Lyndon LaRouche Put FDR's Bretton Woods System on the Agenda of Any Summit of Major Powers

by Paul Gallagher

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The Bretton Woods international credit and currency system was never what President Franklin Roosevelt intended it to be. But the destruction of that system triggered by President Richard Nixon's actions 49 years ago today, has proven a half-century disaster for the United States and other industrial economies, and for the world. From the day Nixon began Bretton Woods' destruction, Lyndon LaRouche denounced and called for reversing that grave error, and in one way or another proposed a new, FDR Bretton Woods for the agenda of every major summit conference—including the five-power summit being prepared now, of leaders of the UN Security Council Permanent Five.

As early as the Eisenhower Administration, at the beginning of 1957, LaRouche, working as a business consultant and not yet organizing a political movement, forecast a serious recession for later that year, which occurred as he forecast. He explained in the 1960s that the fundamental problem he saw bringing on that U.S. recession, was that under Ike the United States was pouring its considerable economic surplus and technological advances achieved under Bretton Woods conditions, into a domestic "consumer boom" of automobiles, appliances, suburban homes and so forth, forming a financial debt bubble.

What Eisenhower needed to do, LaRouche said, was what FDR had done before the war and would have done after it: Export surplus as capital goods exports to Latin America, Eurasia, and Africa for industrial and technological development. That understanding, rooted in LaRouche's knowledge of and support for FDR's Hamiltonian capital investment policies, enabled him, as an unknown economist, to forecast the severe 1957-58 recession other economists did not see coming.

Ten years later, LaRouche had organized a small but passionately committed political group and intervened to try to convert the anti-Vietnam War mass protests into a movement for "Third World" economic development against British and French colonial methods. He saw that the two sudden British devaluations of the pound sterling, in 1967 and 1969, were threatening to disrupt the entire structure of Bretton Woods; earlier that decade he had already forecast that if this happened, financial crises would break out and depression


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NIXON PULLS THE PLUG

Why It Happened Now

Monetary Sickness Fatal?

Preface

Crisis Numbs Liberals

Socialists Follow Suit

In its August 31-Sept 3, 1971 issue, the LaRouche movement's national newspaper accurately reported the profound consequences for the nation and the world of ending the Bretton Woods monetary system.

could follow. He continued warning of this through the late 1960s.

Did depression follow the destruction of Bretton Woods, as LaRouche warned? The worldwide growth in real economic product per capita, which was 3.5% per year in the 1950s and 1960s, fell to 2.0% per year in the 1970s and 1.4% per year in the 1980s, according to the World Bank. The share of this product going to labor reached a peak of 52% in 1970 and has shrunk to 41%

EIRNS/Stuart Lewis

India's Prime Minister, Indira Gandhi, became one of LaRouche's greatest collaborators in organizing for great projects of long-term economic development. Here she speaks at the National Press Club in Washington, D.C. on July 30, 1982.

now in the United States and other trans-Atlantic industrial countries; it fell by almost 5% in the 1970s alone. The oil hoaxes of 1973 and 1979 caused a lowering of economic activity and incomes around the world; those hoaxes were inseparable from the replacement of the U.S. dollar—the reserve currency of the Bretton Woods system—with the Eurodollar and Petrodollar of the floating-exchange-rate system. Inflation averaged 9% per year in the 1970s in the United States.

In the United States, Nixon followed his "pulling the plug" on Bretton Woods with wage and price controls, starting a drive to lower wages which reduced labor's share of GDP by 5% just during the 1970s. And this with economic growth itself collapsing; GDP growth went to less than 1% in 1973-75, and again in 1979-80. By that time Nixon's 1972 brainwave, the "Southern strategy," was long since in effect, and American industrial jobs were going to lower wages in the South, then under Henry Kissinger's "Caribbean Initiative" and similar schemes, to still lower wages in Latin America. This started a half-century of eliminating productive industrial employment and making the population pay the costs of Wall Street's "bubble and bust" speculation.

LaRouche's clearest action came after Nixon's Aug. 15, 1971 action removing the dollar from its gold-reserve basis, and LaRouche's announcement, in our newspaper days later, that this meant the destruction of the Bretton Woods system. LaRouche's movement then released its Emergency Reconstruction Program, which stated:

> It is not only human but in our self-interest that we, along with the entire advanced sector, contribute at least 5-10% of the annual product of the advanced sector for the immediate upgrading of living standards and the economic development of the underdeveloped nations.

It also proposed a "national thermonuclear power development program," which led to formation of the Fusion Energy Foundation and introduction in 1978 of the Magnetic Fusion Engineering Act which became law in 1980.

In 1975 LaRouche had made a visit to Iraq and was gratified to see that Iraq pledged $35 billion to support implementation worldwide of an Emergency Agricultural Production Act if launched by the United States. In 1976 LaRouche's International Development Bank proposal, specifically to provide credit for development projects in underdeveloped countries, was adopted by the summit of Non-Aligned Nations chaired by India's Indira Gandhi in Sri Lanka. Mrs. Gandhi became one of LaRouche's great collaborators in organizing for great projects of long-term economic development in the underdeveloped nations—the core of Franklin Roosevelt's post-War Bretton Woods idea.

So you can see that Lyndon LaRouche did not begin to organize for a new Bretton Woods conference and a new Bretton Woods financial and credit architecture only in the 1990s, or only in support of the Eurasian Land-Bridge or New Silk Road projects. Rather, from this day in August 1971, the day the City of London achieved the destruction of Bretton Woods by Nixon's grave mistake, LaRouche was organizing to put FDR's *intended* Bretton Woods credit plan on the agenda of every major summit that occurred. This included the Cancún International Summit in 1981, for which LaRouche wrote detailed proposals and "instructions"; the UN Special Session on developing-sector debts in 1982, the target of his *Operación Juárez* on Hamiltonian debt reorganization, and so forth.

This is what Helga Zepp-La-

Rouche proposes to push into the likely upcoming summit of leaders of the UN Security Council Permanent Five members.

And in his writing, "The LaRouche Gold Proposal," of September 1981, he made very clear that it was necessary that the U.S. dollar return to a gold-reserve basis immediately.

What Was Included, and What Missing

Here is LaRouche's strategic view of Bretton Woods, set down in 2000, in his article, "Trade Without Currencies":

> In this set of circumstances, policy-shapers should study more carefully the … underlying principle behind the approximately twenty-year, 1945-65 success of the post-World War II, Bretton Woods fixed-exchange-rate system, especially as that system operated in relations among the U.S.A., Western Europe and Japan…. Include attention to the fact that the way in which the system was implemented, after President Roosevelt's most untimely death, was vastly inferior to what the result would have been, both morally and economically, had Roosevelt's intentions not been significantly overturned by the successor, Truman Administration. As much of Roosevelt's intentions which were actually adopted, worked to great benefit for both the U.S.A. and Western Europe, at least up through the middle of the 1960s. The question now … is: What are the crucially successful features of that fixed-exchange-rate system, which are fully applicable, as a matter of principle, to the vastly different world conditions of today? Today, we must add the warning, that such cooperation be based upon a true, essentially global partnership with those nations which have been, until now, the continued victims of the legacy of colonialism, including the neo-colonial practices presently inhering in the common practice of the presently bankrupt IMF system….

This is clear. The soul and core of FDR's idea of Bretton Woods—high-technology infrastructure development projects across Eurasia, Africa, and Ibero-America—was cut out after his death by Churchill's control of Truman, by anglophile John J. McCloy's taking over the World Bank and emasculating it. The successful elements for America, Europe and Japan remained: Glass-Steagall bank separation in most of those nations; exchange controls and the option for capital controls, to keep exchange rates stable; limitations against major nations' export of capital for speculative purposes or any purposes except capital investment and trade.

All these principal regulations, the City of London banks violated, repeatedly and more and more flagrantly through their "offshore" centers and their creation of the Eurodollar market, until they could drive Nixon to pull the pin on the grenade and blow Bretton Woods up. As the 2017 documentary, "The Spider's Web" by an English financial journalist shows, this was to make the City "Britain's Second Empire."

EIRNS/Alan Yue

On December 2, 1971, at Queens College in New York, Lyndon LaRouche discredited all of Keynesianism in a debate with Abba Lerner, the leading Keynesian economist, who was brought to the point of asserting, "If [Hjalmar] Schacht's programs had been carried out, they wouldn't have needed Hitler."

LaRouche's Debate

Several months prior to President Nixon's Aug. 15, 1971 move as a City of London tool to destroy Bretton Woods, he had told an NBC News interviewer, "I am now a Keynesian in economics." The interviewer, Howard K. Smith, reported he was flabbergasted to hear this. John Maynard Keynes was thought of as the celebrated economist favored by liberals and progressives; Milton Friedman as the economist for conservatives like Nixon; and moderates and centrists might prefer the leading "textbook economist" of the period, Paul Samuelson and his "built-in stabilizers"—which Nixon was about to expose as non-existent in a crisis.

Smith said Nixon's comment prepared him for the "August shock" when Nixon broke Bretton Woods; because Keynes and Keynesians considered gold-reserve backing for the U.S. dollar or any other currency, as well as fears about excessive national debts, to be 19th-Century anachronisms of no importance in the 20th.

Then in December 1971, four months after Nixon's move, it was the subject of the only occasion in which a leading professional economist ever debated LaRouche. LaRouche was suddenly notorious for having warned through the later 1960s that this break was coming; he had suddenly commanded an audience of nearly 1,000 students and teachers when he spoke at Columbia University in September.

After the LaRouche-Lerner debate, at Queens College in New York on December 2, before another large audience, no other such economist would be allowed to give the confirmed forecaster LaRouche the opportunity to destroy modern monetarist economics, the way Abba Lerner did. Professor Lerner of New York University was considered a more brilliant and penetrating Keynesian economist than Keynes himself. And he supported both Nixon's abandonment of the gold reserve for the dollar, and his imposition of wage and price controls, which Lerner said would increase employment.

LaRouche drove home the warning that Nixon's destruction of the Bretton Woods system in favor of free-floating currencies and speculation, would bring in "Schachtian economics" of Nazi Germany in the 1930s, where Hjalmar Schacht from 1934 to 1937 was both Hitler's central banker and his economics minister. Professor Lerner said that Hitler had done "the right thing" by printing money in disregard of gold reserve or national debt. He referred to, "Adolf Hitler, who in fact increased prosperity in Germany, gave people jobs; and if it's so, I don't think it is funny, for it was very unfortunate, for these good things led people to support him." Pushed further by LaRouche, Lerner pronounced that "if Schacht's programs had been carried out, they wouldn't have needed Hitler."

The audience was horrified; LaRouche was confirmed in his warnings and proven the man to be evermore avoided and suppressed by monetarist economists.

Hjalmar Schacht, Adolf Hitler's economics minister and head of the Reichsbank.

In the following years of the early 1970s, LaRouche and his movement published numerous unique analyses of what "Schachtian economics" really was and how it was indissolubly linked to Nazi concentration camps and masses of people worked to death and murdered.

This LaRouche-Lerner debate, crucial in the growth of Lyndon LaRouche's movement, could have occurred today; and if it did, would be equally crucial in the drive to establish a new Bretton Woods. Keynesian economists still today—and they are dominant in the profession—point to policies of Hjalmar Schacht in Nazi Germany as models for nations, including developing nations (!). And more important, Schacht is the central banker who is the model for today's central bankers and their furious money-printing.

Schacht and the Central Banks

Hjalmar Schacht was a protégé of the British central banker from 1920-44, Privy Councillor Montagu Norman, later Baron Norman. Schacht raised funds and campaigned hard and publicly for two years to bring Hitler's Nazis to power in the March 1933 parliamentary election, which made Lerner's remark about "not needing Hitler" ridiculous as well as shocking. Schacht definitely thought he needed Hitler to carry out Schacht's economics. Schacht was greatly admired by the British John Maynard Keynes at that time, and obviously still by Keynesians like Abba Lerner 30 years after the Holocaust, because Hitler and Schacht had "work creation" policies for full employment.

Hjalmar Schacht, as Hitler's economics minister and head of the Reichsbank, pioneered large-scale central bank money printing, in partnership with the biggest financial and industrial corporations, to "create work." Keynesian economists today continue to propose printing money on any scale, however large, in order to create employment, without regard to whether that employment increases the productivity of the labor force and advances the scientific and technological powers of the nation.

Remember the Keynesian who was Obama's chief of the Council of Economic Advisors, Christina Romer of the University of California at Berkeley. In her first testimony to Congress, at the depth of the Great Recession in mid-2009, she pronounced FDR's New Deal a failure; told Congress that the Federal Reserve was the key institution for any recovery; and promised that the Fed's quantitative easing then just underway, plus Obama's so-called "Stimulus Act" to rehire laid-off workers, would bring unemployment down below 8% by the end of 2010.

She was wrong; it remained at about 10%. But more important, no productive mission for the nation's workforce was involved in this "work creation"; the only new infrastructure plan was to build wind farms and develop better solar panels for the roofs of homes. It was at this point that Obama said the United States didn't need any "fancy technologies like fusion power."

House Committee on Education and Labor

Dr. Christina Romer, the Keynesian Chair of President Obama's Council of Economic Advisers, pronounced FDR's New Deal a failure.

Schacht did this money-printing and "work creation," which Keynes admired so, with a difference; he had a mission when, as president of the Reichsbank, he took over the German economy for the Nazis in 1933. He launched his central bank's money-printing scheme, called Mefo Bills, in partnership with the biggest financial and military-industrial corporations. Within three years, using his central-bank money printing, military arms production rose from 2% of Germany's GDP, to 20%, already four times the role defense production plays in the American economy today.

And Schacht went on from there, with the "work creation" increasingly taking place in the compulsory work camps of the Nazi Labor Front, until he became alarmed by the inflation he was creating and told Hitler, in late 1938, to slow down the war buildup. Hitler then fired him as president of the Reichsbank—which Schacht used to escape conviction when he was tried at Nuremberg.

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One of the Carrie blast furnaces that formed part of the Homestead Steel Works in Pittsburgh, Pennsylvania. Its abandonment in 1982 reflected the U.S. side of world deindustrialization.


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A massive array of solar panels near the airport in Munich, Germany. Such Green installations of low energy-density occupy large amounts of land throughout Europe.

Schactian Regime Change Today

Today, after nearly 50 years of London and Wall Street domination of more and more speculative, deindustrialized economies and huge ratios of debt to productive activity, we face central banks like the Fed, Bank of England and European Central Bank which prop up and completely control financial markets, and are now moving to take over government spending and substitute for it, as Schacht did in Nazi Germany. This is referred to among central bank circles as "regime change," since that term was introduced one year ago at the 2019 bankers' conference at Jackson Hole, Wyoming.

Again, the central banks have Wall Street and corporate partners in this "regime change," led by the huge fund management company BlackRock, Inc., which introduced the term "regime change" at that bankers' conference. BlackRock is managing the money-printing schemes of both the Federal Reserve and the European Central Bank.

And again, the central banks have a mission for their money printing. It is to stamp out the fossil energy-related industries, denying them investment; to shift private investment and "government" spending, including big new carbon taxes, into "green finance," "green bonds," wind and solar industries, and "energy-saving" technologies. In short, to create a gigantic new "green finance bubble" to get London and Wall Street banks through the current waves of corporate bankruptcies.

In the process, they are seeking to take our national economies back centuries into the past, in terms of the productive power of the dominant technologies. We will never explore the Solar System on wind turbines, but rather on nuclear and fusion-powered rockets.

Franklin Roosevelt's New Deal policies—which Obama's Keynesian economics chief Christina Romer was so sure were a failure—were the direct opposite of those of Schacht which Keynes and the Keynesians still admire. Like Roosevelt's intended plan for the Bretton Woods system, they had their origin in Alexander Hamilton's principles. They did not rely on central-bank money printing but on the U.S. Treasury's ability to issue debt for productive projects to American citizens and institutions. They were based on advancing the productivity of workforces through new infrastructure building that required invention and technological advances.

In fact, FDR's New Deal made the 1930s and 1940s the decades of fastest growth of technological productivity known in American economic history. They were the start of a longer period known as the "golden age of American productivity," which stretches into the early 1970s, when it was ended by the City of London's destruction of Bretton Woods.

So we come back to Lyndon LaRouche, writing in 2000 on the need for a new Bretton Woods:

> That policy, as it had been intended by Roosevelt, should become the basis for new forms of cooperation between those sections of the world's economy which have the basis to provide advanced technologies, and less-developed regions. This policy orientation provides the mission-orientation which a new, fixed-exchange-rate, world monetary system must adopt ...

And we organize a chorus of voices internationally, to urge that policy on the hopefully upcoming summit of the leaders of America, China, Russia, France and Britain.