Philippine Senator Pimentel Calls for New Bretton Woods

Sen. Aquilino "Nene" Pimentel, the head of the opposition in the Philippines Senate, issued a stirring call for the Congress of the Philippines to join with the Italian Chamber of Deputies in its resolution for an international conference of sovereign nations, to discuss and adopt a New Bretton Woods monetary system, a fixed-exchange-rate system to replace the decrepit floating-exchange-rate system based on the International Monetary Fund (IMF), which has bankrupted the world financial system. Senator Pimentel made the call during an address to the Chamber of Real Estate and Builders Associations (CREBA) in Manila on May 26.

The collapsing state of the Philippine economy, and the social crisis it has engendered, were presented in the June 3 issue of EIR*, reporting on a visit to Manila by* EIR *correspondent Mike Billington.*

Senator Pimentel introduced his call by noting the absence of an anti-usury law in the Philippines. As a result, he said: "banks can do anything to fleece their customers for more payments by way of interest or what not. . . . [E]ntrepreneurs whose pockets are less deep than those of foreign enterprises have been devastated by the unexpected rise of interest rates on their loans." Pimentel then presents his resolution for a New Bretton Woods, and concludes with a call for a mass housing program for the Philippines as the centerpiece of an emergency approach to kick-starting the economy and alleviating the horrendous homelessness crisis in the nation.

Reprinted here is an edited version of the section of his speech calling for a New Bretton Woods:

Before I proceed with our observations on our local economy, maybe it is appropriate at this point for me to share with you the information that on April 6, 2005, the Italian Chamber of Deputies passed a proposal to adopt a new Bretton Woods Monetary System. I read that to mean that if a new monetary system is adopted, hopefully it will institute safeguards against the deleterious effects of free trade, and perhaps even do away with the floating exchange rates of many national currencies, with the U.S. dollar as the point of reference.

I share the view of the Italian lawmakers that there should be a better gauge to determine the worth of a country's currency other than the U.S. dollar. While this might be a fit subject for another discussion, allow me to venture a suggestion now that a gold standard or some such measure of a currency's worth that is not dependent on the say-so of one country, may be a good basis to re-examine and rewrite the Bretton Woods agreement that was adopted towards the end of World War II in 1944.

The Italian Chamber of Deputies cited as among the reasons for the urgent need of adopting a new Monetary System, the crashes of huge international conglomerates such as Parmalat (that, in the words of the Resolution, left a "hole of 14.3 billion euros that must still be accounted for"); the Long Term Capital Management fund, Enron, the Argentine bonds, Cirio Company Limited, and Finmatica.

The present system, according to the Italian Parliament, "certainly reveals a lack of effective tools and controls regarding financial operations and the behavior of certain participants in economic activity, such as auditing companies, ratings agencies, advisors, companies that float stocks and bonds." Note that the Italian solons stressed, among other things, the inability of nations to have a voice in the way rating agencies, to be specific, like Moody's, Standard and Poor's and Fitch, subject sovereign nations to their arbitrary credit grading systems. The concerns voiced by the Italian legislators echo our own apprehensions here that our country is also being taken for a ride by the credit raters, whom we pay for, who downgrade us whenever it suits them and their international lending clientele. . . .

Systemic Crisis

In a similar vein, the lawmakers of Italy concluded in their resolution that "it should be clear to everyone that we are faced with a truly systemic crisis—that is, a financial crisis that is not limited to the stock markets or the people who work in the financial sector, but rather, directly affects the living standards of millions of people, destroys productive economic capacity, negatively affects employment, and often leads to the disintegration of the pensions of people who have worked productively and honestly for their entire lives."

The Italian parliament stated that "the financial and banking crises raise widespread worries not only among small investors (in Italy alone these crises have affected 1 million people and their families) and serious companies (tens of thousands of small and medium-size businesses have recently been involved in financial derivatives operations, with significant losses), but also among the governing classes of the

New Bretton Woods Signers

Helga Zepp-LaRouche issued a call in April to form an "Ad Hoc Committee for a New Bretton Woods," which is drawing supporters worldwide. Since mid-May, a few of the new signers include:

Austria: Prof. Dr. Ernst Florian Winter, former Director of the Diplomatic Academy in Vienna. **Argentina:** Congressman Eduardo Macaluse, ARI party. **Denmark:** Asger Baunsbak-Jensen, chairman of the Social-Liberal Party. **Germany:** Wolfgang Hoderlein, Social Democrat, Member of State Parliament, Bavaria; Heidi Lueck, Social Democrat, Member of State Parliament, Bavaria; Dr. Claus Noe, Social Democrat, former Deputy Finance Minister; Steffen Reiche, Social Democrat, former Minister of Science in the state of Brandenburg, now a deputy in the state parliament of Potsdam. **Italy:** Sen. Gigi Malabarba, Rifondazione Comunista party. **Panama:** Eduardo Rios, labor lawyer.

various countries involved. There is a crisis of the entire financial system, in which hedge funds, that are beyond any sort of rules or control, are taking on an ever-larger role. In fact, it is estimated that the entire financial bubble, counting all financial derivatives and all other forms of existing debt, is equal to about $400 trillion, compared to a worldwide GDP of slightly more than $40 trillion."

Economy Gap

Citing the most recent data officially reported by the Bank for International Settlements [BIS] in Basel, the Italian parliamentarians warned of the "widening of the gap between the real economy and the purely financial economy," that is manifested in the "true explosion of the financial derivatives bubble and other forms of debt." They added that the exponential rate of growth of these financial and speculative figures is a further source of concern. The BIS report "OTC [Over the Counter] Derivatives Market Activity in the First Half of 2003," published on Nov. 12, 2003, admits the following notional values of OTC derivatives, in billions of dollars: June 2002: $127,500; December 2002: $141,700; June 2003: $169,700; that is, an increase of $42 trillion in 12 months! And the BIS report for 2004 indicates the notional value of OTC derivatives as reaching $220 trillion as of June 2004, thus representing an increase of $50 trillion in only 12 months.

"In addition to the main Italian banks involved in the Cirio and Parmalat cases, the three American banks involved in the Parmalat matter, JP Morgan Chase, Bank of America, and Citigroup, are themselves most responsible for this dizzying growth, as can be seen from the reports of the American government institution known as the Comptroller of the Currency: In June 2003, JP Morgan reached the level of $33.3 trillion in derivatives, with an increase of $4.5 trillion in only 6 months; Bank of America reached $14.3 trillion, and Citigroup $13 trillion. A year later, JP Morgan Chase alone brought the total of its derivatives operations up to $43 trillion, an increase of $10 trillion in only 12 months."

This is quite a distortion, they said, if we consider that U.S. GDP is about $11 trillion.

The Italian Parliament Resolution committed the Italian government to the following:

1. To act in the relevant international venues in order to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy; and

2. To take all necessary initiatives to reach, as soon as possible, together with other nations, the convocation of an international conference at the level of Heads of State and Government, to create a new and more just global monetary and financial system.

As a lawmaker, I share the views of the Italian parliamentarians to protect the welfare of our respective constituencies. I, therefore, suggest that our Congress can do no less but support the call for the establishment of a new Bretton Woods monetary system to protect and ensure the security of the financial dealings and other economic activities of peoples worldwide.

I find the proposal of the Italian lawmakers reasonable in that "given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee the control and application of stronger rules in a decisive manner."

A Vast Housing Backlog

In the context of our country's needs, where we have a backlog of over half-a-million housing units a year, loans for housing governed by a stable, transparent, and accountable international financial system with a fixed interest rate would go a long way towards addressing our nation's development, even in this area alone.

I understand, however, that even if we can construct 500,000 new houses a year with foreign or local funds, it would still take some ten or so years to wipe out the national backlog on housing. Be that as it may, I submit that it is still in the national interest that we go into a massive housing program. The beneficial consequences to the nation in general from such an activity would be tremendous and incalculable. Housing starts would certainly animate the economy in a positive manner; bring employment to a lot of people; and, as a bonus, security to the lives of millions of the homeless in this country. . . .