
Documentation

President Clinton's call for an emergency meeting

While EIR has provided news coverage of President Clinton's initiative for an emergency meeting of the Group of 22 to discuss the "new architecture" for the world economy, given at the New York Council on Foreign Relations on Sept. 14, we have received requests for more extensive excerpts of the speech. We print below portions of the speech and the ensuing press conference by Treasury Secretary Robert Rubin and Assistant to the President for Economic Policy Gene Sperling, with emphasis on those section which reflect a change in the President's outlook toward the world financial system, toward reality.

... The subject that I want to discuss—let me just say one thing in advance. I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another going back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across the country and, indeed, across the world, for any new ideas from any source. Now I'm going to give you my best thinking today about what we can do, but I want you to know that I'm here, and if I had my druthers, this would be about a three-hour session where I'd give this talk and then I would listen for the rest of the time. . . .

... But if you consider today's economic difficulties, disruptions, and plain old deep personal disappointments of now tens of millions of people around the world, it is clear to me that there is now a stark challenge not only to economic freedom but, if unaddressed, a challenge that could stem the rising tide of political liberty as well.

Obviously, we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think, all of us in this room, know that our future prosperity depends upon whether we can [act] with others to restore confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation. . . .

But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth. Therefore, I believe the industrial world's chief priority today plainly is to spur growth. . . .

Above all, we must accelerate our efforts to reform the

international financial system. Today, I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century. . . .

... Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future.

In the face of this new challenge, America can and must continue to act and to lead, to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow, the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago, when I attended my first G-7 meeting in Tokyo, and every other country said the first thing they needed was for America to put its economic house in order. We did that, and now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment in job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States, but for the global economy. . . .

We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies. But clearly, we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies. Today I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic national economic problems rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society, and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important. . . .

From the G-7 meeting in Halifax in 1995, in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working also with our major economic

partners to plan for a new financial architecture for the 21st century. For the first time this year, we included key emerging markets in the process, in a new group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now, to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden-sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I've asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system. We must develop current policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable.

We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress, as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises. For a half-century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well. . . .

Now, let me just say it all again very briefly. In short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies whenever possible and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again. What is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties, the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated workforce. Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. . . .

At this moment, therefore, the United States is called upon once again to lead; to organize the forces of a committed world, to challenge the unruly energies of the global economy into positive avenues to advance our interests, reinforce our values, enhance our security. In this room I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago, now, it is time for us to

rise to our responsibility, as America has been called upon to do so often, so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Sperling on debt release

Q: Gene, the part of the speech that dealt with debt release was a little bit vague about what he had in mind, for the banks. Can you spell that out a little more?

Sperling: Well, Secretary Rubin did answer that and I don't want to go too much beyond, but he is referring to the domestic debt problems in countries where there's been a systematic problem that has put a significant number of corporations and companies in debt problems and where it is not clear that a U.S.-style bankruptcy case-by-case approach would be either fast enough or deal with the systematic nature. So, the goal is to explore whether there are comprehensive approaches that would give incentives for all the players—for the banks, for the other creditors, and for the companies to try to get this debt overhang out of the way so that they could begin getting new capital and investing and expanding, and—

This is something that certainly Secretary Rubin and Treasury have been working on, and the President is asking them to expand those efforts, but at this point I don't think that it would be prudent for us to go into more detail.

**“Long before Paula Jones,
long before Monica Lewinsky,
there was a conscious decision, made in
London, that there would be a full-scale
campaign to destroy Bill Clinton,
and to destroy, once and for all,
the credibility of the office of the
Presidency of the United States.”**

—Lyndon H. LaRouche, Jr.



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