
Conference in Rhodes

For a New World Economic Order in the Tradition of the Peace of Westphalia

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, founder of the international Schiller Institute and of the Civil Rights Solidarity Movement (BüSo) in Germany, was among the keynote speakers at the Sixth General Meeting of the World Public Forum Dialogue of Civilizations, which was held in Rhodes on Oct. 9-13. The WPF was founded and is chaired by Vladimir Yakunin, chairman of the Russian Railways company, and, each year, brings together political, religious, and intellectual leaders from around the globe. More than 700 people from 70 countries attended this year. Her speech has been translated from German.

This conference is taking place at a time when even the previous advocates of the thesis that “there is no alternative to globalization,” acknowledge in terror that we are in the midst of the meltdown of this globalization, and in the midst of a chain reaction of events that threaten, in a very short time, to bring most of world production and trade to a standstill.

It is therefore a very important step in the right direction, that French President Nicolas Sarkozy, at a meeting last Saturday [Oct. 4] with the heads of government of Germany, Italy, and Great Britain, and European Union representatives, announced the convening of an international conference, using the precedent of the conference convened by Franklin Roosevelt in



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Helga Zepp-LaRouche: A new financial architecture must be based on common principles, not “rules.”

1944 in Bretton Woods, to lay the basic foundations for a new financial architecture. Nothing is more urgent than this. It is also long overdue that this must be a meeting of the so-called G-14 states, and that, among others, China, India, Brazil, and South Africa should be incorporated.

Worst Crisis Since the 14th Century

It is now thus all the more important to reach a common understanding of the theoretical fundamentals and principles, upon which the new financial architecture must be built if it is to be successful. Anybody who thinks it is sufficient merely to have a few “new rules” for the hedge funds and rating agencies, suspension of the EU’s Maastricht Stabilization Pact in order to clean up the banks, and punitive reduction of the income of executives of failed companies, is mistaken.

If the world is to escape the danger of a collapse into a New Dark Age comparable only with that of the 14th Century, then the

new financial system must be constructed on the basis of a qualitatively different paradigm than that of failed globalization. To attempt just to remove the most obvious, wild excesses, so as to find the quickest shortcut for returning to the old maximization of profit, can only end in catastrophe.

The parallels to the financial collapse of the 14th



EIRNS/Helga-Zepp-LaRouche

Participants in the World Public Forum Dialogue of Civilizations conference in Rhodes, Oct. 10, 2008. More than 700 people attended from 70 countries.

Century and the ensuing Dark Age certainly merit reflection: At that time, banking houses like the Bardi, Peruzzi, or Acciaiuoli had taken over all aspects of economic life: from financing the court of the King of England and the aristocracy, to the military, agricultural production, and trade. They operated according to the principle of profit maximization, without the slightest regard for the community, which they plundered beyond the point at which it could survive. They acted like a cancer which grows by taking over more and more of its victim, until the patient dies. In the end, the English King Edward III canceled repayment of the accumulated debts: That was the straw that broke the camel's back, and the banking houses collapsed.

A collapse of civilization resulted, decimating one-third of the population from India to Iceland. The combination of the Black Plague, failed harvests, hunger, superstition, witch hunts, and Flagellants meant a collapse that became known as the "New Dark Age." The paintings of Hieronymus Bosch vividly convey the insanity which dominated this era.

Globalization Today

In the era of globalization, the methods of the investment banks, the hedge funds, and the private equity firms are, doubtless, orders of magnitude more complex and sophisticated, due to the advances of the electronic age. But though they operate "globally," the principle has remained the same: the highest possible profit through control of scarcity. The principle "buy cheap, sell dear," and the maximum extraction of profit

in the "shareholder value" society, have led to, on the one side, thousands of billionaires and over 10 million millionaires; but on the other side, billions of humans living below the subsistence level.

Additionally, since the invention of "creative financial instruments" by Alan Greenspan, massive sums have come into being, whose dimensions seem to belong to the domain of astronomy: three-digit trillions or perhaps quadrillions in outstanding obligations. Due to a lack of transparency,

in particular with respect to over-the-counter (OTC) trades, no government or central bank has an accurate picture.

Most recently, since the outbreak of the so-called mortgage crisis in the United States 14 months ago, it has become clear to most insiders that a large part of these 16-digit-plus "assets" is in fact "toxic waste." The French magazine *Marianne* has just released figures only previously publicized by *Executive Intelligence Review*: The \$1,400 trillion market in derivatives is 50 times the size of the combined GDP of all the world's nations! The attempt to honor this financial paper at 100% value, as the U.S. Administration is now trying to do with the Paulson plan (which is by no means limited to \$700 billion, and is actually open-ended), can only lead to a rapid hyperinflationary disintegration of the world financial system. The events in Germany of 1923 now threaten to play out on a global scale!

Even if you take into account the impressive degree of incompetence of the greed-blinded investors, it must have been clear to the chief culprits that the unrestrained granting of mortgages to people without any down payment, would necessarily lead to a collapse of the mortgage and real estate markets, as soon as interest rates rose on the credit markets. And now it is also clear to them that hyperinflation will destroy the savings and living standards of the majority of the population, and threatens famine on an unprecedented scale. If this problem is not immediately solved through a reorganization based on the right principles, it threatens to bring on a collapse of humanity into a dark age in which billions could be victims.

LaRouche's New Bretton Woods

Now, it is a well-documented fact, that my husband, the American economist Lyndon LaRouche, has for a long time, and at every branching point, correctly forecast the accelerating tendency towards a systemic collapse of the financial system, on the basis of the axiomatically flawed decisions that were made; these include the promotion of consumerism in the U.S. of the 1950s, the elimination of fixed exchange rates and of the Bretton Woods System by Nixon in 1971, and the crashes of 1987 and 1997. On July 25, 2007, three days before the outbreak of the mortgage crisis, he explained in his now famous webcast, that the financial system had already collapsed and was hopelessly bankrupt, and that from then on, we would see various aspects of the bankruptcy rising to the surface.

I mention this, because in a situation so dangerous for humanity as this, it is better to listen to the solutions proposed by the economist who for decades has correctly analyzed the problem, rather than to those who, until recently, denied the systemic character of the crisis, or who still in August were saying, "The worst is already behind us."

Such an emergency conference, modelled on the Bretton Woods Conference of 1944, has long been proposed by Lyndon LaRouche, but he emphasized the difference in the conception of Bretton Woods intended by Franklin Delano Roosevelt, and what was implemented by Truman after Roosevelt's death, which was, in principle, a Keynesian system. It was Roosevelt's intention to use the Bretton Woods System to end forever the colonialism of the British Empire. It is precisely this intention of Roosevelt that must be implemented today with the New Bretton Woods.

In order for this new system to have credibility and integrity, the initiating powers—the U.S.A., Russia, China, and India—have to build the core of a representative group of nations which, in the tradition and spirit of the Treaty of the Peace of Westphalia, decide on a multicultural and multinational credit system, even while the current monetary and financial system is put through an orderly bankruptcy process.

A Credit System, Not a Monetary System

Because of the above-mentioned volume of outstanding obligations, it cannot be merely a matter of "new rules" for hedge funds and rating agencies. Instead, the financial system must be put through an orderly bankruptcy proceeding; most debts and specula-

tive contractual obligations must be written off. Simultaneously, a system of fixed exchange rates must be established, along with National Banks for the creation of credit for productive investment.

The key to success of the reorganization, is that the new system, as a credit system, orient itself to the right that is anchored in the U.S. Constitution, to sovereign government creation of state credit, as demonstrated by the first Treasury Secretary of the United States, Alexander Hamilton, and his founding of the National Bank of the United States. In the U.S. the government can, through the Treasury, and with the authorization of the Congress, create credit, which thus becomes a legal means of payment.

The second way for credit creation to occur, is by means of international treaties, which are also voted upon by Congress. Such treaty agreements by a group of leading nations, with the United States, would become formally the turning point upon which to build the alternative to the ever more dramatically escalating crisis. If a representative group of nations agrees upon a new system of credit, customs, and trade agreements, that is already a "New Bretton Woods System"—and the last chance to prevent the risk of chaotic collapse that is becoming more dramatic every day.

The new system must be based on fundamentally different principles than the just-collapsed system of "globalization." The outsourcing of highly qualified jobs and production capacities to so-called "cheap labor countries," with significantly lower wages, poorer infrastructure, lower taxes, and lower standards of living, has not paid off for either the industrial nations or the developing countries. For example, the United States, as a result of this policy, no longer has medium-sized industries, while China, which has produced so much for export to the U.S., cannot cover the real costs of its total national production with its export earnings.

Thus, despite China's high growth rates of recent years, almost 70% of the population has not yet been freed from relative poverty, and China is not being paid enough for its exported goods, either to cover the costs of its cheap labor, or to cover part of the costs for the reproduction of society as a whole. And not only is the Chinese export market in the U.S. and elsewhere now endangered, but the escalation of the crisis threatens a massive loss in the value of the export earnings that have accumulated as currency reserves.

That was exactly how “market prices” ruled under conditions of globalization for most nations, but especially those subjected to diverse forms of monocultures, which meant de facto “primitive accumulation” of the national economy as a whole. The new system, therefore, must define “fair prices,” which not only make possible a strong, protected internal market for industry and agriculture by means of protective tariffs, but also take into account the costs of optimal health and educational systems.

Creativity Is the Driver

In contrast to the insane and recently failed assumptions of the free traders, the real source of wealth in society is exclusively the creative capacity of man, which continually empowers him, through the discovery of new physical principles, to expand his knowledge of the laws of the universe. When this scientific and technological knowledge is applied to the production process, it leads to an increase in the productive powers of labor and production capacities, which in turn leads to an increase in the standard of living and life expectancy.

The fact that a world population of a few million people in hunting and gathering societies, could develop to today’s six and a half billion human beings, is proof that by the application of these discovered universal principles in production processes, productivity increases by magnitudes that are significantly higher than the costs of the discovery and the investment in its application. Certainly, the general principle of progress is also required, since at every stage of development, natural resources are relatively limited, and new resources can only be defined through a new, qualitatively higher discovery.

Human creativity is thus the motor for the increase of relative potential population-density, which in turn is the necessary precondition for the long-term survival of human species. The increase in relative potential population-density is therefore the measuring rod for economic policy decisions. The Russian physicist Pobjin Kuznetsov once said that discoveries are always named after their author, such as “watt” and “ampere,” so the concept of relative potential population-density, as an economic measure, would go down in history as the “La,” for LaRouche.

The paradigm of the new system must therefore be centered on the maximum promotion of human creativity. A nation oriented to the common good will see as its

most self-evident interest, the promotion of the creative capabilities of all its citizens, and above all, its children and youth. Such an orientation would not only promote those scientific and technological areas which, as “science drivers,” optimize the character of the economy, but it would also expand the role in the universe of what scientist V.I. Vernadsky called the Noösphere. That means, it would further the process of the human race “growing up.”

The New Bretton Woods must also be built upon the principles of the Peace of Westphalia, which, in 1648, ended a 150-year period of European wars, including the Thirty Years War. The most important principle of this treaty, upon which international human rights are based, was the idea that, in the interest of peace, all foreign policy must be oriented to the “advantage of the other.” The warring parties had realized that, were the war to continue—a war in which whole areas of Europe had been decimated—nobody would be left to enjoy a victory.

Earlier, Nicolaus of Cusa, in the 15th Century, had laid the philosophical foundations for international law, in particular with the idea that harmony in the macrocosm can only exist when all microcosms can develop in the best of all possible ways, including viewing the development of other microcosms as in their own interest. Accordingly, peace in the world can only be achieved when all nations have the chance to realize the potential within them and their citizens, and simultaneously to promote the development of other nations. That was the same core idea upon which John Quincy Adams based his foreign policy of a Community of Principle among fully sovereign republics, which are allied by a higher interest of humanity.

We have now arrived at a point in history, at which we are confronted with the challenge with which Alexander Hamilton, in the *Federalist Papers*, was confronted with respect to the United States: namely, whether we are capable of giving ourselves a government and a political order which functions and is worthy of human dignity—but this time, for the whole world. At a point where the possible collapse of humanity confronts us all too clearly, can we act together in time, to give the world a political and economic order that is in harmony with the Creation and the laws of the universe?

I think we can, and that this is the purpose of the individual, and of humanity!