

A new era begins as Brazil collapses world banking system

by Lyndon H. LaRouche, Jr.

The following statement, by 1988 Democratic presidential candidate LaRouche, was released to all international news services on Feb. 21.

At 2030 hours, on Friday, Feb. 20, 1987, the government of Brazil broke the political power of the International Monetary Fund, bringing the hopelessly 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.

Addressing a nationwide Brazilian television and radio audience at that time, Brazil's President José Sarney announced, that the government of Brazil is "suspending payment on the interest of its foreign debt." Mr. Sarney stated at the outset, that his decision had been reached with the combined forces of all Brazil's "ministers of state, the president of the Supreme Federal Tribunal, the presidents of the House and Senate," and "the head of the Chiefs of Staff of the Armed Forces."

Anyone who imagines that Brazil is bluffing, is suffering a dangerous delusion. This was a collective decision of Brazil's elites. These elites resolved that this action was taken as a matter of the nation's national security, and that any Brazilian who opposes these measures from the standpoint of General Vernon Walters or Henry A. Kissinger will be judged accordingly. The address announcing the policy contains several other crucial internal features which will send shudders down the spines of wiser circles among the OECD governments and financial markets.

The key policy formulations contained within the address include a number of the same axiomatic points elaborated in my widely-circulated, August 1982 *Operation Juárez*. The announcement also contains a signal reference to recent statements on monetary reform by Pope John Paul II. "We are going to negotiate a solution for amortizing our debts within parameters which do not compromise national development." "Indebtedness must not harm the basic living needs of a people." "Brazil had [in the past] to resort to the Monetary Fund under circumstances that are well known. Today

this is not the case." "We will tolerate no treason against the country on the pretext of criticizing the government [on the matter of this decision]."

The historical irony of the international situation triggered by Brazil's decision, is that I am the only leading political figure of Western Europe or North America who understands this crisis, and knows the courses of action which must be taken to overcome it. Unless the U.S. President takes immediately those emergency actions which I prescribed for such a development, during 1982 and 1983, the entirety of the international banking system will be plunged into a chain-reaction collapse far worse than that of 1931-32. Not even the Swiss banking system could resist the tidal wave of financial collapse. Either all of the previous monetary and economic policies of the Nixon, Ford, Carter, and Reagan administrations are swept aside, and replaced with the emergency measures I have proposed in such documents as the widely-circulated *Operation Juárez*, or, it is a virtual certainty that 1987 will be the year of the greatest international financial collapse in modern history.

Admittedly, Brazil's foreign debt represents merely an approximate one percent of the total mass of international debt involved. During the 1970s, the financial systems of Europe and North America could have absorbed a shock the size of the Brazil debt moratorium. As a result of policies adopted by the United States in October 1979, and the Kissinger policies which President Reagan adopted in response to the debt-crisis of 1982, the international financial markets are now so rotted out, that those markets in their present form can not tolerate the ripple effects set radiating throughout the world by this new development. The accumulation of "junk bond" paper, and paper linked to "off-balance-sheet lending," has transformed the international financial markets into a "pack of cards." A blow of the force of the Brazil action is sufficient to cause the whole deck to collapse.

The relevant gentlemen of North America and Europe's governments, political parties, and financial institutions, have more than sufficient power to reject my proposed emergency actions. However, should they reject my standing proposals,

as democratically or dictatorially as they might choose, they will have chosen the worst financial and economic collapse in modern history.

A few years ago, leading executives of a powerful European banking consortium conveyed the following opinion of my *Operation Juárez* to me through a top official of their consortium. "What you propose will work. However, we don't like it much, and therefore we will oppose it." Some financial officials, such as these, are by no means as stupid as the key executives of Citibank have shown themselves. Those who are no policies, as the only available alternative to the chain-reaction collapse of their financial system as a whole.

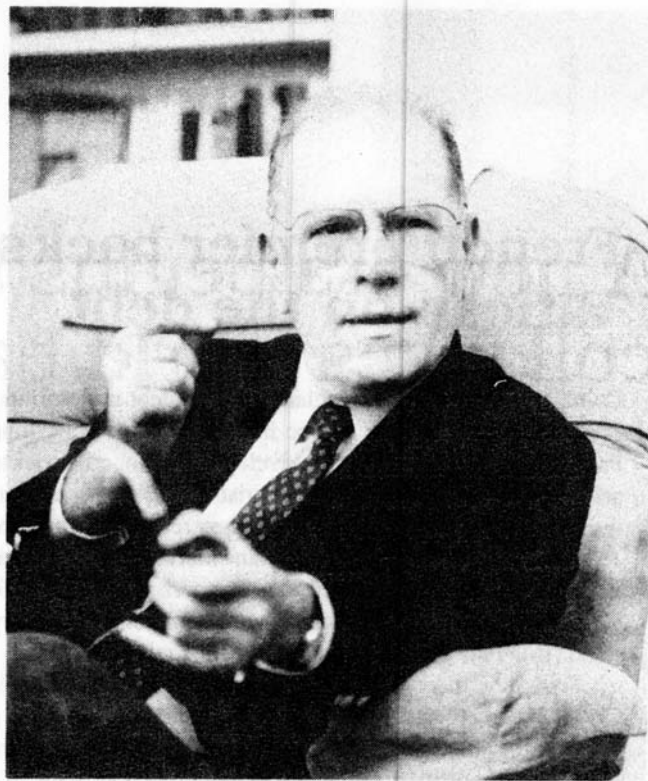
With Friday's actions by Brazil, an era has come to an end. The U.S. and Western European economic and monetary policies of the past 20 years are finished. Before us, there are only two roads leading into the future. If the actions I have proposed are taken, a new monetary system and a general economic recovery are the future. If those options are rejected, the United States and Western Europe, in particular, are on a steep downhill path to a disaster beyond the imagination of all but a tiny minority of experts.

Whatever happens, each of you is now living in a period of history unlike anything in the experience of any living person. For people like Henry A. Kissinger and his circles, this is *Götterdämmerung*, the fall of the gods of Mount Olympus. For all of us, the decisions which must be made in these days, weeks, and months, will shape life on Earth for 50 to 100 years still to come, and probably far beyond that. "Ordinary times" are a thing of the past. So-called "practical experience" of politicians and political parties has now become worse than useless.

Exactly what choice of road will be made, no one can predict. That depends on political decisions of governments, primarily, and, to a lesser but very significant degree, on private decisions of financial and other powerful private institutions. Which road will be chosen, and how fast events will move down the chosen road, are, within outer limits, matters determined largely by such political and kindred policy-making decisions. So, precise predictions, in terms of exact days, weeks, or months, can not be made without knowing in advance what political decisions will be made on choices available at each point in the process.

Even so, some very good, and very necessary estimates can be made. If governments and bankers attempt, stubbornly, to maintain the monetary and economic policies which have failed, the most governments could do would be to slow down the rate of collapse slightly, and for only a short period of time. If we choose the other road, the range of policy-choices we have during the weeks and months just ahead is very limited. The kinds of choices are very limited in number, and the time available to choose them is a matter of days or weeks before a full-scale catastrophe strikes.

The situation should be compared to the case of a man falling from a plane. It is a matter of his "free choice" whether



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Lyndon H. LaRouche, Jr. A statement by him on Brazil's debt moratorium was excerpted in the daily *Correio Brasiliense*, which is read by all government officials in Brasilia.

he opens his parachute or not. All of us are forced to make decisions that many of us do not wish to be forced to make. We are forced to decide now, not after the months of debate and compromise most would prefer. If we do not like to be forced to make such clearly defined choices now, we should have thought about that years ago, when we chose to adopt or merely tolerate the monetary and economic policies which have created the present crisis-situation, step-by-step, over approximately the past 20 years.

As President Sarney's address of Friday evening points to this fact, Brazil's moratorium on interest payments was that government's voluntary choice. Yet, it was not a matter of arbitrary choice. They had seen the decision coming for about four-and-a-half years, and had slowly prepared themselves to be ready to make such a decision. Events had reached the point, at which they saw no existing, acceptable choice, but to act on that decision for which they had prepared themselves over the past four years. We have entered a period of crisis, in which the range of policy-choices is very limited, and in which the time allowed to debate such choices is almost nonexistent.

Only leading men and women who have the combined knowledge, concentration-span, and capacity to make Earth-shaking sudden decisions, are qualified to lead the world through that long-awaited crisis which erupted this past Friday evening.