

LaRouches mobilize in Italy for a New Bretton Woods

by Liliana Celani

On April 2, Lyndon and Helga LaRouche addressed a meeting on a New Bretton Woods financial reorganization, held at the Hotel Nazionale in Rome, a few steps from the Italian Parliament. The briefing was attended by Members of Parliament (both the Chamber of Deputies and the Senate), economists, journalists, and diplomats. Introducing the speakers, Paolo Raimondi, president of the Italian Solidarity Movement, reminded the audience that one year ago, the LaRouches had warned, at another conference in Rome, of the upcoming financial crisis, and had presented the alternative to it, the Eurasian Land-Bridge perspective. As Mr. LaRouche himself explained, in his introductory remarks, "Some years ago, I presented to various places, including the government of the United States, a proposal for a plan of action in response to a crisis of the type we experienced first since last October, and now we will experience with much greater force during the second quarter of 1998."

"I propose," LaRouche continued, "that we base our actions on a historical precedent, that we take the 1950s as a period in which the postwar reconstruction efforts had demonstrated that they were going to be successful, which is under the Bretton Woods arrangement." The difference between now and the 1950s, he explained, is that in the last 30 years, the Baby Boomer mentality of hedonism and anti-industrialism has caused devastating blunders in economic policy, destroying the industrial base of most countries, and particularly their key sector, the machine-tool sector, which in Europe would be the key contribution to important infrastructural projects such as the Eurasian Land-Bridge.

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product of Central Europe, France, Germany, Italy, especially, and the United States," LaRouche said. "It was the United States, that was the first successful machine-tool-design-based economy, between 1861 and 1876. This was the model which was copied in Italy, as well as in Germany and France, and, to some degree, Russia and Japan.

"This has, then, the following implications. This purpose of facilitating a relationship between rapid development of the machine-tool-design sector in Europe, Japan, and the United States, as a trading-partner relationship with the large populations of Asia, becomes the real core of any international monetary reform.

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LaRouche's proposal to Italy, which is among the 22 countries invited to the April 16 Willard Group conference in Washington, was to revive the traditional cooperation with the United States which goes back historically to Alcide De Gasperi and Franklin Delano Roosevelt, in order to make sure that President Clinton adopt such a New Bretton Woods perspective.

Helga Zepp-LaRouche, chairman of the Schiller Institute, addressing the meeting after her husband, explained that 500 Members of Parliament, three former Presidents, and thousands of civil rights leaders have endorsed, in the last year, a call to President Clinton to convoke a New Bretton Woods conference, launched by Mrs. LaRouche and Ukrainian par-

liamentarian and economist Dr. Natalya Vitrenko. Many of these endorsements came from Europe, including many members of the Italian Parliament. The increasing support in Europe for LaRouche's proposals is due to the fact that the "Asian crisis" is seen, since last November, not as an "Asian," but as a global financial crisis, and its effects, in terms of decreased exports and increased unemployment, have led to social unrest in most European countries. This is leading to "new political realignments," including in Italy.

What about the European Union?

The first question to Mr. LaRouche came from a member of the Senate, who said he fully agreed with Mr. LaRouche's analysis of the financial disintegration, and recognized that his warnings about it were "prophetic and accurate," but he could not understand why the speaker had denounced the European Monetary Union and the Maastricht Treaty, and why he thinks the EMU contributes to the crisis rather than helping to solve it, as most Italian and other European media claim. Mr. and Mrs. LaRouche answered by emphasizing the two major flaws of the EMU: first of all, the destruction of national sovereignty in economic policymaking, which is the opposite of the New Bretton Woods idea; and second, the fact that in "creating currency blocs, a Euro bloc against the dollar and yen bloc, it prevents the kind of international cooperation on monetary reform required for a program of global reconstruction" as Mrs. LaRouche said. "The day the Euro is created, it will collapse, because there will be capital flight into the dollar, the yen, and the Swiss franc," was Mr. LaRouche's answer. Even more important, the next round of financial crisis will hit the world, Europe included, long before the Euro is born, between now and June.

The LaRouches' visit in Rome concluded with two more meetings, one on Africa, with priests and students from the Great Lakes region of Africa (including Burundi, Rwanda, and Congo), and another one on scientific method, with ten Italian scientists who work on cold fusion.

Speech of Lyndon LaRouche

Due to technical difficulties, the beginning of Mr. LaRouche's speech was not tape-recorded. He began by discussing the current world crisis, as it confronts Italian political leaders. He then described the countercultural pleasure-seeking of the Baby Boomer generation, the generation which now makes political, strategic, and economic policy throughout the world.

... So, as a result of the influence of these ideas on culture, on politics, inch by inch, decisions were made which turned society away from the successful reconstruction in the post-war period, into a form of economy which was self-destructive. The decisions which were made in the 1970s, between

1971 and 1975-76, monetary decisions, the abandonment of the Bretton Woods agreements, the establishment of the floating-exchange-rate monetary system, which is what sank the Italian economy in 1975, and brought about the IMF conditionalities on Italy in 1976.

So, what we have done is, over 30 years, step by step, by a corrosive process, we have destroyed the institutions of policy-making which we had, which guided us to make (whatever conflicts were involved), upward progress into the end of the 1960s, in terms of economy.

Today, you have a system where you have some people who are very wealthy, especially the new rich, who didn't earn any of it: the gamblers of the bourses. And, they are sitting at a great feast, celebrating their power and wealth. The wealth of the state, the monetary power of the state, is poured into this sea of speculation, this cesspool of speculation. The poor are looted; the social welfare system is looted; the pensions are looted, to feed this orgy of speculation. It's a kind of orgy which is worse than those of the John Law bubbles of the early Eighteenth Century.

We now live in a time where the dominant forces of government and finance, the majority, are worse than clinically insane. Liberal economics, free trade, globalization, end of the nation-state, supranationalism: These are not rational ideas. This is a form of pagan religious insanity. But the majority in power are committed with great passion, like the *Flagellanti* of the Fourteenth Century. "These are the new ideas. We must defend these new ideas. We must vote for these new ideas."

And, the answer is to turn to Rembrandt, the famous painting of "Belshazzar's Feast." That's where we're at. We're having people celebrating power: "Oh, the stock market is growing higher! Oh, these values are growing higher! Oh, this is the future! The 'euro' will save us all. We must join Conte Ugolino in Paradise." This is the cry of the times.

Plan of action in a time of crisis

Well, how do you get out of this mess? Only a great shock will bring a population to its senses. But a shock does not necessarily succeed by itself. We've seen the rise of fascist regimes in Europe, after 1931, after Versailles, as a result of the failure of leadership, of positive leadership, to provide the necessary alternatives. People do not respond with good ideas to shock. People respond to shock with an openness to alternatives. And if a good alternative is provided by a responsible leadership, they will seize upon that opportunity. But, if an effective alternative is *not* provided by recognized leadership, then the people will board the vehicle to Hell. Thus history works, that societies which can not provide leadership in time of crisis, condemn themselves to self-destruction.

So, that brings us back to the point from which I started my remarks here, that we have—some years ago, I presented to various places, including the government of the United

States, a proposal for a plan of action in response to a crisis of the type we experienced first since last October, and now we will experience with much greater force during the second quarter of 1998.

I propose that we base our actions on a historical precedent, that we take the 1950s as a period in which the postwar reconstruction efforts had demonstrated that they were going to be successful, which is under the Bretton Woods arrangement. It wasn't the Bretton Woods formula that did it alone; it was that the Bretton Woods formula was adapted, to provide a climate favorable to plans for successful physical reconstruction of war-torn and other economies.

My point was, that as the crisis becomes worse, it is impossible for sane people to deny that the system we had under Bretton Woods, in the 1950s and later, worked; that the limited convertibilities, the exchange controls, the fixed parities, and so forth, that we had in the 1950s Bretton Woods, allowed us to enter the 1960s with a degree of building of economy which continued that—which we need today, precisely the same thing. But, when we say New Bretton Woods, and we refer to the 1950s, we are saying to people, "Look at what happened in the 1950s and 1960s, and look what has happened in the 1970s, 1980s, and 1990s."

Take the system of the 1950s, and the system of the 1970s and 1980s. If these were automobiles, which would you buy?

Now, when the crisis hit at the end of 1997, as we expected, by approximately early November, but certainly by December, around the world, there began to be a political shift within the populations and institutions. For example, look at Southeast Asia. Look at the figure of the Prime Minister of Malaysia, Mahathir bin Mohamad, and realize that what happened to these countries, which had the most egoistical delusions about the so-called "Asian Tigers," obvious delusions, they suddenly realized that this *had* been a delusion. The vulnerability to Soros and others, showed them that they had been living in a world of delusion.

Around people like Mahathir, and then later, in his own way, Suharto, the President of Indonesia, and his now-Vice President Habibie, there began a movement in Southeast Asia *against* what this system represents. You see a political shift within the population and institutions of Germany now. Most of you here are part of a similar kind of impulse, which is occurring in Italy, an impulse toward re-establishing a responsible political party system, a regrouping and reassignment of forces to try to create a responsible political system.

The financial Moloch

In the United States, we also see it very clearly.

You can see, from a distance in Italy, that in the United States, there are two kinds of insanity loose. One is typified by the ultra-right Republicans, such as Newt Gingrich, the Speaker of the House of Representatives, or the domination

of U.S. politics by wild-eyed, Pentecostalist idiots, right-wing idiots. And, you see also the continuation of the insanity which is the wild-eyed environmentalists.

But, in fact, two-thirds of the U.S. population rejects the environmentalist agenda in the popular vote. *Over half the population refuses to vote.* Most people who consider themselves Republicans or Democrats, are in revolt, in disgust, against the leadership of their own parties. There's a process of organic ferment inside the population. You see it, when you're an old hand in political organizing. You begin to see the population is beginning to move into a political organizing mode.

So, the next crisis, which is coming now in this quarter—it's here already. We say April First is the Day of the Fools. We saw that on April First around the world, in the financial system. It's over! But, it's not over.

What you will have, is, at present, since the people who represent the ideas which are discredited, represent presently, still, the majority influences in finance and in other institutions—the tendency will be, as we saw at the end of the year, to sacrifice everything, including babies, to try to save this financial system. Moloch: Take your first child and throw it in the furnace, to worship the God of Finance. Well, that is not going to work. But, if it does go that way, by June, the entire system will be visibly bankrupt. It will have no more resources for an additional bail-out beyond this quarter.

Now, I hope this does not happen. I'll just come, in my concluding point, to that.

But you would say, as the push for the Euro shows, the push for the Euro now is one of the leading edges, in Europe, of this insanity. The philosophy of the Euro, as designed by Mitterrand, the great Socialist, was to create a system in which governments had no power. The bureaucrats would decide everything, and the bureaucrats would administer a financial system whose fundamental purpose was to support the international bankers: to liquidate the social welfare system, to provide more funds to go into the coffers of the bankers, to bail them out; to liquidate industry also; agriculture. Everything is going into the furnace of Moloch to support these financial powers, which is a form of this. This leads to exactly—

It's a 1931. This is what Tony Blair represents in England today: a Ramsay Macdonald, a new Ramsay Macdonald, whose purpose is this. The British don't intend to join the Euro. The Euro is a furnace in which they're putting other people, not themselves. *Your* babies, not the babies of the British.

So, you see from the example of this role of the Euro, which has destroyed every social welfare system in Europe. You see what's been done to the former Soviet Union, and the former Comecon. The babies have already been thrown into the furnace. The same system, the same conception. And they will try to do it again, just one more time, as the Euro push shows.

As I said, I shall conclude by indicating how we intend to try to stop it. But, if they succeed, if these madmen, these Flagellants of this time, succeed, in pushing through the kinds of programs that the crazy Japanese government pushed through, an hyperinflationary program, which has already failed—then the next phase will be the worst financial crisis in all history.

The system is essentially bankrupt. The international financial system is bankrupt. There is only the prosperity of fools in the system. We have in the world presently, dominated by so-called derivatives, about \$140 trillion equivalent of short-term gambling debts. In the recent years, especially since 1982, and most emphatically since 1987, the growth of derivatives has taken over and eaten up the banking system itself. The kind of radical monetarism which has taken over governments and financial institutions, has converted the assets of the banking system and its auxiliaries in the economy, into nothing but a vehicle for pumping up a vast financial bubble.

Remember that the \$140 trillion in short-term obligations of this type, is several times the total GDP of all the world's nations combined. What happens when the nations no longer have the resources, after the second quarter, to continue to pump large amounts of liquidity into these financial markets? The result is predictable. We've experienced it before, but never on this scale. When you have a financial bubble, like the Pyramid Club of 1949-1950 in the U.S., of a chain-letter bubble—and what these derivatives markets are, is a chain-letter bubble.

This is like the John Law Bubble in France, or the similar bubble, the South Sea Island Bubble in England. Remember what happened in France: Almost the entire middle class of France, and upper classes as well, lost their fortunes gambling in something which was *less* insane than derivatives.

What happens in a chain-letter system, when there is no longer a new infusion of money into it? What sets in is called "reverse financial leverage." The present system, if this international financial bubble reaches the point that it becomes subject to reverse financial leverage: The entire financial system of this planet, with the exception of China possibly, will be wiped out within as short a period of time as three days. This will be worse than what happened to the Lombard banks during the middle of the Fourteenth Century. It will have the same effects as the Great Dark Age of the middle Fourteenth Century, but on a global, planetary scale.

So, that's the danger. There's no alternative. And that's reality. Everything else is delusion. You don't try to burn nitrogen in a confined area. Not a very smart idea.

U.S. role is crucial

Now, how do we bring about this change? In order to do this, you must have, as we had in the Bretton Woods System, you must have a concert of some nations, sovereign govern-

ments, which agree to set up a new system. Despite the fact that the United States is not as powerful as it was 20 years ago, or 30 years ago, the United States government, the Presidency of the United States, is the only institution which is capable of bringing together at least a significant group of nations, to make such decisions.

My main concern is to get the United States government to commit itself to play that role. And I am pleased, with qualifications, to see that the Treasury Secretary of the United States, Robert Rubin, has attempted to introduce that role for the United States in this crisis. And, through the influence of certain parts of the U.S. government, as well as my own and my associates' influence, the idea of New Bretton Woods has become a popular idea in many parts of the world's establishment.

And in the middle of April, this month, there will be three meetings: a meeting of the IMF, a meeting of the G-7 group. There will also be a meeting, called by Secretary Rubin, where 22 nations will participate in discussing a possible agenda for a reform of the international monetary system. This meeting is called the Willard Group meeting officially by the U.S. government, and it is a subject matter which has caused the spread of the words "New Bretton Woods System" throughout much of the press of the world.

Now, obviously, as in London and elsewhere, you will have terrible resistance to any such idea. But, therefore, what we're dealing with, is the need to have a concert of nations which is sufficiently powerful to overcome all objections.

The first consideration in power today, is the fact that the center of gravity of the world's politics and economy, has shifted from the Atlantic Ocean to the Pacific. The relationship between the President of the United States and the President of China, is, potentially, the pivot of world politics. India implicitly, especially if it enters into cooperation with China, as is indicated from India, as well as China—means that the population of East and South and Southeast Asia, becomes the center of world economy, despite the crisis, financial crisis, now ongoing, which means a new world economic and social order, as well as a new financial order.

If you have nations which represent the majority of the world's population, participating, as partners, in shaping the policies of a world monetary system, you now are going to have a more just world economic order. And, His Holiness Pope John Paul II may find that the Jubilee can be realized.

Now, the problem in China is this—and China, like India, has this problem, as all Asia does. China (as Helga can detail more; she's been there a few times), China is committed to move its development from the coastal area of China to the internal area, populated area of China and beyond, to the wasteland areas. To meet the requirements—those social requirements for a Chinese population and economy under present conditions—requires a very large infusion of capital, into

new forms of employment in these areas, and infrastructure development.

If you just make a simple arithmetic calculation, you can see that this kind of investment involves tremendous capital costs, social capital costs. You cannot implement such a program without high rates of technological progress. That is, you cannot increase the ratio of capital intensity so rapidly in any society, without high rates of technological progress. Technological progress requires — what? It requires a *mediator*: scientific progress first, but it requires a mediator. It requires the machine-tool-design sector.

Mainland Asia, and Southeast Asia, do not have any *significant* amount of machine-tool-design capability. Therefore, the success of the development of China, and also of India, and other parts of Asia, depends upon acquiring trading agreements, and long-term agreements, under which other parts of the world, which have either a machine-tool capability, or can resurrect one — can supply scientific and technological progress infusions to make the development of Asia successful.

The development of the machine-tool-design concept, which began, essentially, with Leibniz, but was actually developed in its modern form by France's Lazare Carnot, was a product of Central Europe, France, Germany, Italy, especially, and the United States. It was the United States, that was the first successful machine-tool-design-based economy, between 1861 and 1876. This was the model which was copied in Italy, as well as in Germany and France, and, to some degree, Russia and Japan.

This has, then, the following implications. This purpose of facilitating a relationship between rapid development of the machine-tool-design sector in Europe, Japan, and the United States, as a trading-partner relationship with the large populations of Asia, becomes the real core of any international monetary reform.

Mission for a system of justice

In other words, the new monetary system is not simply a set of rules to play football by, but actually has to be a *mission-oriented system*, which has an implicit purpose. The purpose is to bring a system of justice to this planet, especially economic and social justice, through the mobilization of the machine-tool-capable nations, to assist in the development, the internal development of the nations of Asia and Africa.

This means that the policy of the government of the United States, and the responsible governments of Europe and Japan, to the governments of China, India, and other affected nations, must be: We are in a global partnership between those who *need* the machine-tool-design import capability, and those who are going to commit themselves to supply it.

The unifier of this kind of pact, the practical unifier, is a system of transportation development corridors across Eurasia, to the Pacific and to the Indian Ocean from Europe.

And, the commitment of both Asia and Europe, as well as the United States, to the development, just development of Africa, especially sub-Saharan Africa, primarily through the contribution to Africa of the main rail power, etc., infrastructure lines, corridors, which are needed to transform the agricultural potential of Africa as a food-growing area, a food-growing supplier to the needs of Asia, a growing Asia, as the basis for giving Africa the ability to leap up, and develop its own modern forms of economy.

And you know, from the past experience of Italy, in its export of its capabilities, what the role of Italy is naturally under favorable conditions, in such global development in Asia, the Middle East, and Africa. Because the position of Italy, in respect to the Mediterranean region, is a historically established, well-known one. This was always the line of success of Italy's economic development. So, the obvious implications of partnership are there.

Now, finally, we have a President who is not a bad President in the United States. But, he has problems. Many people who can play a great role in history, have limitations — personal limitations. For example, sometimes, when you elect a President of a republic, you know his limitations, and therefore you must make arrangements to make sure that he is protected from his own limitations, in his government.

The limitation of President Clinton is that he is a member of the '68 generation. Members of that generation do not make hard, difficult decisions with great pungency and force. They're pragmatists. And thus, the President, as advised by his Secretary of Treasury, will probably be inclined to go in the direction I've indicated. But, as I've said publicly in the United States, this President has more the qualities of Germany's young Moltke who *lost* World War I, than the qualities of the great von Schlieffen, whose plan would have *won* World War I.

So that, if you have a von Schlieffen Plan for conquest of this crisis, you had better be aware that you have a young von Moltke in the key position of command. Great leadership requires maximizing rational risk, as Hannibal did at Cannae. He maximized risk. An inferior force defeated a larger force, by maximizing risk, with a flanking operation. . . .

In such a condition, the people themselves, or the constituency, have to strengthen their leader. Therefore, the role of influential circles in Italy, as in other countries, in respect to discussing with their channels in other countries, especially the United States, their inclination to move in the direction I've indicated, is something that is needed, by the President, and by people around the President, to persuade him to act with pungency and force, in an action where the nations of the world require the United States President, once again, to play that kind of special leadership role, of bringing a group of nations together, to make a great, historic decision which will save humanity from the risk of plunging into a New Dark Age.

Thank you.