What must be done: Lyndon LaRouche's Operation Juárez

In August 1982, at the request of patriots in Mexico who saw the nation's debt crisis leading to imminent catastrophe, Lyndon LaRouche issued an EIR *Special Report titled* Operation Juárez. *In it, he called upon the United States to support a debt reorganization for Ibero-America; based upon the principles of the American System of political economy—repudiating the British free market liberalism of Adam Smith. Should the United States refuse to do this, LaRouche laid out an alternative for the nations of Central and South America. We excerpt from his recommendations.*

Throughout Ibero-America today, one hears often the wishful delusion: *We must remain credit-worthy*. Ostensibly, unless this precious commodity, called "credit-worthiness," is protected with the utmost zeal, the angered international financial institutions will withhold new issues of credit from Ibero-American nations. . . .

It is the commitment of forces behind former U.S. foreign minister Henry A. Kissinger, to destroy the nations and populations of Meso-America and South America, through scenarios which combine austerity, insurrections, and regional warfare, to unleash the depopulating effects of perpetual "Thirty Years Wars" in this region of the world over a span of decades. . . .

These are . . . the policies of the International Monetary Fund, the World Bank, GATT, the Bank for International Settlements, and NATO's Political Secretariat. NATO's "out-of-area deployment" policy, pushed through during the course of the recent Malvinas Crisis, is a commitment to conducting what are called "population and raw-materials wars" against the continents of Ibero-America, Africa, and Asia. These and allied institutions are wittingly committed to the greatest genocide ever conceived: They intend that billions of people shall die of "accelerated death-rates" over the course of the remaining two decades of this century, reducing savagely the numbers of the "non-Anglo-Saxon race.". . .

If any nation of Ibero-America imagines that it has any "credit-worthiness" worth defending, under the rule of such institutions, the government tragically misguides itself. Under present IMF and other "conditionalities" policies, there is no fate available to any nation of Ibero-America but utter destruction of the political, social, and economic structure of the continent during the course of the decade immediately unfolding.

In principle, there is a workable, equitable solution between the debtor-nations of Ibero-America and the creditor-nations of the OECD grouping. To the degree any among the governments of those OECD nations are clinically sane, those governments would gladly accept such a solution. However, as we shall indicate, not all among those nations' governments are sane, either psychologically or morally. . . .

We have named this report 'Operation Juárez,' in memory of the proper alliance between the American Whigs of the United States and the Mexican liberals from whose ranks Juárez emerged as a leading figure. If the interests of the United States of America are properly defined, from the vantage-point of the 1775-1783 War of Independence and the 1787 Federal Constitution, then the well-being and secure sovereignty of the republics of Ibero-America is the most vital interest of the United States of America, and whoever breaks that alliance is variously enemy, traitor, or simply fool. In the history of the United States, it is our relations to Mexico's *republicanos* which have best symptomized whether or not the United States of America is pursuing a proper approach to Ibero-America as a whole. Only patriots of the United States who remember Benito Juárez as our brave and precious ally can understand Ibero-America and its interests. . . .

The general failure of contemporary economists

The normal, patriotic economist of Ibero-America will have little difficulty in understanding, and applying the variety of method we prescribe. Every Third World patriot is "instinctively" a "neo-mercantilist," instinctively a would-be practitioner of the American System of political-economy.

Such economists will gladly embrace our emphasis upon physical economy. The difficulty, among such economists, occurs entirely with respect to the monetary side of economic processes.

The problem is commonly expressed: "What you propose is fine, but, how can we accomplish this under the conditions under which we have to live?" By "conditions" is signified, most emphatically, the International Monetary Fund, the World Bank, the GATT, the Bank for International Settlements, the Paris Club, the London bankers, the New York bankers, and the Eurodollar market.

The cruel fact is, no Ibero-American nation has been sovereign recently in matters of national credit, currency, and public debt. The international monetary and associated institutions have imposed a dictatorship upon all such nations, a dictatorship become more cruelly harsh since Henry A. Kissinger assembled the wicked Rambouillet conference of 1975. The conditions of prices, credit, currency, and debt, built into the world market and the domestic market, become the "conditions of life" under which the patriotic economist must seek to find physical-economic solutions. . . .

It is urgent that Ibero-American economists give attention to the writings of the two Careys, as well as [Alexander] Hamilton and [Friedrich] List. We refer, emphatically, to Mathew Carey's 1819 lectures exposing the evil of "free trade" policies (today, called "free enterprise" policies) and to the work of his son, Lincoln's economic adviser, Henry C. Carey, in dissecting the feudal character of the British economy. . . .

Ibero-American monetary order

The cooperating republics of Ibero-America must each and collectively effect reforms of their credit, currency and banking institutions identical in principle with what has been projected for the United States of America.

All that we have said respecting proper practices of the U.S.A. apply to each and every case in Ibero-America, including:

1) In no republic must any other issues of credit be permitted, as a matter of punishable violation of the law against immoral usury, excepting: (a) deferred-payment credit between buyers and sellers of goods and services; (b) banking loans against combined lawful currency and bullion on deposit in a lawful manner; (c) loans of issues of credit created in the form of issues of national currency-notes of the treasury of the national government.

2) Loans of government-created credit (currency-notes) must be *directed* to those forms of investment which promote technological progress in realizing the fullest potentials for applying otherwise ideled capital-goods, otherwise idled goods-producing capacities, and otherwise idled productive labor, to produce goods or to develop the basic economic infrastructure needed for maintenance and development of production and physical distribution of goods. This is, at once, an anti-inflationary policy, and also a steering of limited national resources into those choices of governmental and private-entrepreneurial ventures most beneficial to the nation as a whole.

3) In each republic, there must be a state-owned national bank, which rejects in its lawfully permitted functions those private-banking features of central banking associated with the Bank of England and the misguided practices of the U.S.A.'s Federal Reserve System over the period from the latter's establishment into the present date of writing.

4) No lending institution shall exist within the nation except as they are subject to standard of practice and auditing by the treasury of the government and auditors of the national bank. No foreign financial institution shall be permitted to do business within the republic unless its international operations meet lawful requirements for standards of reserves and proper banking-practices under the laws of the republic, as this shall be periodically determined by proper audit ("transparency" of foreign lending institutions).

5) The treasury and national bank, as a partnership, have continual authority to administer capital-controls and exchange-controls, and to assist this function by means of licensing of individual import-licenses and export-licenses, and to regulate negotiations of loans taken from foreign sources. . . .

6) The policies of taxation of the national government must be designed to expropriate ground-rent and usury income, to foster well-being of households, and to give preferential treatment to those classes of ventures which are established to be in the relatively greater national interest. Economic development policies must inform taxation policies.

7) In a number of instances, it is simply desirable, or even indispensable, that a severe currency-reform be implemented immediately. . . .

8) Sovereign valuation of the foreign exchange value of a nation's currency must be established for Ibero-American nations. The first approximation of the value of a nation's currency is the purchasing-power of that currency within the internal economy of that nation. What are the prices of domestically produced goods and services, relative to the prices of the same quality of goods and services in other nations? The emphasis must be upon domestically produced categories, almost exclusively, at least for first-approximation.

By this standard, many Ibero-American currencies are presently monstrously undervalued. The result of artificially depressed valuations of national currency, is that the nation is being massively, savagely looted by foreigners, especially foreign debt-holders.

The determination of exchange rate by the IMF, etc., has often represented, during recent years especially, nothing more nor less than pure and simple theft, on a massive scale, by foreign lending institutions and others. . . .

An Ibero-American 'common market'

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. . . .

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.