

Editorial

We need nation-state economics

The Bretton Woods monetary system is dead; indeed, the whole thing was really gone 23 years ago, when Richard Nixon decoupled the dollar from gold. The problem is that no one is willing to bury the darned thing.

It's funny that so much is made of the inconsequential Watergate break-in, while Nixon's really decisive blunder occurred on Aug. 15, 1971. The decoupling of the dollar from gold on that date was quickly followed by the Phase I, Phase II, and Phase III domestic austerity measures. These certainly did nothing to help Nixon's waning popularity, but more important, they ushered in the next two decades in which the physical economy of the United States and the rest of the world was mercilessly looted.

As early as 1959, the postwar economic system was already doomed, dominated as it was by the International Monetary Fund and the World Bank. This was duly reported by Lyndon LaRouche in a series of articles at that time, and thereafter. Today, only economic development initiatives such as LaRouche's Productive Triangle plan for the Paris-Berlin-Vienna heartland of Europe—in other words, a major investment into the world's physical economy with a package for large-scale infrastructure development—can prevent the most devastating economic collapse imaginable.

LaRouche's program is the opposite of the measures now being taken under the aegis of Alan Greenspan's Federal Reserve System, such as the latest interest rate hike. Admittedly, the monetary system is teetering at the brink and the dollar threatens to go through the floor; but monetary manipulations cannot save the day, and in fact, more expensive credit will only worsen the rate of collapse of the U.S. domestic economy, by strangling growth in sectors such as housing.

There are important moves under way against the monetarist current, such as the acceptance in principle by the European Union of a program to build major railway links within Europe and from Europe to Asia, through what used to be known as the East bloc. The White Paper by former European Commission Presi-

dent Jacques Delors has been the organizing document for this program, which broadly parallels LaRouche's early concepts of the Productive Triangle.

Yet such a crucially necessary turn away from speculative investment cannot succeed in itself, because the financial system is like a cancer which is progressively devouring the world's economy. What is needed now is something like heavy chemotherapy; the cure will not be pleasant or easy, because the disease has been allowed to progress so far. We must bury the Bretton Woods system (and the myth of free-market economics) by putting into effect formal, involuntary bankruptcy proceedings for all existing major financial and monetary institutions. Then, and only then, they can be reorganized. This is the only way to avoid chaos.

A model for this is the kind of measures recently taken in Venezuela to regulate financial flows. What is needed are international financial and trade regulations—border regulations, customs regulations, and so on—and the formation of a Customs Union among sovereign nations. Unfortunately, this is not likely to occur under the present political exigencies, as they are perceived.

In the United States, for example, the Clinton administration represents a number of different tendencies, including Bush administration holdovers who are committed to maintaining a bankers' dictatorship over world finance. They are fully in accord with the lunatic free-market ideology of Margaret Thatcher and John Major. Increasingly, even some members of powerful financial groupings such as the Morgans and the Rockefellers are beginning to recognize that their whole system is teetering, and that there is a need for something new. A few of these may be willing to break from their past in the face of the enormity of the impending crisis.

Short of decisive political intervention by the kind of forces now coming to understand LaRouche's program—statesmen such as Delors—we face a cruel period ahead, a veritable apocalypse. But the future can also usher in a great period of national and international regeneration and recovery.