

LAROUCHE ON DOLLAR COLLAPSE

Create a New Bretton Woods, End Post-Industrial Society

Lyndon LaRouche made the following remarks to a Washington, D.C. audience on Oct. 31.

As you should know—let me make it clear, if you don't—the present international monetary system is effectively now finished. The date on which the collapse will actually occur, officially, is not yet determined. These things can not be precisely predicted, because there are too many factors. But the situation in the U.S. currency is absolutely hopeless. There's no possibility of a recovery; there's no possibility of a cessation of the present monetary crisis.

If it were to continue without remedy, then you would say, the chain-reaction effect would probably be a general collapse of the international monetary-financial system. However, there are things that could be done to stop the process. I'm the author of one of the proposed pieces of legislation in the United States, which will stop the process. What is required is, to actually set up a new international monetary system, a provisional one, to replace the present world monetary system, to stop the process of foreclosures, to fix and freeze some of the relative values of currencies internationally, until nations can come to an agreement to reestablish a new, emergency fixed-exchange-rate system. It's the only possible way in which a general, chain-reaction collapse of the entire international financial-monetary and economic system could be prevented.

Therefore, the question before us, is, in addition to the importance of understanding that there is *no possibility that this present U.S. dollar system will not collapse, and will not take the world system down with it*, the only alternative is to introduce a new monetary agreement, which can stop the collapse. What that would involve is this: I have proposed, for example, the legislation which is now being debated in the Congress and in the states, and that is, to establish what we call a "firewall": It is to have a Federal law enacted, which would stop proceed-

ings on all foreclosures on mortgages, and put the system under bankruptcy protection, to stop this foreclosure process, which is going to become worse, in any case; and secondly, to provide Federal protection to certain categories of banks which are nationally chartered banks or state-chartered banks.

'We Must Freeze the System'

We must freeze the system. There is no way in which you can reorganize the system in its present form. You must first *freeze* it. And the first step, is to stop all action on foreclosures on mortgages. If a mortgage is foreclosed, you stop the proceedings. If a bank is in jeopardy, the bank is protected. And then, there will have to be special laws passed to regulate what will be paid and what will not be paid at this time.

The second thing that's required, apart from this, is a change back in the direction of a fixed-exchange-rate system, of the type of we had under Roosevelt, and afterward, into the beginning of the 1970s. Only a fixed-exchange-rate system can stop the bleeding, and create the circumstances under which control can be reestablished.

Now, to do this, to get that, requires the cooperation of a number of major powers. The United States must agree with Russia, and with China and India, among others, to actually put such a measure into action internationally. If that is done, then we can create the opportunity for negotiating a new international monetary system, which will tend toward a fixed-exchange-rate monetary system of the type that Franklin Roosevelt established in 1944-45. And that is what we must do.

We also have to make other changes. We can no longer have a floating-exchange-rate trade system. We must go back to the idea of emphasis on physical values and related values. For example, what we set up, particularly since 1970-71: We created this floating-exchange-rate system, the post-Bretton Woods system, which had the purpose of shifting production



EIRNS/Stuart Lewis

Lyndon LaRouche told his audience that the current globalized, low-wage system is at an end. “This is a high-tech world. . . . We cannot sustain a population of 6.5 billion people, and their aspirations, without a high-tech economy, and a global one.” Here, LaRouche is shown at a webcast, on an earlier occasion.

of goods away from Europe and the United States, and into poorer countries where labor was cheaper. So we have exploited cheap-labor markets in the world, to rely on production, and we have taken the production *out* of the United States and out of Western Europe; and of course, the former Soviet Union was also looted in the same way.

So therefore, we have to recognize that by relying upon a cheap-labor economy, we have actually, in fact, lowered the total level of production and productivity per capita worldwide. We have to change that. There are two ways: First of all, we have to have a general expansion of long-term investment, in physical investment, starting with things like transportation and power. We have one project, which is a Russian project (but not only a Russian project), which is the development of a railway tunnel through the Bering Strait. That would not be simply a tunnel—and the work has already started in Russia on doing this, the preliminary stages. That would mean that essentially, you’ve taken the entirety of Northeast Asia, which is an area of large raw-materials deposits, essential deposits, and you’ve opened this up for development, which will be the extension of the Trans-Siberian Railroad route into the Bering Strait area.

This is essential, because, in the world today, if we’re going to meet the demands of populations for improvements in physical living standards, we must increase the production of materials for improved living standards, including power, including water-management, the whole works. In order to do that, we must tap into, and organize on a wiser scale, the raw-materials supplies. Now that means cooperation among nations.

We have several major shields which are crucial: You

have the Eurasian shield, which is largely concentrated in what was the former Soviet Union, the largest single area of major sources for humanity, especially with respect to Asia itself, where you have a population which is very poor. And to increase the physical standard of living in these areas, requires a great expansion in the production and recycling of essential raw materials, as well as transportation.

You have a second area, which is in Africa: Africa has to be protected. It is one of the major raw-materials sources in the world. Africa’s development is necessary for this reason.

We have also in South America, very large and underdeveloped raw-materials resources, which will require large-scale

transportation and power, and similar kinds of networks to develop these resources.

Large-Scale, Long-Term Investments

We have, at the same time, to realize that these improvements are long-term: We’re talking about capital investments in raw materials and infrastructure, which involve 25 to 50 years or longer. The railways are very long; large-scale water systems are long investments. Therefore, we must have long-term agreements which provide for the capital to create these improvements. At the same time, we must restore the responsibility of Europe and North America for becoming, again, sources of production of high-quality capital goods, for the development of other countries. There is development of capital goods in China and other countries, but it’s not sufficient. You must have a higher level of development of capital goods, worldwide, to meet the requirements of a world population.

So therefore, we’re talking, essentially, about 50-year treaty-agreements among the nations of the world, creating a new monetary system, and making agreements as part of this on lines of development: for example, major transportation. We’ve now come to a point where we’re developing improved railway systems as an objective. Most nations agree upon this. It’s also understood, that much of this should be magnetic levitation systems, rather than track systems. We need to connect the parts of the world which have raw materials, and require them, through large-scale, ground-based systems. Air transport is not efficient. The cost is too high per pound. Water is not sufficient—water-based transportation—because for high-value goods, the delivery is too slow, and too limited. Therefore, the expansion of the ground-based transportation

systems, including rails and including magnetic levitation systems, is necessary to meet these requirements. These are long-term investments.

Nuclear power is absolutely required: There is no substitute for nuclear power. There are complements for nuclear power, but no substitutes. Because the problem here, is not simply quantity in terms of kilowatts. The issue here is the temperature-equivalent, what we call the energy-flux density of power sources: Because we are going to have to stop moving petroleum, internationally, as a source of power.

We can not misuse water resources as a source of power. We have a shortage of fresh water. Therefore, we need nuclear power, high-density nuclear power, of the type of the high-temperature gas-cooled reactor, with which to make water—that is, freshwater out of saltwater—because we have a shortage of freshwater sources. Especially India, for example: The southern part of India is destitute, for lack of freshwater resources. And the only solution there, is high-temperature gas-cooled reactors, or similar kinds of nuclear reactors, which can desalinate seawater.

At the same time, rather than relying all round the world, in terms of shipping oil into all parts of the world, we are going to be able to produce fuels from water, with high-temperature gas-cooled reactors and other kinds of nuclear processes. We can make synthetic fuels from water, with high-temperature gas-cooled reactors. We can not make it economically, any other way.

So therefore, we will have essentially, a water-management cycle, complemented by use of petroleum, which will become increasingly significant as a source of raw materials for production stock, and less and less for long-scale transportation. We will use natural gas as an opportunity arises.

U.S. Government ‘Clinically Insane’

So, we’re at a point now, where I must say, my government, the United States government, is clinically insane. That’s the only fair way to describe it. I think everybody knows that the Vice President of the United States, with a certain section of the military, the Air Force, is planning to open up very soon with an attack on Iran, which is supposed to be a “blockbuster attack”—an intense one, with super kinds of explosives. This is insane. Everyone in the world who knows about this, is frightened by the implications of it, because the effect of such an attack would be chaos, and the spread of chaos: It must be stopped.

We have a President who frankly is insane. And that’s our situation here—so it’s a desperate situation. The financial community in the United States is clinically insane: They’re desperate! You’re going to see the major financial powers, inside the United States, toppling, one after the other. How rapidly, is not certain, but the rate would be great: Whether it’s going to be two or three times as fast as it is now, it probably will be in that order of magnitude. And by the end of the year, and the beginning of next year, you will see a shattered U.S.

financial system, and as a result of that, a shattered European financial system, with terrible effects on Asian countries.

So therefore, that’s our situation. It’s one in which understanding is required. As I’ve indicated, there are topics which have to be discussed among nations, among all nations, which are not now being discussed adequately. *This present world system, this present world monetary-financial system can not survive—under any circumstances!* A new system is required, with policy agreements, treaty-agreements among leading nations, especially including Russia, China, and India, and the United States. With those kinds of policy agreements, we can take actions which will prevent global chaos, and can give us negotiating room for setting into place new institutions required to work our way out of this problem.

We need, also, again, a vision on *how* we’re going to approach that. We have to eliminate this post-industrial society. All the ideology of the post-industrial society must be eliminated, otherwise, there’s no chance for humanity. You can not tolerate what Al Gore represents, unless you want to destroy humanity. It’s not tolerable.

We have to go back to a high-tech, science-driven approach to economy. And this means, first of all, the emphasis, as I said, on large-scale infrastructure investments, and to create large masses of credit, not only to fund long-term infrastructure improvements, but also to fund the productive industry, of private industry, which will be stimulated by the production and development of major basic economic infrastructure.

These are the alternatives.

What is needed, to do this, is more discussion, in nations and among nations, about the kind of subjects I just spoke of. Without discussion, obviously, we will not come to agreement. These are things that have to be agreed upon, which have not been discussed, which are not on the table now, as negotiating points, and therefore, people assume things are going in a different direction.

But the thing to understand: This is not just a U.S. crisis, nor is it just primarily a U.S. crisis. It’s a crisis of the dollar, which is a crisis of the world financial system, because the dollar is still the denominator of the world financial system and economic system. But if a collapse of the dollar occurs—and we’re now down 30% in the recent period, of collapse in the value of the dollar—if that continues, and a breakdown of the U.S. financial system occurs without remedies, then you will see, Europe will go down totally, the British will go down totally (even though they’re now partly a factor causing the problem, but they’ll go down totally). And the rest of the world will go down, because a collapse of Europe and the United States will mean a collapse of the world economy as a whole.

This is a high-tech world. We have a population over 6.5 billion people. We can not sustain a population of 6.5 billion people, and their aspirations, without a high-tech economy, and a global one.

That’s our situation.