

Collapse Hits, States Call For New Bretton Woods

by Molly Kronberg

Lyndon LaRouche's proposal for a New Bretton Woods approach to reorganizing the collapsing world financial system, is being incorporated by state lawmakers in the United States into resolutions and bills they are offering, as the only viable solution to the deepening American economic crisis.

Over the month of February, resolutions calling for action on LaRouche's proposal—specifically, for the convening of an international conference modelled on the original, Roosevelt-authored 1944 conference in Bretton Woods, New Hampshire, to lay the groundwork for global monetary stability and economic development—have been introduced in the state legislatures of Kentucky, Virginia, and Maryland, with similar bills in preparation in Pennsylvania and other states.

In 2000, such actions were proposed in the Alabama State Legislature and in the National Conference of State Legislatures—as well as in the Italian Senate and the European Parliament. Now the accelerating pace of financial collapse, and the worsening economic depression, have quickened lawmakers' concern—particularly since the Bush Administration and Federal Reserve chieftain Alan Greenspan plainly have no idea what to do.

The Context: Crisis

Since December 2000, one symptom after another has been reported of financial and economic shutdown. Domestically, the news is of shutdowns and layoffs, of shrinking tax base and galloping state budget deficits, and of a stock market that just keeps heading south, no matter what antics Greenspan performs. Underlying this, are the vicious effects of the hyperinflation hitting the energy sectors of the economy. Internationally, the currency implosion in Turkey is only the

latest dislocation in what will become a worse chain-reaction, as the U.S. economy, the world's largest, the "importer of last resort," as LaRouche calls it, hits bottom.

In the United States, the bad news included the release on Feb. 16, by the Bureau of Labor Statistics, of producer price data for January, which showed the highest inflation in 10 years, caused mainly by the sharp rise in energy prices. On Feb. 21, it was announced that the consumer price index had risen 0.6% in January. Then on Feb. 22, the Nasdaq index hit its lowest level in two years. Since March 24, 2000, U.S. stocks overall have lost on paper \$3.1 trillion—and that's only the beginning. CEOs such as Nortel's John Roth, Cisco Systems' John Chambers, and others have pronounced the economy in deep recession; Apple Computer's CEO Steve Jobs announced, "I think the economy is melting down."

In the real economy, overall, the United States saw more than 142,000 corporate layoffs reported for January, with the highest number in Michigan—along with Ohio, the center of the American auto industry, which is also being pummeled with job losses and closings. Meanwhile, as many as 15 states that depend upon sales and manufacturing taxes are facing sharp declines in revenue, and therefore, are facing the need to cut up to 15% from their budgets, according to the *New York Times* and *Richmond Times-Dispatch* of Feb. 8. Especially in trouble are various Southern and Midwestern states, specifically, South Carolina, North Carolina (with a projected shortfall of \$740 million, the Governor will probably declare an emergency), Missouri, Iowa, Kansas, and Michigan.

The shortfalls are being attributed to sales tax collapses over recent months. Yet to show up, are the results of mass layoffs, which will result in declines in income tax receipts.

Resolved: We Need a New Bretton Woods

These are the circumstances in which LaRouche's New Bretton Woods proposal is attracting such renewed attention from state legislators and other policy makers. On Feb. 16, Representative Perry Clark of Kentucky introduced into the State House of Representatives, House Concurrent Resolution 84, calling for "a 'New Bretton Woods' conference for international monetary system stability, and development of the real economy." If the resolution passes, and the Senate concurs therein, it will commit the Kentucky Legislature as follows:

"Section 1. The Kentucky General Assembly calls for the convocation of a new conference, similar to the one at Bretton Woods, with the following goals.

"(1) Creating a new international monetary system to gradually eliminate the mechanisms which have led to the 'speculative bubble';

"(2) Evaluating the possibility of anchoring currency values to an element of real reference, and to better and more completely control the movement of currency rates;

"(3) Proposing the creation of new credit lines oriented to developing investments in the sectors of the real economy; and

"(4) Defining infrastructure projects of continental dimensions."

The resolution notes that "American economist Lyndon H. LaRouche, Jr. has consistently warned of this crisis, and there is significant international support for a solution based on Mr. LaRouche's 'New Bretton Woods' economic policy"; the resolution instances the Italian Senate, the European Parliament, the National Conference of State Legislatures, and Alabama.

A similar resolution, House Joint Resolution No. 856, is pending in the Virginia House of Delegates, introduced on Feb. 3 by senior Democratic Delegate William P. Robinson; it calls for "a 'New Bretton Woods' conference for international monetary system stability and development of the real economy." The resolution, which was referred to the Rules Committee, also cites, and specifies, the "significant international support" for a solution to the problems of hyperinflation, record trade deficits, financial market collapse, and mass layoffs, in the form of LaRouche's New Bretton Woods approach.

In neighboring Maryland, at the end of January, House Joint Resolution 5 was introduced into the 2001 session of the State Assembly by Clarence Davis, Democrat of Baltimore. The first reading of the resolution, modelled on Thomas Jackson's Alabama resolution of a year ago, took place in the Economics Matters Committee Jan. 29, and at a hearing in committee Feb. 22, testimony was heard from Davis himself, from LaRouche associate Lawrence Freeman, and from Dave Brode of COPE and the AFL-CIO.

Davis spoke first, giving an overview of the origins of



State lawmakers Perry Clark of Kentucky (left) and William P. Robinson of Virginia, are among a growing number introducing state bills calling for a new Bretton Woods monetary conference to reorganize collapsing markets.

the Bretton Woods conference, its purpose in rebuilding the world after the devastation of World War II, and its role as the source of the Marshall Plan which put a war-shattered Europe back together. Freeman concentrated on the current global picture, including the Turkish eruption, and the collapse of world markets as he was speaking, as well as pointing to the disastrous economic condition of other parts of the world, especially Africa. Finally, in his testimony, as a representative of labor, Brode told the legislators present that, if nothing is done about this collapse, you will see alliances forming which you never imagined. They will show up outside your offices, the legislature, and your homes, he warned.

While other legislators have begun preparations to introduce similar bills, the only one to make public his intention, so far, has been Pennsylvania's Rep. Harold James, a Democrat from Philadelphia, and a leading member of the National Black Caucus of State Legislators. Speaking to a town meeting in Baltimore Feb. 1, Rep. James presented his views: "I believe that that standard of truth and honor also means that we should frankly acknowledge that Lyndon LaRouche was right about the economy, and that everyone who talked about the great 'prosperity,' and 'economic boom,' including some of us, were wrong. Accordingly, I will be introducing a resolution in the Pennsylvania House of Representatives, 'Calling for a New Bretton Woods Conference for International Monetary System Stability and Development of the Real Economy.'

"I believe that this resolution is urgent, not only for the sake of our own people, who are suffering from rapidly declining economic conditions, but for the sake of people around the world, many of whom, such as those living on the continent of Africa, are victims of genocide, often with the active complicity of our own State Department, the British Foreign Office, and others."