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Federally Registered Political Party

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Nov. 17 could be “black, black Monday” unless G-20 establishes LaRouche’s New Bretton Woods

European banking circles fear 17th November could be, in the words of one high-ranking banker reported in *La Tribune* last week, a “black, black Monday” if the G-20 heads of government conference in Washington D.C. on 15th November does not adequately address the global financial crisis.

On 1st November, Lyndon LaRouche, the world’s most accurate economic forecaster, emphasised the seriousness of the timeframe between 11th to 18th November: “In this area, many accounts are going to be settled: This financial-monetary system, this world system, is finished.”

The sense of foreboding is because all indications are that neither the Bush Administration, which is heavily infested with former Goldman Sachs associates, nor Gordon Brown, nor Kevin Rudd, have any intention of agreeing on an actual reorganisation of the bankrupt world financial system.

The Bush/Brown/Rudd approach of bailing out banks with public funds, in a King Canute-like attempt to prop up the value of around \$1.4 quadrillion in derivatives, is now being overtaken by a terrifying collapse of the world’s real, physical economy into free fall:

- Trade in raw materials has declined dramatically. Freight transport rates for solid goods—i.e., grains, ores, and coal—have declined by 90% over the past three months. The Baltic Dry Index, which measures freight costs per vessel, has fallen by 92% since the beginning of this year.
- The China International Capital Corporation Limited reports that orders for new ships have declined by 66% worldwide.
- In the past few weeks, China has not imported a single ton of iron ore.
- ArcelorMittal, the world’s biggest steel producer, expects to close 13 of its blast furnaces in Europe during the period of mid-November through the end of January.
- More than 60% of China’s steel industry is running at a loss, and many smaller firms are closing their doors, since the price of steel in China has collapsed by 30-40% since June.
- In the south of China, more than 50,000 small and medium-sized firms have already declared bankruptcy.
- Prices for soybeans have fallen by 50% in the last three months, and grain prices by 20-30%.
- In the Third Quarter, net sales of Volvo trucks dwindled by almost 100%, from 41,970 to a mere 115. New orders for large trucks worldwide declined by 55%.

CEC National Secretary Craig Isherwood today repeated his warning to Prime Minister Kevin Rudd, to support the moves for a genuine New Bretton Woods reorganisation of the world financial system at the G-20 conference:

“It is imperative at this time that Kevin Rudd put the people first,” Isherwood said, “which means putting Australia’s support at the G-20 summit behind Lyndon LaRouche’s New Bretton Woods financial and monetary system bankruptcy reorganisation, which is based on cancelling the world’s unpayable derivatives contracts, and establishing a system of national banking, fixed exchange rates, tariff protection, and great infrastructure projects.”

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What is a New Bretton Woods?

The original Bretton Woods system came into being at a conference of 44 nations beginning on July 1, 1944, in Bretton Woods, New Hampshire, convened on the initiative of U.S. President Franklin D. Roosevelt. On July 22, the group agreed to create an International Monetary Fund (IMF) and a Bank for Reconstruction and Development, later known as the World Bank. The main purpose of these institutions was to deal with the economic problems of the European countries that had been devastated by war. They began to function in early 1945, as World War II was nearing its end.



“Bretton Woods” UN Monetary and Financial Conference held during the first three weeks of July 1944

The core of the new system was the arrangement for fixed currency parities, which would make it possible to revive world trade. The value of the dollar was pegged to a specific weight of gold, and, until the end of the 1960s, it functioned as the accepted substitute for gold. Exchange rates of other currencies were to be changed in relation to the dollar or gold, only as a measure of last resort, after national policy measures had been exhausted. Long-term investment and trade could thus be undertaken on a stable currency background, and risk of dramatic currency losses and speculation was nonexistent at that time.

From the beginning, however, there were clashes between the “free-trade” colonial policies of the British delegation, and the concepts of President Roosevelt, who had told Britain’s Sir Winston Churchill as early as 1941 that the United States was not going to fight the war in order to restore Britain’s colonies. After Roosevelt’s death, unfortunately, his understanding of postwar economic policy was abandoned by successive Presidents (with the exception of John F. Kennedy), and the IMF and World Bank increasingly came to play the role of instruments of neo-colonial looting, on behalf of the British-based financier oligarchy. When President Nixon finally took the dollar off its gold backing in 1971, the Bretton Woods system became defunct.

In calling for a New Bretton Woods, Lyndon H. LaRouche, Jr. has specified five steps that must be taken today:

1. Governments must not attempt to bail out the speculators. Let the derivatives market and other paper values collapse as they may: it’s only paper! The only necessary action of government on this account, is to protect people, productive enterprise, and useful trade in hard commodities and science-related services.
2. The credit and issued public Treasury debt of national governments must be protected at all costs; otherwise, the necessary measures of economic recovery and growth would not be possible.
3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services. During the 1929-31 Depression, terrible blunders were imposed upon the Hoover administration by Andrew Mellon et al. This must not be repeated today, in any country.
4. The United States must act in concert with other governments, to put the existing financial and monetary system into bankruptcy, and to put a new world monetary system into place.
5. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade, and to provide an urgently wanted general stimulant for the private economies of the participating nations. The core of such a recovery program is the Eurasian Land-Bridge, creating corridors of high-technology infrastructural and industrial development, with “spiral arms” extending to Africa and the Americas.