

# As Financial System Teeters, Four Power Agreement for a New Bretton Woods Is the Solution

*This is the edited transcript of the Schiller Institute's New Paradigm webcast of August 17, 2018, an interview with the founder of the Schiller Institute, Helga Zepp-LaRouche. She was interviewed by Harley Schlanger. A [video](#) of the webcast is available.*

**Harley Schlanger:** Hello, I'm Harley Schlanger with the Schiller Institute. Welcome to this week's webcast with our founder, Helga Zepp-LaRouche.

The Schiller Institute has just drafted a new petition calling for an emergency summit among four powers, the United States, Russia, China, and India, to create a New Bretton Woods. This is something that is urgently needed: The current financial system is in terrible shape. It's not just one problem—it's not just Turkey or Argentina—it's the whole system. This comes at a time when there's a political crisis in the world with the continuation of Russiagate in the United States. So, it's absolutely crucial that steps be taken to address the financial crisis—the most important step would be a conference for a New Bretton Woods agreement. Our listeners and viewers should read the [petition](#) titled, "The Leaders of the United States, Russia, China and India Must Take Action!" and circulate it.

Helga, why don't you give people a sense of what's in that petition and the thinking behind it?

## Why a New International Monetary Conference?

**Helga Zepp-LaRouche:** I think most people would agree that the world is a complete mess. You have many



different problems. You have the immediate danger of a new financial blowout. There are analysts warning that there are storms over the United States, that you could have a complete financial collapse way before the midterm elections. We also have the emerging markets reverse-carry-trade problem that is hitting Turkey and Argentina,



Lyndon LaRouche's newspaper, September 1, 1971.

but possibly other nations. There is also the refugee crisis and the collapse of infrastructure, as the collapse of the bridge in Genoa demonstrates. The EU is in a state of disarray and the demographic curve in the United States is collapsing. Add to that the virtually unbelievable yearly figures of deaths by opiate overdoses in the United States.

Most people, in the face of these—and I could probably make a longer list—would most probably say, "How can you remedy all of these things? There seems to be no solution. How can we possibly be in a safe world?" I think there is a common thread of action,

which will not remedy everything at once, but it will begin the process of putting the world back in order, so that we can start solving all of these problems.

I think that the reference point of when the Western financial system went haywire is what needs to be understood. My husband, the American economist and statesman Lyndon LaRouche, is probably the only economist who, when it happened, put his finger absolutely on the problem, namely when President Nixon, on August 15, 1971, cancelled the fixed exchange rate system of the Bretton Woods system, decoupled the dollar from gold, and started monetarist, neo-liberal policies. My husband, (at that point he was not my husband yet) said the world now faces a stark choice: If we continue this monetarist neo-liberal policy, sooner or later there will be another great depression, another danger of fascism—or the world will establish a just new world economic system.

He was absolutely on the mark saying that, and ever since, he has been absolutely consistently right in every economic prognosis. He forecast the 1987 crash. One week before the secondary mortgage crisis in the United States started to detonate—what became the 2007-2008 Lehman Brothers/AIG bankruptcy, the big systemic crisis of 2008—he made a video address in which he said that this system is gone and all you will see now are the different symptoms coming to the surface. He also made the point emphatically that the condition of American infrastructure was terrible, and there be would be collapses. Exactly one week later, the bridge in Minneapolis, Minnesota came down taking scores of commuters with it.

Over the years, my husband has repeatedly called for a reestablishment of the New Bretton Woods system, to go back to Hamil-



tonian economics—to a credit system, and to wipe out the casino economy, get rid of the derivatives bubble, and go to national banking, have credit generation of sovereign governments, and then, have an international credit system by linking these different credit systems through clearing houses, so you can have long-term investment in great projects as a remedy to all of these problems.

In 2003 we were in Turkey—we had been invited by the then Prime Minister, Turgut Özal—and my husband made [speeches](#)

in Istanbul and Ankara, in which he said we need a concert of nations to go back to the sound criteria of the Bretton Woods system. Later he further specified that the only combination of countries which has the power to undo the British Imperial financial system based on the City of London and Wall Street, would be a four power combination of the United States, Russia, China, and India.

This new petition, which calls on the leaders of



EIRNS/Rolf Pauls  
Lyndon LaRouche and Turkish Prime Minister Turgut Özal, Ankara, Turkey, July 29, 1987.

these four countries, not to be exclusive, but to have these four countries function as the core group of nations which would form a New Bretton Woods system and then invite others, and all countries who would like to associate with it, would be welcome to join.

Now, this is urgent. As I said, there are many people who say the next financial storm will hit well before the midterm elections. There are many analysts who say the Federal Reserve “tapering,” the so-called increase of interest rates, must urgently stop because it is about to blow out the debt bubble.

The Institute of International Finance in Washington has just published a report showing that the total indebtedness of the world is now \$247.2 trillion, representing an increase of 11.1% just for the last year. We are sitting on a complete powder keg, and anything could trigger a collapse of the bubble, which if not remedied would then be the trigger of economic chaos with unforeseeable consequences.

We are calling on you, our audience and many other audiences around the world: study this petition. If you agree with it in principle, that we need an urgent change in the monetary system, that we need to go back to a credit system and real economy, and that a powerful combination of countries is necessary to implement it, then sign and circulate it as widely as you can. We want to translate this petition into as many languages as we can—and if you have language skills, help us translate, it because we want a worldwide mobilization of every country, every force, every person on the planet, to appeal to those four leaders—President Trump, President Putin, President Xi Jinping, and Prime Minister Modi—to take this action; and to increase the pressure by putting this on the agenda of the UN General Assembly which starts in September.

### Monetarism and a Credit System Compared

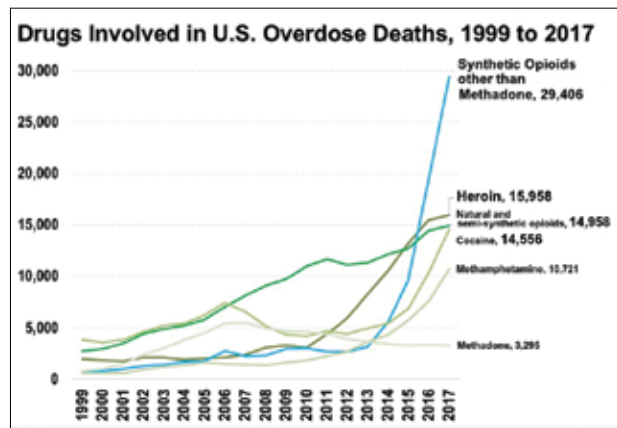
**Schlanger:** Helga, for those who are not familiar with this, your husband, and you also, have emphasized repeatedly that the difference is between a financial system based on monetarism, as opposed to one which is based on credit for physical economy. If you could just summarize that, so people get a sense of why one tends towards bubbles and crashes, and the other, that we’re seeing now, for example, with China’s Belt and Road Initiative, is the basis for constant growth.



*Left, demolition of an abandoned blast furnace, McKeesport, Pa., 2006. Below, homelessness in the U.S. capital, December 2010.*



EIRNS/Stuart Lewis



**Zepp-LaRouche:** My husband recognized that when Nixon decoupled the dollar from FDR’s gold reserve system, and got rid of the fixed-exchange rates, this was the first major step in the direction of the deregulation of the financial markets. This was then escalated—Glass-Steagall had been undermined, when Alan Greenspan became the head of the Federal Reserve. When Glass-Steagall was officially repealed in 1999, this was the real starting point for complete deregulation of the financial markets. Many countries implemented legislation which benefitted the speculators at the expense of the physical economy and to the detriment the common good of the people.

Deregulation led to the big crisis in 2008. And there was, for several weeks, a complete shock. I remember very well, many people, even Nicolas Sarkozy, the French President at that time, thought that this was “it,” that the system would just collapse. That shock unfortunately didn’t last very long, because already at the next G-20 meeting in Washington, in November, they decided to fix it, to use quantitative easing, to use what

were eventually zero interest rates, just pumping money into the system to prolong the system which benefits the speculators and at the expense of the common good of the people: destruction of education and culture, cuts in social and medical services, cheap labor, and ruining the economies in their substance.

Since there was nothing done after 2008 to get rid of the root causes of the systemic crisis of 2008, we are now, 10 years later, in a system that is much more indebted, about 40% or more, more indebted than it was in 2008. We now have a bubble which is about to detonate. There has been a lot of looting, a lot of austerity, a lot of low wages, and increases in unemployment.

Contrast that with what China has been doing with the Chinese model of economy, where they uplifted 800 million people in the last 40 years out of poverty; they have created a large, growing middle class, a growing domestic market; they have launched the Belt and Road Initiative, the New Silk Road, bringing economic development to many countries in Eurasia, in Africa, in Latin America. This is just a completely different approach. Just recently China has moved very forcefully to forbid speculation, to forbid Chinese investors from engaging in speculation abroad. There are many countries aware of the weakness of the financial system in the West, and they're preparing to protect themselves against it.

So we are sitting on a powder keg. For example, because of the unfortunate war of sanctions the United States has imposed on many countries, these countries are not sitting idly by, but they are starting to dump U.S. Treasury bonds. This is an amazing thing: It's not just Russia and Turkey, which have started to go out of U.S. Treasuries—Japan also. Japan got rid of, I think \$83 billion worth of U.S. Treasuries in the last year. China has started to do it; they have \$1.013 trillion in U.S. Treasuries—if they would start dumping those wholesale, it would probably blow out the system right there.

Several countries have started to go out of the dollar for international trade, in favor of denominating their trade in the national currencies involved. All these actions constitute the beginning of the formation of a new economic system which is designed to safeguard against the danger of a blowout.

There is no time to lose. President Trump has spoken very favorably of the American System of economy. He's mentioned Alexander Hamilton, Henry C. Carey,

and Abraham Lincoln. What people don't know is that the American System of economy as it was developed by Hamilton, is actually very similar in principle to the Chinese economic model. Most people have no inkling that that's the case, but it's a matter of fact. The same idea drives both systems: that the state has the power and the right to issue credit for investments in the physical economy, provided these investments are based on sound scientific principles, meaning that they have to lead to an increase in productivity and an *increase in the capacity of labor power, to accompany these increases in productivity.*

As long as these principles are safeguarded, there is no reason to think that credit generation by government is inflationary. To the contrary, credit in this fashion has a deflationary effect because it creates new levels of technology. So, that is what is very urgent to understand, and to act on now. We need the right kind of international reform, based on the principles we have been discussing here, to prevent a blow-out and a near-term descent into chaos.

### **The Wages of Monetarist Sin: Death, as Italian Bridge Collapses**

**Schlanger:** One of the points you made earlier is that with the post-Bretton Woods system, there was a big push for deregulation, also, the so-called “free trade” agreements. Another aspect was privatization, and this plays into the situation in Italy. There's a lot of finger-pointing going on. Except for the policies of the European Union and privatization, it does appear that this Genoa bridge collapse—the Morandi bridge—was completely avoidable.

**Zepp-LaRouche:** It's not just the European Union. In most European nations, it used to be that, infrastructure belonged to, and was the responsibility of the state. That is actually as it should be, because basic infrastructure does not bring an immediate profit. Infrastructure creates the preconditions for industry, for agriculture, for trade to function. Therefore, when the economy went well, it was always the obligation of the state to take care of it and invest in it.

Now, that was the case in Italy until 1992, when there was a very infamous meeting on Queen Elizabeth's yacht, the *Britannia* [off the coast of Italy], which was actually a conspiratorial meeting of many of the money bags and financial bigwigs. They decided



CC/Salvatore Fabbrizio

*View from Coronata of the privatized Morandi motorway bridge in Genoa, Italy, after its partial collapse on Aug. 14, 2018.*

not only to go for a huge privatization of all kinds of things—of state-owned industries, of infrastructure, of many things which previously were part of the official public works. And they started to speculate. They speculated the lira down by 30%, and then had foreign investors buy up these things very cheaply. This was a real conspiracy.

Mario Draghi was one of the people involved. He later became a leading banker at Goldman Sachs and now heads the European Central Bank. He has many times ordered huge austerity programs onto Italy, which is one of the reasons why you have the present government in Italy consisting of a coalition of the Lega Nord and the Five Star Movement, both of which are totally euro-critics, because they have seen what the EU austerity policy has done to the Italian economy.

It is the combination of privatization of things which should be public, and massive austerity which has inevitably led to non-investment in infrastructure repair.

Infrastructure has only a certain lifespan. Depending on what categories you are dealing with, infrastructure needs to be repaired after 40 or 50 years, or even 20 years, or 80 years. But in the case of this bridge, which was privatized; it belongs to a larger auto-way called Autostrade, owned by the Benetton family.

Now it turns out that the inspectors, the people who were inspecting the condition of the bridge, had noted that the bridge was in urgent need of repair. Rather than starting repairs immediately, the owners of this private infrastructure decided to postpone the begin-

ning of the repair until September, when the main holiday traffic—the big profit period—would be over, because this is a toll system. This bridge goes toward the port of Genoa and then all the islands, and also to France. So a lot of tourists and people who go to the beaches travel in the summer over this bridge. Obviously, this looting of big profits was the reason why the repair was postponed.

This is all now under investigation, and there is a big move for the Italian government to renationalize this infrastructure, which is causing a huge freak-out on the side of the privatizers. I think this is a very interesting development,

which is not only affecting Italy. Now there is a big debate going on about the condition of bridges and other infrastructure in Germany. It turns out that 12% of all bridges in Germany are regarded as highly unsafe, and the same thing that happened in Italy could happen in Germany at any moment.

The infrastructure in the United States is in an absolutely abysmal condition. I think that this is really a reflection of the policies that started in 1971 with the abandoning, the destruction of the Bretton Woods system through Nixon. We need an urgent reversal of this policy; this is why this petition is circulating.

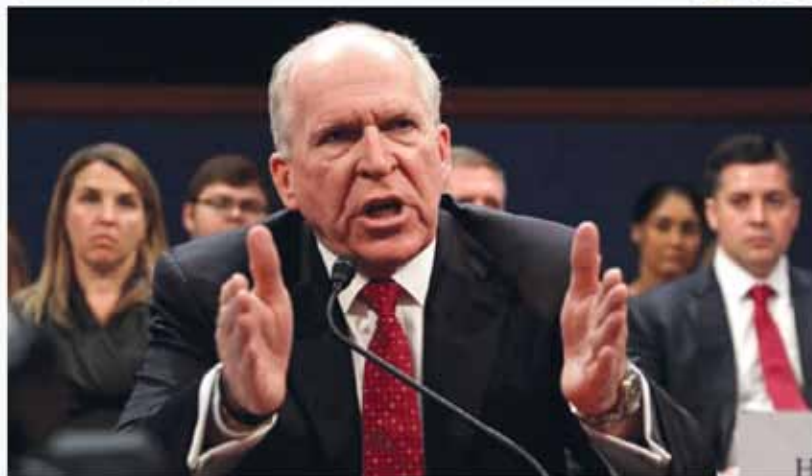
### **Turn Russiagate into Muellergate**

**Schlanger:** I want to take up next an aspect of the continuing unfolding of the Russiagate story. This week, President Trump lifted the security clearance of [Obama's former CIA Director] John Brennan. This was, in our opinion, long overdue, but it caused an enormous panic in the media. Brennan wrote an op-ed in the *New York Times*, asserting that Trump colluded—again without presenting any evidence. Also, [FBI agent] Peter Strzok was fired. We're talking about a 90-day perspective for the economy and the security side of this—ending Russiagate. Where do things stand on that, Helga?

**Zepp-LaRouche:** President Trump's lawyer Rudy Giuliani said that it's high time that Brennan is put in front of a grand jury investigation. Giuliani said that Special Counsel Robert Mueller should wrap up his

# Revoking Brennan's Security Clearance: The Right Thing, Even if for the Wrong Reason

By ANDREW C. MCCARTHY | August 16, 2018 6:30 AM



Former CIA Director John Brennan testifies before the House Intelligence Committee, May 23, 2017. Photo by Lawrence Johnston

It's right because he is irresponsible and untrustworthy and has politicized intelligence.

Russia probe and submit his report by September 7, or his investigation should be shut down, because otherwise it would constitute an interference in the November midterm elections. Several Congressional committees are working—despite the summer break—interviewing people under subpoena. Everything centers on the role of the British colluding with the Obama intelligence apparatus in creating this coup attempt against President Trump. The reason we are in a 90-day countdown, so to speak, is that there is right now this investigation, pointing to the intervention and interference of the British government, the MI6, the GCHQ (the equivalent of the NSA), of the British secret services, into the U.S. election.

This is the biggest scandal in the history of the United States. Were these Congressional investigations to be shut down, I think the United States would probably never recover from it. It's very clear from the hysteria of the Dem-

ocrats and some neo-cons in the Republican Party, but especially also the so-called mainstream media, that they are completely freaked out because they all were part of this collusion.

In Nazi Germany, the word *gleichgeschaltet* [synchronized] was used to characterize the unified line of the media under Reich Minister of Propaganda Joseph Goebbels. Now take a look at the behavior of the U.S. media. On Aug. 16—in a modern-day example of *Gleichschaltung*—three hundred newspapers ran editorials in an absolutely incredible attack against Trump. Does anyone think that isn't a conspiracy? Three hundred papers coordinating their action. Call it a conspiracy, or a plan, whatever you want to call it, but these so-called “mainstream” newspapers, bawling about freedom of the press, are the same

media that are covering up the biggest scandal in the history of the United States, trying to give it a spin, so that ordinary people won't be able to penetrate it.

Therefore, it is extremely urgent that Congress acts and that the American public acts to back up Trump to declassify all of the documents having to do with Christopher Steele, and having to do with the FISA [Foreign Intelligence Surveillance Act] Court warrants. *All of these things must be declassified!*

There is a new article out by the expert on this matter—Barbara Boyd—with the title “Fish Stinks from the Head Down,” an update on the latest inconsistencies in the stories of Peter Strzok, Lisa Page, and all of these people participating in the coup attempt against Trump. Get this article. Go the LaRouche PAC website, download it and read it [<https://larouchepac.com/20180810/fish-stinks-head-down-update-mueller-inquisition>]. Then circulate it as widely as



possible, because that is the very best thing you can do: The truth is coming out, and we are getting this into the hands of those who need to understand what is really going on in this unbelievable story.

**Schlanger:** There are some other very important developments, starting with Russia. Prime Minister Dmitry Medvedev is denouncing the new U.S. sanctions against Russia as an act of economic warfare. What do you have to say about that?

### Sanctions Don't Stop Putin's Humanity

**Zepp-LaRouche:** Obviously the imposition of new sanctions on Russia is an effort by bipartisan forces in the Senate to take away the power of the President to define foreign policy. After Trump met with Putin in Helsinki, the hysteria completely went into overdrive, in an effort by the Senate to continue what it started last summer with the so-called CAATSA [the Countering America's Adversaries Through Sanctions Act], by imposing what Lindsey Graham called "sanctions from Hell." These "sanctions from Hell," if they were all implemented by November, would basically ban Russian banks from international work; would ban trading in Russian bonds; and would therefore completely cripple the Russian economy, at least under the present circumstances. That's why Prime Minister Medvedev called these sanctions a declaration of economic war, and vowed that Russia will absolutely take decisive countermeasures.

We have already seen part of Russia's countermeasures when Foreign Minister Lavrov was in Ankara, Turkey discussing with President Erdogan and others, a shift away from the dollar into trade in the national currencies. If this thing escalates, if the trade war with China escalates, with sanctions on all kinds of countries, it could build to an uncontrollable situation. Therefore, we have been insisting that the Muellergate operation against Trump must be shut down immediately. Trump's natural impulse is to seek a better relationship with Russia. And he was doing very well with Xi Jinping before. I think that under the urgency of the situation, the making of a Four-Power Agreement, which then would be supported by many other nations in the world, is an absolutely urgent but also realistic possibility. It must happen now.

**Schlanger:** And again, people should go to the



russia.ru

*Russian Prime Minister Dimitri Medvedev.*

Schiller Institute website and get the new petition that calls for an emergency summit for a Four-Power meeting to enact a New Bretton Woods.

Helga, two things on the positive side, one of which is actually quite delightful. You have the South Korea-North Korea talks coming up, President Moon meeting with Chairman Kim. Then also, President Putin being invited back to Austria under interesting circumstances. What do you think?

**Zepp-LaRouche:** President Moon Jae-in of South Korea has launched a very interesting initiative preparatory to his going to Pyongyang in about a month. He has proposed a Northeast Asia Economic Railway Initiative, whereby the railway systems of South and North Korea, Russia, and China are to be integrated and be the basis of a major economic program. I think this is a very good thing, and despite the media—who basically pooh-pooh the Trump-Kim Summit all the time—all the parties are saying it *is* working, from the Trump administration, from Russia, from South Korea, and from China. They all say it is absolutely proceeding, as it was discussed between Trump and Kim Jong-un in Singapore, and it actually is progressing in a good way. So, this is a very good development.

The last thing you mentioned I find quite amusing, because Putin, on his way to Germany, where he will meet with Chancellor Angela Merkel tomorrow, will be attending the wedding of Austrian Foreign Minister Karin Kneissl. When she invited him a couple of months ago in Vienna, he said, "Yes I will come," and now he'll be there. In the face of all the anti-Russian hysteria, the fact that the Austrian Foreign Minister

would invite Putin to her wedding is actually quite a human response; it should be normal, it should make people happy.

But in these times of Marco Rubio going haywire and Sen. Lindsey Graham and many other people being in a worse-than-McCarthy fit, it does create a flutter. But hopefully such simply human interaction as shown by Putin will occur often in the future when we have a New Paradigm. I think everyone should just enjoy it.

### Sign and Circulate the Petition

**Schlanger:** Absolutely! Helga, is there anything else you want to cover?

**Zepp-LaRouche:** No, I just would really like people to look at this petition. It has the potential to move the relevant heads of state if enough people in enough countries sign it. We want to change the agenda. Right now, the only way you can address all of these many problems—the refugee crisis, the lack of credit for rebuilding the economy. If people have questions, if you don’t understand why this is the solution, the pre-step for all solutions, contact us, get in a discussion with

us, send us an email. Raise the level of political discussion around you to a higher level. If you just try to solve each little problem within its little setting, you cannot do it.

Einstein once said, do not think that you can solve a major problem with the same methods which were the reason for it to exist in the first place. You need a different method. What we are here proposing is a different method: to operate at a higher level of reason, of strategic cooperation. I do not think it’s impossible because you already have the emergence of a new economic system anyway. The BRICS, the New Silk Road, the Shanghai Cooperation Organization, the Eurasian Economic Union; there are already many processes in the direction of a new economic-financial architecture. But to actually bring that new economic-financial architecture into being requires thinking on a strategic level.

So, please sign and circulate this petition. Get as many signatures as you are able.

**Schlanger:** Well, thank you very much, Helga. We’ll see you next week.

**Zepp-LaRouche:** Yes, hopefully next week.

NEW RELEASE, **Volume II**

## The New Silk Road Becomes the World Land-Bridge:

### A Shared Future For Humanity

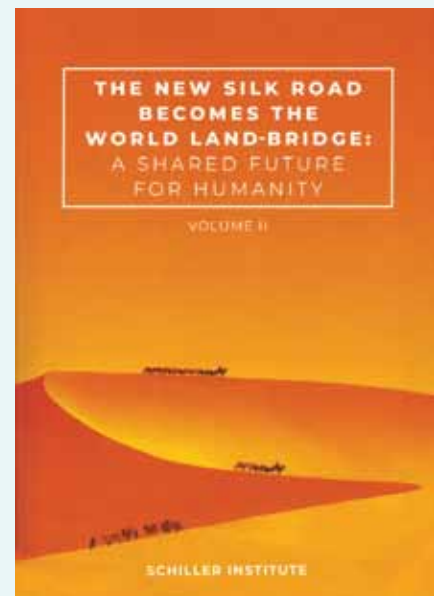
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