IT'S NOT CHINA

Time to Learn the Lessons of August 15, 1971

by Harley Schlanger

Aug. 15—Now that unmistakable warning signs are flashing that a "significant correction," or even a global financial collapse is imminent, the usual gaggles of idiots pontificating in mainstream media venues are madly pointing fingers at President Trump. He is to blame for the crisis! they proclaim—he is wrong for focusing on the Federal Reserve and interest rates; or else he caused the crisis by launching what they call a "trade war" against China. The empty suits in the media blather on about the danger of "inverted yields" on bond markets, while they argue about whether the United States or China is "winning" the alleged trade war. They put forward a blizzard of confusing talking points, ultimately designed to convince listeners that there is no alternative but to "batten down the hatches," and "stay the course."

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NIXON PULLS THE PLUG

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Socialists Follow Suit

The Aug. 30 - Sept. 3, 1971 issue of the LaRouche movement's newspaper tells it straight: Nixon's ending of FDR's Bretton Woods monetary system will lead to global disaster.

These pundits, and the politicians who cite them for their own opportunistic purposes, should rather take a moment, before they run their mouths, to study the real history of the last five decades, and familiarize themselves with the works of the preeminent economist of that period, Lyndon LaRouche. The starting point for that study should be an event that occurred 48 years ago today—August 15, 1971—when President Richard Nixon broke with the Bretton Woods financial system inspired by President Franklin Roosevelt, by taking the dollar off of its gold-reserve basis, thereby ending the fixed exchange-rate system which had been largely responsible for the extraordinary post-World War II economic expansion.

Nixon's action, taken under pressure from London against the dollar, and on the advice of London-Wall Street operatives such as Arthur Burns, Paul Volcker, George Shultz and Henry Kissinger, ushered in the era of the speculator-friendly, floating exchange rate systems which continue to this day.

LaRouche, who had long forecast that just such an action was coming, warned that Nixon's decision would lead to the *deindustrialization of the advanced sector,* to demands for brutal austerity that would require fascist enforcement to be realized, and to genocidal depopulation of the developing sector, under the direction of the International Monetary Fund and the central banks—which rejected any notion of sovereign control over national economies by governments.

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America's great industrial potential rusting away. Shown is bankrupt LTV Steel Corp.'s Cleveland mill on January 12, 2006, shut down as of November 2001.

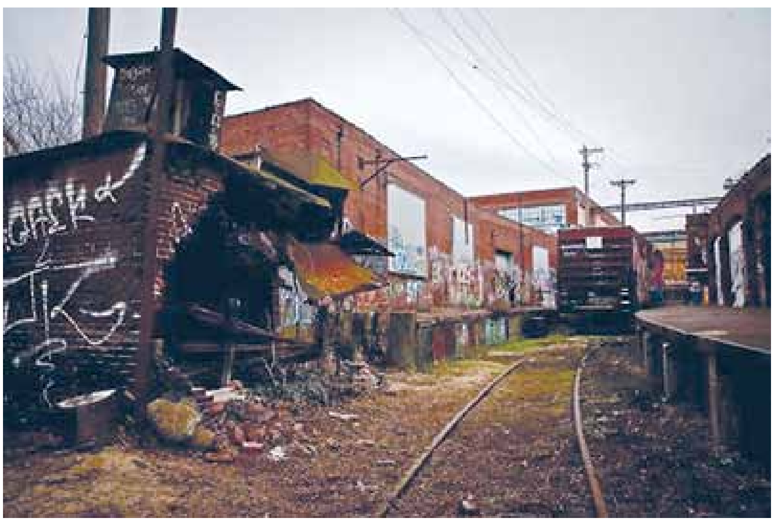
Time has proven that LaRouche was right. The series of economic shocks in the 1970s, '80s and '90s, and the bubbles that ballooned and then popped in 2000-01 and 2008, were the direct result of the neoliberal monetarist policy imposed following Nixon's decree.

The seeds for the collapse looming today were likewise planted following Nixon's folly, as the same swindling bankers who created the speculative bubble economies of the last 50 years were allowed to continue their radical monetarist practices after the 2008 crash, with increasingly disastrous results.

Deindustrialization

The net effect of nearly five decades of monetarist policies has been an accelerating deindustrialization of the trans-Atlantic economies, as their goods-producing sectors have been shipped offshore, in search of ever-cheaper labor costs, under the guise of "free trade"—to which the productivity of labor in the developed sector has been sacrificed. As the machine tool sectors and heavy industry were replaced by a "service" economy, sometimes called the "consumer society," a parallel "greening" was imposed, through targeting first nuclear energy, and now the use of all forms of "fossil fuels."

As early as the late 1960s, LaRouche identified the "limits to growth" movement as green fascism, a policy of radical population reduction sold under the guise of "saving scarce resources."



Neil E. Das

End of the Line. Abandoned railroad box cars on February 20, 2011, surrounded by abandoned warehouses in St. Louis.

As the engine of prosperity of the real economy—scientific and technological advance, realized through increases in the energy-flux density of power generation—was replaced by "sustainable" energy production, i.e., less efficient means such as windmills and solar power, western nations were driven into a post-industrial world, characterized by extreme wealth inequality and dependence on cheap goods produced by U.S. corporations, employing low-wage workers in poorer countries.

Under this post-industrial regime, the wealth production of manufacturing was replaced by "trading," characterized by "financialization," a fancy name for gambling in a casino economy. New "financial instruments" were created, and a slew of legislative and

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Two FridaysforFuture climate strike demonstrations: on January 25, 2019 in Berlin (left); and another on April 26, 2019.

regulatory changes diverted credit from goods-production to the buying and selling of these new instruments. Under slogans that were justified by the academic fraud of Modern Monetary Theory, and new rules of trade dictated by the free trade agreements enforced by the World Trade Organization, the historic model of the American Economic System, based on directed credit for physical production, was trashed, and replaced by speculative swindles fueled by cheap credit flowing to the swindlers.

The banking reforms of the 1980s accelerated this process, capped by the final repeal in 1999 of the last remnants of Glass-Steagall banking separation. These "reforms" were pioneered by City of London bankers during the Thatcher era, then imposed in the United States by both major political parties, and enforced in Europe after the fall of the communist regimes in Russia and Eastern Europe by the European Union, through its banker's dictatorship in Brussels.

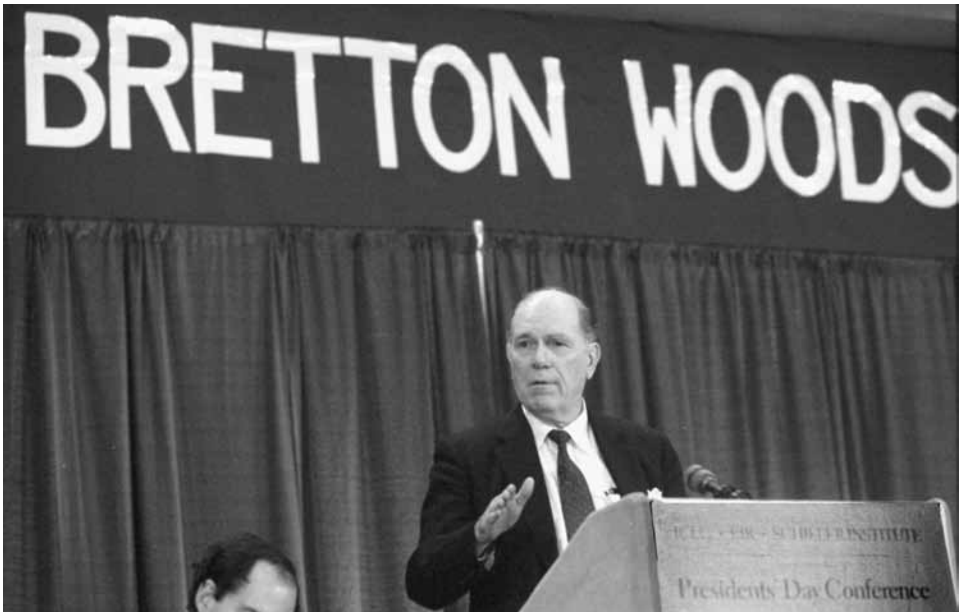
Collapse of Living Standards

The net effect of these reforms in the United States has been a loss of between five and six million industrial jobs since 2001, resulting in a substantial reduction of purchasing power by the American people. The median hourly wage, which in 1973 was $22.07, measured in 2014 purchasing power, had fallen to $20.74 in 2014. The loss of purchasing power has been eased to some extent by the extension of consumer credit, but this bubble has been stretched to the limit, and default rates are increasing. Similarly, large volumes of student debt, mortgage debt and automobile debt, are moving into default, threatening the whole system.

Further, the shutting down of manufacturing in the once-industrial heartland of the Midwest created a "Rust Belt," inducing city and state governments to impose austerity due to declining tax revenues, cutting investment in infrastructure, education, health care and public safety.

Despite the efforts of President Trump, who promised to reverse this downward-spiraling process if elected, the latest figures show that the small gains in manufacturing and wage growth of 2017-18 have now leveled off. Real physical economic development is stagnant while speculative investment has exploded. What should have been done in the last two years, as advocated by Lyndon LaRouche in his "Four Laws to Save the U.S.A. Now!" is to re-establish a Hamiltonian national banking credit system, to provide flows of low-interest credit to rebuild industry and develop new platforms of infrastructure. It is the failure to implement precisely this policy which left the door open to the fantastic expansion of the speculative financial bubble, the same "bubble economy" which Trump himself properly ridiculed during the 2016 campaign, when it was hyped as the basis of the "Obama recovery."

This bubble has been further inflated by corporations borrowing to buy back their own stock, thereby increasing their debt to levels reported to be 60 percent higher than in 2008. This means that no funds are available for investment in research and development, new plant and equipment, job retraining, and other produc-



EIR/Stuart Lewis

Lyndon LaRouche begins the fight for a new Bretton Woods system on February 15, 1997 at a Schiller Institute conference in Reston, Virginia.

tive uses.

One particularly bad result of this process has been the growing trade deficit with China. In 2017, when American firms sold some $130 billion in goods to China, the United States imported $505 billion in goods from China. This imbalance, the result of the nearly fifty-year shift away from a competent U.S. economic policy, is behind the efforts of the President to get a new trade deal with China. While Trump has properly said that this growing deficit is not the fault of China, but of his White House predecessors—whose free trade agreements and economic policies have made America increasingly dependent on replacing lost goods-production with the importation of products manufactured in China—it is also clear that the use of trade agreements or tariffs alone will not accomplish a rebirth of American manufacturing or agriculture.

LaRouche's New Bretton Woods

At every point in this fifty-year devolution, Lyndon LaRouche offered solutions, which began with scrapping the failed monetary theories that starved the physical economy while feeding the cancerous bubbles. An important example of this, for understanding the present financial and strategic crises resulting from this radical transformation, is seen in two speeches he delivered in 1997, the first, on January 4 to an FDR-PAC forum in Washington, D.C., and the second on February 15 to a Schiller Institute conference, "Toward a New Bretton Woods Conference."

In these two speeches and elsewhere through the years, LaRouche developed the concept of a Four Power agreement, among the United States, Russia, China and India, as the basis for reversing the process of global economic collapse. These four nations possess the capabilities needed to move the global economy to new platforms of development, he said, especially through emphasis on advances in "science-driver" projects, such as nuclear fusion and space exploration. A rapid transition away from monetary speculation to Hamiltonian credit policies, would not only allow for improvements in living standards for the entire world population, but would offer the added benefit of putting an end to the power of the financier oligarchy of the City of London, eliminating its ability to destabilize nations and entire regions, based on neo-liberal economic/financial policies, and geopolitical maneuvers such as regime change.

The global rebellion against these evil British Empire policies of neoliberalism and geopolitics has dominated world politics in the last three years, in which Brexit and the election of Trump have been the most significant, among many other developments. Trump's stated intention to pursue peaceful, mutually beneficial relations with Russia and China, and his overtures for cooperative relations with Presidents Putin and Xi, represent an existential threat to the Empire. Add this to China's 2013 adoption of the Belt and Road Initiative as the means for "globalizing" the process of scientific industrialization that lifted hundreds of millions out of poverty in China—and the British and their allies have reacted with a fury.

This British desperation is the actual impetus behind the British-created "Russiagate" fraud, with its very dangerous, anti-Russian McCarthyism. The same is true of the continued anti-Trump hysteria among U.S.

politicians and media. It is also the source of the proliferation of "hot spots" around the world, and their escalation, such as the so-called "color revolutions" they are attempting in Hong Kong and Moscow, and the threats from U.S. war hawks John Bolton, Mike Pompeo and Mike Pence against China and Russia, as well as the targeting of North Korea, Iran and Venezuela. Now, the seemingly sudden recognition of the outbreak of a full global economic/financial crisis has also fueled their drive for confrontation and provocations.

Now, Toward an American Dynamic

To some degree, President Trump, despite his good intentions, has been swamped by this dynamic. While he works with President Xi, for example, on denuclearization of North Korea, his subordinates, such as National Security Advisor Bolton, continue to fan the geopolitical flames. At the same time, his trade team, especially the Director of Trade and Manufacturing Policy, Peter Navarro, has undermined his efforts to finalize a trade deal with China.

This confused dynamic has been visibly evident in recent days. Trump rejected the counsel of those anti-China hawks who insisted that he deliver a stern warning to China over the riots in Hong Kong, instead praising Xi, and tweeting that he has "ZERO doubt that if President Xi wants to quickly and humanely solve the Hong Kong problem, he can do it." He was immediately attacked for "coddling authoritarian leaders." As Trump issued such statements, State Department officials were meeting with leaders of the Hong Kong rioters. At the same time, many members of Congress from both parties are demanding an escalation in confrontation tactics against both Russia and China.

And on the trade front, while Navarro insisted that he should move ahead with new tariffs against $300 billion of imported Chinese goods, Trump postponed many of them from September 1 to December 15, citing both concerns about increasing costs to American consumers, as well as his hope to revive the trade deal. He said that an August 12 phone conversation between American and Chinese negotiators was a "very, very productive call," adding, "I think they want to do something dramatic.... They really would like to make a deal."

However, even if such a deal were successfully realized, it would ultimately fail to reverse the crisis of the presently collapsing global system. The combined effects of lost physical economic capability in the advanced sector, and the unsustainable volume of debt in the banking and financial sector, mean that no amount of "tweaking" will work. More low-interest credit for speculators and Green financial swindles, will only provide a short-term prop to the bubble, as the whole paradigm which created it is rotten, and cannot survive without inflicting mass murder, through both the effects of austerity and war.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Peter Navarro, Assistant to the President, and Director of Trade and Manufacturing Policy.

As President Trump undoubtedly knows, it is not China that has caused this existential crisis, but the commitment of his predecessors, especially the Bushes, Clintons and Obama, to carry out the marching orders of the City of London. His personal relationships with Presidents Xi and Putin offer a crucial opportunity for the President to move away from geopolitics and neoliberalism into full collaboration with China and Russia on the Belt and Road Initiative and in cooperation in space. LaRouche's prescience, as seen both in his forecasts pinpointing the causes of the crisis, and his solutions—embodied in his call for a New Bretton Woods to be enacted through collaboration with the Four Powers, and his Four Laws of economics, based on the scientific principles of Leibnizian dynamics and Hamiltonian credit—offer the only viable option for the future.