

# The World Must Go Back to the Proven Practice of National Banking Systems

*Democratic Party Presidential pre-candidate Lyndon LaRouche gave this interview to EIR Nachrichtenagentur in Germany, on April 15. It was published in the Special Report Lautenbach-Plan und die Entwicklung Asiens (The Lautenbach Plan and Eurasian Development).*

**EIR:** You proposed a New Bretton Woods monetary system as an alternative to the dying old monetary system. Could you outline for us the main features of that?

**LaRouche:** We're in a crisis which is different than, but comparable to the crisis that hit Europe in 1928-1933. We came out of that crisis in the United States, and later in the world, as result of the program of Franklin Roosevelt; which, of course, in Germany, we have compared to the proposals of Dr. Wilhelm Lautenbach, which are quite similar in some respect.

So, as a result of that, we came out of the Depression. At the end of the war, on the basis of the 1944 Bretton Woods agreement, we set into motion a program of recovery of both the Americas, and Europe, and Japan, which were successful, and continued to be successful in the United States, into the early 1960s, and were successful in Europe into a later period after 1971.

Therefore, we are now in a crisis of this type, which is a breakdown of the present, post-1971 world monetary and financial system, and therefore, as a practical matter of politics, the obvious thing to do is to look to the nearest model of a successful solution to such a crisis, as a way to get a quick agreement on something that will work, at least for some decades to come.

And therefore, the New Bretton Woods system is essentially a proposal for a global—hopefully global—agreement on a new fixed-exchange-rate monetary system, probably with a gold-reserve backing (not a gold backing, but a gold reserve backing), which will then become the basis for international long-term treaty agreements covering trade, tariffs, and so forth, for a general economic recovery of all the participating nations.

This is essentially a simple concept, when you look at it from the standpoint of the previous experience, but of course, there are differences.

**EIR:** What would the differences be to the old Bretton

Woods system?

**LaRouche:** First of all, in the post-war period, the United States was the world's unquestioned only world economic power. That is not the case now. The United States is now largely a post-industrial society, when then, it was a producers' society—the world's leading producers' society.

Nonetheless, the principles apply, but they apply on a global scale.

That would mean, for example: We have obviously now in Eurasia, a group of nations around three in the West: Russia, Germany, and France. A group of nations which is around the Strategic Triangle, which is not officially in place, but which is practically in motion: Russia, China, India, and other countries.

On the one hand, Europe can not survive without a great expansion, a long-term expansion of exports of goods, or should we call it "technology exchange," without which we can not stop the unemployment problem in Western Europe.

On the other hand, China, India, and other countries need large-scale technology exchange for their internal development, to meet their own internal needs. So this is the biggest market in the world in Asia, including Russia. This is the solution for the Russia problem, as to how to reorganize the debts, and how to use Russia as a pivot between Western Europe and Asia, in terms of a large-scale development program.

So, that would be one thing. Then, the United States, would have to do something similarly with the Americas, to revive the broken economies of Central and South America.

Africa would then have a possible solution in the context of this kind of system, because what is required, of course, for Africa, is large-scale infrastructure development projects. These, Africa can not presently finance on its own resources. But we can give them a credit on long term—25 years or so—under such a system, and assist them in technology transfer, to have such transportation or such a general infrastructure system as a network throughout Africa, and thus give them the means, additional credit, to make their economies grow under those kinds of conditions.

So, that is the general order of things that has to be considered.

**EIR:** And how would you actually organize the credit for



*The international potential for a New Bretton Woods monetary conference, and bankruptcy reorganization of the world monetary system, is emerging from U.S. Presidential candidate LaRouche's numerous speeches and consultations in Italy (here, in an April 9 meeting in the capitol in Rome), where Parliament has called for such a change; and from his international diplomacy throughout Eurasia.*

this kind of long-term project?

**LaRouche:** We want to have, since most of the banking systems are now actually bankrupt. Actually, the systems are based on the Venetian model, including to some degree the United States with the Federal Reserve System, of which a group of financier interests are nominally represented by banks; but it is not the banks, it's the interests; it's the interests behind the banks, which are the interests. The Venetian model, which controls so-called independent or partially independent central banking systems.

The component banking systems and related institutions—insurance companies and so forth, Fannie Mae and Freddie Mac in the United States, for instance—are intrinsically bankrupt. Therefore, in such a case, in which it is impossible to reconcile the debts of existing nations in the existing system, you have to throw some of the stuff away, reorganize it, with the power of government; in this case, the power of individual governments combined, as cooperation among these governments.

This means, that the world will go, generally, to a national banking system through the process of putting existing central banking systems into governmental receivership. This means that the governments will then not only reorganize their internal systems to maintain the continuity of society; they will also conclude agreements among themselves to create a global system, in which this matter can be kept under control for a quarter century or so. That is the big difference.

So therefore, we are talking about not a U.S.-sponsored world system; we are talking about a system, in which many nation-states form a cooperating group to do the same thing, or approximately the same thing, under the present conditions, in which Asia, Europe, are major leading partners, as much as the United States.

**EIR:** And what would happen to the institutions of the International Monetary Fund and the World Bank?

**LaRouche:** Obviously, the IMF is a creation of governments. It really has no independent authority, when its constituent parts are bankrupt. It falls then to the governments. It is nominally parked under the United Nations, but it is not really a United Nations institution; it is parked there, just like the World Bank, which is parked there.

What happens is, the governments will simply set up a new monetary system, call in the IMF, and say: "Here are your new rules, your new management rules." That is the way the change will probably be done. There will be some people who will try to cling to the IMF—if so, we could bypass the IMF, by putting it also into bankruptcy. But the easier way would be if the governments involved would simply walk into the offices of the IMF and the World Bank and say: "You guys are under receivership and new management. Here are the new rules."

**EIR:** And would you create something like a new international development bank?

**LaRouche:** You wouldn't, and you wouldn't need to. You would probably get something more solid. You would probably get a non-Keynesian form of Special Drawing Rights out of the new system. In other words, it would not be a Keynesian form—

**EIR:** What do you mean by non-Keynesian?

**LaRouche:** Well, the European political systems today are modelled upon the Anglo-Dutch liberal model, which is a Venetian model. A parliamentary system under a head of state, which is probably a monarch or something else, and a parliament which is easily overthrown by a scandal, therefore it is not really an executive agency. Then, both are vetoed



*LaRouche specifies that his policy of credit generation for economic infrastructure is like that of Franklin Roosevelt's (left) successful recovery—definitely not a Keynesian approach. Keynes, after all, publicly supported the monetary "reforms" of Hitler and Nazi Economics Minister Hjalmar Schacht. Economist Wilhelm Lautenbach's infrastructure-credit recovery policy, advanced at the same time as Roosevelt's, was rejected in Germany; the cost of that mistake was Hitler's taking power.*

and controlled largely by banking systems which, with their independence, exert control effectively over governments. In this system, the generation of credit has been in a Keynesian model, to what Keynes described as credit generation as a multiplier effect within privately controlled central banking systems.

Since we are not going to have privately controlled central banking systems, the Keynesian kind of credit generation ceases to exist. But you can have a Special Drawing Right, based on the combined credit-generating powers of a group of nations who, shall we say, are operating the IMF. . . . Then you have new kinds of Special Drawing Rights, issued by the IMF, which the institutions as a whole would sponsor, approved credit to third parties which might be otherwise outside the system.

**EIR:** But you would use those credits for projects and, let's say, not for balance of payments?

**LaRouche:** Absolutely. The trick is to use a gold-reserve-based system. This probably means gold in, plus or minus, presently 1,000 euros a troy ounce, or higher, who knows? But the best thing is to use a gold-reserve standard of settlement of balance of payment accounts, which is a better way of regulating things. You could use Special Drawing Rights under special conditions. The way you would do that—that is for major nations—is major projects, which are treaty agreement projects—

**EIR:** Such as railroads?

**LaRouche:** Exactly. These could be the target of Special Drawing Rights credit in international credit—

**EIR:** At low interest rates?

**LaRouche:** Yes, at 1 or 2%. That's the whole objective;

without 1 to 2% interest rates, you can not have large-scale infrastructure of this type,

**EIR:** And how would you handle world trade, which has been liberalized, deregulated? Would you re-regulate it in some form?

**LaRouche:** Absolutely. Totally re-regulate. It would be done in a practical way, not as some type of utopian scheme. But in practice, what you do is, is you take a list of trade arrangements, largely based on, coinciding with treaty agreements, long-term treaty agreements among governments and states.

Now you say: With the following investment being made in these projects here, we want to protect the capital which is being allocated to this project. . . . So therefore, under the understanding of government support and sympathy for treaty agreements, you will give protection, tariff and trade protection, to certain things.

We had this thing in Italy, for example. Italy is now getting electrical machinery from China, much cheaper than the Italians can produce it. This becomes a danger to the Italian small businessmen who produce this kind of batteries. So therefore, you would provide a protection arrangement of tariff and trade agreements, which in a sense would give China compensation for new markets for exports and produce, and at the same time protect the Italian small producer.

**EIR:** How do you think, politically, the alliance that opposed the war in Iraq, between Paris, Berlin, Moscow, and Beijing, could begin to move in the direction of such a new system, even if, right now, it does not seem that such an initiative would come immediately from the U.S. government?

**LaRouche:** No, well, the U.S. government is crazy. But that is going to change. . . .

This is a very unstable situation, in which a virtual coup d'état has occurred in the United States, which has created an irregular situation in international affairs. You have a small group of people, essentially, who for various reasons were able to effect a political coup d'état within government. The President essentially is a puppet, or has been a puppet of this group, as people have observed inside and outside the United States. Now, today, we have to think in terms of aiming at a cessation of that condition.

So now, you have two things you are doing: On the one hand, you are trying to build insulation of the world against the effects of this U.S. insanity; at the same time, you open the doors to get back to a more regularized, more normal relationship between Europe and the United States, in particular.

You approach it this way: You say, we do what we can do, which is what I think the St. Petersburg conference<sup>1</sup> reflected, and the discussions between Schröder and Putin may have reflected that, or reflect that atmosphere. So therefore, it is obvious, that because of the crisis, because of the condition of Germany—with 4 million or more unemployed. You can not balance Germany's books with 4 million unemployed; therefore, you have to have immediately a new market for exports, which means long-term trade agreements. Therefore, long-term trade agreements among, on the one side, Russia, Germany, and France as spokesman countries or leading countries, with Asian countries, again, Russia, China, India, etc., become the obvious requirement. Central Asian cooperation becomes a key part of this.

The reference to the Siemens operation in communication networks, power networks in Russia concurred upon between Schröder and Putin, reflects this kind of thing. I think they are going to move cautiously, but definitely in certain directions, or seek to move in certain directions. Which will mean long-term Eurasian cooperation. That's the direction, not the finished agreements.

There will be also an attempt to force the United States, which is now going into a collapse phase, right now, of its financial monetary system, into accepting and seeing the wisdom of extending this kind of project.

**EIR:** So, you are saying that the European nations, France and Germany in particular, could, in cooperation with Russia and China, move already toward such a new system, even if the global reorganization has not taken place yet?

**LaRouche:** I think the mood is, and is so expressed by Russia, it is cautious partial steps in the direction that they know they have to go in. But trying to avoid and minimize the danger of a head-on collision with a crazy President Bush, until he comes back to his senses, or something.

This is the general direction I see. I think there is a lot of

confusion in their thinking, but some things are so glaringly obvious, they can't miss the point.

**EIR:** And how would it affect Britain? Could they be won over to such a European strategy?

**LaRouche:** In a sense, easily. Blair is a problem, but Blair also has a problem now. The opposition in Britain, in the political system, was much greater, to the war, was much greater than in the United States. There was great opposition in the people, in the institutions, but in the political system, especially in the political party structures, the opposition was neutralized, with a few voices here and there. In Britain, this was not the case. You had very powerful opposition against the war. You had the Tories lined up behind Blair, in the war question, but many of the Tories who aligned with Blair, in the sense of supporting him against Labour, at the same time, were strongly opposed, as establishment figures, to the war. The British recognize they have got a broken-down economy, and anything that's called "British" there, British Rail, British Steel, is now bankrupt. So Britain is a name for bankruptcy—hopeless bankruptcy.

So therefore, Britain can not survive without large-scale cooperation with continental Eurasia. Therefore, the additional problem is: Britain knows it can not break with Europe; whereas Bush is crazy enough to believe he can. So therefore, the British are going to be much more interested to sneak their way in, in their usual way, into continental Eurasian agreements. And with the "they are nice people" thing, make friends. They would tend to try to come into, and—as the British say—"bugger up" any agreements that are being made in continental Europe, to get their "piece of the action," as the British would put. Because they need it.

It's very similar in Turkey. Turkey is in a very precarious situation, because of this Kurdistan problem, which represents a strategic threat to the whole Middle East. But the Turks desperately need to get in on whatever the European Union is going to become. Therefore, they do not want to break away—for the sake of some crazy agreement with Wolfowitz, the Deputy Secretary of Defense—from Europe. They need to be with Europe. That is their hope to survival.

So therefore, you get these tendencies in Eurasia through this. The whole thing is jammed up by the Israeli question, which is the immediate thing on the table now.

**EIR:** How would this orientation affect the possibility of peace between Israel and Palestine?

**LaRouche:** This depends upon the President of the United States, or his equivalent, saying to Sharon and company: "No, you are finished," and just getting the Europeans and others lined up to back him up. The Israelis have nuclear weapons, but they are not going to go to nuclear war against the world as a whole. Some of them would, but they won't. So therefore, the thing is, the United States has to take the lead in stepping on Netanyahu, Sharon, and similar types in Israel. The rest of the Israelis would be happy to go along.

1. The April 11-12 meetings in St. Petersburg of Russian President Vladimir Putin, German Chancellor Gerhard Schröder, and French President Jacques Chirac.



*“We do what we can do, which is what, I think, the St. Petersburg conference reflected, and the discussions between Schröder and Putin” and Chirac. “You cannot balance Germany’s books with 4 or more million unemployed; therefore, you have to have immediately a new market for exports, which means long-term trade agreements.”*

They are very pragmatic. They really are not principled, as we have seen them, they are pragmatic. And they are capable of turning around completely from what they seem to have said yesterday, for pragmatic reasons. You look at the case of Shimon Peres. In the period I have known him, in the middle of the 1970s, he was one of my boosters, for what I was trying to do on Middle East peace; now he is on the other side. He is all over the place. And so I find that the Israelis in general, the Israeli politicians, are even worse than the Americans, in being real pragmatists, they flip all over the place. So, you create the right circumstances, and get the right pressures, and hope it works. And if it doesn’t work, go back and do a little polishing on the policy.

**EIR:** Now, looking beyond the immediate crisis, what are the strategic, political, and economic challenges, let’s say 30, 40, 50 years from now? We have 6.5 billion people now. How would you look that far into the future?

**LaRouche:** I have emphasized the use of Vladimir Vernadsky’s conception of the Noösphere, as a point of scientific reference for redefining all the kinds of problems, that are associated with the growth of population and use of areas which are not yet developed. We obviously have to have a sane conception. Which means we would need much higher density energy sources. Which means going back to nuclear energy, this means right now the nuclear gas-cooled high-temperature reactor. It’s a model; we need to cut down the costs and the burden on transportation systems, power systems, of the present system. It’s a waste. We need to control pollution, obviously. Which means, you want to minimize the

burning of gases, which are obnoxious, and pollute things.

Therefore, we have to think about how to organize cities, how to restructure countries as a whole, the relationship between the rural areas and the urban areas—these things will have to be thought through.

And we obviously will have to come up with a new sense of city planning, of general economic development planning, more emphasis on reforestation, eliminating deserts, and general management of the planet. We are going to have to think about managing the planet, and take this as the general concept of infrastructure: to manage the planet. So, whatever happens with the population, we simply will have to take these things into account, and change our policies and ways of thinking accordingly.

**EIR:** And how about space, and the space program, in this respect?

**LaRouche:** Ah! Man is a peculiar animal, he is *not* an animal, which is why he is a peculiar animal. We have to always go to whatever we don’t know. Or, the frontiers of knowledge and ignorance. And we have to always go there. Therefore, we have to go into space, simply as the matter is the most logical science-driver, which, approached in the right way, subsumes everything we know in technology, and every question we have.

So, a space program is not simply a transport system to Mars, it is not a bus travel to Mars. A space program is looking at the universe, and organizing a high-concentration, high-density, science-driver program, which is now feeding all scientific and technological progress of humanity in general.