

LAROCHE'S ECONOMICS: ALTERNATIVE TO GREEN NEW DEAL

LaRouche Calls for a New Bretton Woods

On Jan. 4, 1997, as the world was careening into the near-breakdown of the entire world financial system in 1997-98, Lyndon LaRouche called for a New Bretton Woods Conference, to return to the FDR system which had been destroyed by Richard Nixon on August 15, 1971.

The general nature of the solution is obvious. We had a financial system and a monetary system, from 1946 through 1966, which more or less worked. It was called the old Bretton Woods system. The system was based, not on gold currency, but on a gold reserve system. The function of the gold reserve system was to keep currencies, relative to one another, at fairly constant values. This meant that if you loaned money to someone, that the currency of the fellow to whom you loaned, would have approximately the same value five years from now, that it had today. So you didn't have a borrowing premium that you put on the loan, based on the expectation of the fluctuation of the currency.

To promote long-term trade and investment in international markets, requires stable relations among currencies. And, the function of the Bretton Woods system, the original one, was to provide that mechanism, and to induce governments to maintain stable relations, that is, discipline among their currencies on a gold reserve basis.

Under that policy, we in the United States operated on what was called a national economic security policy, which was a key part of our postwar national security policy. That is, we had a protectionist policy, in effect, and we encouraged other governments to have protectionist policies, because it was our desire that we be able to trade with these countries, which we could not do, in a stable way, unless they had fairly stable currency values....

Also, long-term borrowing was cheap in the international markets. If you wanted to invest in a country, the long-term costs were cheap, at 1-2%,

for example, in many cases. Or, you would have agreements of various kinds, which would reduce it, effectively, to that. So therefore, we could export capital to developing countries, at fairly favorable terms....

A Four-Power Agreement

Therefore, the United States must act, together with other powers, to put the world into bankruptcy reorganization. Every financial system, every banking system in the world, is presently bankrupt! Particularly those that are involved in derivatives.

Therefore, the United States must take leadership, international leadership, in proposing a new Bretton Woods, which would be a good term for it, which is what I've proposed—that we're going to go back to the principles of the Bretton Woods system in its best years, and the United States, as the principal prospective partner in such agreement, will try to get every nation that's willing to go along with this idea, to assemble and do it....

That means that we have to create new banking systems, which is very simple to do, on the basis of the Hamilton model. We go to national banking. We use the relevant part of the Federal Constitution, Section 8 of Article I, to create a new issue of currency, not calling in the old one, the old Federal Reserve notes, but terminating further issuance of Federal Reserve notes, using that currency on deposit with the National Bank, as a means of credit to get the U.S. economy going, and get some other things going in international trade....

Our concern is not who's got a favorable or unfavorable balance of trade; our concern is to make sure that all the members of a community of nation-states become prosperous. And, therefore, our concern is that they become prosperous and secure, just as their concern is that we should remain prosperous and secure. And, therefore, we can make trade agreements and tariff agreements on that basis.