

Failure of G-20 Summit Would Pose Threat of Financial System Meltdown

by Helga Zepp-LaRouche

This article was translated from German, and subheads added.

Nov. 7—All the recent Obamamania aside, the storm warnings are out for the world financial system. At any rate, there's no "Obama effect" on Wall Street. Over the two days following the U.S. Presidential election, stock markets experienced their steepest declines since the Crash of 1987, only to skyrocket upward again on the third day, after concerns over the demise of General Motors first pulled the market down, but then, after its stock was removed from the index, the market quieted down momentarily. If the G-20 summit on Nov. 15 in Washington fails to decide on a new financial system in the tradition of the Bretton Woods System, i.e., as a credit system as Franklin D. Roosevelt intended, then we will be facing the immediate threat of even more destructive waves of financial tsunamis, which will sweep away ever greater chunks of the real economy.

Only if the full program for a New Bretton Woods System is put onto the agenda, as Lyndon LaRouche has formulated it—the bankruptcy reorganization of the present financial system, and the establishment of a new system on the basis of the credit system envisioned by the U.S. Constitution—can the danger of a total collapse be averted. A great number of nations would agree to such a financial architecture in the tradition of Hamilton, Lincoln, and Roosevelt; in Russia, Italy, France, and some developing countries, such as Argentina and Mexico, influential forces have expressed as much.

A Rotten Consensus

But if, instead, the European Union's "consensus," and the U.S. position as it has been outlined up to now by Bush—and also emphatically by Obama—prevail, then the groundwork will have

been laid for the coming catastrophe. The call adopted by the EU heads of state today does indeed contain a series of proposed rules, such as more transparency, unified rules for balance sheets, strict oversight of hedge funds and rating agencies, and a code of behavior for financial managers. But this list also demonstrates that the EU is clearly incapable of grasping the fact that the dogmas of neoliberalism have failed; and they don't have a clue about the principles of physical economy. Their proposed measures might have been useful during the early 1970s, but now they are tantamount to efforts to revive a long-deceased patient. And meanwhile, they didn't find it worth even mentioning what should be done with the trillions in derivatives obligations.

Barack Obama, for his part, stated today that when he assumes office, he will organize an economic stimu-



The G-20 summit should follow the model of President Franklin D. Roosevelt, who reorganized the bankrupt U.S. banking system as soon as he came into office, and toward the end of the war, sought to organize an effective global financial system, the Bretton Woods system.

lus program, along with aid to small businesses and the middle class (including extended unemployment benefits!—i.e., not a trace of a New Deal in Roosevelt’s sense), and he called for global reforms. But here, too, we have not heard a single word about bankruptcy reorganization, nor any clear idea of the principles upon which the new financial architecture is to be based. During the run-up to the election, the U.S. news media openly admitted that Wall Street had thrown its weight behind Obama, and that in the last four weeks of the campaign alone, he had raked in \$150 million in campaign contributions.

Moreover, the EU’s idea of strengthening the International Monetary Fund (which is likewise predicting an economic downturn), and of assigning it the task of reestablishing trust in the system, has little prospect of success, given how many countries now question the IMF’s credibility and legitimacy, and consider it to have outlived its relevance. Developing and so-called emerging nations feel that the IMF will abandon them whenever dramatic crises such as the 1997 Asia crisis break out. Everything about the IMF—from its quota system, to its voting rights, and emphatically its infamous conditionalities—is viewed as running deeply contrary to these countries’ interests.

British Prime Minister Gordon Brown, of course, has recently also been talking about the need for a new Bretton Woods, but it remains to be seen what that would mean for the British tax paradise in the Commonwealth, and for oversight over the City of London. Up to now, every attempt to protect the toxic financial waste sitting in banks, hedge funds, and investment houses, has failed miserably. Over the past four weeks, the Bank of England has lowered its interest rates twice, first by 0.5% and then by 1.5% (!), but so far the banks have refused to make loans at the lower interest rate, apparently because they need the liquidity to deleverage their own derivatives positions.

Contrary Views from Eurasia

One opposing voice of reason is Yang Sung-chul, South Korea’s ambassador to the United States until



Bill Clark, Jr.

Sung-chul Yang, South Korea’s former ambassador to the United States, declared that the only solution to the crisis is to implement FDR’s full program, the New Deal.

2002, who was quoted, in the *Korea Herald* and *China Daily*, saying that only Roosevelt’s full program, the New Deal, which he launched during the Great Depression, can end the crisis, and that this must occur immediately, long before the next U.S. President assumes office in January. The prerequisite for such a new, visionary program, he said, must be created right now, before it is too late to avert the tsunami.

And China? Will this country, with its economy so closely interwoven with that of the United States, stick with its current policy? China is being dramatically gripped by effects of the crisis on many fronts, and according to the Nov. 6 *China Daily*, a member of China’s State Council said that the economy is

currently experiencing a dramatic decline: The rate of growth for October was negative (!) (as opposed to the previous 8% growth), resulting in massive factory closures, bankruptcies, and layoffs; and so China now needs a radical economic stimulus program. In the iron and steel industry, 30% of all firms have already halted production. Ziu Hongren of the Ministry for Industry and Information Technology stated that the global crisis has had a catastrophic effect on China’s economy (see following article).

Along the same lines, Russia’s Foreign Minister Sergei Lavrov, speaking today after a meeting with Chinese State Councillor Dai Bingguo, said that Russia and China will now have maximum advance consultation on their intended actions, both on the financial crisis, and in regard to military policy. President Dmitri Medvedev said the same, following his visit with Italian Prime Minister Silvio Berlusconi in Moscow: that they are in full agreement on the need for a new financial architecture. Both in Russia and in Italy in recent weeks, LaRouche’s ideas have been circulating—in Russia on television, print media, and websites, and in Italy, where Finance Minister Giulio Tremonti credited LaRouche with having initiated the debate over a New Bretton Woods. Moreover, both houses of the Italian Parliament are currently considering resolutions which make explicit reference to LaRouche’s ideas on a New Bretton Woods.



Russian Presidential Press and Information Office

Italian Prime Minister Silvio Berlusconi (left), in Moscow with Russian Prime Minister Dmitri Medvedev on Nov. 6. Medvedev stressed the need for a new global financial architecture.

Military Security

But it is not only the world financial system which is obsolete and in need of replacement by a new one; the same holds true for the global system of military security. Since Georgia's war against South Ossetia, President Medvedev has been putting this onto the agenda with renewed urgency. During his debate with John McCain, the future President Obama made it quite clear that he is in favor of Georgia's rapid inclusion in NATO, and nowhere has he stated that he would make improving relations with Russia one of his priorities. It is therefore hardly surprising that on the day after the U.S. elections, Medvedev announced that Russia, as its reply to the planned U.S. stationing of antiballistic-missile systems in Poland and the Czech Republic, will station short-range missiles in Kaliningrad.

It is worse than unfortunate that Germany's Foreign Minister Frank-Walter Steinmeier has seen fit to conclude that Medvedev's announcement was "the wrong signal, at the wrong time." On the contrary: Medvedev had waited until it was clear who the next U.S. President would be, and then he made it crystal clear that a continuation of NATO's encirclement policy toward Russia, as it has been pursued by the Bush Administration, will have consequences. What's wrong with that?

Let us recall that after the George Soros-financed puppet regime in Tbilisi, with assistance from U.S. military experts, launched a brutal war of aggression against South Ossetia, this attack was repulsed by Russia's justified reaction, but the United States neverthe-

less utilized the crisis to make the sudden counterthrust of stationing antiballistic-missile systems and radar installations in Poland and the Czech Republic, thereby threatening to bring on a situation not unlike the 1962 Cuban Missile Crisis.

Will Obama Dump Soros?

Let us make the point even more explicit: It is certainly very good for the United States that a candidate whose father was an African, can become President of the United States, just as it would have been good if Hillary Clinton had become the first female U.S. President. But it would be foolish to overlook the methods that were used to force Hill-

ary—who had received more votes in the primaries than Obama—to back down.

And it would be equally foolish to ignore the role played by George Soros in Obama's victory. This victory was primarily a vote by the U.S. populace against the national catastrophe that Bush has meant for the United States worldwide and historically—against the Iraq War, against Guantanamo, against Bush's behavior during the Katrina catastrophe, etc., etc. But despite enormous investments by such organizations as ACORN, actual voter participation was less than 1% (!) higher than in 2004.

The test of truth for the whole world will become evident quite soon now. Will Obama break with George Soros and Wall Street on Nov. 15, and will he opt instead for a Bretton Woods System and a New Deal in the Roosevelt tradition?

Will Obama advocate a new financial architecture, one which will spell the end of colonialism for the nations of the so-called Third World, and which will include the end of warfare over raw materials, such as what is currently under way in Congo?

Will Obama put an end to the geostrategic encirclement of Russia, China, and India, and instead permit the establishment of a peaceful world order for the 21st Century?

We shall see, and in short order. One thing, though, is certain: With every passing day that Lyndon LaRouche's proposed solutions are suppressed or sabotaged, many people will have to suffer, whether it be in Africa, in the United States, or in Germany.