Editorial

A new era has begun

The decision of Brazilian President José Sarney, announced on Feb. 20, to stop interest payment on the nation's $108 billion foreign debt, has brought the bankrupt world banking system to the brink of an overdue collapse. This act of patriotic political will by the government of Brazil, closes the curtain on an entire era. A new era has begun.

The economic and monetary policies of the United States and Western Europe are finished. As a result of the Volcker policies adopted by President Carter in October 1979, and the Kissinger measures adopted by President Reagan in response to the Ibero-American debt crisis of 1982, the international financial markets are now so rotted out, that those markets today cannot tolerate the ripple effects of Brazil's debt moratorium. The accumulation of "junk bond" paper, and paper linked to "off-balance sheet lending," has transformed the international markets into a pack of cards. A blow of the force of the Brazil action can bring the whole system down.

There is no need for panic. A crisis of this magnitude was necessary, to break the power of the international banks which have plunged the majority of the world's population into misery, to prop up the paper values of the debt. What is needed now, is swift and decisive action by governments, to bring a new world economic order into being.

On Oct. 21, 1983, Lyndon LaRouche issued a document titled, "What Reagan Must Do When Brazil Defaults." There he laid out the precise steps required of the U.S. President, to avoid a general financial collapse, and to launch an unprecedented economic recovery. We summarize the most essential points here:

1) The President must use his emergency powers to "federalize" the U.S. Federal Reserve System, placing that system under the direct supervision of the President.

2) The President must impose capital and exchange controls on flows of currency and credit into and out of the United States, and must obtain support of Congress for emergency action to freeze imperiled assets of the banking system, pending orderly reorganization.

3) To maintain the economy, and to compensate for the constriction of credit caused by the first set of actions above, the President must submit an emergency bill to the Congress, authorizing the immediate issuance of $500 billion of gold-reserve denominated U.S. Treasury currency notes. The gold reserve of the United States shall be priced at not less than $750 per ounce for this purpose. The issue of notes shall be loaned for approved categories of lending through the "federalized" Federal Reserve system, at nominal rediscount rates for borrowing of not more than 2-4% per annum. The approved categories shall include capital investment in crucial areas of infrastructure, defense, industrial, and agricultural production.

4) The President shall convene immediately the heads of state and government of Ibero-American nations concurring with the proposed policy. They shall reach agreement to cause the issuance of nationally guaranteed bonds to replace the principal value of existing debts to banking institutions of the United States. These bonds should be issued either by the Treasury or national bank of each nation, and should be denominated in U.S. gold-reserve dollars. The governments shall formulate a treaty establishing fixed currency parities within the Americas, and shall establish measures of cooperation which enhance international trade.

These measures, which the international bankers have so bitterly opposed, will work. If they are rejected, the entirety of the international banking system will be plunged into the greatest financial collapse in modern history. The time left to act is very short, a matter of days or weeks.

The time has come for an end to the childish pranks and hostility to LaRouche which have emanated from these "elite" banking and government circles. Like a man falling from a plane, they now face the "free choice" of whether or not to open their parachutes. They may not like it, but there is no other choice.