

## V. From Lyndon LaRouche

January 9, 2001

# We Must Urgently Cancel Disreputable Debt, Revive Fixed Exchange Rates and Provide Long-Term Credit for Physical Economic Growth

by Lyndon H. LaRouche, Jr.

*On Jan. 15, 2001, Mr. LaRouche's speech was read to a conference on "Debt Forgiveness and the New Bretton Woods" in Milan, Italy, attended by students, industrialists, press representatives, and political activists at Catholic University. Speakers included Patrizia Toia, Italian Minister for Parliamentary Relations; Giovanni Bianchi, Member of the Chamber of Deputies of the Italian Parliament; Prof. Francesco Casetti, vice dean of Catholic University; Luigi Campiglio, Professor of Economics; and Prof. Riccardo Moro, who coordinated the efforts of the Italian Bishops' Conference to cancel the Italian debt of the two African countries of Zambia and Guinea—transforming it into new investments for urgent development projects—undertaken in the context of the Pope's call for debt relief for poor countries in the 2000 Jubilee year. The roundtable was co-sponsored by the Italian Solidarity Movement, the Institute of Economic Studies of that University and the Association of Banking and Stock Exchange Studies.*

I think it important, for this occasion, that I emphasize that the present world financial and monetary system is now already hopelessly bankrupt in its present form. Only by putting that system, and most among its associated central banking systems, into bankruptcy reorganization, could a viable form of monetary order continue to exist on this planet.

This means that the following measures must be included as an absolute precondition for the existence of viable world monetary and financial order.

1. The cancellation of claims to the most disreputable categories of nominal debt, such as financial derivatives and junk bonds, which are to be adjudged morally as claims of the same nature as gambling debts.

**Editor's Note:** This memorandum first appeared in *EIR*, Vol. 28, No. 5, February 2, 2001, p. 11.

2. The freezing of principal and accruals of interest on much of the world's total debt, and forgiveness of large portions of such debt, as practical and moral considerations dictate.

3. The reorganization of the world's monetary and financial structures in a manner consistent with the lessons of the immediate post-war decades: a new monetary system whose design is pivoted upon a system of long-term credit and trade agreements in the range of twenty to twenty-five years, at prime interest costs not in excess of between 1% and 2% simple interest per annum in agreements between sovereign national states.

4. A matching array of fixed exchange-rate parities among currencies, buttressed by capital controls, exchange controls, and financial regulation, consistent with the experience of the original Bretton Woods system's initial two decades of operation.

5. The creation of large volumes of credit by sovereign nation-states, for the purpose of promoting those investments in both essential forms of public infrastructure and related hard-commodity private investments needed to bring levels of employment and output up to levels of sustainable long-term physical-economic growth.

The great danger today, is presented by the hysterical demand, especially from implicitly self-ruined financier interests, that their financial claims be honored promptly and in full, with disregard for the effects of such demands upon the victims of such usurious policies. If such demands are not resisted by aid of the kinds of reforms I have indicated, this planet will be plunged into a protracted new dark age for humanity as a whole. By submitting to hysterical demands of such as those self-ruined financier interests, great empires of the past have been left, shattered, in the sands of the desert their empires have become. In such matters, it is the common good which must prevail.