Documentation

The conceptual parameters of a New Bretton Woods system

by Susan Welsh

At a mid-Atlantic wartime conference in 1941, President Franklin D. Roosevelt confronted a furious Prime Minister Winston Churchill, on the subject of British imperial rule in India and other colonies. Britain was stuck with eighteenth-century views, he said, taking resources out of colonies and giving nothing back to the people. Roosevelt stressed the need to develop industry, improve sanitation, and raise the educational levels and standards of living in the colonies. "I can't believe that we can fight a war against fascist slavery," he said, "and the same time not work to free people all over the world from a backward colonial policy."

That battle, over the right of all nations to economic development, was the most crucial issue on the table at the close of World War II, in 1944, when the Bretton Woods System was formed. Former colonies, such as India, the "jewel" of the British Empire, soon attained their independence, and their people hoped for a better life. But, with the death of Roosevelt and the ascendancy of Harry Truman, British oligarchism got a new lease on life; it remains locked in conflict with the American System of economics to this day.

During 1959-60, Lyndon LaRouche made his first long-range economic forecast: that near or shortly after the middle of the 1960s, we would see a series of major monetary disturbances, leading toward a collapse of the Bretton Woods agreements. This collapse, he said, would lead to increased looting of the developing nations, and austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

In 1971, when President Nixon took the dollar off gold, the positive features of the Bretton Woods System were destroyed: the fixed-exchange-rate system and gold backing, which allowed for stable international trade. All that was left were the so-called Bretton Woods institutions, such as the International Monetary Fund and World Bank, which served as looting mechanisms for financier capital, at the expense of the developing sector in particular.

Since that time, Lyndon LaRouche has been at the forefront of international efforts to bring about a new, just world economic order. In the documentary section that follows, we present some highlights of this decades-long battle by him and his collaborators.

Our selection emphasizes some of the older documents and speeches which are not readily available, starting with LaRouche's call, in 1975, for an International Development Bank, and proceeding in roughly chronological order. For more recent elaborations of how to secure a worldwide economic recovery, see, for example, *EIR*'s Special Report on *The Eurasian Land-Bridge*.

1975: LaRouche calls for Int'l Development Bank

At a press conference in Bonn, West Germany, on April 24, 1975, excerpted here, Lyndon LaRouche laid out his plan for an International Development Bank. The proposal was elaborated in a pamphlet titled "IDB: How the International Development Bank Will Work."

We propose the immediate establishment of an International Development Bank as a three-way agreement among the three principal world sectors, the industrialized capitalist sector, the so-called development sector, and socialist countries. The Bank would discount letters of credit and bills of exchange authorized by treaty agreement among nations and self-constituted groups of nations, and would thus act as a rediscount bank for those other letters of credit and bills of exchange generated in the course of supplying needs of final commodities producers producing for bookings issued under relevant international development bank treaty agreements.

For example, several key developing sector nations have demanded that the industrialized sector negotiate interlocking agreements concerning three items: energy, raw materials, and food. Our essential criticism of this agenda is that it included only three principal items, instead of the necessary four. The fourth item should be "development." Our remarks concerning this example are not conjectural, provided that suitable initiative proposals are generated by significant forces of the industrialized sector, key forces within the so-called "Third World" will be prepared to immediately begin working negotiations along the lines of such a four-point form of general treaty agreement with the industrialized sector.

On the basis of our own organization's studies, and our discussions of these studies with governments and leading political forces within the "Third World," we have determined to the point of certainty that the activities of an International Development Bank in connection with present wishes and consumption capabilities of the developing sector, would be sufficient to generate a higher rate of industrial expansion in the advanced sector than has been seen during the most prosperous intervals of the past quarter century.

The feasibility of this proposed program demands understanding of certain often neglected ABC's of Political Economy. Without understanding those principles, we should all be hopelessly caught in the worst disaster of human history.

The basic fact on which all political economy depends is the characteristic feature of economy. That is, that a proper use of means of production and means of personal consumption generates levels of output in excess of the prime costs incurred. The second basic fact, essential to this solution, is that all general development, including industrial development, depends upon creating a basis for growth in an abundant supply of adequate nutrition at relatively low social cost. To the extent that these two principles are observed in practice, and advancing technology emphasized to that end, it is feasible to generate very large amounts of long-term credit without inflationary effects.

We emphasize that a combined concentration on both industrial development and expanded food production are the absolute imperatives for this period. To the extent that long-term development credit to the developing sector places priority emphasis on rapidly increasing the amount and social productivity of world food production, any amount of credit can be issued over a 10- to 15-year term ultimately payable in expanded food, in increased masses of productive labor, and in the social productivity of human labor generally.

The immediate problem the new bank will face is this. In addition to the immediate potential for substantially increasing agricultural output and productivity generally, there are three regions of the developing sector which represent massive opportunities for increases in agricultural output. One of these, the Rio de la Plata region of South America, offers short-term major benefits for development as an agro-industrial region. The other two, the Sahel, and the India-Bangladesh-Pakistan region, represent potentially major world food-producing regions, but will require 10 to 15 years of massive engineering efforts and development to approach their enormous surplus potentials. Therefore, our problem is to provide a level of development equivalent to approximately a quarter trillion current transferable rubles annually, concentrated on low-interest loans and grants with a typical maturity in the order of 10 to 15 years required for loans.

The apparent difficulty of conducting such programs is only apparent and not actual. To the extent that the industrialized sectors can generate large surpluses in excess of immediate reinvestment requirements within that sector, that portion of surplus can be issued as credits and grants without adverse economic effects. The only real problem involved is that of raising the gross level of industrial outputs to the scale the indicated undertaking requires. . . .

The Colombo resolution of the Non-Aligned

The following is excerpted from the final resolution of the conference of Non-Aligned nations, held in Colombo, Sri Lanka, Aug. 19, 1976:

Introduction

. . .The heads of state of the Non-Aligned countries consider that economic problems have become the most grave in international relations. . . . The developing countries are victims of this world crisis. . . . It becomes more and more evident that the present system cannot promote the development of the developing countries nor hasten the elimination of hunger, disease, and illiteracy. . . . Also, the institution of the new international economic order is of the highest political importance. . . . The developing countries have as their primary task to break the resistance of those who oppose themselves to the struggle for the economies of the developing countries. . . .

The New World Economic Order

1. The heads of state . . . are strongly convinced that alone a complete restructuring of international economic relations will bring a solution to the world's economic problems. The weaknesses and repeated failures of the extant economic order have been demonstrated by the recent series of crises in the market economy countries: collapse of the monetary system, the appearance of restrictive and protectionist policies, recession, inflation, unemployment, etc. . . . Notably, this state of crisis has also dramatically emphasized the fundamentally interdependent nature of the elements constituent of the world economy, and provided the necessary impetus leading towards conceiving a new world economic order.

2. The heads of state . . . demand the establishment of a new world economic order, which begs bold initiatives, demands concrete innovative and global solutions, and is not compatible with the fragmentary and improvised reforms de-