

The End of the Dollar System Is On the Agenda

by EIR Staff

The complete lack of impact on international currency markets, of the G7 finance ministers' and central bankers' Feb. 7 public call for "stabilization" of the dollar, showed the global crisis of the dollar/International Monetary Fund system to be out of control. It was followed immediately on Feb. 9-10 by a further fall of the dollar, and sudden compensatory increases in the global price of oil as OPEC nations cut output due to slackening economic demand. The floating-exchange-rate monetary system has now reached the point where any severe shock—a major loss of derivatives contracts in a Parmalat or other big corporate blowout; a sudden acceleration of the dollar's decline; a U.S. interest rate increase puncturing values in the American real estate bubble; a big Third World debtor's default; or a political/military crisis—can bring the financial system to a meltdown.

Warnings, apart from the clear statements of Presidential candidate Lyndon LaRouche, are being heard from European financial experts and from former U.S. Treasury Secretary Robert Rubin (see *EIR*, Jan. 23). Said one severely worried City of London manager, "We're coming to a point, where pensions will start to go, health services will be denied. . . . What LaRouche has been talking about for years, is coming closer." The response by international bankers and central banks has been to demand that they, not governments, will control an attempt to reorganize and salvage the dying dollar system, and will reject and fight any move for its bankruptcy reorganization into a "New Bretton Woods" proposed by LaRouche. Nowhere is this clearer than in the new and vicious demands for blood, by the banking community, from Brazil and from Argentina, acknowledged just two years ago to be an economy ruined by IMF debt and incapable of paying it. Now the American and European governments have been muscled into a desperate confrontation with these large Third

World debtors.

Should Argentina stand up to that confrontation with the IMF and the vulture bankers, it will immediately force the question of a new monetary system.

Our survey of the crisis focusses on key harbingers of what is to come: the initiative by a leading Russian Presidential candidate, Sergei Glazyev, for Russia to launch a new Bretton Woods; the signs of a shift in policy by major Asian powers whose dollar-support operations are at a desperate breaking point; the debt explosion which has forced Britain to start raising interest rates; the potential involved in the Argentina-IMF showdown; and an analysis of the crisis in Brazil, the biggest debtor, by a leading Congressman who backs LaRouche's New Bretton Woods initiative.

Feature

'A Very Severe Monetary Crisis'

LaRouche, on Roanoke, Virginia public radio station WVTF on Feb. 9, laid out his unique approach to the dollar crisis, to questions by news anchor Fred Echols:

Q: Mr. LaRouche, what issues are being left out of this campaign, as it's being covered by the national media?

LaRouche: . . . The thing which is of larger dimensions than even the war issue, is the fact that we're on the verge of the greatest financial collapse in modern history. It's now onrushing, despite the phony talk about growth, coming out of Washington. This means two things, first of all, which I think Bob Rubin and some others in the Democratic Party would accept: that we're on the verge of a very severe monetary crisis. The issue is, I insist, that the banking system itself can not handle this crisis, and that, instead, a Franklin Roosevelt approach, to put the bankrupt system into reorganization, is what's required. And still, the Democrats, like Kerry, who would support—or Kennedy—who would support some kind

of reform, will not support the kind of reform which I consider absolutely essential.

Q: Mr. LaRouche, describe for us exactly what you think must be done.

LaRouche: Well, what it means, we have an order of magnitude of \$40-odd trillion of estimated world product, now. Against this, we have several hundred trillion dollars, of financial derivatives obligations, which are largely short-term obligations. Under these conditions, and with what's happening now—the current account deficit and other phenomena, and the insanity of the Bush Administration in cutting taxes the way they have been doing it—means that we are essentially bankrupt, and we're on the verge of the greatest collapse in modern history.

To deal with that, requires that the President of the United States act, both as President, to put the Federal Reserve System into bankruptcy reorganization, in order to prevent any elements of chaos in the situation; and that he also cooperate with foreign countries, to put the IMF system into reorganization, similarly, going back to something like the pre-1960s Bretton Woods protectionist system.

Under those conditions, there is a clear way in which to bring this problem under control. Without those measures, there is no way to prevent chaos beyond the imagination of almost everybody alive today.

Q: But, would the act of the President placing the Federal Reserve System into bankruptcy reorganization; would that not, in itself, trigger some degree of chaos?

LaRouche: Well, the chaos is already there. And obviously, what's going to happen is, you're going to take actions preparatory to this, as soon as you can. You will, however, wait to declare the bankruptcy—that is, the bankruptcy action—at the moment it's breaking out. Because, obviously, politically, you have to get acceptance of the public that the crisis actually exists, to get the kind of support you need to do the job. But, you've got to be prepared to do that job, and you have to make certain preparatory steps in that direction.

Q: If these steps were taken, if this reorganization was done, how would the economy be fundamentally changed after this reorganization?

LaRouche: Well, that goes to the deeper question: Where did this problem start? Now, there are many things you could say about the U.S. in the post-war period, or since the death of Franklin Roosevelt—or aptly, since the nomination of Truman as Vice President, back in 1944. We've made a right-wing turn, and we made a lot of wrong turns. But, up until the middle of the 1960s, we remained the world's leading producer economy; we were the leader of the world. Since 1964, since about the launching of the Indo-China War, we have been transformed from the world's leading producer society, into a predatory, kind of parasitical, post-industrial “comfort zone” society. And we're now at the point of col-

lapse, as a result of that change.

The big change is, we have to go back to being what we understood we were, when Jack Kennedy was President: That is, as a producer society, with things like the Moon mission, and that sort of thing, that typified our character then.

What we're going to have to do, is launch, immediately, large-scale infrastructure projects, inside the United States, and along international lines. This includes power generation and distribution; water management; mass transit, especially rail, including all kinds of rail, including urban rail; housing problems; urban renewal problems; and our health-care situation, which is beyond control right now. So, these kinds of measures will be the stimulant, using Federally-created long-term credit, as a way of creating mass employment in the order of magnitude of about 10 million new jobs. That would bring the situation under control.

Q: Mr. LaRouche, what about the manufacturing base? The country has lost, obviously, millions of manufacturing jobs. Is it reasonable to think that manufacturing jobs can be revived in this country?

LaRouche: Yes, they can. The way we did it under Roosevelt, somewhat—if we start large-scale infrastructure projects. We're talking about \$6 trillion over the coming four years, in terms of capital outlays, for power generation and distribution alone. We have a slightly smaller one, but a similar case, for rail transport: We've got to rebuild the rail-transit system. That is, we've got to reintegrate the territory of the United States, as an agro-industrial power, the way it was before the recent 40 years' changes.

These changes themselves, done in cooperation with partners in Europe and Asia, will stimulate the regeneration of industrial development—and I'm especially shooting for, not the large corporation, but the middle-size, entrepreneurial-type of industry. That's the kind of thing you can develop very rapidly, under the stimulation of a market, created by large-scale infrastructure projects.

Q: How does free trade play into your vision?

LaRouche: It doesn't. We have to go back to a protectionist system. Shall we say, we're going back to Alexander Hamilton from Adam Smith. That is the fundamental change in economic philosophy that we have to make.

Q: But, of course, we're told, over and over again, that the world is now one market and one economy, and that door can not be closed. Apparently you feel otherwise?

LaRouche: Well, they say, you can't put the toothpaste back in the tube. But, I've demonstrated that anybody who is not an idiot, knows how to put toothpaste back in a tube! I've demonstrated it once, at a conference, just to make the shocking point, against those who say you can't reverse. When you have made a mistake, a mistake is not irreversible. When you've made a mistake, correct the mistake, and go back to doing what was right.