

# The Global Option for This Emergency: Beyond Westphalia Now

by Lyndon H. LaRouche, Jr.

Feb. 6, 2005

The Feb. 18, 2005 discussions to be held in Northern Virginia will address certain included challenges which are of existential importance for the continued existence of the U.S. republic. Our role in meeting these challenges is now a unique capability, and therefore a unique responsibility, for reviving the kind of U.S. leadership for today which had been manifest under President Franklin Roosevelt prior to his most untimely death. This involves a capability which is inherent in both the unique characteristics of our republic, and the special influence which the presently U.S.-dollar-dominated, but collapsing, present world monetary-financial institutions have for determining the immediate period's well-being of mankind as a whole.

As I have argued on earlier occasions, the world as a whole has reached the point of development, at which the assured continuation of civilized life on this planet requires us to reject the follies of experiments in so-called "globalization," in favor of a system of respectively sovereign nation-states which would have established a form of planetary system of cooperation. This would be the establishment of a form which is most fairly described as a realization of the same aims and principles which were implicit in that 1648 Treaty of Westphalia which brought to an end both the inherent evils of ultramontane feudalism, and ended, for that time, that impulse toward religious warfare which has returned to much of the world today: an impulse presented under the twin lunatic guises of so-called "religious fundamentalism" or racism, a moral degeneration presently integral to those follies of so-called "globalization," which threaten the continued existence of civilized life on this planet today.

As I have emphasized on earlier occasions, the pivotal challenge to be recognized today, is the fact that we have reached the point that civilized life requires a forceful suppression of efforts to establish an ultramontane or other mode of imperial control over the planet as a whole, a control being attempted now through the rise in the roles of speculative monopolies in control of essential so-called "raw materials." There is no intrinsic shortage of necessary raw materials, if sovereign nations cooperate to develop the raw materials of

this planet in ways which ensure an increase in organized supply adequate for the inevitably growing requirements of all nations.

This is a point in world financial-monetary, as well as physical-economic development of nations, at which the assurance of both fair prices and adequate supply for what we presently view as the raw materials needs of nations, means that orderly economic relations among sovereign nation-states, require establishing long-term agreements under a new system of fixed exchange-rates, a system in which the stability of supply of needed raw materials at fair prices is the primary factor of a global system of long-term capital formation, through cooperative management to this effect over forward intervals of approximately two generations.

At the present moment, the world is gripped by the effects of foolish decisions which undermined and destroyed the fixed-exchange-rate monetary system which had been established at the close of the 1939-1945 warfare. Increasingly wild-eyed financial speculation, is capped by the sheer lunacy of a financial-monetary system rife with madcap financial derivatives speculation. Most of the nominal financial claims associated with the speculative orgies of the 1971-2004 interval could never be satisfied. Yet, to make a safe transition from the present homicidal lunacy of the world's current monetary-financial system, we must maintain the security of a system for those long-term monetary-financial assets which are expressed as essential forms of present and future public and private improvements in the physical-capital preconditions of civilized life of nations and their peoples.

To establish that needed reform of the world's monetary-financial system, it will be necessary to predicate the security of essential forms of capitalization of such long-term assets by pledging the security of financial capital against a program of vigorous development of the essential basic raw materials available to a community of nations, each and all engaged in common goals of improvement of the productive powers of labor and conditions of life for generations still to come.

This consideration of the implications of raw-materials development and management, provides the principled basis for a long-term, fixed-exchange-rate system.

In general, this means establishing a new monetary sys-



*“There is no intrinsic shortage of necessary raw materials, if sovereign nations cooperate to develop the raw materials of this planet in ways which ensure an increase in organized supply adequate for the inevitably growing requirements of all nations.” Here, an oil pipeline and refinery.*

tem under the renewed principle of the Treaty of Westphalia, as applied to these present circumstances and their challenges. It requires little more than a fair estimate of the situation to suggest, that in taking such steps for progress under conditions of the ongoing general breakdown crisis of the world’s present, self-doomed monetary-financial system, we must recognize that we are embarked on the implied measures of general reorganization of the world, a reorganization whose initial phase will be not less than two generations, which is to say, in terms of requirements of modern society and its technology, two generations aggregating to about 50 years. Agreements to such effects must be the premise for reconciling the relations between valid existing capital assets and the terms of repayment of capital obligations, that over an initial base period of about 50 years.

The only present alternative to such measures of reform, would be chaos, and, most probably, a prolonged new dark age for humanity as a whole. At this very moment, the world as a whole is at the brink of such a global, chain-reaction collapse.

The political situation thus confronting the participants in that meeting may be summarized as follows.

### **The Political Crisis**

Especially since the first year of the George W. Bush, Jr. Administration, more and more of the world at large has tended more and more toward the wish that the U.S.’s own self-inflicted crises would soon eliminate the U.S.A. as a dominant factor in the foreseeable future of the planet. Such wishful views delude those who believe that the ruin of the U.S.’s

influence would thus free the rest of the world to go its own way. That increasingly widespread wish, must be denounced as a delusion. It is a belief whose effects would be the ruin of civilization as a whole for a long time to come.

The post-1989-1991 influence of the U.S.A. as what some regard as a self-estimated monopole of world destiny, is exaggerated in many ways. The U.S. role today is merely that of an instrument of the same Anglo-Dutch Liberal imperialism which the U.S. fought, for its independence and Constitution, during 1776-1789, against the Anglo-Dutch Liberal-imperialist system from which President Franklin Roosevelt’s leadership had temporarily freed the U.S., until the virtually treasonous monetary reforms led by the relevant Anglo-American financial powers of 1971-1972. Nonetheless, although the U.S. control over the present monetary-financial system is widely misunderstood by popular opinion around the world today, the outreach of the present, post-1991, U.S.-dollar-denominated form of Anglo-Dutch Liberal world system, has such a dominant role within the world’s present continuation of that world’s monetary-financial system, that, in the present crisis-circumstances, the fate of humanity as a whole depends upon certain leading, dollar-based remedial initiatives by the U.S. government itself.

Thus, although it is the presently degenerating, Anglo-Dutch Liberal system of 1763-1914 which is again ruling the post-1971 world of today, today’s form of that world system as a whole now requires initiatives, to create a new financial-monetary system, under which the world as a whole depends on certain global initiatives of monetary-financial reform which could not be introduced without the role of certain



*The IMF Executive Board, meeting in Washington. The U.S. role today is merely that of an instrument of the Anglo-Dutch Liberal system—the same imperial, ultramontane system against which the United States fought for its independence during 1776-1789.*

specific kinds of initiatives which must come from inside the U.S.A. itself.

For example:

Were the U.S.A. government so recklessly foolish as to tolerate George “Hjalmar Schacht” Shultz’s Pinochet model for raiding the U.S. Social Security system of trillions of dollars, the situation for both the U.S. dollar and the world monetary-financial system generally would become immediately hopeless. Take into account the pattern of spiralling fiscal and current-accounts-deficits of the U.S. dollar, and the role of that dollar in defining presently, the financial-derivatives-rotted-out fiscal and monetary systems of the world at large. The chain-reaction effects of the consequent, already looming combined, U.S. fiscal and current-accounts deficit, would not merely sink the U.S. dollar, but this collapse of the dollar would have immediate, devastating effects throughout Eurasia and beyond. No part of the world as a whole is presently situated to avoid being sucked into the global chaos which such a development would ensure.

While no one could possibly calculate in advance exactly how bad the effects of the now onrushing general monetary-financial collapse would be on the planet as a whole, it is certain that the results of failure to take the options which I have proposed would be both more or less awful, and assuredly planet-wide.

Thus, a presently most probable, early collapse of the U.S. dollar system as such, has effects with which no part of the world could cope effectively, except by aid of certain political initiatives from the U.S.A. itself. The measures to be taken are of a nature which could not be possible within the framework of the post-1971 model of that Anglo-Dutch Liberal form of post-FDR monetarist system, which came into being through the keystone role of the U.S. Nixon Administration’s George Shultz and his confederates. Only a prompt return to the principles of the American System as defined by President

Franklin Roosevelt’s leadership at the founding Bretton Woods conference, could provide the needed foundation for the urgently needed form of programmed stabilization of dollar-linked debt, a form of stabilization of fungible long-term debt-capital needed for the situation facing the coming two generations of this planet at large.

Therefore, the pivotal point to be stressed in all discussion of this matter must be the following:

In this circumstance, only actions which stabilize the U.S. dollar’s unevadable present role as presently denominated, WORLD RESERVE CURRENCY could avert the threatened plunge of the planet into a global catastrophe comparable to Europe’s 14th

Century “New Dark Age.” What is required is emergency reorganization of the present world monetary system as in a bankruptcy-reorganization conducted by cooperation among certain sovereign governments of nation-states, especially the leading nation-states of North America and Eurasia.

The success of any attempted such rescue-action depends upon the ability to freeze certain kinds of both presently existing, and newly added long-term, dollar-denominated physical assets at defensible, relatively fixed financial prices, prices which can be made to hold for not less than the long-term interval of a quarter to half a century. This latter condition must be secured to provide a credible basis for a return of a global, fixed-exchange-rate monetary system comparable to the intent expressed by U.S. President Franklin Roosevelt’s leading role in creating the original Bretton Woods System.

The new monetary system, so grounded, must be intended, by design, to provide support for a newly expanded system of long-term treaty-agreements, especially agreements focussed upon cooperation of the U.S.A. with the growing cooperative development trends among leading nation-states of the Eurasian continent. Without such a programmed form of long-term cooperation of the U.S.A. with the kind of cooperative development within Eurasia which I have specified as in the form of cooperation of western and central Europe with a Russia-China-India Productive Triangle, no practicable solution for the planet as a whole exists for the next two or more generations to come.

### **The Bretton Woods System**

The greatest intellectual obstacle to understanding the required modes of emergency reform to be made immediately ahead, is the failure of most, including so-called professional economists inside and outside the U.S.A., to recognize the deep roots of the intellectual incompetence which allowed the change from President Franklin Roosevelt’s Bretton Woods

system to the present floating-exchange-rate monetary system to emerge under ideologues such as the U.S. Nixon Administration's chief "Chicago School" ideologue George Shultz.

This is not to go so far as to argue that most leading economists of the world's recent generations have been simply stupid. Some economists and financial specialists are skilled in their own way; their fault, in allowing the degeneration of the world's monetary-financial system to go as far as it has, has been, among both Soviet and so-called Western economists, that they locate their skills in working within the existing system, without due consideration for those flawed underlying axioms which have led, repeatedly, to the great crises of modern European civilization (in particular). Therefore, for reason of that kind of intellectual shortcoming, they limit their proposed reforms to changes within the bounds of those philosophically reductionist, empiricist or related axiomatic assumptions which have, in fact, been the root of every major economic and strategic crisis which globally extended modern European civilization has experienced since the Fall of Constantinople.

Contrary to those trends in so-called expert opinion, my own, essentially Platonic views on the subject of systems of physical economy, are those which I adopted largely as echoes of my reading of the work of Gottfried Leibniz. For me, European civilization, in the nobler sense of the term, is distinguished by that struggle to define society in terms of those creative powers of the individual mind which distinguish the human individual absolutely from the beasts. It is those discoveries of universal physical and Classical artistic principle, which history associates with the legacy of Thales, Solon of Athens, Pythagoras, Socrates, Plato, et al., which define the meaning of the terms "the human individual" and "society" for the purposes of competent statecraft, then as now. That is to emphasize that it is that sovereign creative power of hypothesis-making, through which experimentally validated universal principles of the universe are discovered and applied, that distinguishes man from the beasts.

From this vantage-point, the evils of European history, such as the reductionism of the Greek Sophists and their like, the Romans, and the imperial ultramontanism of the Venetian financier oligarchy and its Norman Crusader allies, is a crime against that feature of the nature of man which sets the human individual apart from the beasts. Thus, for us, the Classical Humanists so defined, it is the development of that quality of the human individual which must be chosen as the purpose of society, and the standard of practice by which society, its laws, and its customs are to be judged as good or bad.

Thus, for us, the modern Classical Humanists, the 15th-Century European Renaissance, as marked by that great ecumenical Council of Florence which liberated Europe from the legacy of the Venetian-Norman ultramontane tyranny, is also the Renaissance which built the foundation of all that is good in globally extended modern European civilization. That is the good for which we have been forced to struggle against

the Spanish Inquisition, the waves of religious warfare which that Inquisition unleashed, and against evil Venice's successor, the tradition of that Anglo-Dutch Liberal financier-oligarchical imperialism which has been the dominant influence in the world during most of the period since the February 1763 Treaty of Paris. The creation of the U.S. republic must be recognized as the leading revolt against that Anglo-Dutch Liberal tyranny from within Europe, during the time of the American Revolution of 1776-1789, a revolt which was also expressed, most notably, under great U.S. patriots of that tradition, such as Presidents Abraham Lincoln and Franklin Roosevelt.

---

---

*The greatest intellectual obstacle to understanding the required modes of emergency reform to be made immediately ahead, is the failure of most, including so-called professional economists inside and outside the U.S.A., to recognize the deep roots of the intellectual incompetence which allowed the change from President Franklin Roosevelt's Bretton Woods system to the present floating-exchange-rate monetary system to emerge under ideologues such as the U.S. Nixon Administration's chief "Chicago School" ideologue George Shultz.*

---

---

Unfortunately, the anti-Roosevelt, factional allies of Winston Churchill within the Anglo-American war-time alliance, used the occasion of the death of Franklin Roosevelt to subvert, and rapidly reverse the great achievements under Roosevelt. Thus, from the death of that President Franklin Roosevelt, until the typical role of George Shultz in the wrecking of the Bretton Woods system under President Nixon, it was the lingering benefits of Roosevelt's assertion of the American System of political-economy, the anti-British Bretton Woods system, which played the leading progressive role in promoting world economic development during the 1945-1971 interval.

The attempt to define a post-Soviet world history as a U.S. strategic monopoly has promoted the widespread delusion—among those who wished to be deluded, in Europe and elsewhere, that the present world system is an American



*America's first Treasury Secretary, Alexander Hamilton. In today's crisis conditions, only actions which stabilize the U.S. dollar's role as a world reserve currency could avert the threatened plunge of the planet into a global catastrophe.*

imperial system. On the contrary, it is a reassertion of the Fabian Liberal imperialism of the followers of Anglo-Dutch Liberalism's Lord Shelburne, but under circumstances in which the wildly speculative, U.S.-based factions of today's world-wide Anglo-Dutch monetary-system, have come to play a dominant political role of control within the world's present form of imperial role of the Anglo-Dutch Liberal tradition as a whole. Thus, the remedy for the world at large, becomes now the breaking of the grip of that international financier-oligarchical faction over the control of the present world monetary-financial system, a break which, by the nature of current realities, must be made initially from within the U.S. itself.

In harsh reality, such a needed rescue of the world from the present monetary-financial crisis, could occur only in the form of a return to the specific principles of the original Bretton Woods system. That initiative must come from within the U.S.A., or it will not come at all.

It is time to dump the farcical assertion that the fixed-exchange-rate of Franklin Roosevelt's International Monetary System, was the adoption of a "Keynesian" system.

As John Maynard Keynes wrote in the special, German introduction to the first, Berlin publication of his General Theory, Keynes' system was, as he correctly claimed, most agreeable with a Germany under Nazism. Keynes saw himself as a central banker within the bounds of a form of international financier-oligarchy of the same type as his Synarchist International contemporaries of the 1920s and 1930s. Roosevelt was an advocate of the Hamiltonian national banking implicit in the U.S. Federal Constitution and the leading adversary of the Synarchist International financier bloc of that time.

The bankruptcy of all of the U.S.A.'s western and central European rivals under the processes of 1922-1945, created the opportunity to assert the primacy of the U.S. fixed-exchange-rate system, and to impose the principles of that system for what proved to be a temporary subjugation of what had been the 1763-1933, global imperial supremacy of the Anglo-Dutch Liberal financier-oligarchical system. Although U.S. President Truman did not wait for President Franklin Roosevelt's burial, to go over into the anti-American camp of Winston Churchill's financier-oligarchy imperialism, it was not until the Nixon Administration, under the guidance of technicians such as George Shultz, Henry A. Kissinger, et al., that the Anglo-Dutch Liberal faction was able to rid itself of Roosevelt's American System, by creating that floating-exchange-rate system whose internal logic has brought the world now to a state far worse than merely general bankruptcy, to the condition of a presently onrushing, general breakdown-crisis of the present world system.

The outcome of these leading developments of the just-past 20th Century, produced the anomalous fateful state of world affairs today.

What Nixon's advisors, such as Shultz, and also relatively lower-ranking figures such as Henry A. Kissinger did, was to place what had become the U.S.-dollar-denominated system under the control of an international financier-oligarchical cabal, in which relevant U.S. elements were merely a leading financier interest. The result of the changes in the system, which had begun with the United Kingdom's first Harold Wilson government, and continued through the sweeping changes in monetary-system architecture over the 1971-1982 interval, has been to use the U.S. dollar-denominated international monetary system, to build up a mountain of debt within what has been chiefly a dollar-denominated system, a grotesque caricature of the pre-1933 Anglo-Dutch Liberal global imperium.

Thus, since the major portion of financial assets of the world today are denominated in IMF dollars, and since the hyperinflationary build-up of short-term investments in debt has come to vastly outweigh long-term financial capital holdings in real capital holdings, and that at a greatly accelerated rate under President George W. Bush, the presently onrushing collapse of the U.S. dollar has created a situation in which only a reform of the U.S. dollar in accord with the precedent





*“The great and crucial portion of the new capital-formation in basic economic infrastructure, will be as international capital associated with long-term treaty agreements among sovereign nation-states.” Here, a U.S. Army Corps of Engineers project for construction of a retaining wall at Sargent Beach, Texas, on the Gulf of Mexico.*

of Roosevelt’s Bretton Woods design would permit the kind of reorganization in bankruptcy to which the entire world system must be subjected today.

It is only through the recapture of the political leadership of the U.S. by forces dedicated to the Roosevelt legacy of the original Bretton Woods system, that the world-wide behavior of the U.S. dollar can be brought into conformity with the kind of required reform on which long-term stability of fungible forms of debt-capital can be organized for the planet as a whole.

This does not mean U.S. imperialism; but, exactly the contrary. It means that the initiative of the U.S. as a sovereign nation-state republic, is crucial for any attempted reorganization of the world monetary-financial system. It is chiefly the world’s U.S.-dollar-denominated financial debt, which must be reorganized, even that debt held as a sovereign asset of other states. The system required is a return to the principle of the original Bretton Woods design; but, the system so established must be a partnership among respectively sovereign nation-states. The U.S. role in this reform will be pivotal; without that role, played as I have just implied, there is no reasonable hope that the world could be saved from a relatively immediate collapse into a prolonged, planetary, new dark age, comparable to, but worse than that of Europe’s 14th Century.

The differences between the IMF as designed at the point of President Franklin Roosevelt’s untimely death, and the indicated return to a semblance of the original, fixed-exchange-rate form of IMF system, require that the state of harmonious

conflict prescribed for the original Bretton Woods institution at its best performance, must be superseded by the application of the model of the 1648 Treaty of Westphalia.

This reference to the Treaty of Westphalia does not mean a configuration of political sentiments. It points to the importance of the needed creation of vast masses of long-term international debt, within a fixed-exchange-rate system, for, chiefly, the vast physical investments in long-term basic economic infrastructure. This capital formation is not to be limited to the public sector’s infrastructure, but the role of public investment in infrastructure must be a leading feature of long-term capital formation in all productive and related sectors. By combining the worthy long-term bonded and related infrastructural and kindred private debt of today, with a vast, fresh generation of new fixed-ex-

change rate, long-term capital in basic economic infrastructure, a successful reorganization of the presently bankrupt system suddenly becomes feasible.

The great and crucial portion of the new capital-formation in basic economic infrastructure, will be as international capital associated with long-term treaty agreements among sovereign nation-states. The term of the bulk of this new capital will span a quarter to a half century, as the case of Europe’s participation in the development of China attests. This gives a powerful new depth of meaning to the principle, of “advantage of the other,” of the 1648 Treaty of Westphalia.

Nations must be perfectly sovereign, but they share a common interest in promoting the advantage of the other. Otherwise, there is no likelihood of any nation’s recovery from the presently onrushing crisis.

Typical is the present emergence of a situation in Eurasia, in which the prosperity of each economy will depend upon the successful long-term capital formation of the other. That is already the long-term trend emerging in political-economic relations between western and central Europe. The pivotal role of Russia between the emerging economies of Asia and the well-being of the states of western and central Europe, typifies the situation.

It can be done, but it could be done only under the pressures of a global crisis as immediately menacing as the situation now. Necessity will be the forceful mother of the needed invention. Nations will swim in the waters of a new economic system, not because of a zeal for swimming, but because they perceive that it is necessary to swim, if one is to survive.