Editorial

An emergency financial program

Some European central bankers are ready to sacrifice the U.S. dollar and the U.S. economy in an effort to survive the pending world banking collapse. But U.S. presidential candidate Lyndon LaRouche has a very different policy for meeting a Brazilian default or parallel financial crisis. LaRouche has proposed that the sovereign republic of the United States take immediate emergency measures to ensure that the nation-states of the Americas are not destroyed in the financial collapse. Further, LaRouche's proposals will create an economic power center in the Americas to which other developing sector nations and the United States' real allies in Western Europe and Japan can rally.

The U.S. Constitution gives the President the power to make the necessary command decisions. In this crisis, it is the responsibility of Congress to comply immediately with these measures; it is the responsibility of the U.S. citizenry to show Congress a disposition to "politically lynch" all legislative recalcitrants.

The time for these measures is now. Most of Ibero-America is already in default and entire nations of Western Europe are already as good as bankrupt. Many U.S. banks have more defaulted assets on their books than equity investments in the bank.

Existing policies will let about 80 percent of the banking institutions in the United States be wiped out. Adopting Kissinger's and Volcker's emergency plans to have the government bail out the threatened banks, will force slashes in the U.S. defense budget that will put the United States at the mercy of Moscow.

LaRouche, as the leading economist of the United States, has proposed the necessary policy for action within 48 hours of a default, in his "What Reagan Must Do When Brazil Defaults," issued in mid-October.

The President's first act must be to use his emergency powers to "federalize" the U.S. Federal Reserve System, and, acting on the basis of Article I, Sections 8 and 9 of the Constitution, allow only Congress the power to pay debts, borrow, and coin money, and prohibit funds being drawn from the Treasury except by appropriations by law. To prevent a national banking collapse, the President must impose capital and exchange controls on flows of currency and credit into and out of the United States, and get the support of Congress for emergency action to freeze imperiled assets of the banking system.

Within the same 48-hour period, the President must take steps to maintain the economy and compensate for the constriction of credit, by submitting an emergency bill to Congress, authorizing the immediate issuance of $500 billion of gold-reserve denominated U.S. Treasury currency-notes, with the U.S. gold reserve priced at $750 per ounce, to be loaned through the "federalized" Federal Reserve at rediscount rates ranging from 2 to 4 percent.

Such credit will go immediately to rebuild the industrial and agricultural economy of the United States, with use of the notes restricted to capital investment in defense, basic infrastructure, and business loans to agriculture and industry for long-term investment to increase production of useful physical goods. Rapid increase of employment in agriculture, industry, and transport is crucial. Long-term loans must also be made through the Export-Import bank to promote capital-goods exports to approved agricultural and industrial projects in developing nations.

The President must convene a meeting of the heads of state and government of those Ibero-American nations concurring with the proposed policy. This meeting will agree to issue nationally guaranteed bonds to replace the principal value of existing debts to U.S. banks, to be guaranteed by the U.S. government as lawful assets of the U.S. banking system. This financial reorganization will be secured by a simple treaty establishing a system of fixed currency parities, with currencies priced on the basis of their competitive domestic purchasing power. Future ability to pay these debts will be ensured by expanding international trade and increasing production in the debtor nations.

If the rest of the world dislikes such agreements between the United States and its friends in Ibero-America, let the objectors "go hang," whether those objectors be nations or supranational public or private monetary and banking institutions. The United States and the Americas must be saved from economic, financial, and strategic catastrophe, as an act of sovereign nation-states; we will tolerate no objections from outside to such necessary measures.