

## Editorial

# The U.S. dollar on gold: how soon?

Over the first six months of this year, possibly as early as this month or next, the world faces the danger of financial collapse. The question is not now how that collapse can be delayed or avoided—it cannot. The task we now face is how to reorganize a bankrupt world monetary system to ensure the survival of civilization.

Many such proposals have been put forward. Felix Rohatyn, who thinks he can deal with the world as he dealt with New York City, has come up with one package. The so-called Ditchley Group of bankers, the notorious Morgan and Rockefeller creditors' cartel, has come up with its proposals, which, among other things, violate the Sherman Anti-Trust Act. Senators Heinz and Proxmire have submitted pieces of legislation, along with other members of Congress, like Rhodes Scholar Bill Bradley from New Jersey.

These proposals have one thing in common: They don't work. They would reduce America and its banking system to a colonial appendage of the Swiss-based Bank for International Settlements and the International Monetary Fund, while these entities continue to use the depression they have created to commit genocide in the Third World 100 times worse than Adolf Hitler.

There is another plan, circulating widely throughout Washington, D.C. under which the United States would remonetize its 260 million ounces of gold at current market prices, yielding, at \$500 an ounce, a gold reserve of \$132 billion. The gold would be used for trade payments to other world governments, to expand U.S. foreign trade, and bolster the U.S. economy and the dollar.

This plan has won the approval of leading Democratic economist Lyndon H. LaRouche, Jr.—the mastermind of *EIR*'s LaRouche-Riemann economic forecasting service, which has consistently been correct on the Depression of the 1980s where all other forecasters have been dead wrong. According to LaRouche, putting the dollar back on gold is among the few options open to the United States to restore order to world monetary affairs.

Gold, LaRouche emphasizes, must be used for an "American System" reform of the international banking

order, which would sweep aside the IMF, BIS, and other supranational institutions and their austerity programs in favor of a U.S. program for world recovery. In this plan:

1) The United States would negotiate directly with the developing nations for a moratorium on their unpayable old debts, and then issue some \$100 billion to \$200 billion in new gold-backed U.S. bonds to generate export credits to the Third World. This would create a boom in U.S. industrial exports and jobs, and would restart Third World economies.

2) The U.S. would help American banks to renegotiate the old, unpayable debt into 20- to 30-year bonds, which the banks could discount to receive new gold-backed Treasury notes—*provided they used them to make useful loans for trade and industrial production*. The U.S. banks would take some losses on old debt, but be stabilized and given a major new source of profitable loans. The British, Swiss, and other foreign banks which now speculate in U.S. dollars in the offshore \$2 trillion Eurodollar market would be left out and bankrupted, in a tough reassertion of U.S. economic power.

3) The United States would offer to settle its imbalances in current international trade payments *in gold*, on a government-to-government basis, to those nations which agreed to a like gold policy. The first three measures would completely bypass the IMF, making it irrelevant.

4) The domestic U.S. banking system would be reformed, by first nationalizing the Federal Reserve into a "Third Bank of the United States," controlled by the U.S. Treasury. The Treasury alone shall then have power to issue domestic currency, which shall be issued as gold-reserve-denominated Treasury notes. Since the Federal Reserve's current printing of money with no limits or economic basis is one of the chief causes of inflation, this will mean an end to monetary inflation.

5) To restart the economy without deflation, several hundred billion dollars worth of new gold-backed U.S. notes shall be issued as domestic money, but only to banks which agree to use them as a percentage of loans to be made for genuinely productive purposes.