

the “basic stability” of the currency, without being forced into specific valuations due to other currencies’ gyrations.

### Solemn Statement

There were important political considerations for this move, especially because China does *not* want a trade war with the United States or European Union. It would have been extremely difficult, given the current world economic situation, for Beijing to hold onto the fixed peg to the dollar for much longer. However, pronouncements in various international publications, asserting that this was simply the “initial” step to a “free” float, or that the matter had been secretly pre-announced to the U.S. Administration, are reminiscent of the after-the-fact self-congratulations of former Western

government leaders, on their alleged pre-arrangement of the fall of the Berlin Wall. The People’s Bank was quick to correct these sentiments.

On July 26, the Bank issued a “solemn statement” to deny that the 2.1% revaluation of the RMB is just a “first step” towards further increases. While welcoming “responsible and objective” coverage of its decision, the PBOC announced, “certain foreign media have misled the public and even wrongly speculated that the revaluation of RMB by 2% was only the first step in a series of adjustments, which could ‘lead to expectations for further RMB revaluation by the People’s Bank of China in the non-distant future.’ ” This is not the case; the revaluation “does not in the least imply an initial move which warrants further actions in the future.”

## LaRouche: China Currency Collapse Would Finish Dollar

*In a telephone discussion with a West Coast LaRouche Youth Movement meeting on July 23, 2005, Lyndon LaRouche responded to a query concerning the significance of reports that the Chinese currency, the renminbi, was no longer pegged to the dollar, and whether the United States would react in some way.*

Well, first of all, don’t believe any of the reports of the type you’re reflecting in your remarks. No such thing happened.

Under tremendous pressure from the United States government, China made a compromise to establish a float of the value of its currency within a bracket; within a range, a fairly small range. In other words, the Chinese currency is not a free-floating currency. So, it’s not been allowed to float. It’s been allowed to adjust, an adjusting float within a certain bracket which will be very tightly managed by the Chinese government.

Most of the things you’ve heard about this in the press—forget. Most of the reports you’ve heard, forget.

Now, what you’re faced with, is the following situation: If the Chinese currency were to collapse, the United States would collapse immediately. So, you don’t want a soaring increase of the value of the Chinese currency. Nor do you want a collapse of the value of the Chinese currency, either one. You want the currencies, the reserves of China, of South Korea, and Japan, for example, to remain at about their present levels. Some margin for fluctuation is allowable. The margin will have to be determined by governments, because the fluctuations will have to occur, in the overall picture—it will not be a uniform adjustment, commodity by commodity. It will have to be an adjustment

on a selective basis. And therefore, what the net effect will be, there will be a slight degree of float, within a regulated interval, in which the float will be reflected in an *average* change in price, not a uniform standard, across the board, change in price. So, there’d be an adjustment.

Now, if the U.S. system were to collapse, or the Chinese currency were to collapse, or the Japanese currency, or South Korean currency, you’d have an immediate collapse of the dollar. You’d have an immediate collapse of Europe. You would have a Dark Age over this planet, if you had that kind of system. So, if anything like that were to happen, forget it, buddy! Get off the planet! It’s coming down!

So, don’t believe what you hear. And don’t try to ask yourself, or ask others, or answer questions, where somebody assumes that what happened in the Chinese currency is what was reported as the “Snow job”—that is, the Treasury Secretary Snow, who does Snow jobs for Bush and the Vice President, or the President of Vice. Don’t believe any of it. It’s all garbage. It’s misinformation.

So don’t try to answer the question, or interpret the question that’s posed to you, because the question itself is a fraud. There was no free float of the Chinese currency. There was no general devaluation or revaluation, or anything of the currency. There was an agreement, under tremendous U.S. pressure, from the Snow-job administration, the Bush-Cheney Administration. There was tremendous pressure for the Chinese to concede, to have some flexibility in the value of the currency, the exchange rate of the currency. And that was a *U.S.-pressed, U.S.-demanded concession*.

And, if they don’t tell you that—tell them, they’re full of you-know-what. Because it’s not “the Chinese decided.” The Chinese didn’t decide. They decided to accept a negotiated demand, pressed upon them, *by the United States government*.