LAROUCHE: 'THE MOST STUPID THING THAT CAN BE DONE'

London Pushes Big Powers To Dump the Dollar

by Rachel Douglas

June 11—City of London representatives directly, as well as Russian officials under pressure from London-centered financial interests, made their push to get rid of the dollar as the main international reserve currency, into the centerpiece of the annual St. Petersburg Economic Forum, held in Russia's northern capital June 4-6. In a series of diplomatic consultations and speeches, preparatory to the summits of the Shanghai Cooperation Organization (SCO) and Brazil-Russia-India-China (BRIC) group in Yekaterinburg June 15-16, and the Group of 8 in Italy July 8-10, President Dmitri Medvedev also has stuck to that script.

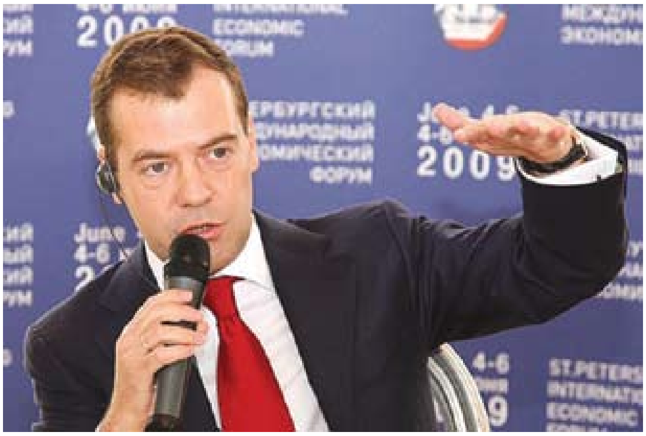
Speaking with the authority of his unparalleled forecasting of the current systemic crisis, ever since the 1971-73 launch of a financial speculation-based monetary system, Lyndon LaRouche warned June 10 of the consequences, if the great powers fall for the "multiple reserve currencies" and "IMF-issued supranational currency" ploys. "Breaking from the dollar would be clinically insane, the most stupid thing that can be done," LaRouche said. "Such a proposal can only come from people who lack the courage or the intelligence to accept my proposals for global economic reform—because such a break from the dollar will lead to the whole world disintegrating."

An Agenda from British Profiteers

The St. Petersburg proceedings revealed British financial/imperial interests' authorship of the scheme for a rapid move to multiple reserve currencies. On the last day of the event, there was a panel on "The Future of Reserve Currencies." The Russian newspaper *Vedomosti* reported that a featured speaker was Ousmène Jacques Mandeng of the U.K. company Ashmore Investment Management, who demanded that "emerging market" currencies quickly be brought into use in a multiple-currency reserve system. As head of Ashmore's Institutional Council on the Public Sector, Mandeng has been campaigning for this policy at least since *The Banker*—a publication of the London *Financial Times*—published his article, "Why Central Banks Need More Reserve Currencies," in November 2008.

Ashmore is a London-based spin-off of the ANZ Bank, a major Australian bank closely tied to British banking—having moved to Melbourne only in 1977, after 142 years headquartered in the City of London. Through interlocking directorates, ANZ became a driving force in Australia behind the Tasman Institute and the Institute for Public Affairs, key agencies in imposing the anti-nation-state Mont Pelerin Society's radical agenda of deregulation and privatization on that country, New Zealand, and, from these British Commonwealth staging grounds, worldwide. (The London Institute of Economic Affairs, another arm of the international Mont Pelerin Society network, was instrumental in inflicting those same policies on post-Soviet Russia in the 1990s.)

Mandeng's employer, Ashmore, was incorporated separately only in 1992, but its promotional materials



Russian Federation Press and Information Office

Russian President Dmitri Medvedev addresses the Petersburg Economic Forum on June 6, 2009. In his keynote speech, he promoted the City of London's agenda for a world currency.

trace the company's roots to the Mexico debt crisis of a decade earlier. When "sovereign debt [became] distressed," the company boasts, ANZ moved aggressively into "emerging market debt trading." Ashmore emerged from that specialization. In other words, back in 1982, when Lyndon LaRouche was reaching out to Mexico's President José López Portillo and other developing-nation leaders, with his Operation Juárez program for debt moratoria and physical economic development, the parent company of the outfit whose representative has now lectured the 2009 St. Petersburg Forum on the advantages of "multiple reserve currencies" was busy profiteering on the "Third World debt" phase of the global crisis.

In 1982, ANZ may have had its eye on Mexico, but today the masthead of Ashmore's website displays St. Basil's Cathedral in Moscow's Red Square.

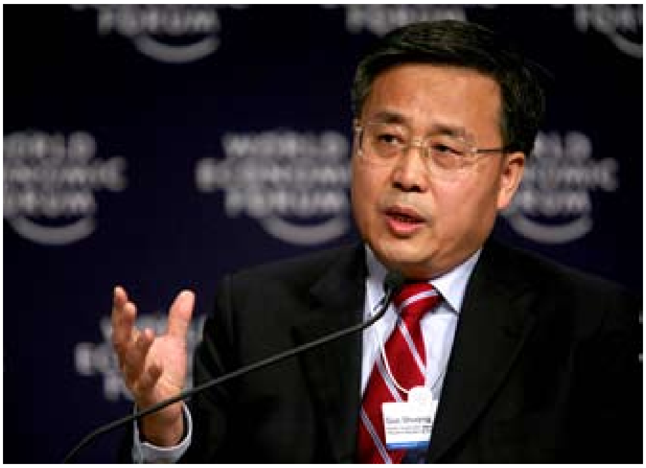
Another British direct intervention, during the run-up to the St. Petersburg Forum, came from Martin Gilman, former International Monetary Fund (IMF) representative in Russia. He took to the pages of the *Moscow Times* May 13 to call for Russia and China to dump the dollar by selling U.S. Treasury bills they hold as reserves. London School of Economics graduate Gilman egged on the Kremlin in pursuit of the worse-than-useless "ruble as reserve currency" scheme, writing his guest article under the headline, "Ruble Reserve Currency May Not Be So Crazy." None of the necessary preconditions for the ruble to function as a reserve currency has been fulfilled, he conceded, but episodes of panic in the U.S. bond market "could be ominous for the future of the dollar."

Fanning fears of a dollar collapse, IMF veteran Gilman called for China and Russia to get rid of their dollar-denominated assets. "These worried dollar holders have thus far refrained from dumping U.S. Treasury securities only because their prices were rising and the dollar has strengthened over the past year—both of which are almost certainly temporary. . . . Last week's disappointing auction of Treasury bonds must tempt some to book their profits before the stampede begins. Big conversions by Russia, China, or another large holder, or even market fears thereof, could trigger a massive run on the dollar." Now that "doesn't guarantee a global future for the ruble, but it does increase the likelihood that reserve currency substitutes will be in demand."

LaRouche's Warnings

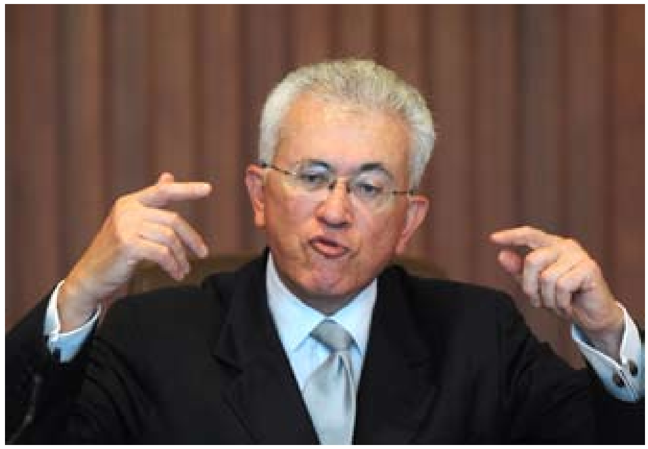
The folly of Russian leaders once again treading down a pathway after the likes of the Mont Pelerin Society and the IMF stands out vividly, against the alternative policy made available by LaRouche: not fiddling with baskets of currencies and other monetary schemes, not tinkering to achieve "fairness" within an IMF which is tool of international financier interests, but the institution of a *credit* system to finance the physical economic development of our planet, and each of its sovereign nations, for the next 50 years. Most recently, LaRouche spelled out how that is to be accomplished, in his article "The Real 'New Bretton Woods': A Dollar-Based Global Recovery" (*EIR*, May 22, 2009).

In May 2007, LaRouche warned Russian leaders of what was about to confront them on the currency side of the global crisis. Visiting Moscow, LaRouche gave several high-profile interviews, including this statement on Mikhail Khazin's economics program, broadcast on the satellite TV station of the Russian Orthodox Church: "You have to look at the U.S. dollar, not as a U.S. problem, but as a systemic world problem. . . . What happens to the Chinese assets, and economy, if the U.S. dollar collapses? Or take the Russian security investment [Stabilization Fund]. A sudden collapse of the dollar would mean a collapse in China. It would mean a crisis for the government in Russia. . . . Because it's a reserve currency. And the world depends upon the maintenance of the value of the dollar, as a reserve currency. . . . Now the amount of dollar assets in the world, as financial assets, could never be repaid. So therefore, the world as a whole is in a hyperinflationary crisis. Every part of the world is tied up in that crisis. You're in a situation where



rld Economic Forum/Natalie Behring

China Construction Bank chairman Guo Shuqing said that there could be no alternative to the dollar any time soon.



Agência Brasil

Brazilian Strategic Affairs Minister Roberto Mangabeira Unger says the BRIC summit in Russia will discuss finding an alternative to the dollar.

only a replacement for the present monetary system, worldwide, would define a way to avoid a general breakdown crisis of the world system."

On KM.ru Internet TV, during the same visit, LaRouche said: "The dollar has to be seen as the world's reserve currency, still. If the dollar were to collapse, the Russian assets abroad would collapse. China would collapse. India would go into a major crisis. The entire world economy would go into a dark age." And it was here that he laid out his proposal for a Four-Power Initiative by the United States, Russia, China, and India—not to substitute other currencies for the dollar, or to hyperinflate with IMF special drawing rights (SDRs) instead of the dollar, but to change the entire system in the interests of sovereign nations and the common interests of mankind. "It's the financial interests associated with Britain, which are the main enemy of the world today," LaRouche told the Russian audience. "Also, Russia, China, and India are enemies of Britain. These financier interests believe that they can sink the United States, and, by doing so, bring the rest of the world under British control.... And the United States must make an offer to Russia, first, China, and India, to agree to set up a proposal for an immediate new, world monetary-financial system. And to bring other nations into that."

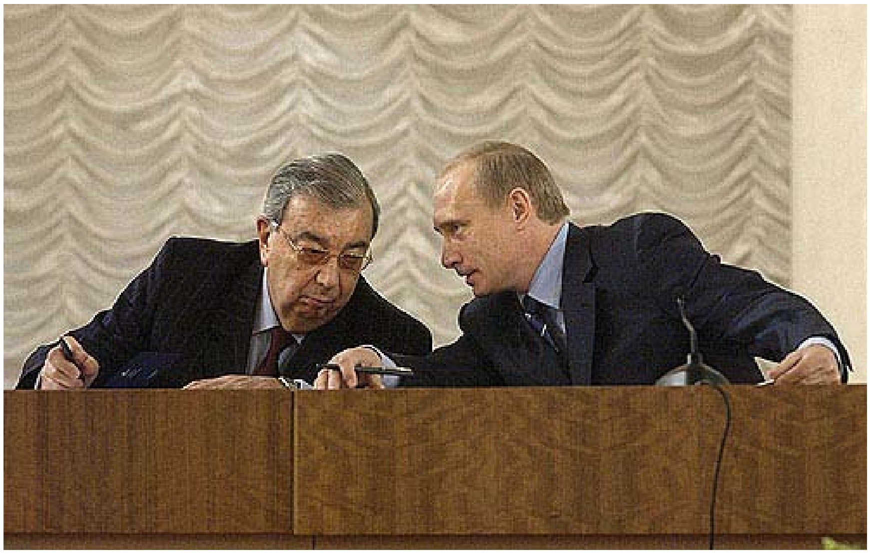
Russian leaders have still not gotten the message.

Blundering Ahead

Receiving Italian Prime Minister Silvio Berlusconi the weekend of May 16-17, President Medvedev once again demonstrated a failure to grasp the change in axioms, identified by LaRouche as critical for addressing the global systemic crisis. Plans for the Italian G8 summit figured centrally in their talks, with Medvedev, at a May 16 press conference, continuing to emphasize the sophistic London-promoted agenda of transparency/good governance/improved accounting standards, as well as multiple reserve currencies and, thereafter, a supranational currency. The latter scheme is promoted by George Soros, in particular. "We have been looking at reorganizing the World Bank and IMF's work," said Medvedev, "and examining the possibility of using the SDR, used within these organizations, as a potential supranational currency. Why not go further? These are all matters for the future, but in my view, this future is not far off at all."

In St. Petersburg, Medvedev stoked Forum attendees' interest in changing reserve currency models, claiming in his keynote speech that over-orientation of the world economy to the dollar was even the chief cause of the crisis. Things must be different in the post-crisis period, Medvedev said, as if such a time would simply arrive by itself one of these days. Noting the talk about "new reserve currencies," the Russian President went on: "Many countries are moving from talk to actual action. This is true of Southeast Asia and Latin America, for example, and our national currency is being increasingly used in settlements with a number of countries." He claimed that the existence of the euro as a reserve currency had "played a big part in mitigating the impact of the global crisis in many European countries." Medvedev said that multiple reserve currencies, movement toward the SDR as a supranational currency, and the role of gold in the international monetary system should all be on the agenda.

At the session with Mandeng, Kremlin economics advisor Arkadi Dvorkovich said that new reserve currencies would imply some center which would manage them. A reformed IMF would fit the bill, along with its SDR as a supranational currency, he urged. Dvorkovich proposed that the SDR should function within a basket of reserve currencies, including the traditional ones, plus China's renminbi. Alexei Kudrin, the Russian Finance Minister who coordinates closely with City of London circles, said earlier during the Forum that he foresaw the emergence of the renminbi as a world reserve currency within the next decade, if China moves to make it convertible.



Russian Presidential Press Service

Former Russian Prime Minister Yevgeni Primakov (left), with then-President Vladimir Putin, in 2004. Primkov is insisting that the idea of downgrading the dollar is not "rational."

Syndrome Spreads to Brazil and China

LaRouche warned in June 6 remarks, issued as an "Emergency Statement" by the LaRouche Political Action Committee, that if China did dump the dollar, under pressure from Russia and others who have taken the London bait, "you would have an immediate breakdown of the functioning of the U.S. Federal and state governments! And, of course, a catastrophe throughout Europe." Signs of such pressure have mounted in the days since the St. Petersburg Economic Forum.

On June 8, the *Financial Times* ran a front-page story on the statement by Guo Shuqing, chairman of China's second-largest bank, the Construction Bank, that his institution was "exploring offering renminbi-denominated trade finance credit in a practical step that could make the Chinese currency more widely used internationally." The London paper called his voice part of "a chorus from senior government officials on currency matters that together reflect concerns about the stability of the U.S. dollar and several efforts to promote the use of the renminbi more widely." But the enthusiasm of the *Financial Times* was clearly greater than that of Guo Shuqing, who on June 2 had also stated, that there would be no alternative to the dollar any time soon, and that the IMF's SDRs just "do not work so well."

In Brazil, gung-ho officials are pushing the scheme. Harvard-trained Roberto Mangabeira Unger, President Lula da Silva's Strategic Affairs Minister, told Reuters, after a trip to Russia, that a leading issue at the BRIC summit will be finding an alternative to the dollar as a reserve currency. Unger claimed that China and Brazil had already begun trading in their national currencies, although this was denied by the Central Bank, which reported that the experimental plan had not yet been implemented. "Russia tells us that they are very interested in a similar agreement with us," Unger added.

On June 10, Brazilian Finance Minister Guido Mantega announced that his country would buy $10 billion worth of SDR bonds, whenever the IMF might begin to issue them. The decision was linked by financial wire services to a Russian plan to buy a similar amount of IMF bonds, and to statements by the first deputy chairman of Russia's Central Bank, Alexei Ulyukayev (another veteran of the 1990s ravaging of the Russian economy through neoliberal reforms), that Russia will reduce the 30% share of U.S. Treasuries in its reserves "because a window of opportunity for working with other instruments is opening."

It was this series of announcements that prompted LaRouche to call dumping the dollar "the most stupid thing that can be done." He elaborated, in those June 10 remarks: "If the dollar were dumped by Russia putting pressure on China to do so, then we would see the complete disintegration of the planet. The only solution is mine. Obama's a disaster, and all aspects of his current policy are a disaster. What we need to do is take an American System approach, which is my proposal. Without that approach of mine, of establishing international agreements between Russia, China, India, and the U.S., the planet as a whole cannot and will not survive."

Primakov: Downgrading Dollar 'Not Rational'

Amid the continuing official enthusiasm from the Kremlin for the "multiple reserve currencies" scheme and moving toward Soros's "supranational currency," senior Russian figure Yevgeni Primakov threw cold water on fantasies about the ruble's assuming such a role, given Russia's economic condition, or any kind of mass departure from the dollar. Former Prime Minister Primakov, who is also a member of the Academy of Sciences in economics, addressed a May 18 meeting of the Mercury Club of the Chamber of Commerce and Industry, which he heads. "A rational approach to world financial reform is not compatible with the notion that it would be possible to downgrade the U.S. dollar ... or to create a new international supercurrency," he warned. "One should not strive to turn the ruble into a reserve currency, without first advancing Russia to the status of a leader in sectors of the world economy. It is not the export of oil and gas, but the development of the domestic market, that makes for a stable ruble. Expanding the use of the ruble in international settlements and as a reserve currency may be a strategic goal, but one cannot artificially promote its achievement, since doing so would have heavy political and economic costs."

On June 1, in an interview with Regnum.ru, economist Yelena Veduta of Moscow State University added her voice, saying that the "ruble as reserve currency" scheme, of which Medvedev is enamored, is not going anywhere soon.

Likewise in Beijing, Vice Foreign Minister He Yafei said May 9, according to the *Shanghai Daily*, "Nobody is talking about dumping the dollar. I don't think this is realistic." He added that the stability of currencies is a key issue. Yafei was speaking at a press briefing on the upcoming visit of President Hu Jintao to Russia for the SCO and BRIC summits.

Just over a year ago, on May 14, 2008, Yekaterinburg, host city for those upcoming summits, was the scene of a meeting of the foreign ministers of Russia, China, and India, which LaRouche welcomed as the emergence of what he had long anticipated: a Eurasian alliance, determined to defeat the attacks by the British Empire on its member nations. The potential for the interaction among these countries to become that has not disappeared, which goes to underscore the purpose of the currency schemes so heavily promoted by the London-centered interests right now.

Often in history, imperial wars have been fought not so much to obtain a prize, as to prevent initiatives by forces hostile to imperialism from coming to fruition. Britain's World War I, disrupting the Eurasian continental alliance of railroad-building nations which were using American System methods, is the classic case.

With the "multiple reserve currencies" scheme, speculative investment specialists like Mandeng of Ashmore may have narrow, venal included goals. But the overriding objective of London's agitation for this agenda is to derail the potential of the four great powers to initiate the kind of global bankruptcy proceedings and real economic development, called for by LaRouche.