LaRouche's plan for a Common Market

Four weeks before the historic Mexican banking nationalization, EIR *founder Lyndon H. LaRouche, Jr. issued a private policy memorandum to selected Ibero-American leaders, urging that they immediately adopt dirigist, Hamiltonian measures to defend their economies from the International Monetary Fund and associated institutions. LaRouche's policy proposal* Operation Juarez, *featured his call for cooperative Ibero-American debt moratoria, the exploding of a "debt bomb" that could bankrupt the holders of the continent's foreign debt.*

A second proposal was the creation of an Ibero-American common market, which, LaRouche noted, would be capable of withstanding financial and trade warfare by assembling "one of the most powerful economies in the world from an array of individually weak powers." We excerpt here sections of LaRouche's specifications for the formation of such a common market, whose potentials are now the subject of an EIR *study using the LaRouche-Riemann econometric model.*

We propose that, within the Organization of American States, such republics as may choose to do so, should form an Ibero-American "common market." This "common market" would be based chiefly upon these institutional features:

(1) Bringing their respective, internal institutions of credit, currency and banking into order, as specified here, earlier.

(2) Establishing a common banking institution to facilitate exchange of credit, currency and trade among them, and as an institution of common defense of the financial and economic interests of the member-nations and the continent as a whole.

(3) To make more effective use of the limited resources at their common disposal, to the equitable advantage of each and all.

Taken as a whole, Ibero-America represents a spectrum of existing and potentially-existing capabilities of natural resources, agriculture, capital-goods industries, and other economic resources. What is not immediately at the disposal of the republics taken individually, is in large part at the disposal of those republics taken as a whole. Given the limited means for creating technologically advanced industries of each and all, the attempt of the republics to meet their needs in parallel represents a costly duplication of investment, by comparison with the better use of limited resources if a rational division of labor were to be developed among those republics.

What is required is: (1) Agreement to prefer to trade within the community, rather than trade without it; (2) Medium-term and long-term trading agreements, through which it will specialize for export to members of the community, thus assuring a medium- to long-term market for products produced by a corresponding investment. A nest of reciprocal, multi-national trading-agreements of this sort, are intended to foster the most efficient use of the limited capital and credit available to each and all. (3) Fair-pricing agreements, combined with cohering tariff agreements, which have the effect of establishing a customs union among the members of the agreement.

If a sufficient portion of the Ibero-American nations enter into such an agreement, *the result is the assembly of one of the most powerful economies in the world from an array of individually weak powers.*

Although the proposed customs union would develop quickly some of the same advantages as the European Common Market enjoyed prior to the electoral defeat of President Valery Giscard d'Estaing, the proposed customs union is not modeled on the principles of design which informed the European Market.

The keystone institution of the proposed customs union is the inter-republic bank. This bank is established by treaty, to function as the common facility of the national banks of the participating sovereign republics. Its functions are, categorically, inclusively, these:

1. Inter-republic banking functions: (a) To serve as a central clearing-bank among the participating republics' national banks; (b) To mediate exchange of credit and currency among the national banks; (c) To act as a clearing institution for settlement of multi-national agreements among members respecting tariffs and trade.

2. Monetary functions more generally: To facilitate maintenance of parity exchange-values among the currencies of the member republics, and to defend those currencies as a bloc against external manipulations.

3. A development bank (investment bank): The bank serves as a coordinating agency for planning investments and trade-expansion among the member-republics. To aid in implementation of such agreements, the bank coordinates the mobilization of money-capital needed to ensure that all aspects of the agreed programs are adequately supplied with investment-development capital.

There are two principal sources of money-capital for expansion: intra-system, and foreign.

We have specified a monopoly for creation of money-credit by sovereign governments, denying this power (e.g., outlawing the "Keynesian multiplier") to any private agency. We have thus ensured that the otherwise idled, salable goods, goods-producing capacity, and labor of each and all nations shall be adequately employed, insofar as performance-worthy borrowers-entrepreneurs are willing to borrow at low interest-rates, to put those idle resources to work in a manner consistent with national priorities for categories of development.

The establishment of a customs union of the type proposed, means that the currency-notes of each republic can be issued as medium-term to long-term export-loans-capital to fund exports of its capital-goods production with the customs union. We have eliminated the need for a third-party lender among those republics. We have established a greatly enlarged autarkical development-potential among the members of the customs union.

This system of intra-bloc medium-term to long-term capital-goods-export lending will operate soundly, on condition that the payments for such loans are predefined in terms of the importing nations' repayment through earnings from its own capital-goods or other exports within the bloc. There is, therefore, an underlying, medium-term to long-term barter basis for these agreements.

Furthermore, for this and related reasons, it is desirable that the member-republics should prefer to purchase their imports from within the bloc, rather than from without it. A sharp and growing reduction in relative volumes of imports from outside the bloc should occur relative to existing categories of imports. The extra-bloc purchasing and borrowing potential of the bloc's member-republics should be concentrated for purchases of high-technology capital goods.

This is not a dilution of the sovereignty of the member-republics. In negotiations for lines of medium-term to long-term credit, to implement multi-member-republic projects, the representatives of each republic will negotiate sovereignly, but with backing from the common banking institution, and, thus, implicit backing from other member-republics of the bloc.

However, respecting financial relations with nations outside the bloc, the sovereign member-republics seek to negotiate loans for capital-goods through the facilities of the common bank, and to clear payments against such loans through that same common bank. This strengthens the bank's power to maintain a common defense of the currencies and credit of the member-republics. Not only are the members better defended, but the creditworthiness of each nation is increased; the creditworthiness of each and every nation of the customs union is greater than it could be outside that customs union.

To aid this, a common currency of account should be established for the customs union. Loans negotiated through the common bank will be denominated for payment in this common currency of account.

However, the bank will not be responsible for the debt of sovereign republics. Rather, the sovereign republic will settle its debt through its account with that common bank, and will settle in denominations of the common currency of account.

This bank will soon become one of the most powerful financial institutions in the world, especially in the opinion of capital-goods exporting nations.

Brazil's Delfim Netto: 'We can solve crisis together'

What follows are excerpts of a translation of the speech by Brazilian Finance Minister Delfim Netto given before the Escola de Guerra Naval (part of the Escola Superior de Guerra), on Thursday, Sept. 16.

We have, therefore, all the conditions necessary to achieve our development. We are, today, at a critical moment, a decisive moment of our history, one in which the world is afraid. It is not we who are afraid. The world bankers are afraid. Companies are afraid. When we see Telefunken go bankrupt, Dome in Canada go bankrupt, tens of firms that seemed to be unbreakable go bankrupt—things that appeared six, eight, or ten months ago to be absolutely impossible—then we are seeing that we are really in a difficult world. But we also know that there is a narrow path for us to get through, one we are taking. More than that: we know that we have a system of navigation that will lead to the desired result. It is necessary to understand this. I feel it is necessary that we free ourselves of certain fears, of the idea that all this is very simple, that all that was necessary was for me to pull a card from my sleeve for everything to be taken care of.

For certain, there will be millions of extremely intelligent people, as yet unrecognized, who will suddenly discover some way of getting the world out of this situation. I feel there is only one way. That is, to add up all the crises. If each of us clings egotistically to our own crisis, the crisis has no solution. But if we exchange our crises, they do have solutions.

Take, for example, the case of Mexico and Brazil. If we could convince Mexico—as we are trying to now—we can trade our crises. There is no way to get money anymore. For example, I have an enormous capital goods industry. I give you credit for $2 billion. You extend me credit for $2 billion. I sell you my equipment, I give jobs to my Brazilians. You sell me your oil, and give jobs to your Mexicans.

If we put our crises together, they turn into prosperity. If we then are able to convince Nigeria that we can put our crises together, each of us will be able to rise.

Now, it is difficult to explain to people that the sum of our crises produces prosperity. This is the great truth that President Figueiredo has tried to demonstrate to our [trading] partners during his recent trips: to show that the world only has a way out if it adds up its crises. It only has a way out if each is capable of thinking about the problem of the other and realizing that his own problem is one piece of the problem of the other, and that, as if by some extraordinary effect, putting them together, the whole problem disappears.