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Three Pillars of the Alternative to the Dead System of Financial Speculation

This is the edited transcript of the presentation of Pedro Páez to Panel 3, “End the Casino Economy Before It’s Too Late,” of the Schiller Institute’s April 15-16 Conference, “Without the Development of All Nations, There Can Be No Lasting Peace for the Planet.” Dr. Páez is Ecuador’s former Minister of Economy, Representative to the Banco del Sur, and Presidential Envoy for a New International Financial Architecture.

Subheads have been added.



Schiller Institute

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Warm greetings and thanks to those who have kindly invited me to this event; and my congratulations, because there should be more initiatives like this one from the most diverse economic and political perspectives and in the widest geographic locations.

The world situation is very fragile. We are in the midst of a structural crisis of capitalist overproduction, which already had a problem dealing with its gigantic productive potential. Capitalism has become a prisoner of its own productivist success, flooding the world with goods that are too cheap for the existing rates of profit demanded by the big monopolies. But additionally, the direction that the Anglo-American axis, the Anglo-American hegemony, has chosen in fleeing from these problems of profitability, has spawned a self-reinforcing, parasitical bloating of the speculative system, based on a global financial network whose center lies in what was formerly the British Empire, with two gigantic hubs in the City of London and Wall Street. The prospects of that system continuing are very, very poor, given the predatory and tremendously crime-prone way in which such financial activities are carried out.

Similar periods of capitalism with these overproduction crises opened the doors for the First and Second World Wars, in the context of an imperial dispute that led to millions of deaths. Now the situation

has become even more dire, not only because of the existence of weapons of mass destruction with capabilities unprecedented in history, but also because this parasitical bloating of the financial system has eroded the foundations of coexistence and Western civilization, even from a capitalist perspective.

The development of the financial derivatives of shadow banking, shadow budgets, offshore tax havens, broke with the fundamental elements of the organization and coherence of nation-states, and also

damaged the basic principles of private property and even of double-entry bookkeeping. The way financial derivatives operate creates an intrinsic destabilization in a growing Ponzi scheme, which has no chance of being sustained.

Because of that, the imperial powers’ agenda for our peoples can only be directed at destabilization, chaos and war. That is why building a lasting peace, a sustainable peace right now, requires constructing different kinds of possibilities for financing what we might call the democratization of scientific and technological progress.

Transform Financial Architecture

The continuous advance of technological progress since the 1960s has become a curse for the profitability of certain monopolies. But that advance provides the material basis for building a different model of humanity, a different system of coexistence among all the peoples of the world, a new form of civilization which upholds different currents not only of religious thought, but also of philosophical and political thought which raise the brotherhood of man to a higher level.

A different kind of history for humanity is possible, which can be created by starting from the peripheries and from the center, from each region, as a condition

for the ability to finance real progress in infrastructure, and the development of human talent which can make this technological progress feasible for all peoples.

That becomes possible precisely by transforming the financial architecture which the Anglo-American speculative oligarchy introduced with the destruction of the Bretton Woods system in 1971, [and] through its neoliberal policies, by deregulation, and with the new capability of these financial innovations to asphyxiate the world of production, the world of life.

That is why it is crucial to establish new capabilities based on monetary and financial arrangements, regional blocs to promote and sponsor initiatives by both the public and private sectors, by large companies as well as by other forms of organized production, in order to allow people to develop their ability not only to defend their own economy and that of their community, but also to aspire to better conditions of life.

New Currency and New International Bank

Three pillars are fundamental. The approach that we had here in Latin America more than 15 years ago has shown itself to be viable, both in the context of the political defeats that happened here in South America, and above all in the experiences with new information and communication technologies and digital currencies and new advances in computing.

To have a different kind of currency not based on speculation, not based on exploitation, not based on imperial mechanisms such as those that have been deployed by the world monopoly of the dollar with its exorbitant privileges, with its foreign debt traps. But that also includes other powers, such as France, with its domination over a good part of French-speaking Africa, with its colonial mechanisms in former Indochina. All this must be overcome to build a different type of currency that will be a mechanism, not only to communicate between peoples, but also to validate the labor and wealth of the different nations.

A different kind of international trade is now possible, precisely through the use of regional mechanisms, of clearing houses for payments, which will allow us to re-establish the coherence between production and consumption within nearby geographical areas, thereby establishing the basis for

peace; to deter the military industrial complexes of the imperial countries from profiting from the chaos and atavistic hatreds between peoples.

Productive cooperation on social and geographic integration will define new conditions for productive development. That is why it is essential to have a new kind of bank for a different type of development, such as what was proposed here in Latin America with the Bank of the South, and like what is now a reality with the BRICS Bank, with the Asian Infrastructure Investment Bank, and other initiatives that point to the possibilities of a multipolar world in which the democratization of technological progress becomes a reality.

And finally, it is crucial to build an alternative, a series of alternatives, a network of alternatives to counter the power to blackmail that the International Monetary Fund has had with its conditionalities and stabilization programs, and its mechanisms to cartelize access to international financing mechanisms, especially for the Global South. To create different types of stabilization and defense funds for countries to face the volatility and ferocity with which the international markets affect our economies, in some cases turning into true economic wars through the Atlantic alliance's systems of sanctions—explicit or not—against any dissidence, any alternative that seeks to build a sovereign process in our countries.

The three pillars, then, are: a new type of bank for a new type of development; new types of stabilization and protection funds for our economies against the 'weaponization' of currency and finance that the Anglo-American powers have been perfecting; and a new concept of currency based on monetary arrangements of clearing houses for regional payments, that can be joined into a world clearing house system, which could also prevent another type of unilateral, unipolar hegemony from arising, such as the one that was established with Bretton Woods, and that would instead open the doors to multipolar management.

These three pillars would be the basis for building a new kind of peace, for building a new type of civilization.

Thank you very much.