the aid of Central European machine tool capability, to become the Bosnian part of a Balkan bridge to the international land-bridge.

“If we look at the Bosnia questions in those terms of reference, then I think we have a policy on Bosnia.”