Editorial

An idea whose time is long overdue

When will the leading nations, including the United States, admit that the International Monetary Fund is a complete failure, and implement Lyndon LaRouche's New Bretton Woods system? That was the question posed at the *EIR* seminar in Washington, D.C. on June 18, as our *Feature* in this issue details.

The world's heads of state and central bankers are, in general, running hysterically in the opposite direction. But there is a great deal of debate, pro and con, going on over LaRouche's policy. That debate centers around the issues of fixed vs. floating currency exchange rates, and the need to protect national currencies against speculative attack.

LaRouche proposes that leading governments of the world, including the United States, convene a conference, as they did at Bretton Woods, New Hampshire in 1944, to work out the framework for a new world monetary system. The current system is hopelessly bankrupt; it must be put through bankruptcy reorganization, like a company that can no longer pay its debts. The purpose of such a reorganization is not to bail out the banks and financial institutions—they cannot be saved! Rather, we must save the productive, physical economies of nations.

Debate over such a reorganization is particularly intense in the developing sector, among nations that are getting slammed the hardest by the crisis. For example, in Venezuela, whose government is discussing whether to declare a state of national economic emergency, the newspaper *El Globo* on June 21 published an article by José Pares Urdaneta, titled "Crisis and Reform: A New Bretton Woods?" The solution to the Asian crisis and the oil price collapse, he writes, is to call a New Bretton Woods conference. What he means by this, however, is not LaRouche's concept at all. While blaming the "bureaucrats" at the IMF and the World Bank for the crisis, he goes on to invoke the authority of the ultra-free-market Ludwig Von Mises Institute, on how it is governments which have destroyed "honest money."

The New Bretton Woods debate finally made it to the American Midwest on June 20, with a commentary by Mike Meyers in the *Minneapolis Star Tribune,* titled "Falling Yen Raises Questions About Floating Currency." Although the article does not mention LaRouche, everybody in the know is well aware that the New Bretton Woods is his proposal.

Meyers writes that, with the second-largest economy in the world, Japan, begging the United States to help bail out its currency, "the time has come to reexamine the question" of abandoning the floating exchange rate system. "We need something on the order of a new Bretton Woods, a top-down serious reassessment of what the exchange rate system should look like," the article quotes Catherine Mann, of the Institute for International Economics in Washington.

Meyers reports that researchers at the Minneapolis Federal Reserve Bank "argue that fluctuations in international currencies are a cost that governments, businesses, and consumers should not have to bear. They think they have a better way, a path that was tried and abandoned earlier this century: fixed currency exchange rates." (See interview, p. 6.)

This idea is being debated in Italy, where banking supervisor Paolo Savona wrote a guest commentary in the daily *Corriere della Sera* on June 19, warning of the disastrous explosion of the financial derivatives market, but rejecting the idea of a New Bretton Woods and fixed exchange rates. "If you want to face the new global monetary and financial reality with the nostalgia of bygone times," he wrote, with reference to the original Bretton Woods, "trying to go back to gold convertibility or to fixed exchanges, the answer can only be negative."

Is it "nostalgia," to demand a return to a system that worked? Ultimately, the issue of the New Bretton Woods is not a technical question, but a political and moral one. As LaRouche said in his greeting to the Washington seminar, the great issues facing us 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."