

British had maintained their colonial “imperial trade preference” system and “pound sterling bloc” within the dollar-based Bretton Woods system. And starting in the later 1950s London banks blatantly violated the Bretton Woods rules by opening high-interest accounts for dollar deposits in London, then creating very high-interest-rate, actually unpayable, dollar debt of Third World countries, known as Eurodollar loans.

This was the diametric opposite of Franklin D. Roosevelt’s intended policy at Bretton Woods toward the British, French, Belgian and Dutch colonies as they freed themselves.

The huge pound devaluation put great pressure on the dollar, already weakened by the near-abandonment of FDR’s capital goods export policies, the resulting collapse of the U.S. goods trade balance, and inflation.

### 1971

LaRouche frequently attacked Arthur F. Burns, the politically conservative, but liberal Keynesian economist, Milton Friedman’s teacher and mentor, head of Eisenhower’s Board of Economic Advisors, and Nixon’s Federal Reserve chair. As the last, Burns simultaneously raised the money supply rapidly during 1970-71, while pushing for wage and price controls, until Nixon imposed them in August 1971 after breaking the dollar’s link to its gold reserve.

Those wage controls, and that Schachtian fascist policy toward the underdeveloped countries, were the major issues in Lyn’s famous debate with Prof. Abba

Lerner of [Queens College—ed.] in December 1971. Professor Lerner was considered the most brilliant of living Keynesian economists. In the debate, he supported Nixon’s action; supported the wage and price controls; and finally, under the pressure of LaRouche’s reasoning that this would lead to Schachtian fascism, Lerner supported Schacht by name, before an audience of hundreds of New York college students and teachers.

It has been noted that Lyndon LaRouche’s reaction to the vindication of his economic forecasts and method by these events, was to organize his own intelligence system and launch an intelligence service, known as Executive Intelligence Review.

### 1976

Consider: *EIR*’s leading preoccupations in its first years in the 1970s in economic coverage were: toward the formation of the European Monetary System, the so-called “golden snake” of fixed exchange rates in the European Economic Area; toward creation of an International Development Bank—Lyn’s concept adopted by the Non-Aligned Nations in 1976; toward the United States issuing gold-backed industrial development bonds at \$500/ounce of gold.

What were these but LaRouche’s organizing steps toward recreating Bretton Woods *as FDR intended it to function*. Since the beginning of what he called his “three phases of economic studies” in the 1950s, LaRouche’s understanding of the urgency of FDR’s goal, was fundamental to all his extraordinary forecasts.

## Harley Schlanger

# Nixon’s August 1971 Announcement: An Eyewitness Account

*Harley Schlanger is a board member of the Schiller Institute. He joined the LaRouche movement many decades ago, and has been a spokesman of Lyndon LaRouche in the United States for several of those decades. He helped to build the LaRouche Youth Movement beginning in the early 2000s, and today he continues to play a central role in educating people of all ages on LaRouche’s ideas and insights into the current political situation on many media channels across the world, in-*



LaRouche Legacy Foundation  
Harley Schlanger

*cluding his Daily Update video on The LaRouche Organization website. This is an edited transcript of his presentation to the second panel, “Earth’s Next Fifty Years,” of the August 14, 2021 LaRouche Legacy Foundation seminar, “On the 50th Anniversary of LaRouche’s Stunning Forecast of August 15, 1971: So, Are You Finally Willing To Learn Economics?” Subheads have been added.*

According to the vast majority of journalistic and historical ac-

counts of the process leading up to the August 15, 1971 decision to sever the relationship between the dollar and gold, the most forceful advocate for this action was Treasury Secretary John Connally. Wikipedia, for example, says that Connally “presided over the removal of the U.S. dollar from the gold standard,” and reports that President Richard Nixon “relied heavily on the advice of Connally” in reaching that decision. Economic historian William Greider, in his book, *Secrets of the Temple*, writes that it was Connally, along with Paul Volcker, who “engineered the most fundamental change in the world’s monetary system since World War II.”

Connally, a former Governor of Texas, who had built a reputation as a tough, no nonsense wheeler-dealer in the best tradition of “independent,” rugged Texans, had just been appointed Treasury Secretary by Nixon, as the dollar crisis was peaking. Though he had limited experience in, and knowledge of, international financial policy, it is said that Nixon admired him greatly, and especially respected him for his self-confidence and commanding presence.

This same view of Connally was held by George Shultz, as a negative factor, as he was clearly not as enamored with him as Nixon was. Shultz, who was part of the team working with him to advise Nixon, wrote in his book, *Economic Policy Beyond the Headlines*, that Connally was pursuing “an extremely hard line toward European governments” in talks on the dollar exchange rates, and took an “aggressive posture.” Shultz added that he “flashed the signal” in defense of the dollar “in true Texas style, with both guns blazing in the corridors of international finance.”

I had an opportunity to meet Connally and have an extensive conversation with him about the process leading to the August 15 event, under slightly more humbling circumstances for him. What follows is the report I filed on that conversation, which was [published](#) in the December 10, 2004 issue of *Executive Intelligence Review*:

Far removed from the buzz of more than 500 people,



NARA/Oliver Atkins

President Richard Nixon meets with some of his cabinet members in the White House Oval Office, May 4, 1971. From left to right: Arthur Burns, John Connally, Richard Nixon, Paul McCracken, George Shultz.

in the back of the Hart Galleries in Houston, a tired John Connally surveyed the scene before him. It was January 23, 1988, the second day of a bankruptcy auction held to sell off a lifetime of possessions collected by him and his wife. With millions of dollars in debts, and little in the way of liquid assets, he could do little but watch as the auctioneer took bids on his worldly goods, with the proceeds earmarked to go to his creditors.

For the moment, Connally was alone. Although the press had written of his strength, how he had been standing firm in the face of adversity, he appeared tired.... I approached him and asked if I could ask him a few questions. He straightened up and said, “Only if they are not about bankruptcy.”

I asked about his memories of August 15, 1971, and the announcement by President Nixon of the end of the post-war system of fixed exchange rates. He immediately brightened, saying: “Yes, that was my idea. I took that to the President two nights earlier.” He continued, saying that we were facing a terrible crisis and that no one else would face it. He said it was his most difficult decision as Treasury Secretary, but events of the subsequent sixteen years had proven it was the right decision.

I told him I disagreed; that the shift away from fixed exchange had led to a series of devastating crises. I mentioned the August-September 1982 debt crisis for Mexico, with the vulnerability of the U.S. banking system to a default or moratorium; and the October



RIA Novosti/Sergey Guneev



NARA/Byron E. Schumaker

On August 13, 1971, Budget Director George Shultz (left) insisted that the fixed exchange-rate system must end, and that Secretary of the Treasury John Connally (right) must brief Nixon immediately.

1987 stock collapse, as a result of the shift of the economy from production to speculation, a shift made inevitable by the action of August 15, 1971.

As he listened intently, I told him that I work with Lyndon LaRouche, who forecast that Nixon’s actions of August 15, 1971 set in motion what would become the worst financial crash in history. I asked if he had any comments on that.

“Well,” he replied, “I’m not sure about that. Of course, the crisis was already under way before I arrived.” He told me he had little familiarity with international finance prior to his appointment by Nixon, and that he was first made aware of the problem during regular briefings from William McChesney Martin, then Chairman of the Federal Reserve.

I asked him, “So how was the decision made?”

He said there was a working committee, which included himself, Paul Volcker, and George Shultz. Sometimes Herb Stein of the Council of Economic Advisors attended, sometimes Arthur Burns. Of this group, only Arthur Burns was opposed to closing the gold window. They met on August 13. Henry Kissinger was not there, but Shultz was the most forceful in insisting that the fixed exchange system must end, and that Connally must brief Nixon immediately.

“Did you object?” I asked.

“No.... These were the smartest men around. I figured they knew what they were doing.”

He added that he briefed Nixon the next day, and Nixon had only one question: “Have you run this by Shultz?” When told that Shultz was for it, Nixon asked him to get a draft to his speechwriters, and it was an-

nounced the next morning that he would give a major policy address.

I asked Connally if he had any regrets about the decision. He looked wistfully around the room and said, “Right now, I have lots of regrets about a lot of things.”

“Any about August 15?”

With that, he walked away, saying he didn’t want to think about it just then.

Left unsaid, but perhaps understood by him, was that his misfortunes were the direct result of the mid-1980s collapse and subsequent looting of the Savings and Loans, and the bust cycle of the real estate and oil sectors, in which he had invested heavily—which resulted from the deregulated, free market economic mea-

sures imposed after the August 15 transformation he had supported.

When I briefed Lyndon LaRouche on Connally’s confession, he said:

That sounds about right. Connally was being used by Shultz and the neoliberal free traders, to make it seem credible to Republicans and conservatives that Nixon’s decision was to defend the dollar from foreign speculators.

The irony, he said, is that neither Nixon nor Connally realized that the result would be to significantly *undermine* the dollar, by collapsing the U.S. productive economy.

LaRouche’s assessment was confirmed in an article published in the summer 2021 issue of *International Economy*, written by C. Fred Bergsten, a leading neoliberal monetarist economist, who served as a deputy to Kissinger on the National Security Council, and is a founding Director of the Peterson Institute of International Economics. Bergsten recounts a six-hour meeting he and three other leading economists had with Connally and Volcker on August 18, to discuss what to do next. He said he concluded that Connally had no interest in systemic reform of the sort he and his colleagues were urging. Connally concluded the meeting abruptly by saying:

The foreigners are out to screw us. It is our job to screw them first. Thank you for your help.

Bergsten writes that he was convinced by this meet-

ing to forcefully speak out against the August 15 policy, and decided to “mount an attack against Nixon and Connally.” But he, looking back on it now, concludes that the “ultimate results” of the August 15 decision “turned out to be highly constructive,” as they played an important role in gaining acceptance of the outcome of the Tokyo Round of GATT negotiations—which, he writes, served to restore “the forward momentum of liberalization.” It was the Tokyo Round that undermined the sovereignty of nations over trade policy, by adopting a requirement that there could be no government efforts to foster production, and a ban on government subsidies of exports, both being major components of

the deindustrialization of the U.S., which has accelerated over the last five decades. Thus, the August 15 policy decision was a key component in implementing what Volcker later publicly advocated, in 1978, in a speech at Warwick University in Great Britain, as the “controlled disintegration of the world economy” as “a legitimate objective for the 1980s.”

It is therefore not insignificant that, when Connally left his post as Treasury Secretary, he was replaced by George Shultz, who was a key figure in advancing the Tokyo Round, and in 1973 formalized the floating exchange rate system, which had been adopted as a “temporary measure” by Richard Nixon.

## Carlos ‘Itos’ Valdes LaRouche’s Education of the Youth

*Carlos “Itos” Valdes is a member of the Philippine LaRouche Society. This is an edited transcript of his presentation to the second panel, “Earth’s Next Fifty Years,” of the August 14, 2021, LaRouche Legacy Foundation seminar; “On the 50th Anniversary of LaRouche’s Stunning Forecast of August 15, 1971: So, Are You Finally Willing To Learn Economics?”*



LaRouche Legacy Foundation

Carlos “Itos” Valdes

Good day to all! My name is Itos Valdes. I am the son of the Butch Valdes [who is] the founder of the Philippine LaRouche Society, among many other organizations here in the Philippines. Many of you know his own LaRouche story by now. So, let me narrate my own.

I first met Lyndon LaRouche at home. It was in the mid-90s. My father would bring home assorted magazines and reading materials, and I happened to catch an issue of *Executive Intelligence Review* (*EIR*). I recall that the cover had the headline: “The Philippines: Kissinger’s Next Iran?” Of course, that first issue slowly built up to many issues piling up at home, as he had since subscribed to *EIR*. I would pick up a few issues here and there when the inspiration hit—especially as world events unfolded. Before long, as I read more *EIR* material, and an occasional *21st Century Science and Technology* magazine article, my classes at university

seemed to lose significance.

Fast forward to 2000, and my first Presidents’ Day conference in Leesburg, Virginia. I was sent by my father, along with associates, to attend. My host was the late Gail Billington, wife of Mike Billington, who was still incarcerated at the time. Her special responsibilities, I later learned, focussed on Southeast Asia, and it was a joy conversing with her to and from the offices. I will never forget Gail. The conference was life changing. From Lyn’s opening address, the presentations,

the panels, all the way to the cadre classes—which had music, philosophy, economics, and history.

The next period saw my father, brother, and myself return to the conferences on separate occasions, all returning home with a similar fervour to change the world. I always treasure one visit where we met Lyn and Helga at their house for an intimate dinner. As always, my goal was to absorb as much as I could at the time—not easy, as you know, with Lyn. There was a whole Universe to absorb in several short hours! Each visit was a life-changing event, and each reading of LaRouche’s work continues to affect minds today.

I learned to man book tables, engage in Plato and Shakespeare reading sessions, and sing beautiful songs! My love for history was redefined, made tangible and personal, and wholly enhanced—as I visited the Wash-