

# Rohatyn Must Not Duck The Issue

by Lyndon H. LaRouche, Jr.

*This statement was released by the Presidential candidate's LaRouche-in-2004 political committee on Aug. 24, after Felix Rohatyn had been reported internationally calling for a New Bretton Woods monetary conference.*

During recent years, all substantive forms of proposals for holding a New Bretton Woods conference have been associated, increasingly, internationally, with my name. Institutions of governments have taken preliminary action in furtherance of the discussion and adoption of my proposals.

Now, Felix Rohatyn has claimed that he is proposing a "New Bretton Woods" conference; but, he makes no reference to the proposal by that name already on the international agenda. The implied question is, whether Felix is claiming to have invented the wheel, or does he intend to suggest that he is supporting the proposal already on the table, the one made famous internationally by me and by groups of elected parliamentarians who have circulated resolutions internationally in support of my proposal? The obviously urgent question is, therefore: Does he accept my definition, or is his statement intended to function as yet another delphic deception of the credulous?

Since the present international monetary system is currently in the process of disintegrating, the question whether Felix means to support my proposal, or something different, must be clarified, urgently. We can not have two brands of medicine circulating under the same brand name, the one therapeutic and the other deadly poison. Therefore, Felix must respond to my challenge on this matter, and publicly.

## Challenge of Facts and Questions

To simplify the problem, I challenge Felix to answer the following questions publicly.

**1. Fact:** "New Bretton Woods" has come to be understood in relevant official and other international circles, as signifying a replacement for the catastrophically and cruelly unjust, failed, present International Monetary Fund system. By the presently failed international monetary system, is meant the change from the original, protectionist form of fixed-exchange-rate system, to the floating-exchange-rate system introduced in August 1971. Therefore, the proposal for a New Bretton Woods, signifies abandoning a presently failed system, in favor of building upon a preceding Bretton Woods System which worked very well, despite the abuses within it.

**2. Question:** Does Felix Rohatyn accept that widely accepted definition of the term "New Bretton Woods"? If so, he should say so publicly. If not, then, he should change the name of his proposal, to avoid misleading the public. (This might be regarded as tantamount to a "truth in lending" clause.)

**3. Fact:** During the 1995-2000 interval, U.S. investors, alone, lost trillions of dollars in one of the great financial chain-letter swindles of modern history, the so-called "New Economy" bubble. Many national leaders, including leading Presidential candidates, continued to promote that "New Economy" swindle as late as the Year 2000 U.S. Presidential campaign. During that campaign, I warned against being duped by that "New Economy" propaganda, and warned of a new general financial crisis facing the world, either during or immediately after the 2000 campaign. From about the time of the inauguration of President George W. Bush, the "New Economy" bubble has burst, investors duped into supporting it have lost trillions of dollars, and the role of the U.S. as the world's "importer of last resort" has collapsed.

**4. Question:** I have been warning investors and others internationally, of the danger of this financial bubble, and related blunders of our own and other governments, over years to date. When did financial expert Felix Rohatyn first issue a public warning against this gigantic hoax? Did he publicly warn Democratic candidate Al Gore, to cease misleading the public on this issue? Did he ever publicly endorse my specific warnings on this account, at a time when his support might have helped prevent millions of Americans from being duped into investing in that bubble? Now, that the "New Economy" hoax has exposed itself, the foremost financial crisis in the U.S. now, is a gigantic real-estate bubble, being constructed under the pretext of consumer-credit generation, but for the deeper and darker purpose of inflating real-estate values temporarily to cover for the looming embarrassment of leading banks; this was already well known to experts of Felix Rohatyn's experience and rank during the Year 2000 U.S. Presidential campaign.

**5. Fact:** Since about the time of the inauguration of the administration of President Jimmy Carter, there has been a persistent, catastrophic collapse of the share of national income of the lower 80% of family-income brackets. Combined with the collapse of neglected and looted U.S. basic economic infrastructure, and the looting of our nation's physical productive capacity by exporting U.S. job-places to cheap-labor mar-

kets, the net effect of U.S. policies under the 1971-2001 floating-exchange-rate monetary system, has been an accelerating collapse of the physical productive potential and welfare of the U.S. and its people, especially those in the lower-80 percentile of family-income brackets.

**6. Question:** Does Felix Rohatyn recognize these facts? Does he recognize that the U.S. and world economies have suffered an accumulation of changes in policies—from those of the 1945-1963 period—which have now proven themselves to have been systemic follies? Does he recognize the need to return to the policy-making matrix which was characteristic of the Franklin Roosevelt Presidency and post-war U.S. practice, prior to Richard Nixon's pro-Nashville Agrarian, "Southern Strategy" campaign of 1966-68? Is Felix prepared to admit and state openly, that we must fix what misguided post-1966 U.S. leadership, such as that under Presidents Nixon and Carter, broke?

**7. Fact:** Felix Rohatyn is sufficiently well-informed and intelligent to know, as many in high public office today do not, that there were several features of the original 1945-1963 functioning of the Bretton Woods System which were essential to the post-war reconstruction of the economies of the U.S.A., western Europe, and elsewhere. We may be certain that he knows, that these conditions included a system of administratively fixed exchange-rates, without which, low-interest rates in medium- to long-term international loans and investments were impossible to defend. We may be certain that he knows, that the creation of the mass of public and other credit required for post-war reconstruction and growth, could not have been defended without a system of regulation essential for long-term investments in basic economic infrastructure and productive capital of agriculture, industry, housing, and urban infrastructure generally. We may be certain that he knows, that these measures included protectionist forms of medium-term to long-term trade and tariff protection of productive investments, and also capital controls, exchange controls, and financial regulation. We may be certain that he knows, that reinstating such measures is indispensable for recovery from the presently onrushing, chain-reaction collapse of the world's present financial and monetary system.

**8. Question:** Is he prepared to state publicly his commitment to restore those features as the foundation on which a New Bretton Woods agreement would be premised from the start?

**9. Fact:** The only durable source of real profit of a national economy as a whole, is from the employment of labor in scientific and technological progress, and in increasingly energy-intensive, capital-intensive modes. Otherwise, the generation of any average apparent rate of profit in a national economy, will occur either through looting of natural and other preexisting resources, or as the purely fictitious financial gains of the type associated with the recent and current stock-market and real-estate bubbles. The current U.S. energy crisis,

the currently accelerating U.S. health-care crisis, and the galloping of the U.S. national current accounts deficit, are merely typical of the inevitable results of trying to substitute various forms of so-called "post-industrial economy," for the old-fashioned, "blue collar"-centered real economy. It is impossible that Felix Rohatyn does not know this.

**10. Question:** Will he say it?

### Essential Steps to New Bretton Woods

Otherwise, I think that Felix Rohatyn would not have any formal disagreement with the following elements of my proposal for immediate emergency action, as I outlined some of these essential points in my recent address to Mexico's accounting profession.

It is obvious to me, and to a significant number of other relevant persons from various nations, that there are three essential steps to be taken to bring the urgently needed form of New Bretton Woods into being.

First, there must be intensive discussion of the required terms of a New Bretton Woods among those who have both the professional and related competence to discuss such technical matters of global and national policy-making. These layers must not only design the set of specifications on whose adoption the success of the mission will depend absolutely; they must distinguish between requirements which do not admit of competent compromise, and those choices which are in fact available to the political and related institutions which must adopt the draft New Bretton Woods reforms.

Second, this first group must educate the relevant political institutions, who, today, do not have any predetermined competence in the technical side of these matters. The issues must be laid on the table, clearly setting forth to the political and related institutions of relevance, what choices are available to them, as distinct from certain elements which can not be compromised, if the system is not to fail from the outset.

Third, this must be accompanied by an energetic, therapeutic reeducation of the general public in the rudiments of the difference between the awfully failed system now collapsing around their ears, and the principles of the new system which they must support, and in which they must find their opportunities for productive participation.

Let us cut through the usual "spin" and other delphic propaganda, and have some clear answers on the matter of the facts and questions I have set before Felix Rohatyn.

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Paid for by LaRouche in 2004.