

LaRouche's New Bretton Woods policy at the center of Washington debate

by Debra Hanania-Freeman

With the April 16 Willard Group meeting just days away, it appears certain that the question of a return to a Bretton Woods framework for the world financial system will dominate the agenda. The group of 22 nations will meet in Washington, D.C., at the invitation of the United States.

Lyndon LaRouche has insisted, since February 1997, that the only hope the world has of surviving a meltdown of the current, bankrupt global financial structure, is for the United States to convene an international conference to adopt a New Bretton Woods system, "accompanied by a general program of forced-draft physical-economic recovery."

Since then, LaRouche has spearheaded an international drive to build a constituency that would guarantee the realization of just such a conference. Although the current concept behind the April 16 meeting, convened by U.S. Treasury Secretary Robert Rubin, is still far short of what LaRouche has outlined as necessary, it is clear that LaRouche's view is gaining dominance in the intense debate among Washington, D.C. policymakers.

In the opening weeks of 1998, as the Asian crisis entered a new phase, Secretary Rubin spoke of an urgent need to devise "a new architecture" for the international financial system. Although few details of what he envisioned this "new architecture" to be were available, Rubin and other high-ranking administration officials repeatedly stressed that if the question was one of saving the financial sector, or attending to the real economy, then it was the real economy that was the priority. Rubin has stated repeatedly that he "would not spend a nickel to bail out" failing, bankrupt speculators and banks.

Contradictory policies

In February, the Progressive Policy Institute, the think-tank of the Democratic Leadership Council, of which President Clinton is a founding member, issued a broadly circulated policy briefing by Edith R. Wilson, the director of the PPI Trade Project, titled "The IMF and the Asian Crisis: Time to Return to Bretton Woods." The content of the paper mirrored what has been the seemingly contradictory policy of the Clinton administration.

Wilson urges the Congress to act quickly to authorize an

administration request for an additional \$18 billion borrowing authority for the International Monetary Fund (IMF), while at the same chastising the IMF for unduly harsh and inflexible austerity programs that "risk creating not just a generation of bankrupt businesses, but resentment at Western tactics." Wilson warns, "The public sector slash-and-burn characteristic of IMF formulas could make the situation worse." Wilson is obviously correct. But then, one might ask, why pour money into an institution whose "cures" have repeatedly proven to be worse than the disease? Wilson's reply echoes what has been the consistent public line of the Clinton administration: "The United States must support the only international financial institution capable as serving as a lender of last resort in the Asian Crisis."

She concludes that, although prompt Congressional action on IMF funding is a necessity, the action must be accompanied by a firm commitment from the Clinton administration to "overhaul the international financial system by [the year] 2000." Wilson could not be more explicit: "The status quo will not do. It is time to return to Bretton Woods. President Clinton needs to make a clear, public commitment to a 'Bretton Woods 2000.' . . ."

The same approach is contained in Senate Bill 1769, the Clinton administration's "1998 Supplemental Appropriations Act for the International Monetary Fund." The bill, which the Senate passed on March 26 with overwhelming bipartisan support, increases IMF spending authority, but ties that increase to the creation of a Presidential Advisory Commission to review the "future role . . . if any" of the IMF, and mandates the convening of a "New Bretton Woods Conference" within 180 days.

On March 31, fearing that Speaker of the House Newt Gingrich (R-Ga.) would attempt to bring the IMF funding legislation to a vote, without floor debate, Reps. Ron Klink (D-Pa.), Bernie Sanders (I-Vt.), Dennis Kucinich (D-Ohio), and Cliff Stearns (R-Fla.) held a press conference to avert such a scenario. When questioned by *EIR*, as to whether there was support in the House of Representatives for language in the Senate bill calling for a New Bretton Woods Conference (language that is omitted in the House version of the bill), Representative Klink said that that was precisely one of the

issues that would be debated, provided a floor debate were permitted. He said his own view was that there was “quiet support” for the proposal in the House.

There are other indications of the mounting pressure to take up the question of a New Bretton Woods. The feature article in the March/April issue of *Foreign Affairs*, quarterly journal of the New York Council on Foreign Relations, is a piece by Martin Feldstein, president of the National Bureau of Economic Research, in which he similarly doles out harsh criticism of the IMF’s role in the Asian crisis, and stresses the need for “refocusing the IMF.” Other pieces on that theme seem to be popping up daily in journals and other print media across the nation.

Time for bold moves

What does all of this mean? Has the Clinton administration decided to orchestrate support for the adoption of LaRouche’s policy? The answer is no. What is clear is that Rubin is, indeed, committed to a “new architecture” for the world monetary system, and that, although they are unwilling to admit it publicly, a significant grouping within the Clinton administration understands the fundamental, systemic nature of this crisis. And, it does appear that the administration is prepared to reenact the mechanisms associated with the incontestably superior functioning of the old Bretton Woods

system: periodically fixed exchange rates; greater transparency of financial transactions; exchange and capital controls; limited convertibilities, as may be required, etc. But, they still insist that such measures be presented as “reform” rather than radical reorganization.

The same policy holds for the IMF. Despite all the harsh criticism of the IMF’s record of performance, the Clinton administration argues that although the IMF is in need of urgent reform, it was part of the original Bretton Woods agreement, it is a “traditional institution” that is necessary to maintain “stability,” and that it is the “lender of last resort in a crisis.” The truth is, that the administration fears that if it moves to dissolve the IMF, without the support and agreement of the rest of the Group of Seven, that the lending burden will fall squarely on the shoulders of the U.S., and the U.S. alone. But, regardless of whether that is the case, the reality is that the IMF today bears absolutely no resemblance to the agency envisioned by FDR and others in 1944 at Bretton Woods.

The IMF is rigidly monetarist in policy and has absolutely no interest in fostering reconstruction of the physical economies. It must be dissolved, and replaced with an entirely new organization appropriate to the principle of fostering national sovereignty and increasing per-capita economic prosperity, globally.

Fundamentally, the Clinton administration remains, at least for the moment, unwilling to directly and openly acknowledge the fundamental errors in economic and financial policy of the past 30 years. But the fact is, those mistakes have caused worldwide industrial and agricultural capacities to collapse far below the level necessary to sufficiently provide for the existing population, and the worldwide financial blow-out is gaining ever-increasing velocity and intensity as new waves of the crisis hit Asia, Russia, Brazil, and elsewhere.

In the days ahead, the drive for LaRouche’s unique formulation of a New Bretton Woods agreement, whose cornerstone must be a global reconstruction program driven by scientific and technological progress, will receive a major boost forward with the release of a mass-production videotape of LaRouche’s March 18 Washington, D.C. conference speech (see *EIR*, March 27). Thousands of copies of these tapes were sold before the final version was even available, and the demand for the tape among diplomatic and government layers is enormous.

The Clinton administration has no fundamental disagreement with LaRouche’s proposal. They just aren’t confident that the constituency for such sweeping measures is in place. Franklin Delano Roosevelt wasn’t certain that he had the support for his recovery program, which was, in many respects, analogous to what is required today, on a much larger scale. Roosevelt did what any great leader would do in the face of such a crisis. He went to the American people, he rallied them to support his policies, he built the constituency he needed to do what had to be done. The current crisis demands nothing less.

LAROCHE ON THE NEW BRETTON WOODS

“The present fatally ill
global financial and
monetary system must be
radically reorganized.

It can not be reformed, it
must be reorganized.

This must be done in the
manner of a reorganization
in bankruptcy, conducted
under the authority
not of international
institutions, but of
sovereign governments.”

A 90-minute
videotape with
excerpts from
a speech by
Lyndon H.
LaRouche, Jr.
given on
March 18, 1998.

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