

REAL VS. FAKE

Which is the real 'New Bretton Woods'?

by Lyndon H. LaRouche, Jr.

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At a March 18, 1998 conference in Washington, D.C., I presented a formal statement of my proposal for the adoption of a "New Bretton Woods" policy. This was presented as an action to be initiated by the President of the U.S.A. It represented then, as now, the only feasible alternative to the continuation of a then already ongoing process of disintegration of the world's financial and monetary system.

Later, during late August of this year, following fresh, thunderously ominous escalations of Japan's and Russia's ongoing financial and monetary crises, a limited, but significant number of prominent figures and institutions began to echo my "New Bretton Woods" proposal; the proposals from these bankers and others were more limited in scope than my own, but were otherwise competent. Among sane bankers, there was general recognition of the urgency of four crucial facts which I had stressed in my proposals:

1. That, despite the dead-headed ideologues who refuse stubbornly to face the overwhelming evidence: the era of "globalization" has come to a screaming collision with long-looming reality. Either we reverse the process of "globalization," and return immediately to international economic relations premised upon the sovereign nation-state as the highest authority, there will be no recovery from the present process of disintegration of the international financial and monetary system.

2. That the model of economic policy, of nations, and among nations, must be a return to nothing different than the spirit and methods of protectionism employed throughout

post-war reconstruction, measures modelled closely on the protectionist actions prevailing through 1958.

3. That strictly enforced capital and exchange controls must be instituted by the authority of sovereign nation-states, with no substitution for the sovereign authority of the nation-state by old or new international agencies of any kind.

4. That there must be a strictly protectionist policy of large-scale, but highly selective expansion of credit for production and trade in tangible products of agriculture, infrastructure, and manufacturing, a protectionist policy which boosts production and trade in these areas, but sharply constricts credit-flows in other areas. Financial speculation, above all, must be put out of business, and the unpayable masses of so-called "derivatives" obligations simply cancelled as if they had never existed.

More recently, as might be expected, a number of fakers jumped in, notably Britain's fading Prime Minister, Tony "Cheshire Cat" Blair, claiming themselves to be the authors of proposals for a "New Bretton Woods." What the latter have presented, like Blair, is pure deception and dangerous incompetence. Meanwhile, all competent authorities agree that the required specifications for a "New Bretton Woods" are precisely those which I presented officially, from Washington, this past March 18.

Unfortunately, some persons, who ought to have known better, have been taken in by charlatans such as Blair. Such duped persons have said of my "New Bretton Woods" proposal: "Yes, you were the first to propose it, but, now, many others have taken over the proposal, squeezing you out of the picture." If such persons had thought before speaking, they

would not have been duped by such foolish, and potentially dangerous, false propaganda.

What Tony Blair, for example, could never seem to understand, is, that “God is not prepared to negotiate the laws of the universe with the kind of financier-oligarchical interest which Blair represents.”

The essential fact of the present situation, is, that during the period from the 1962 Cuba Missile Crisis through the 1972 establishment of the foolish “floating exchange-rate monetary system,” and also the “new world order” which Britain’s Thatcher, France’s Mitterrand, and the U.S.’s Bush put into effect during 1989-1992, the hegemonic governments and other monetary authorities of this planet installed a series of fundamental changes in direction of policy-shaping. All of these changes have combined to produce the global financial, monetary, and economic catastrophe now in its final phases.

To cure that sickness, you must remove the cause of that disease. Either, all of the fundamental changes in economic and related policy of the past thirty-odd years must be reversed, and that abruptly, and now, or else the planet as whole will be plunged into a “new dark age,” echoing Europe’s mid-Fourteenth Century “new dark age,” but, this time, on a global scale. Such are “God’s laws.” Against such laws, sane governments will not quibble. That disposition for quibbling between right and wrong, for demanding that God behave “more democratically,” is the reason Tony Blair’s political career is on the way to the garbage-dump; similar penalties await those who delude themselves that Tony Blair is proposing “a New Bretton Woods” reform.

What the self-doomed lunatics suggest

From among those fools who demand that God respond “democratically” to the expressed reluctances and other sensibilities of Blair and other politically suicidal types, there are certain objections raised, which are so typical that it is useful to identify and address them here.

Objection Number One: It was John Maynard Keynes who designed the Bretton Woods system; therefore, “New Bretton Woods must mean that we are going back to Keynes.”

Objection Number One is essentially false. The policy which President Franklin Roosevelt revived for the U.S. recovery from the Great Depression of the 1930s, and the 1939-1945 mobilization for war, was modelled upon two precedents: the 1861-1876 mobilization launched by President Abraham Lincoln, and the U.S. revival of the methods of the 1861-1876 mobilization for conduct of World War I. These were what are known to all competent economists as the “American methods” of U.S. Treasury Secretary Alexander Hamilton and the world’s leading Nineteenth-Century economist Henry C. Carey. These are methods directly opposed to the versions of “free market” doctrines of both Adam Smith and Keynes.

Admittedly, after the untimely death of Franklin Roosevelt, the Wall Street gang joined with London in a policy of

systematic undermining of every policy which Roosevelt had launched prior to his death. Nonetheless, the dominant features of the Bretton Woods system, through 1958, were predominantly based upon the anti-“free trade,” “American methods” associated with the U.S. economic mobilizations of 1861-1876, 1914-1917, and 1934-1945.

Objection Number Two: “Obviously, no one would suggest actually going back to the Bretton Woods policies of the 1940s and 1950s.”

Why not? Every deviation from those policies of the 1940s and 1950s has resulted in nothing but a long, accelerating process of decline of the post-Kennedy U.S.A., a decline which has produced no net effect to date, but the present global catastrophe. Any sensible person would consider nothing different than returning to policies which were proven successful, to replace subsequent changes which have proven cumulatively disastrous.

Objection Number Three: “The world has changed since 1958. We have to start from perpetuating those changes. We can not turn back the clock of history.”

When, in 1819, the reactionary Holy Alliance of Clement Prince Metternich imposed fascist-like Carlsbad Decrees on Germany, the Prussian court philosopher who defended these reactionary measures was a fellow known as G.W.F. Hegel. Hegel typifies those immoral creatures who blame society’s changes for the worse upon some occult authority which they identify by such terms as “the World-Spirit,” the “Spirit of the Times,” or “Popular Opinion.” The fact of the matter is, that those things which a Tony Blair, for example, says we must not change, are precisely those post-1962 changes which are the cause for the downward spiral of the world’s economy up to the present verge of total disintegration. It was those who made these changes, who, in fact, “turned back the clock of history;” it is our responsibility to re-set the clock.

Objection Number Four: “Obviously, no changes can be made without the consent of all of the nations.”

Why not? That sort of nonsense was what apologists for Chamberlain’s and Daladier’s Munich Pact with Adolf Hitler called “Peace in Our Time.” When the issue is survival, the principle is, that those who can and will, must do; let the rest learn their lesson, and catch up later. I have pointed out, repeatedly: if the Presidents of the U.S.A. and China can reach agreements with a crucial minority of other nations, on a new financial, monetary, and economic relationship among themselves, those nations must act, whether other nations object to this, or not. Some nations, like some individuals, seem to learn only from the hard knocks of experience. No patriotic American, for example, has ever waited for assent from the British monarchy or Commonwealth.

The fact is, that if the U.S.A., together with China, India, Russia, and also Germany and Russia, can reach a suitable relationship among themselves, the majority of the world will support such a partnership. A partnership, including key nations of the developing sector, a partnership representing the

majority of the population of this planet, is the needed, winning combination. Those who refuse or are simply reluctant, will perhaps have to learn the hard way: perhaps that is real democracy in action.

Objection Number Five: “The New Bretton Woods must be a new supranational authority which decides whether or not individual nations will have the right to use temporary measures such as capital and exchange controls.”

No workable agreement will subvert the sovereign rights of any nation-state to sovereign measures such as protectionism in general, or capital and exchange controls in particular. Sovereign partners will, rather, agree to coordinate their sovereign decisions, and will set their sovereign policies according to a principle of informed mutual advantage. They will never alienate their sovereign rights and powers to a supranational authority.

As I have written and spoken of this on numerous public occasions during the recent twenty years, we must enter into a new era of mankind, that envisaged by then-U.S. Secretary of State John Quincy Adams, an era in which the Hobbesian bestiality of a system of “balance of power,” is superseded by a community of principle. We have come into a time, presently, when the long experience with cumulative consequences of an evil diplomacy, based upon “balance of power” represents such a clear threat to all of mankind, that the wisdom of a community of principle among perfectly sovereign nation-state republics, must recommend itself, instead.

It is my estimation, that the establishment of such a relationship between the Presidents of the United States and China, might probably supply the rallying-point, and pivot, for establishing among nations representing a majority of humanity, a true community of principle as Adams envisaged it.

Blair promotes phony ‘New Bretton Woods’

by Mark Burdman

British Prime Minister Tony Blair has launched an effort to exploit the political difficulties that U.S. President Bill Clinton is in, to promote the idea that Great Britain is “stepping into the vacuum,” to become the leading power dealing with the international financial crisis and other global problems. The effort is profoundly cynical, given the role of senior British operatives in having unleashed the witch-hunt against the American Presidency in the first place.

On Sept. 21, Blair made a one-day stopover in New York, for addresses at the New York Stock Exchange, the United Nations, and a conference at New York University Law School, the latter to promote his so-called “Third Way” politi-

cal approach. The next day’s London *Daily Telegraph* ran a front-page article, headlined “Blair in Attempt to Take Spotlight,” on how his New York expedition “attempted to fill the power vacuum” caused by President Clinton’s domestic problems. The Hollinger Corp.-owned *Telegraph* has been in the forefront, for five years, of the “Get Clinton” efforts.

Most noteworthy, was Blair’s speech before the Stock Exchange, which occurred one week after President Clinton’s major address before the New York Council on Foreign Relations, in which Clinton had acknowledged that “this is the biggest financial challenge facing the world in a half century,” and called for convening a “major meeting” of finance ministers and central bank heads “within the next 30 days, to recommend ways to adapt the international financial architecture to the 21st century.”

Blair declared, “We need to commit ourselves today to a new Bretton Woods for the next millennium.” In using this specific terminology, Blair and his advisers were undoubtedly aware of the intensive worldwide organizing by the LaRouche movement for a “New Bretton Woods” system. But, what Blair enunciated, was, in every respect, the opposite of a “New Bretton Woods” as defined by LaRouche.

What Blair laid out was a policy to buy some more time for the bankrupt and rapidly disintegrating international financial system. His recommendations are a repudiation of all the better features of the original Bretton Woods arrangement negotiated in 1944.

To wit, Blair stressed the industrialized world’s “special responsibility to reject protectionist measures.” He repeatedly stressed the need for free-market “reform” by Russia and the emerging nations, asserting that it is not that “market disciplines have failed,” but only that there has been lack of such disciplines. He demanded that the International Monetary Fund (IMF) be given the resources “to ensure that where countries implement the right economic policies, they can be given sufficient financial support.” He supported the time-worn “low inflation/structural reform” package that has brought disaster to Russia and every other country that has implemented it.

Blair asserted that the present Bretton Woods institutions, 54 years old, were “constructed in a world of fixed exchange rates and capital controls, where international capital flows were much smaller.” But this is not the “modern” financial situation, Blair said. For “modernization,” there are five priorities. These are “greater openness and transparency,” including those codes developed by the IMF and OECD; “improving financial supervision and regulation”; an “imaginative” look at funding for short-term liquidity crises; better “risk assessment” by “global investors”; and, “greater openness . . . by the international financial institutions themselves.”

He said that his “New Bretton Woods” proposal should be discussed “as a matter of urgency” in Washington, at the IMF and World Bank annual gatherings. The deadline for relevant discussions should be one year, Blair said, with full