

## ‘Act on New Bretton Woods,’ EIR tells Washington seminar

by Marcia Merry Baker

Some 100 invited guests attended an *EIR* seminar in Washington, on the disintegrating world monetary system, on June 18, including diplomatic representatives from 12 nations, and political activists from several U.S. states and the District of Columbia. *EIR*'s experts briefed the seminar audience on the regional crises in Russia, Mexico, Brazil, and Asia, and previews were shown from a forthcoming *EIR* videotape on the world financial breakdown.

The seminar was the national focus for a series of *EIR* events under way in cities around the globe, on the theme, “When Will the Leading Nations, Including the United States, Admit That the IMF Is a Complete Failure, and Implement Lyndon LaRouche’s New Bretton Woods System?” So far, in the United States, a total of 500 people, including business and foreign consular leaders, have attended seminars in Houston, Los Angeles, and other cities.

Leading up to the seminar, as of mid-June, the last month of the second quarter, financial and economic breakdown developments had reached such intensity, in so many locations, that even daily headlines made use of the feared word: “depression.” On June 15, there was a slide on all international stock markets, and many currencies. International Monetary Fund (IMF) officials went off to Moscow, doling out \$670 million on June 18, and spreading talk of needing a \$10 billion package to “save” Russia. On June 17, the United States and Japan jointly intervened to back up the value of the yen. President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto were on the phone over the financial crisis (see article, p. 8).

The timing of these developments is right on the schedule forecast by economist-statesman Lyndon LaRouche in January, when he said, “If you think things are bad now, wait until March or April come around. It’s going to be impossible.”

At the Washington seminar, the deliberations were opened with a special message from LaRouche, read by mod-

erator Nancy Spannaus, editor-in-chief of the *New Federalist* newspaper (see accompanying box).

International messages of support included video-greetings from Dr. Eneas Carneiro of Brazil, who is a Presidential candidate of the Prona coalition in the October elections; and a statement from Dr. Natalya Vitrenko and Volodymyr Marchenko, members of the Ukrainian Parliament. Dr. Carneiro said, “Know this: Mankind is watching. . . . We agree with Mr. LaRouche and his New Bretton Woods proposals.” Dr. Vitrenko, the co-initiator, with Helga Zepp-LaRouche, of the February 1997 call to President Clinton to convene a New Bretton Woods Conference, reported that “there is now recognition of the economic collapse, which is the lawful result of implementing the policies of the IMF.” She announced that on July 3-4, a conference will be held in Kiev, titled “The Economic and Legal Reasons for the Onset of the Financial and Banking Crisis in Ukraine.”

From Italy, a videotape was shown of remarks by Roberto Formigoni, former vice president of the European Parliament, now president of Italy’s opposition party, the Christian Democratic Union, and president of the Lombardy region, one of the most industrialized in all of Europe. Formigoni said that, as president of Lombardy, he is well aware of the importance of promoting infrastructure and development projects, rather than tolerating the speculation now causing world turbulence and crisis. Formigoni said that were President Clinton to convoke a conference for a New Bretton Woods, he would “have our full support.”

### A new *EIR* video

A short preview of the *EIR* video, commissioned by Lyndon LaRouche for mass circulation, dramatically presented the many ironies of the global collapse process. The film opens by counterposing scenes of rioting in Jakarta, with re-



*Moderator Nancy Spannaus addresses EIR's seminar in Washington, D.C. on June 18. Also at the podium are (left to right) Rachel Douglas, Dennis Small, and John Hoefle.*

peated statements by IMF officials, such as Managing Director Michel Camdessus in February 1998, that everything is all right.

Next, an historical background report on the past 30 years economic growth of Indonesia, and other East Asian nations is given by Gail Billington, including archival footage contrasting colonial poverty with the post-colonial development period. One can see how Indonesia became self-sufficient in rice, and even built up a nascent machine-tool sector, for aeronautics. But, within weeks, this decades-long growth process was collapsed, under IMF-mandated intervention.

The hour-long video will be available for distribution soon, to further the organizing for a New Bretton Woods conference.

### **'Fool's paradise'**

Following the video preview, moderator Spannaus called attention to the "fool's paradise" behavior among U.S. leaders, which contrasts starkly with the shift under way within the general population to demand action. She pointed out that LaRouche has been proven right in his forewarnings about the timing and scope of the collapse, but still, leaders in the United States and elsewhere have declined to act; they have continued with attempts to "crisis manage" the collapse.

Spannaus made reference to the decline in moral and cultural outlook in the United States, as shown by the people who "do not care if nations live or die." She pointed to the importance today of the spirit of the 1970s Non-Aligned Movement. Spannaus quoted from the June 19 *EIR* feature by Helga Zepp-LaRouche, "What China Can Expect from Clinton's Visit," which revives the call of the 1970s' Non-

Aligned Movement for a "new, just world economic order," as the only means by which "mankind will be spared a descent into barbarism." Zepp-LaRouche warned, "The political direction of the United States, western Europe, and Japan, today is indefensible. . . . The governments of China, India, or Malaysia are doing much more at the moment to defend the interests of their populations, and therewith, actually, those of the entire world."

### **Beware 'Alan-in-Wonderland'**

*EIR*'s banking specialist John Hoefle keyed the seminar, followed by Rachel Douglas, *EIR*'s Russia desk officer, and by Dennis Small, *EIR*'s Ibero-American intelligence director.

Hoefle began, "What we are witnessing today, most dramatically in Asia but rapidly spreading through Russia, the East bloc, and Ibero-America, is not a sudden phenomenon, but the result of three decades of destructive economic policies, during which time the physical economy of the world has been systematically looted, while the largest financial bubble in history has been created."

The thematic image in the keynote was LaRouche's schematic "Triple Curve Collapse Function" of the world economy, in which financial aggregates and monetary valuations are rising hyperbolically, while the physical economy declines. As of the second quarter 1998, we are now at the blowout phase, in which shock waves are crashing through financial and economic structures.

Hoefle has documented this process extensively in *EIR*, especially the dimensions and dementia of derivatives speculation, as well as the spread of casinos, and other forms of

gambling fever. In September 1993, Hoefle was called as an expert witness before hearings of the House Banking Committee, then chaired by Henry Gonzalez (D-Tex.), to testify on derivatives, and the menace of out-of-control speculation.

At the seminar, Hoefle displayed graphics of the bursting financial bubbles. He also documented how the *physical economy* of the United States has declined over the past 30 years, to the present breakdown. This means an epic crisis, unless the right emergency intervention is made, he said.

As for the June 10 report to Congress by Federal Reserve Board Chairman Alan Greenspan, that the U.S. economy is in the best shape “in 50 years,” Hoefle dubbed him “Alan-in-Wonderland” Greenspan.

“The turmoil in Asia marks a rapid descent into Hell for populations around the world,” Hoefle said. “This descent has been deliberately orchestrated by the international financial oligarchy, as part of a strategy to put the genie of the nation-state back in the bottle, and return the world to the era of empires, in which 5% of the population would live like kings, and the other 95% — those who survive this descent into a new Dark Age — would be relegated to the short and brutal lives of peasants.

## Greetings from LaRouche

*The following text was sent by Lyndon LaRouche to the Washington, D.C. EIR seminar on June 18. It was read to the audience by moderator Nancy Spannaus.*

I wish to extend my personal welcome to those participating in today’s special Washington, D.C. conference on the subject of the current world financial and monetary crisis. Unfortunately, for medical reasons, I shall not be able to participate with you, in person, earlier than about two months or slightly longer. Nonetheless, I assure you that, come this September, I expect my physical problems to be under control, and that, in the meantime, I am on top of the most urgent policy-issues with which the present world collapse confronts the U.S. and other governments. The great issue confronting us is not the lack of solutions for this crisis. Solutions exist, and have been placed on the table. The great issues are two. First, whether at least some of the present governments are willing to replace popular delusions with those readily available measures which can solve the crisis. Second, whether the U.S. government, in particular, is willing to adopt the readily available, alternative policies in time to rescue mankind as a whole from what would become, otherwise, the worst, and deepest economic depression in modern history.

“We are today faced with a stark choice: Either we reverse these 30 years of insanity, and quickly, or we watch civilization itself disintegrate.

“The theme of our panel today is not just economics, but also culture and morality. How has the United States — once the beacon of hope for all mankind, leading the way toward a new era of progress for all — become so small, that we tolerate those who claim that the suffering in Asia is to our benefit? That the suffering in Russia, in Africa, in Ibero-America, indeed, even in our own country, is somehow beneficial? What happened to us? How did we go from a people committed to conquering the frontiers of science, to a nation willing to let entire peoples die, to protect our own portion of a shrinking pie?”

## Russia, Mexico, Brazil

Rachel Douglas then presented aspects of the devolution process in Russia; and Dennis Small presented it for Mexico, Brazil, and other nations. Their combined reports document that the world economy is so far below breakeven on physical functioning, to the point, that food supply crises are striking all around the globe. Meanwhile, debt and financial obligations are soaring to unpayable, utterly untenable heights. Audience members from East Asian nations were shocked at Small’s figures: As of mid-June, he said, Brazil, with 160 million people, has on hand only *one week’s supply* of rice and beans, its dietary staples. Two months’ supply is considered bare minimum for food security. Mexico, a grain-surplus food-exporter in the 1960s, must import an unprecedented volume of 13 million tons of grain this year; Mexican agriculture infrastructure and output potential are disappearing.

Douglas showed the drastic decline in volume of annual output since 1990 in Russia of wheat, meat, and other foods, to the point where the nation is barely subsisting on home-grown potatoes. Producer goods output is also in steep decline, especially tractors and machine tools. The total population in Russia has dropped from 149 million in 1992, down to 146.5 million today. Male life expectancy in Russia fell from 65 years in 1985, down to 57.6 years, in 1994.

Yet, as Small and Douglas documented, new debts and financial claims — private, public, and all kinds of obligations — are being piled up on top of expiring economies. Small showed how governments in Brazil and Russia are resorting to privatizations — another name for distress sales — of national assets, such as minerals, oil, communications infrastructure; but still the sell-off revenues are nothing, compared to soaring debt claims — maybe covering only a month’s worth of debt service.

The crisis in government bonds makes the point. The Russian Treasury securities are selling, if at all, at more than 50% yield rates. In Brazil, government Treasury bonds’ issuance and redemption cycles are now so tight, that between May and October this year, 75% of short-term outstanding Treasury securities come due — an estimated \$148 billion worth — and

new money cannot be raised fast enough. To attempt to service the debt, Russia is facing \$1.5 billion due each week; and Brazil \$1 billion due each week.

Small referred people to the point repeatedly raised by Malaysia's Prime Minister Dr. Mahathir bin Mohamad: Why should three months of speculation against a nation be allowed to bring down 30 years of economic progress? Small said, in one respect, Dr. Mahathir is understating the problem. What is at stake is 500 years of civilization — concepts, ideas, and the value of human life.

Nancy Spannaus then ended the formal presentations by reporting on the groundswell in the United States for the exoneration of LaRouche, who has been targeted by what she called the "enforcer network" of the international oligarchy, which is opposed to economic development. She reported that as of June 18, there are 167 co-sponsors of the "Citizens Protection Act of 1998" in the U.S. House of Representatives, which arose out of the disgust with the actions of the outlaw bureaucracy in the Department of Justice.

The seminar proceedings, with statistics and graphics, will be published in a future issue of *EIR*.

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## Commentaries

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# Depression is here, World Bank official admits

**World Bank regional official Jean-Michel Severino, at a two-day international investment conference in Melbourne, Australia, sponsored by the UN Economic and Social Council, Asia Pacific, the Asian Development Bank, the World Bank, and the International Monetary Fund, June 16.**

"We are probably at the end of the first cycle of the crisis and we are entering into a deep recession, or you could even use the term depression. This depression could be very long-lasting if it is not handled very, very carefully. The risk is there and probably we are counting in months rather than years."

Severino continued, "The first point is to say that this depression is unavoidable. Since the beginning of this crisis, about \$115 billion have fled out of the five major crisis countries: Korea, Thailand, Indonesia, Malaysia, Philippines. This is about 10% of the GDP of these countries. In addition to that, banking credits have also been reduced by about \$88 billion, which is approximately another 8% of GDP. It means that about 18% worth of the GDP of these countries has just vanished in terms of funding of the economies. This withdrawal of funds has had the tremendous impact that you are all aware of and have witnessed on the stock market and the

exchange rate."

Severino reviewed the interrelatedness of the Asian economies: that 40% of the capital of the above five countries has been extended by Japan; that 20% of Japan's own exports go to these countries; and that these five countries conduct 15-25% of their trade with Japan.

The result of all this? "It means that the depression is being communicated from one country to the other, from one neighbor to the other, and there is a kind of vicious circle of the transmission from one economy to the other." If certain key actions are not taken, including massive financial help from outside the region (and outside the IMF), and major domestic demand expansion programs, "We will have to accept to go very deep in terms of minuses, double, triple, quadruple minuses in terms of growth before the market starts creating the countermeasures that usually would develop in this circumstance."

On Japan, he said, "One has to have a dynamic Japanese economy. It's absolutely critical. The Japanese have their own resources, but I don't think intervention by the Japanese government alone at the moment would be effective. I am deeply worried and I hope the next G-7 or G-8 meeting they will address this problem."

**Thailand's Deputy Prime Minister Supachai, Singapore *Business Times*, June 16.**

The Asian crisis could trigger a worldwide depression, Supachai warned, in remarks to reporters after a conference presentation. Intervention by Japan alone "would not be effective. . . . If the yen would drop with no limit or no bottom, then the second Asian crisis would mean a First World economic depression." What is needed is "some sort of concerted action, some ways or means of recycling some funds from the rest of the world back into Asia. I am deeply worried and I hope that [at] the next G7-G8 meeting, they will address this problem seriously."

**Anatole Kaletsky, *London Times*, June 16.**

Calling Japanese Prime Minister Ryutaro Hashimoto the "Herbert Hoover of Japan," Kaletsky demands that Japan carry out an immediate hyperinflationary policy to force Japanese consumers to spend. "What makes the world so angry about Japan — and I can assure you that the adjectives used above are mild compared with those heard in private from policymakers and businessmen — is that the economic problems are so trivial and the solutions so obvious. Economically, there is nothing wrong with Japan that couldn't be solved by a massive programme of tax cuts. . . . The fact is that Ryutaro Hashimoto's Government in Tokyo now looks like the main cause of the whole Asian crisis — and Mr. Hashimoto's unusual combination of stubbornness, complacency, incompetence, and weakness is becoming the biggest single threat to the prosperity of Asia and the stability of the global economy as a whole."