

A Report to the Citizens of Australia

Australia's Role in LaRouche's
New Bretton WoodsBy Craig Isherwood
National Secretary, CEC

Australia is being hit by the global tsunami of a planet-wide economic disintegration. Over the last year, superannuation funds have lost over \$450 billion, and the stock market has plunged over 50% from its peak. World-wide shipping and freight has seized up, as has the credit it requires. More than \$20 billion, largely in retirees' capital, has been frozen by investment funds. Job losses are mounting in all sectors of the economy, most worryingly in the mining and auto industries. The very human cost of this crisis can now be seen on the faces of the 100,000 families, dealing with the collapse of the two largest child-care centres in Australia, ABC Learning and CFK child-care.

This is no mere "global financial crisis", as many of our deluded leaders assume it to be.

As Lyndon LaRouche elaborated in his Nov 18 webcast (see below), "There is no possible rescue of this system, as such; that is, the present, international monetary system cannot be rescued. If you try to rescue it, you will lose the planet. You have to choose: Replace the system, or get a new planet. Those are your choices."

To deal with the crisis, we must now adopt LaRouche's three-part solution: 1) His *Homeowners and Bank Protection Bill* must be passed immediately, for a moratorium

on all home foreclosures and to put the banking system under bankruptcy reorganisation, to keep banks' doors open for essential community functions, 2) A two-tier credit system must be established to provide federal credit at 1-2% for productive enterprises and infrastructure, while letting rates float upwards for other, nonessential purposes, 3) The U.S. must take the lead to organise a "Four Power" alliance of itself, Russia, China and India, to inaugurate a new world monetary system, a New Bretton Woods, to replace the present, disintegrating British imperial "globalist" system, and then move into long-term treaty arrangements to develop large, capital-intensive types of basic economic infrastructure, such as power systems, high-speed rail, and water projects.

For the last year, the CEC has put the *Homeowners and Bank Protection Bill* (See *New Citizen* Vol 6 No 7 April/May 2008), front and centre, before every leader in the country, at the Federal, State and Local government levels. With the HBPB, we must put Australia's \$13.8 trillions-in-derivatives-ridden banks into bankruptcy reorganisation, and freeze all mortgage foreclosures.

We must save our banking system at all costs. It is intolerable that individual bank exposure to the world-wide disintegration is unknown and deliberately hidden from public scrutiny by a myriad of accounting techniques, Special Purpose Vehicles, and other magic tricks.

Whilst we reorganise the banking system, we must protect families. The family or household unit represents directly, the potential to develop the future prosperity of our country. Shatter the family unit through homelessness and stress, and you will unleash unimaginable social chaos. Fujitsu Consulting and JP Morgan reported in October, that mortgage-stressed households had increased to one million, and severely mortgage-stressed to 367,000. They attributed the rise to loss of employment and work hours, and projected that a rise in official unemployment to five per cent would translate into 1.4 million mortgage-stressed households. On Nov 19, the U.S. Federal Deposit Insurance Corp. (FDIC) forecast that 10 per cent of all U.S. mortgages, or some five million homeowners in that country, will be foreclosed upon and repossessed during 2009-10!

To deal with the domestic banking and home-foreclosures crisis, all Australian leaders need to wake up to reality and follow the lead of Italian Senator Oskar Peterini and others (see Page 3), and introduce legislation within all Australian Parliaments, calling for LaRouche's proposal for a New Bretton Woods system: a new credit system, supported with fixed exchange rates, tariff protection and large scale infrastructure development.

By September-October of this year, as wave upon wave of major-company bankruptcies shocked the world, the call



National Secretary of the Citizens Electoral Council Craig Isherwood (left) calls on Australian political leaders, and all citizens, to mobilise for Lyndon LaRouche's New Bretton Woods: a revival of the anti-imperialist program which U.S. President Franklin Roosevelt brought to the 1944 conference in Bretton Woods, New Hampshire, USA (right).



for a "New Bretton Woods," launched by LaRouche over a decade ago, was suddenly heard everywhere. But, when British PM Gordon Brown proclaims his commitment to a "New Bretton Woods" monetary reform, hand in hand with a nasty corporatist scheme for governments to fund the reeling private investment banks—watch out! LaRouche rightly emphasises that the absolute requirement is for the original conception which U.S. President Franklin Roosevelt brought to the Bretton Woods conference in 1944: for a decolonialised post-war world, in which the great powers would guarantee the availability of credit for all nations to develop economically. The Keynesian monetary techniques which the world got by with after Roosevelt's death cannot be the content of a New Bretton Woods today, and the post-1971 looting régime which Brown would defend is even less

suitable. There are more promising impulses from President Nicholas Sarkozy of France and from Italy (see Page 3), the incoming chair of the European Union, whose Economics Minister Giulio Tremonti has engaged in a dialogue with LaRouche on the potential New Bretton Woods agenda, over several years.

Since 1998, the CEC has championed the adoption of LaRouche's New Bretton Woods, a call that was wholeheartedly and publicly endorsed by two of the true stalwarts of "old Labor", Clyde Cameron and Jim Cairns. From much earlier, 1994, the CEC has had legislation to establish a Commonwealth National Credit Bank (CNCB), a national bank designed, under the control of elected representatives, to regulate the private banking system and issue credit for our nation's economic development. Featured in our book, *What Australia Must Do to Survive*

the Depression (see Page 2), first published in 2001, the CNCB is modelled on the best aspects of the original Commonwealth Bank established by King O'Malley in 1911. This bank will issue the necessary credit to build the large infrastructure projects, like high-speed rail, water projects and nuclear power plants, vital to grow our economy. The CEC has proposed 17 great national water projects, and nuclear power and transportation projects, elaborated in our February 2002 *New Citizen* special report, "The Infrastructure Road to Recovery".

None of this will be possible, without a decisive break from the globalist policies of Hawke/Keating and Howard/Costello, which stripped Australia of many key manufacturing and agricultural industries, and took us back to the British East India Company's original, colonial intention for Australia as a

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LaRouche Webcast: "CIVILIZATION'S LAST CHANCE?"

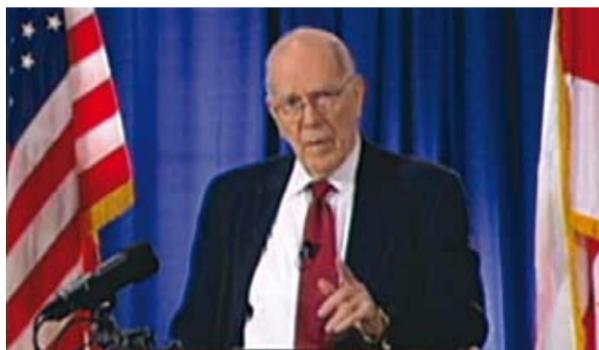
On November 18, American statesman and physical economist Lyndon H. LaRouche, Jr. gave an international webcast from Washington, D.C., sponsored by the Lyndon LaRouche Political Action Committee.

This past week, this past Tuesday, I gave an advance presentation to an audience, here in this city, and also in New York, on a discussion of what I was going to say today. What I said then was recorded—not in full, but the remarks I made in opening, were recorded—and have been reproduced and are in circulation now.

What I said, essentially is, what we're involved in today,

is a general breakdown crisis of the world financial-monetary system. There is no possible rescue of this system, as such: that is, the present, international monetary system can not be rescued. If you try to rescue it, you will lose the planet. You have to choose: Replace the system, or get a new planet. Those are your choices, essentially. I think that any sane person would say, "Keep the planet." Mars is not particularly hospitable these years; I understand it's rather cold there, at present.

So what that means, essentially, is, the world is now operating under an imperialist system, which is actually part of the British Empire. Now, the British Empire is not the British



Lyndon H. LaRouche, Jr.

Empire: It's an international monetary-financial system, which has a base in England, but which operates globally. And since the breakdown of the U.S. dollar, in 1971, and the subsequent launching of

the highly speculative market in petroleum, the short-term speculative market in petroleum, the U.S. no longer controlled its own dollar. The dollar has been controlled increasingly, as the U.S. economy has deteriorated,

by a London-centered crowd, centered in those financial interests.

The result of that, plus the fact of what was done, beginning in 1987, under a now departed—happily—former head of the Federal Reserve System, Alan Greenspan, is that a new addition was added to this process of this speculative kind of currency. It was based on a system which had been pioneered by a Michael Milken, who went to prison in the 1980s for what he did; but Alan Greenspan made it international.

So that, what happened last July, a year ago July, was not a crash of a short-term market, at all, a real estate market. The real estate market was

collapsing, or did collapse, as I said it would collapse, exactly at that time. But there was no real estate market collapse of the type talked about. What was collapsing was the system.

Now, the system is in the order of magnitude of more than a quadrillion dollars, many quadrillion dollars, of speculative currency, out there. More wealth nominally, than the world contains. Everything had been done to prop up this crazy dollar, as an international currency, controlled, not by the United States, but by a syndicate of international financier interests: the floating-exchange-rate system. And what happened is, they had gone into

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Australia's Role in LaRouche's New Bretton Woods

In 1959, economist Lyndon LaRouche forecast that a series of major monetary disturbances would erupt in the second half of the 1960s, leading to the collapse of the Bretton Woods agreements, political upheavals, and the danger of worldwide fascism. After crises of the British pound sterling and U.S. dollar in 1967-68, U.S. President Nixon took the dollar off its peg to gold in August 1971, ending the Bretton Woods fixed-rate system and initiating the era of globalisation.

LaRouche's 1959 forecast served as the "anchor" for a dozen subsequent ones, each of which has unfolded exactly as he foretold. In February 1997, foreseeing near-term severe monetary eruptions, LaRouche delivered the keynote to a conference in Reston, Virginia, in which he first called for establishment of a "New Bretton Woods". Then, in a rare short-term forecast in June of that year, LaRouche wrote in *ETR* magazine: "Sometime very soon, between now and the end of the year,

possibly in the month of August—more probably, *no later than October*, but certainly, by around the end of the year—this world is going to go through one or two of the greatest financial shocks of the century." On October 27, 1997, "Black Monday", the Dow Jones suffered its largest-ever collapse, followed by currency and market turmoil for the next year from Asia through Russia, culminating in the near meltdown triggered by the demise of the LTCM hedge fund in September 1998. Instead of reorganising the system as LaRouche had proposed, however, U.S. Federal Reserve System Chairman Alan Greenspan attempted to bail it out with what became known as the "wall of money" policy, creating the greatest financial bubble in human history through subprime mortgages, derivatives, and other scams.

In October 1992, the Citizens Electoral Council had opened its national office in Melbourne, and begun organising around

LaRouche's solutions. In discussions with LaRouche, the CEC in 1994 drafted legislation for the establishment of a new national bank for Australia, to serve as the bulwark of national economic recovery. In 1997 the CEC launched a national campaign for Australia to take up LaRouche's NBW proposal. From John Howard on down, the Coalition government displayed either idiocy, or just plain groveling before the City of London, by rejecting it out of hand. Will the Rudd government do the same?

The CEC's campaign for a New Bretton Woods forced a series of official government responses. In response to the CEC's warning in late 1997 of a coming financial meltdown (which soon erupted as the Asia crisis), Assistant Treasurer Rod Kemp officially replied: "The government does not subscribe to the economic policy prescriptions advocated by Lyndon LaRouche". Then, he was queried by a CEC spokesman

about the NBW proposal at a national press conference on June 16, 1998. Howard responded, "I do not believe that we can go back to a Bretton Woods style of approach to global economic affairs." Moreover, Deputy PM Tim Fischer threatened, "There is no place in Australia for the ideas of Lyndon LaRouche". In October 1998, Government MP Kent Andrew wrote, "I do not accept ... that it is now openly acknowledged ... that the global speculative bubble is about to 'burst'". After viewing a 90-minute video by LaRouche on the New Bretton Woods, Government Chief Whip Neil Andrew wrote, "After 15 years direct involvement in Australian economic policy, I cannot share LaRouche's pessimism. It should be a national disaster to return to a rigidly regulated economy with fixed exchange rates", and "It is not realistic to portray the world as an economically crueler or harsher place than it was [before globalization—ed.]"

The "American System" vs. the "British System"

Ever since the American revolutionaries forced the surrender of the mighty British Empire at Yorktown in October 1781, the world has been locked in a struggle between two mortally opposed economic systems. In the 19th Century, they were known worldwide as the "American System" of protectionism, national banking, agro-industrial growth and a commitment to the General Welfare, vs. the "British System" of free trade, usury, and slavery, today called "globalisation".

The cornerstone of the "American System" was its commitment to the "General Welfare" of all its citizens, and their posterity, as specified in the preamble to the U.S. Constitution adopted in 1789. To implement the general welfare, the young republic's economy was constructed in the 1790s upon three documents written by America's first Treasury Secretary, Alexander Hamilton,

who had been General George Washington's aide-de-camp: *A Report on Public Credit*, *A Report on Manufactures*, and *A Report on a National Bank*. The United States had won the Revolution, but could only survive by defeating the economic warfare which the British waged against it, under the "free trade" banner of the British East India Company's propagandist, Adam Smith, and his fraudulent tract, *The Wealth of Nations*, which was written as a manual for economic warfare against the new republic.

In the early 1890s, in response to the cruel economic conditions imposed by the City of London and its local compradors, the founders of the Australian Labor Party took the American spelling ("Labor") for their name, as opposed to the British, to proclaim their aspirations. Echoing America, their motto was proclaimed by William Guthrie Spence, ALP co-founder and our nation's greatest trade union organiser,

as the "Common Good", as concretised by the adoption of a national bank as a cornerstone of ALP policy. Spence called for social and political reforms on behalf of "common humanity" so far-reaching that they would, he said, "deserve the name of 'revolution'", albeit a "quiet one". "The masses must not only take a deeper interest in political questions", he said, "but they must make the politics of the country. The welfare of the people must be raised to the first place—must be the uppermost and foremost consideration. How best to secure the good of all without injury to any should be the aim—not commercial supremacy, not cheap production regardless of the human misery following, but rather the broadest justice, the widest extension of human happiness, and the attainment of the highest intellectual and moral standard of civilised nations should be our aim.... Let each remember that man had failed

before because each carelessly left to some other the work of the Common Good. We must reverse that. Each must take his or her share. With unity above all as our watchword, the Common Good our aim, we will soon find common ground of agreement as to the way in which the goal should be reached. The best start we can give to our children is the certainty of better conditions; the sweetest memory of us to them the fact that we did so."

Then, when our nation's very existence was at stake during World War II, our great Prime Minister John Curtin once again proclaimed the necessity to break with the British and to ally with America—the America of President Franklin Delano Roosevelt—in his epoch-making announcement of December 27, 1941.

"I make it clear that Australia looks to America, free from any pang about our traditional links of friendship to Britain. We know Britain's problems. We know her constant threat of invasion. We know the dangers of dispersing strength—but we know that Australia can go and Britain still hang on. We are determined that Australia shall not go. We shall exert all our energy towards shaping a plan, with the United States as its keystone, giving our country confidence and ability to hold out until the tide of battle swings against the enemy."



The CEC's pamphlet "The Fight for an Australian Republic" documents the fight for the national-banking-centred "American System" by Australian patriots, including (l. to r.) W.G. Spence, King O'Malley, John Curtin and Jim Cairns.

National Banking

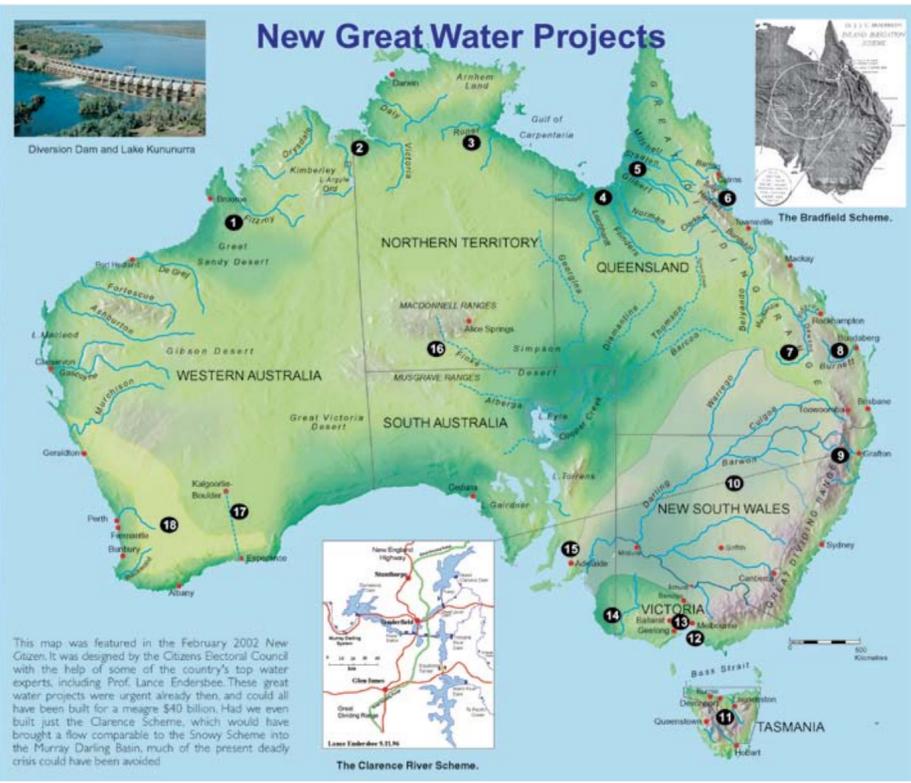
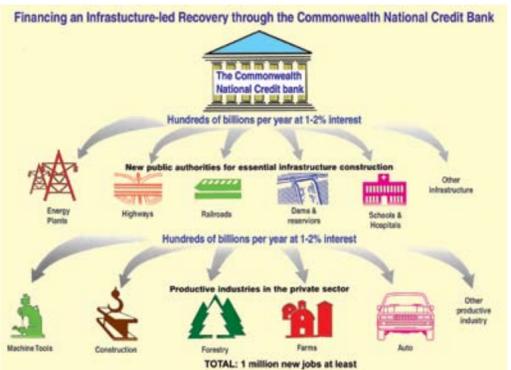
Australia will have no national sovereignty, nor any hope of recovering from the

present collapse, until we replace the privately controlled Reserve Bank with a national bank.

Ready-to-enact legislation for a national bank is presented in the CEC's book *What Australia Must Do to Survive the Depression*, published in 2001.

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Part II: The Theoretical Basis for Recovery
Part III: Draft Legislation for Australia
1. A New National Bank
2. A Debt Moratorium for Banks and Industries

First Printing: August, 2001
\$20 (incl. GST) Available from: CEC Australia
PO Box 376 Coburg Vic 3058 or Free Call 1-800-636-432
(Please include \$4 for postage and handling if ordering by phone or by post.)



- 1. **Fitzroy River.** The Fitzroy has an annual runoff of 8 million megalitres, compared to greater Sydney's annual use of one-half million megalitres.
2. **Ord, Victoria, Daly Rivers.** Potentially one of the greatest irrigation projects in the world.
3. **The Roper River** has significant development potential.
4. **The Flinders River** would be key in the revised Bradfield Scheme, with the Nicholson and Leichhardt Rivers.
5. **The Reid Scheme, and the Mitchell, Staaten, Gilbert and Norman Rivers.** Brisbane engineer L.B.S. Reid in the 1940s proposed a Snowy-scale scheme to channel the floodwaters of the Walsh, Tate, Lynd, Einasleigh and Gilbert Rivers into the Diamantina. The Mitchell, Staaten, Gilbert and Norman Rivers also have development potential.
6. **The Bradfield Scheme.** In the 1940s and 1950s, the Bradfield Scheme was the next great project to follow the Snowy Scheme.
7. **The Dawson Scheme.** A dam on the Dawson could support a \$3 billion development project.
8. **The Burnett River Scheme.** A dam and weirs on the Burnett River could alleviate the Bundaberg/Hervey Bay region shortages.
9. **The Clarence Scheme.** Diverting the upper Clarence and Nimboidea, (and also the Macleay River) over the Dividing Range into the Murray-Darling Basin would open up great new irrigation projects.
10. **The Murray-Darling Basin.** The Murray-Darling Basin needs completely new irrigation systems. The Basin comprises 75% of Australia's irrigated agricultural output, and could double its existing \$16 billion output.
11. **The Franklin Dam and the Summer Rains Project.** The Franklin Dam is still needed. In 1998, Bosch Engineering Pty Ltd. proposed the Summer Rains Project, 48 projects which would double Tasmania's irrigated acreage.
12. **Melbourne.** Using stormwater and treated wastewater could solve Melbourne's chronic water shortages until nuclear desalination plants could be built.
13. **Melbourne waste water diversion.** As an alternative use of Melbourne's waste and stormwater, Prof. Endersbee proposes to pump it over the Great Dividing Range into the Murray-Darling Basin, for large-scale irrigation.
14. **Northwest Victoria.** Dozens of dams in Victoria need urgent maintenance or upgrading; the Wimmera-Mallee's open channel irrigation system should be converted to pipes to prevent water wastage; and the Victorian government in 1998 proposed to double the size of the irrigation system in the north-west, to help boost the state's food exports from \$4 billion per annum to \$20 billion by 2010.
15. **Adelaide.** Adelaide's chronic water problems cry out for nuclear desalination.
16. **The Finke River.** Dr. J.J.C. Bradfield also proposed a Central Australia scheme, based upon a series of dams at gaps on the Finke and its tributaries in the McDonnell-Musgrave Ranges.
17. **Esperance to Kalgoorlie.** United Utilities Australia has proposed desalinating seawater off Esperance and piping it to ultra-dry Kalgoorlie-Boulder.
18. **Perth/Wheat Belt.** If desalinated seawater were pumped from Esperance to Kalgoorlie, the water now pumped to Kalgoorlie in the Mundaring-Kalgoorlie pipeline could stay in the Perth area. Ultimately, Perth needs nuclear desalination.

The Homeowners and Bank Protection Bill

The Essence of the HBPP
On January 2, 2008 the CEC launched a drive to force the HBPP through Federal Parliament. Close to 300 individual councillors and seven councils have so far endorsed the legislation. Ever since the Commonwealth Moratorium Regulations in 1916 in the midst of World War I, Federal and State Parliaments have repeatedly intervened to protect homeowners during periods of financial crisis. The intent of all of this legislation was to protect the Common Good, as summed up in the paper, "Moratorium Legislation", read into Hansard on November 15, 1935: "It was not expedient in the national interest that the welfare and comfort of the community should be unnecessarily imperilled by allowing debtors to be crushed out of existence..." All parties agreed, conservative as well as Labor.

at appropriate interest rates. Further, this action would also write off all of the speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi Schemes that have brought the banking system to the point of bankruptcy.
2. During the transitional period, all foreclosures shall be frozen, allowing Australian families to retain their homes and farms. Monthly payments, the equivalent of rental payments, shall be made to designated banks, which can use the funds as collateral for normal lending practices, thus recapitalising the banking systems. These affordable monthly payments will be factored into new mortgages, reflecting the deflating of the housing bubble, and the establishment of
3. State premiers shall assume the administrative responsibilities for implementing the program, including the "rental" assessments to designated banks, with the Federal government providing the necessary credits and guarantees to assure the successful transition.

appropriate property valuations, and reduced fixed mortgage interest rates. This shakeout will take several years to achieve. In the interim period no homeowner or family farmer shall be evicted from his or her property, and the Australian licensed retail Banks, Credit Unions and Building Societies shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.
3. State premiers shall assume the administrative responsibilities for implementing the program, including the "rental" assessments to designated banks, with the Federal government providing the necessary credits and guarantees to assure the successful transition.

international stage, by virtue of our size, we are a leading nation in the Commonwealth of countries, the biggest political bloc in the world, comprised of nations who share a history as British colonial possessions. Now is the time for Australia to lead a stampede of nations out of the clutches of

Great Infrastructure Projects

Every nation in the world faces a stark choice, as *The New Citizen* headlined in February 2002 (at right). International financiers, and their agents in government, are prepared to go to police-state measures in order to dictate drastic living-standard cuts for the sake of unending bailout attempts. Those won't work, and their result will be mass deaths, and a Dark Age.

By ending globalisation and instituting a New Bretton Woods with national banking, a completely different future is possible. With national banking, as LaRouche says, "we proceed to take the credit, for large-scale infrastructure investment, which will be the driver of the physical reconstruction of the planet."

The CEC has drafted and published the infrastructure programs Australia needs to implement, in order to give our children food, and water, and productive jobs for many generations to come. Some of the great projects for our continent are shown in the map on this

page, while the full program appeared in the CEC Special Report *The Infrastructure Road to Recovery: Let's Build Our Way Out of the Depression*, published in that February 2002 issue of *The New Citizen*.

Special Report
The Infrastructure Road to Recovery—
Let's Build Our Way Out of the Depression!
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The New Bretton Woods

On September 24, 2008 Sen. Oskar Peterlini officially presented to the Italian Senate a "Motion for the Reorganization of the International Monetary System: the New Bretton Woods." After only one day, 19 Senators had signed the motion, which goes beyond the technical aspects of speculation and monetary instability, to identify the New Bretton Woods in terms of the concepts laid out by Lyndon LaRouche. The resolution, excerpted below, thus represents an important step forward in the debate already underway in recent months, due to the decision of Economics Minister Giulio Tremonti to promote the New Bretton Woods both in Italy and abroad, shortly after participating in a public conference with LaRouche in Rome last year.

Motion for the Reorganization of the International Monetary and Financial System: the New Bretton Woods

The Senate,
Whereas:
The intensification of the international financial crisis seen in recent weeks with the failure of Fannie Mae, Freddie Mac, Lehman Bros. and AIG, among others, has forced the U.S. government and numerous central banks to make emergency interventions to avoid a chain reaction which would bring the global economy to its knees;

Therefore,
The Italian Government shall act internationally to promote a reorganization of the international monetary and financial system, and to cooperate with the major world powers to establish a new system, modeled on the New Bretton Woods as proposed by the American economist Lyndon

to act to create a new financial system in order to avoid future financial crises and promote the reconstruction of the real economy;

Despite these calls, the political and monetary authorities of Europe and the United States continued to allow—and de facto to promote—an economy based on the growth of fictitious financial values, not linked to the productive economy. The latest instance is the subprime mortgage bubble and the speculation in raw materials, energy and foodstuffs;

The failure to take action to deal with this crisis has led to the dramatic events of recent days and months. ... Unfortunately, rather than follow the example of post-war reconstruction in Europe, or the New Deal policies implemented by U.S. President Franklin Delano Roosevelt during the Great Depression, today the authorities are attempting to use the funds provided by the state to cover the losses provoked by mortgage-backed securities and derivatives. ... Such an attempt is not only useless, but guarantees a further worsening of the crisis, and will provoke hyperinflation.

In fact, a recent investigation by the U.S. Congress showed that the new liquidity injected by the central banks to save the financial players, has been used for additional speculative operations that have caused the explosion of the prices of oil and food products in recent months,

Therefore,
The Italian Government shall act internationally to promote a reorganization of the international monetary and financial system, and to cooperate with the major world powers to establish a new system, modeled on the New Bretton Woods as proposed by the American economist Lyndon

international stage, by virtue of our size, we are a leading nation in the Commonwealth of countries, the biggest political bloc in the world, comprised of nations who share a history as British colonial possessions. Now is the time for Australia to lead a stampede of nations out of the clutches of

LaRouche:

1. The reorganization of the system must follow the model of a Bankruptcy Reorganization, in which speculative debts—which represent the vast majority of the debts on the books of the leading commercial banks, investment banks, and also numerous other financial institutions and even local administrations in Italy (!), are cancelled, while protecting, up to a certain limit, the savings of small investors in vehicles such as pension funds or other non-speculative financial instruments, and guaranteeing financing for essential activities in the real economy.

The General Welfare must take precedence over financial obligations created to feed the financial bubble.
2. New rules are necessary to guarantee the stability necessary for production and international trade:

a. exchange rates decided through treaties among nations (fixed exchange rates), thus avoiding speculative market fluctuations;

b. controls on the transfer of capital for speculative purposes (capital controls), favoring long-term investments in the productive economy;

c. a credit system which guarantees low-interest, long-term investments in infrastructure, industry and high technology (productive credits), to break with the orientation in recent decades which has encouraged the pursuit of quick profits while penalizing productive activity.

3. A credit system rather than a purely monetary system.
Considering the fact that



Senator Oskar Peterlini Giulio Tremonti

central banks arbitrarily issue money for the purpose of monetary adjustment, it is necessary to create a system which provides credit with the aim of promoting economic development. The origin of this model is found in the United States Constitution, and was applied by Treasury Secretary Alexander Hamilton, and then resumed by Abraham Lincoln and the great Franklin Roosevelt during the crash and depression in the 1930s. A credit system was the idea that inspired the original Bretton Woods system, which worked successfully until it was abandoned in 1971, and which has now been proposed again by the authoritative economist Lyndon LaRouche.

4. Given the tragic history of wars which have broken out coinciding with economic crises in the past, the Senate also binds the Government to act to ensure that European countries work together with the major world powers, and in particular the United States, Russia, China and India, to lay the basis for international cooperation able to achieve the objectives set forth above, overcoming the opposition from those who wish to defend their power by promoting conflict and divisions which obstruct the progress of the world as a whole.

New Citizen
Published & printed by:
Citizens Media Group Pty Ltd
595 Sydney Rd Coburg Vic
PO Box 376 Coburg Vic 3058
ACN: 010 904 757
Tel: 03 9354 0544
Fax: 03 9354 0166
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LaRouche Webcast: "CIVILIZATION'S LAST CHANCE?"

From Page 1

the area of U.S. real estate, as in London and elsewhere, in trying to create *debt*, synthetically, to cover this vast accumulation of unregulated dollar claims in the international market: quadrillions of dollars claims. Maybe more than \$1 quadrillion. Maybe \$10 quadrillion, or more than that.

And so, there is not enough money, real value in the world, to cover the demands against currency. And therefore, the system has gotten to the point, that under the present system, you've got to *sacrifice the currency claims*, or you've got to sacrifice the real economy. Which means, there's no way, that you can reorganize under the present world monetary-financial system. You have to put the whole system into bankruptcy reorganization.

Now, how can you do that? Well, what you can do, is end the existence of monetary systems: You put them into bankruptcy and close them out. Well, what do you do for money? We go back to the U.S. dollar.

The American Constitutional System

Our Constitution is unique among nations, in many respects: that we're a true nation-state, where European nations are not true nation-states. They may aspire to be nation-states—Charles de Gaulle tried to do that in France—but they're not really nation-states. Because they are under a parliamentary style of system, and a parliamentary style of system is inherently not a fully sovereign system of sovereign nation-states: It's controlled by something else; it's controlled by international monetary interests.

So, what we can do, is, very simply, is we can go back to the U.S. Federal Constitution, and create what's called a "credit-based dollar," as opposed to a "monetary dollar." A credit-based dollar is consistent with our Constitution: that no money, as legal currency, as legal tender, can be uttered under the U.S. Constitution, without a vote by the U.S. Congress on behalf of action by the U.S. Presidency.

So, in our system, the official currency of the United States, insofar as we follow our own Constitution, is limited to dollars, or dollar-equivalent negotiables, which are uttered *only* by previous authorization of the U.S. Congress, especially the House of Representatives, and uttered by the U.S. Federal government! There is no such thing as an international monetary source, which gives us our currency—not legally. It is uttered by the U.S. government; it is sovereign. We are a sovereign state, and our currency is uttered by us, under our Constitution: by approval of the House of Representatives, and by the Presidency. No other currency exists.

In Europe, that is not the case: In Europe, the monetary systems are *not* controlled by the government. They are created by central banking

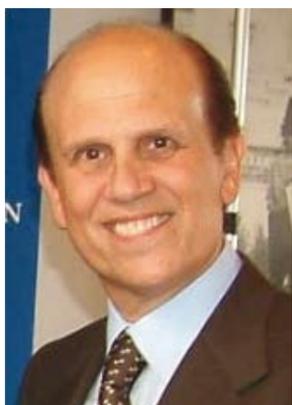
systems, which may negotiate with governments, and have agreements with governments, but the governments do not control the monetary system, as such. In point of fact, that is the *essence* of a free-trade system: that the governments have no essential control, as issuing authorities, over debt and credit outstanding.

And it's because of the utilization of that provision, that artificial money was created, by people making a capital promise, in capital amount, to go into debt, to get a lesser amount of money uttered in their behalf, now. That's how the world incurred a presently outstanding debt, through such means as derivatives, in the order of *quadrillions of dollars!* Far in advance of anything that could ever be paid. So, we are *never, never going to pay those debts!* We *couldn't* pay those debts. So, we're never going to pay them.

What do you do in a case like that? What does the United States do in a case like that, under our Constitution? You declare those debts *in bankruptcy*. And what do you do with them in bankruptcy? You sort them out! Those things that should be supported, will be supported, and the rest of it will just wait, or die away. The great majority, the vast majority of the obligations



Alan Greenspan (l.), U.S. Federal Reserve Chairman in 1987-2006, applied the same leveraged speculation techniques for which financier Michael Milken (r.) went to jail, to the whole financial system. Globalization under Greenspan wrecked nations' sovereignty, including food security, promoting dependency on imports and middlemen.



U.S. Constitution to do that.

The U.S. Constitution is unique in the fact we have a kind of Federal Constitution we have: that our dollar is not a monetary dollar; it's a credit dollar. In other words, the United States has uttered an obligation, on behalf of the U.S. government, which can be monetized. That is our obligation; that's our only obligation, and any other kind of obligation is not fungible.

Other countries have a different kind of system.

Now, if the United States says, that we are going to back up our dollar, and enters into an agreement with Russia, China, and India, to join us, with other countries, in doing the same thing, to put the world through

bankruptcy reorganization—it's the only remedy.

A Credit System

How does it work for us? Under our Constitution, any credit we utter, in a monetizable form, is an obligation under the authority of the U.S. government, in each process, by the approval of the Congress, the uttering of it, and by the action of the Federal government, with that approval. Now, also, not only do we utter our currency, properly, under those terms, but if we, as a nation, as a sovereign republic, enter into an agreement, a treaty agreement with other countries, for the same system, then under the treaty agreement, other countries enjoy the advantage

that, I should think, once we've done it.

That's the only alternative. Now, what that means is, politically, the end of the British Empire; or what's called the British Empire. The British Empire is the present world empire. There is no other empire on this planet today, except the British Empire. The use of the "empire" to describe any other system, is incompetent. The British are the only empire, and the British Empire is that which controls the dollar, the floating dollar today, the monetary dollar.

So, under these conditions, we then proceed to world reconstruction. And what we do, instead of the present free-trade system, is we go back to a protectionist system, a fixed-rate system; in other words, currencies will have a fixed rate of exchange with respect to each other, or adjustable by treaty arrangements, but they do not float. And we then proceed to utter the credit, for large-scale infrastructure investment, which will be the driver of the physical reconstruction of the planet. *That's the only remedy.* Any suggestion but that, is insane. Any failure to do exactly what I've prescribed, is insane. All sane people will, therefore, immediately agree—or we will have to draw the obvious conclusion.

So, that's what I outlined, in essence, as to how this would work—that's the core of it. This is the U.S. Constitution. It's a system which worked, every time we've used it. If we go back to it once again, as we did under Franklin Roosevelt, we'll come out of this nicely.

Globalization: A Crime Against Humanity

What are we going to do, however? We have, then, a physical economy, which is a mess. We have a situation in which the people are in jeopardy, life is in jeopardy; the conditions of life, the *physical* conditions of life are deteriorating throughout the United States and elsewhere. We have a problem of starvation in many parts of the world. Much of the human population is now in desperate jeopardy, because of current food prices and current organization of food production. Globalization has become a mass murderer, and globalization is virtually a crime against humanity, in its present implications.

We set up a system, as you may have noticed, with the case of Monsanto and other ones, where we grow food in one country to be eaten in another country. And we don't grow food for that country, much in your own country. You grow food for other countries, under the present kinds of agreements, WTO type

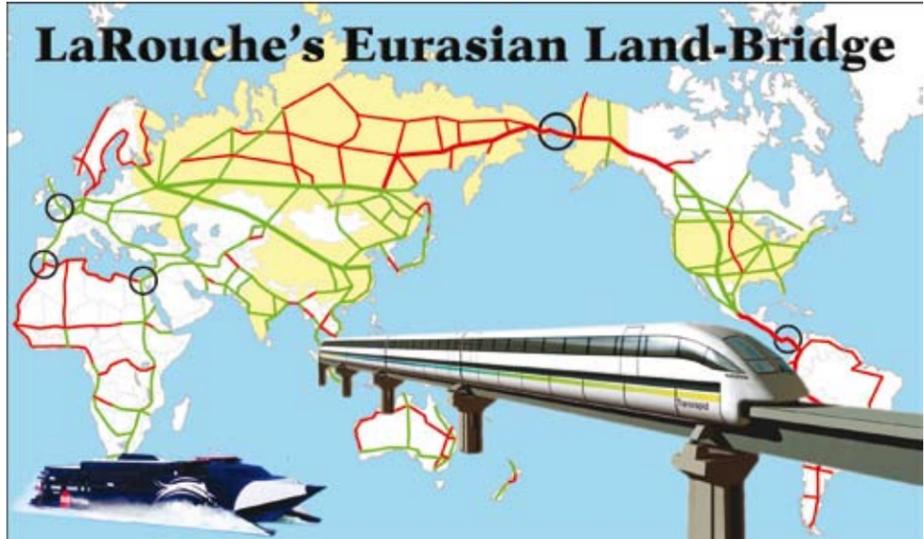
agreements, to produce food for people in other countries. For the food you eat yourself, you have to go to a completely different country than your own, and get them to produce food for you. In the middle stands someone who's a dealer in food, the international financial community, which determines the prices which are paid for the country which exports the food, and also determines the prices paid for the country that buys the food to consume it. And what we've done recently, is we have destroyed the independent food-producing capabilities of nations, so they no longer have self-sufficiency. They are at the mercy of something like the WTO, which is a form of mass crime against humanity! The WTO should be repealed, immediately; cancelled immediately! It's a crime against humanity, its very existence. People should grow food primarily in their own country, and get supplementary foods of special types they may require from other countries, where they're better produced. But the sovereignty of a nation, in respect to its own production and consumption of food, is primary. So therefore, that part of the system has to end.

Most of the other features of globalization have to end. They will end, if we're human, if we're decent. And that means a complete change of course from what the present trend in policies is. Most treaty agreements that now exist will have to be cancelled, relevant to this. And practices of this type will be outlawed. Food prices will be under international supervision, to make sure there's no more of this fraud.

You have to realize, that billions of people's lives are presently in danger, as a result of these WTO and related policies, the effect of them. That's our problem. And our remedy is to use great power on this planet, to force through a system, a fixed-exchange-rate system, to establish a credit system in place of a monetary system, and to launch large-scale projects through joint credit structures which finance these projects, which enable nations to build their way out of the present physical mess we have today.

It's a tough one. And people say, "Why do you want to do that? Couldn't you take *slo-o-w-er* steps? *Slo-o-w-er* steps?" "Well, you know that train's coming down the track, and you're walking across it—do you think you should take *slo-o-w* steps?"

For the rest of Lyndon LaRouche's Nov. 18 webcast, including the questions and answers, see <http://www.larouchepac.com/news/2008/11/18/larouche-webcast-civilizations-last-chance.html>.



The Eurasian Land-bridge high-speed rail network will link six continents in an economic development process.

outstanding today, as nominal claims against countries, *will be cancelled*. Those things which should be paid, will be paid. Those otherwise, will never be paid. And they will never be paid, in any case!

A Four-Power Alliance

Now, you have two ways to go: Either you collapse the world, with starvation and mass death, and those effects. Or, you put the thing through *bankruptcy reorganization*. And how do you do that? Well, what I specified is very elementary: I have four nations in mind that can take the lead on this thing. And the four nations, which together, represent the greatest consolidation of power on this planet: These nations are the United States, Russia, China, and India, as joined by other nations, which join in the same deal. We put the world through bankruptcy reorganization. How do we do it? We use the

bankruptcy reorganization, in which we will *cancel* most of the outstanding financial obligations: It has to happen. Otherwise, no planet! If you try to collect on quadrillions of dollars of outstanding claims, from whom are you going to collect, by what means, and what's the effect? It is *against natural law*, to collect on that debt! How many people are you going to kill, to collect that debt? How many countries are you going to destroy, to collect that debt?

So, we have this monetary authority outside, which has treaty agreements with governments, but which has no real obligation to governments otherwise, except the treaty agreement. This agreement has resulted in the creation of a vast world debt, a monetary debt, which can never be paid. Well, obviously, the system is bankrupt! You shut down the system, and put it into

of the same system we have for reorganization of our debts.

And that's the only way we can get out of this mess.

So, we create a group of nations, who are operating under treaty relationship with the United States, which gives Constitutional protection to this, so that we now have created a new system—a credit system—to replace the existing monetary system. And everything that is put under the protection of the *credit system*, is now solid. Everything else is thrown onto the floor, to see what you can pick up: It's in bankruptcy.

So therefore, we can create a new credit system, among nations, which I think—if the United States, Russia, China, and India agree, most nations of the world will happily join us, especially considering the alternative. And therefore, we can create a new world system, a new money system, a credit system as opposed to a monetary system. And under those conditions, we can proceed to advance credit on a large scale, for physical reconstruction of the world's physical economy. We can organize a recovery of the same type, which we undertook with President Franklin Roosevelt, back in the 1930s and 1940s. And we won't change from

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