

The Failure of Globalization and the Need for a New Bretton Woods

by Lyndon H. LaRouche, Jr.

Mr. LaRouche addressed a meeting of 100-120 people at the Dominican Republic's University Institute for Exact Sciences (INCE), in Santo Domingo on May 3. The conference was jointly sponsored by the INCE and EIR. Mr. LaRouche spoke by videoconference from Frankfurt, Germany. The full title of his speech, which we publish here, is "The Failure of Globalization: The International Financial Crisis and the Need for a New Bretton Woods."

There are four points in recent 30 years' history, which I wish to emphasize to you today.

In the middle of August 1971, the President of the United States, Richard Nixon, took a measure which resulted in a destruction of the previously established Bretton Woods system. Now, while there had been injustices under the Bretton Woods system, the system had otherwise worked, especially for the United States and western Europe.

In 1971, this system being destroyed, as a result we have had, since, a so-called floating-exchange-rate system. And because of the manipulation of currencies under the floating-exchange-rate system, we have seen, for example in the countries of Ibero-America, great injustice, where the currencies are pushed downward, but the debts are artificially pushed up. So, as a result, the countries of Ibero-America have paid many times more, in terms of debt service, during the past 30 years, than they have incurred in the form of debt. In point of fact, if the debt service paid by Ibero-American countries, were applied to the actually incurred debt, all of these countries have *overpaid* their former debts.

This system, this floating-rate system, has not only destroyed the entire continent of Africa; it has also destroyed the sovereign nation-states as they existed south of the U.S. border, and in the Caribbean.

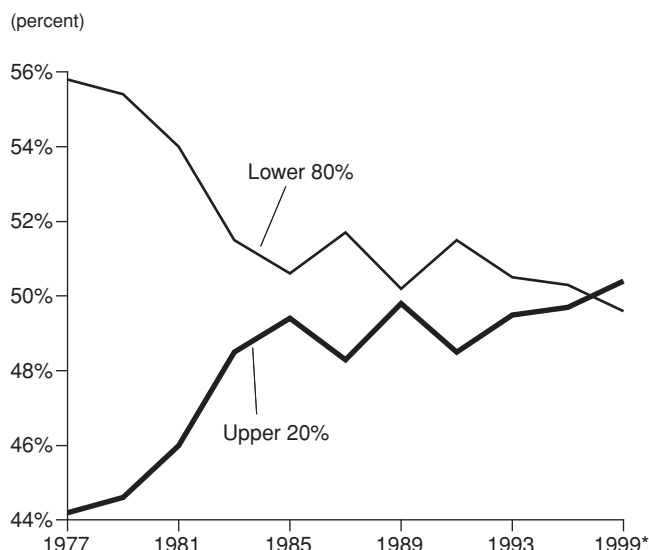
So, as a result, this has gone through a process of stages, in which not only have the developing-sector countries suffered, but the economies of western Europe, the United States, and so forth have degenerated. If you look at a graph [Figure 1]—take the lower 80% of the family income-brackets of the population, and compare the share of the total national income of the United States, of that 80%, with the total share enjoyed by the top 20%. And you see a picture of ruin of the U.S. economy.

The U.S. is by no means prosperous. Europe is by no

means prosperous. No part of the world is really prosperous today. There's a debate going on in England at this time, as to whether England shall have any industries or not. The entire English economy is about to be destroyed, while the financial giants continue to control the world.

This went through a stage where, with the fall of the Soviet system, in the period of 1989 to 1991, a group of people centered around Margaret Thatcher, François Mitterrand, and George Bush, then President of the United States, declared they were creating a New World Order. What they meant by that, was the fact that, since the major strategic power, challenging power, the Soviet system, was disintegrating, that the Anglo-American powers—that is, Wall Street and the City of London financial centers—could now establish a virtual military dictatorship, echoing the old Roman Empire, over the world as a whole.

FIGURE 1
Upper 20% of Families Haul in More of Total U.S. After-Tax Income than Lower 80%



*Projected
Sources: Congressional Budget Office; EIR.

Since 1989-91, therefore, what we have seen is a process of globalization, an idea which was proposed many years ago by Bertrand Russell, probably the most evil single person of the 20th Century, and this process of globalization is really another name for new global empire, a Roman Empire, but this time run by financial oligarchies centered largely in London, and in New York City, and elsewhere. We've also seen a degeneration, a moral degeneration, inside the United States, as a result of many conditions over the past period—the counterculture, other things—that people who are in top positions today in the United States, as in western Europe, in the brackets, say, of between 35 to 55 years of age, are morally and intellectually inferior to people of the preceding generation. And this generation does not have the capability of understanding and comprehending the kind of problems which the previous generation, despite all their mistakes, was at least capable of understanding.

Now, in a more recent period, since 1996, this international financial system has been in the process of its terminal phase of self-destruction. As we meet today, the system is in an extreme stage of turbulence. It is about to disintegrate. The question posed to us, is, when this system disintegrates, what do we do about it? Because the world system has two characteristics. It dominates our lives, and our lives depend upon it. So, if the present system collapses, what do we do? Obviously, we must immediately establish a new system, clearing up the indebtedness, the waste, of the old system, and launching a new system that works.

The Revolution We Must Make

To launch a new system will require two things. First of all, it will require that we adopt immediately the concept of a stable monetary system, with fixed exchange rates, or relatively fixed exchange rates, of the type we had in the 1950s, and the postwar period. That's the first step.

The second step is to do what Franklin Roosevelt had intended to happen, but which did not happen because he died. Roosevelt's intention was, at the end of the war, that all colonial powers—Portuguese, Dutch, British, and French—would be stripped of their empire immediately, at the point of the break of the war, and that the United States would establish a community of nations which would use their power as a community, to ensure that the right, not only to national sovereignty, but to access to necessary technology, would be given to them. It was the intent of Roosevelt that the postwar monetary system, as he had intended it to be designed, would supply a flow of state-backed, guaranteed credit at low borrowing costs, to all nations to enable them to use this credit on long-term, to build up their economies, with the technology they needed. Nations such as India, China, the nations of Africa, the rebuilding of the states of the Americas, were among the objectives.

So, today, we not only have to have a new monetary system which immediately goes back to the pre-1971, essentially

the pre-1959 form of the old Bretton Woods system, but this time, we must do what Roosevelt intended: that is, we must have a community of nations, not a few privileged powers, deciding how the monetary system will be run, and how the credit system will be run. This will work *only* if we restore the full principle of sovereignty of the sovereign nation-state.

Now, this is an economic consideration, as well as a political one. If you do not have governments, which are able to impose economic protection on the prices of their commodities, to protect their agriculture, to protect their industries, to protect the development of infrastructure, to collect taxes, and fix prices in such ways that all these things can be done, in sharing the income and protecting the income for that purpose, you can not have a stable world system. A free trade system is, by definition, a predatory system, in which you force countries to produce products at the cheapest prices, with the lowest-cost labor, with the poorest conditions of production and income, as a price of being able to compete in the world market. That is a predatory system, that belongs to the domain of the wild predatory beasts, and not the human beings.

Now, in point of fact, when the modern nation-state was created, which began in the 15th Century as part of the Renaissance, a new principle was introduced into government. It was actually put into effect first in France, under Louis XI, and next, at a later point, slightly later, by Henry VII in England. This was called a Commonwealth principle, and the moral principle was, as is in the first three paragraphs of the U.S. Declaration of Independence, and is reflected in the Preamble of the U.S. Constitution, that government has no moral authority to govern, except as it is efficiently committed to promoting the general welfare of *all* of the people, and their posterity.

This system of government, of sovereign government, made the difference, the fundamental difference, between the old Roman system, the barbarism system, feudalism, and the modern society. For the struggle for republics in the modern age, has been a struggle to create a set of political conditions, and social conditions, for mankind, in which no authority will rank higher than the government that acts on the moral authority of the use of its sovereign powers, to promote the general welfare of all the people, and their posterity.

It is also a principle that the world must finally be brought into order, in the sense that the world must be ruled not by an empire, not by a globalized system, which is really a form of imperial Roman rule, over the poor slaves, but must be ruled by a community of perfectly sovereign nation-states, which are bound together as a community, as a government should be bound to its own people. That its moral authority, as a community, is its shared commitment to promote the welfare of each and all of the member-nations, as it is to promote the general welfare of each of the persons, and their posterity, within the nation.

That's the revolution we must make.

A Collapsing Empire

Now, where are we? In the process, we have reached the point, like where we're seeing the fall of an empire before our eyes, at the moment, as we speak. That does not mean the empire is going to disappear tomorrow morning, in terms of calendar date. But it means that what you're seeing in the markets today, in the extreme turbulence and shocks in all markets, in the collapse of the Nasdaq market, and so forth, that these shocks betray a system which is ready to disintegrate, and which will soon disintegrate.

What we don't know are the exact date the disintegration will occur, or the form in which the disintegration will occur, or whether, in time, there will be a new system established to replace the bankrupt old system. Those are the questions before us.

Under these conditions, several things will happen. First of all, we must eliminate not only globalization, but also free trade; we must also eliminate the delusion of so-called Information Society. What has happened in the past period, particularly affecting people in government and other positions of power in the age range of 35 to 55 — most of the people running most governments, institutions today, are either in that age range, or coming into it. Most of it, as in the U.S. government, in the U.S. society generally, as in European governments, European society generally, most of these people are deluded. They believe in a so-called Information Age; they believe in free trade. They believe in globalization. These beliefs are what have led them to the state of moral corruption, under which they have brought this system to the point it's about to disintegrate.

That is, remember, there are only two ways in which humanity, or nations, can suffer great calamities. One is natural disasters, over which we yet have no control. We might in the future, but we don't now. For example, we can not prevent the glaciation from coming back, as it had come back repeatedly on this planet over a period of 2 million years recently. We can not prevent meteorite showers from destroying large sections of the planet, for human habitation, as has happened in the past, probably eliminating some of the dinosaurs that way. There are other calamities we can not yet prevent.

But the thing that should concern us is that, apart from those natural causes, no civilization was ever destroyed except by its own immorality, by its own idiocy, and that's what's happening to us now. In the past period, especially as reflected by the 1971 change in the monetary system, we have adopted ideas which have become popular. It is the popularity of those ideas, especially among what have become ruling circles in industry, private sector, and government in parts of the world — it is these ideas by which we have been destroying ourselves.

The destruction of the economy, the imminent collapse of the world economy as we've known it, which is something for the weeks and months ahead, is not a result of some little mistake. It is a result of a systemic, moral corruption and intellectual corruption in the general popular opinion of those

who are ruling society — which in the United States is the upper 20% of the family income-brackets today, generally.

Therefore, what we're dealing with is a crisis, a crisis which is a condemnation of the immorality of an imperial system, the Anglo-American system of today, which has imposed this system upon us. It's a condemnation of the popular values, of entertainment, of education, of the mass media, and so forth, today.

So, when this crisis comes, if we're going to survive, we are going to have to put aside those values by which we have led ourselves to destruction.

The 'Pearl Harbor' Effect

Now, I've often referred to an incident which occurred in 1941, Dec. 7, 1941, when the United States, most of the people, refused to believe that the United States was actually going to be drawn into the war then ongoing in Europe. People believed the United States would be affected by the war, economically and otherwise, but they did not believe that Americans would actually have to go out and fight that war.

On Dec. 7, 1941, the day the Pearl Harbor bombing occurred, the American people underwent, before my very eyes, a fundamental transformation, from a people who believed that the war wasn't coming to them, to they were rushing out to the recruiting booths, to volunteer for military service.

We are in such a period ahead right now. In which all things that seem secure, in terms of the power of certain bodies of opinion, of certain ideas, of certain mass-media values, of certain entertainment values; suddenly, in a moment, a shock will be administered, when the system comes down, and the question will be: Do we have the ability to respond to that shock? Can we respond effectively to the moment that people look up to government, and leading people, and say, "Save us!" "Save us from this catastrophe."

Do we have the ideas, and the will, and the qualities of available leaders, to step forward, and say, "Be calm. We can solve this problem. We can restore the nation-state, which you need to have done. We can eliminate globalization. We can eliminate free trade. We can eliminate the so-called Information Age. We can return to a society committed to infrastructure, infrastructure development, like adequate power for Santo Domingo, for example. To adequate water systems. To development of agriculture and its productivity. To the development of industry, and productivity, to improvement of the standard of education, to quality education at higher levels for all children."

We can promise the future, a better future, simply by returning to principles which we have violated, especially over the past 30 years. If there are leaders who can step forward, in each country, in the moment when the population says, "What did we do wrong?"

How do you save a people? You have to wait; you must be patient. You must wait until they recognize they're wrong, they made a mistake. And when they turn to you and say, "Okay, we made a mistake, now we'll listen to you; what do

you propose we do?”

And around the world, in every country of the world, the question today, is are there people — sometimes they’re going to have to be people in my generation, the generations in their 70s, and even their 80s — who are going to have to step forward, and remind people, that there was a time when we did things better. When we didn’t make these mistakes.

Now, we’re not going to simply go back to the past, but we’re going to recognize that we made a wrong choice, at a turn in the road, and we’re going to go forward, not to the past, but we’re going to go back to the point where we made the wrong turn in the road.

That’s the proposition before us now. That’s the issue before us today. This system is finished. We’re sitting in a moment of great privilege, when we can watch an evil system *die*. And it is going to die. Our job is to rally ourselves, to find the leaders to step forward, and when the shock hits, to have those leaders say to the people, “Be calm. Be assured. We have learned much from history. Terrible mistakes in popular opinion and others have been made. Radical decisions that should have not been made, have been made. We can cancel that. We can pull ourselves up, and get at the work, and we can rebuild from the starting point of the place we made the wrong turn in the road.”

We’re going to rebuild the nation-state, a global community of nation-states. We’re going to have a protectionist system, rebuild that system.

I’ll just say this: As some of you know, that in my function in this business, that apart from my function as the only rival, presently, to Al Gore for the Democratic Presidential nomination, I also am involved with friends in Mexico, in Peru, Colombia, a few daring souls in Venezuela, in Bolivia, and in Argentina and Brazil, and various nations in Africa and nations in Asia, and nations in Europe, in close contact with leaders, or leading strata, intellectual strata, in these countries, many of whom have very kindly supported my efforts in this region, to bring together groups of people who represent a *community*, of leadership, which will help to coordinate the efforts among us, to bring into being the new financial and monetary system which we need to rescue humanity from the great crash, which is about to occur, within either days, or months, or weeks, or what ahead, but immediately ahead.

It is probable this will happen this year. It could happen in June. It could happen over the summer months. It could happen in September. The efforts, I know, in the United States, to prevent this from happening, by Larry Summers, the Treasury Secretary, and others — these are fools. They don’t know what they’re doing. They’re totally incompetent. They can not control this process. They can influence it. But everything they do to postpone the crash another day, makes the crash worse the following week. Then they go back, and they have to do something still worse the following week, to do that.

So, the time is coming, very soon, when *we*, as in the

Dominican Republic, and other countries round the world, must, as patriots of our nations, bring together the intellectual forces, which will rally around the leaders, who will help to lead their nations, as part of a community of nations, in creating the new monetary system, which will finally be a just new world economic order.

Thank you.

LaRouche ‘Remoralizes’ Santo Domingo Audience

by Carlos Wesley

In what a daily in the Dominican Republic described as “an historic encounter,” Lyndon LaRouche, who is vying for the U.S. Democratic Party Presidential nomination, engaged in a lively dialogue on May 3, from Frankfurt, Germany, live, via videoconference, with a select group of more than 100 patriotic intellectuals and political leaders gathered in Santo Domingo, the Dominican capital. The 90-minute exchange, during which LaRouche called for an end to globalization, and put forward two basic principles — the adoption of a fixed-exchange-rate monetary system, and the establishment of “a community of perfectly sovereign nation-states” — constituted a powerful programmatic intervention into the May 16 Dominican Presidential elections, which saw Hipólito Mejía, of the Revolutionary Democratic Party, defeat Danilo Medina, of the ruling Dominican Liberation Party (PLD), and 94-year-old Joaquín Balaguer, who was seeking his eighth term.

The videoconference, titled “The Failure of Globalization: The International Financial Crisis and the Need for a New Bretton Woods,” was sponsored by the University Institute for Exact Sciences (INCE), and *EIR*. After being introduced by Marino Elsevyf, a prominent Dominican attorney who played a leading role in organizing the event, LaRouche made an introductory speech, following which he was first questioned by a group of panelists including Father Lúatico García, a Jesuit priest and well-known author; Dr. Edilberto Cabral, the former president of the Autonomous University of Santo Domingo, the oldest university in the Americas; and Jorge Melendez, *EIR*’s correspondent in Santo Domingo. Afterward, the floor was opened for written questions from the audience, which included the Deputy Minister of Interior, a former Comptroller General of the country, several government officials from the areas of banking and finance, labor leaders, and others, even including a government official who is a close relative of outgoing President Leonel Fernández.

The reverberations of the seminar will be felt for a long time. It was broadcast in full, to the whole country of some 8 million people, by Dominican TV four times on the eve of the elections, and again, for a fifth time, the day after, as the