***Washington Post,* editorial, March 25:**

So far, "Greenspan's attempts to deflate Wall Street have failed to do the job," and "even more troubling. . . the Fed's interest rate hikes are not even raising interest rates." In fact, the *Post* says, we have the "paradox" that "higher Fed rates make for lower market ones," since the bond markets believe Greenspan will keep inflation under control and thus are willing to accept lower interest rates on their bonds. . . . Sometime, somehow, the party will have to end."

***New York Times,* guest commentary by Paul Krugman, March 26:**

A long time ago, people used to care about the U.S. trade deficit, but no more, says Krugman. In January, the United States "set a new world record: the biggest monthly trade deficit ever. . . . But the markets couldn't have cared less." The situation where we "pay for many of our imports by attracting inflows of capital—in effect by selling the rest of the world claims on our future exports—cannot go on forever. And as the late economist Herbert Stein declared, 'If something cannot go on forever, it will stop.' " Right now, with a strong dollar, foreign investors are willing to hold Treasury bonds, but the dollar may decline. So, foreign investors (and the value of the dollar) "are arguably doing a Wile E. Coyote—one of these days they will look down, realize that they have already walked over the edge of the cliff, and plunge. And when they do, it will come as a rude shock not only to them, but also to American financial markets that have become accustomed to big inflows of foreign money."

***New York Post,* "Why Greenspan Should Quit," by John Crudele, March 24:**

"If Greenspan has been doing his job right he wouldn't have had to raise rates this frantically. He wouldn't have made the U.S. economy into a lab experiment that could bounce like Disney's flubber or blow up like some terrorist's homemade bomb.

"Today's economy is that unpredictable.

"And it is unpredicatble because Greenspan permitted Americans to become addicted to the bubble. Bubble money drives today's real estate prices. Car sales live and die by bubble money. . .And try as he may, Greenspan now can't wean Americans out of their speculative habits. No amount of predictable rates hikes will do it. The Fed not only left the punch bowl at the party too long, it permitted revelers to bathe in the refreshments."

Crudele uses Japan as an analogy to argue his case, thus missing the big picture. "Japan's amazing success story of the last decade—built entirely on a stock market bubble—turned into an awful nightmare for the country. Japan now has had 10 years of brutal unemployment and civil distress and may only now be getting out of the hole. Greenspan is headed down the same road. As much credit as he gets today, he'll reap an equal amount of blame when it all ends."

European Parliament to discuss proposal for a New Bretton Woods

by Paolo Raimondi

On March 16, four Italian Members of the European Parliament in Strasbourg, France introduced a resolution calling on the European Commission to propose a new Bretton Woods conference. While Europe is being shaken daily by turbulence on the financial markets, mega-mergers, the downsizing of the physical economic sector, and workers' protests against plans for massive layoffs, this initiative puts discussion of an alternative to the crash directly on the agenda in European institutions.

The resolution, presented by Hon. Cristiana Muscardini, Hon. Mauro Nobilia, Hon. Vitaliano Gemelli, and Hon. Mario Mauro, is a shorter version of the motion for a New Bretton Woods presented by Sen. Riccardo Pedrizzi and 22 others in the Italian Senate on Jan. 12 and Feb. 16. The same issue has also been raised by a group of parliamentarians in the Italian Chamber of Deputies and in the Milan City Council.

In the past few weeks, the proposal has been informally discussed in the parliaments of several nations in Central and Eastern Europe, and in many developing nations.

Text of the resolution

The European Parliament:

Whereas the 1944 agreement of Bretton Woods mechanisms contributed to the realization of monetary stability and to postwar economic reconstruction;

Whereas there is a divergence between the real economy and the financial economy since the decoupling of the dollar from the gold reserve system;

Whereas financial crises have exploded in different parts of the world since 1997;

Whereas the international monetary and financial institutions in carrying out their tasks are malfunctioning;

Whereas it has been ascertained that the "speculative bubble" has had devastating effects for the economies of the developing countries, completely transforming the structures of the world economy, and reaching the level of at least \$300 trillion, compared to the world GDP of about \$40 trillion,

Invites the European Commission

a) to propose the convocation of a new conference, similar to the one at Bretton Woods, with the aim of creating a new international monetary system to eliminate gradually the mechanisms which have led to the "speculative bubble";

b) to evaluate the possibility of anchoring currency values to an element of real reference, and to better and more completely control the movements of currency rates;

c) to propose the creation of new credit lines oriented to developing investments in the sectors of real economy and to define infrastructure projects of continental dimensions.

Signed:

Hon. Cristiana Muscardini, Alleanza Nazionale (AN); Union for a Europe and Nations Group (UEN); president of the AN group in Strasbourg; vice president of the UEN; member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy; alternate member of the Committee on the Environment, Public Health, and Consumer Policy; member of the Delegation for Relations with Israel.

Hon. Mauro Nobilia, AN; UEN; member of the Committee on Employment and Social Affairs; alternate member of the Committee on Citizens' Freedoms and Rights, Justice, and Home Affairs; member of the Delegation to the European Union-Cyprus Joint Parliamentary Committee; alternate member of the Delegation to the European Union-Malta Joint Parliamentary Committee.

Hon. Vitaliano Gemelli, Cristiani Democratici Uniti (CDU); Group of the European People's Party (Christian Democrats) and European Democrats (PPE-DE); president of the Committee on Petitions; member of the Committee of Development and Cooperation; alternate member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy; member of the Delegations to the parliamentary cooperation committees and delegations for relations with Ukraine, Belarus, and Moldova.

Hon. Mario Mauro, Forza Italia (FI); PPE-DE; member of the Committee on Culture, Youth, Education, the Media, and Sports; alternate member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy.

A decision will be forthcoming

The resolution will be given to the appropriate parliamentary committee, which will discuss it. If the committee chairman decides that it is relevant, he will write a report to the president of the European Parliament, who then has to inform all the members. After more discussion, the president will inform the European Commission, with the necessary instructions to act upon the suggestions. If the committee chairman should decide not to write a report, he will have to give an explanation. The decision will have to be made within a matter of months.

Other Members of the European Parliament from different parties and different nations can also introduce the resolution on the floor. If more Deputies co-sponsor the resolution, it will create greater pressure to act upon it.

In the meantime, the unelected European Commission (EC) bureaucracy in Brussels is looking for excuses to avoid the issue. In an official statement, it affirmed that there is no need to worry about the future of the international monetary system, because the financial crisis is over. On Feb. 16, Member of Parliament Muscardini had presented an interrogatory to the European Commission, asking if it intended to respond to the global systemic financial and monetary crisis with a proposal to convene a new Bretton Woods conference to create a new international monetary system, including provision of new credits for large infrastructure investments and other productive initiatives in the physical economy. Former Hong Kong Governor Chris Patten, commissioner for External Relations, in the name of the EC, delivered the following written answer on Feb. 25:

"In regards to the financial crisis in Asia and its impact on the real economy and on the societies of the countries which have been affected, it is common opinion that by now the worst of the crisis is past and that in some of the countries most affected by the crisis, growth has been relaunched. A consensus has been by now reached on the fact that the specter of world recession, following the crisis in Asia and its repercussions on the rest of the world, appears far away. The position of the European Community in relation to the financial crisis has been expressed on several occasions: that is, the necessity to maintain open markets and to fight against protectionist temptations (the Euro-Asia [ASEM] trade deficit has reached 87,000 ME [millions of euros] in 1998, double the 1997 level), the importance of international aid, of EU aid given in a bilateral and also in a multilateral way, also through the ASEM fund, as well as the necessity to continue with the reforms of the financial systems of the countries affected by the crisis and to find a solution to the social consequences of the crisis."

Patten completely avoids commenting on the new Bretton Woods proposal, which was the primary subject of the interrogatory.

In regards to the "Eurasian Land-Bridge," Patten reports that the European Commission has been studying a number of proposals relative to this great project, particularly in the transportation sector. At the same time, he writes, "The Community should not in any case participate financially in transport projects regarding trade between Europe and the Far East."

Patten then reports that the EC has begun a project called "Traceca," which consists of supplying technical assistance in a West-East transport corridor project, starting from Europe, and involving the Black Sea, the Caucasus, and the Caspian Sea, reaching into Central Asia, with a number of projects already in the process of construction.