LaRouche: Let Seineldín Negotiate Argentine Debt

by Cynthia R. Rush

In a dramatic intervention into the Argentine crisis, Presidential pre-candidate Lyndon LaRouche has proposed that Mohamed Alí Seineldín, the imprisoned hero of Argentina's 1982 Malvinas War against Great Britain, be named as Argentina's new debt negotiator, to replace Wall Street favorite, Deputy Finance Minister Daniel Marx.

The proposal was announced Aug. 31 by *EIR* correspondent in Argentina, Gerardo Terán, before a crisis meeting of 60 leading citizens of Brazil, Argentina, and Paraguay, attending the "Second Brazil-Argentine Seminar: the Hour of Truth," held in Corrientes, the capital city of the Argentine province of the same name.

Sponsored by the LaRouche-affiliated Ibero-American Solidarity Movement (MSIA), and the Seineldín-led Movement for Ibero-American Integration and National Identity (MINeII), the gathering is the second such seminar of Argentine and Brazilian patriots, who have come together to address the crises facing both nations, and the region, in the global financial crash. The first was held June 1 in São Borja, in Rio Grande do Sul, Brazil.

Attending the Corrientes meeting were representatives of political, business, student, and civic organizations, educators and trade union leaders, among others.

Although Seineldín is currently in jail, LaRouche explained, the existential crisis his country faces is so great, that he should be allowed to leave prison in order to represent Argentina's sovereign interests before the international financial community. The country needs someone who understands that its current financial disintegration is a microcosm of global monetary breakdown, and can only be remedied by implementing LaRouche's proposal to build a new international financial system, a New Bretton Woods.

The country has been looted intensively by consecutive austerity regimes over the years, shrinking its tax base, gutting its productive capabilities, and driving its once proud, skilled workforce into poverty and desperation. There is nothing left to loot for international debt payments, without killing more people.

Various Argentine political leaders, at the end of August, were making futile proposals, trying to ameliorate International Monetary Fund conditionalities, or creating a "national unity" government to renegotiate or restructure the foreign debt; but all premised on working within the existing, dead, international monetary system.

These proposals for Argentina are similar to the phony "new Bretton Woods" proposal put forward recently by Wall Street banker Felix Rohatyn, designed not as a real solution to the global crisis, but only to blunt the rapidly growing influence of LaRouche's own New Bretton Woods proposal.

At the Aug. 31 Corrientes meeting, participants made several proposals for strengthening Brazilian-Argentine cooperation, in the areas of defense, and scientific and technological development, and many took responsibility for projects to be presented at the next seminar, to be held in November in the Brazilian state of Matto Grosso do Sul.

Greenspan Peters Out In Jackson Hole

by Marcia Merry Baker

Federal Reserve Chairman Alan Greenspan is known for his dissimulating testimony on Capitol Hill, but his Aug. 31 keynote address to the annual conference in Jackson Hole, Wyoming, on Aug. 31-Sept. 2, sponsored by the Kansas City Federal Reserve, tops the charts for obfuscation. The title of the event was "Policy for the Information Economy" (the same "New Economy" which has collapsed around Greenspan's ears, though he was not ready to admit that), and among some 100 in attendance were former Treasury Secretary Lawrence Summers and senior finance officers from around the United States and other countries. The strange unreality of Greenspan's presentation was widely noted, confirming Lyndon LaRouche's judgment of this past Spring that the Fed Chairman is "a man who has 'lost it,' " like the economy of which he used to be called "master."

"Greenspan Admits: We Understand Almost Nothing," was the headline in the Italian daily *Il Sole 24 Ore* on Sept. 1, which quoted from Greenspan's speech. Even the *Wall Street Journal* coverage resorted to diplomatic ambiguity, reporting that the Greenspan speech was "highly technical," but otherwise "most notable, however, for its lack of a conclusion."

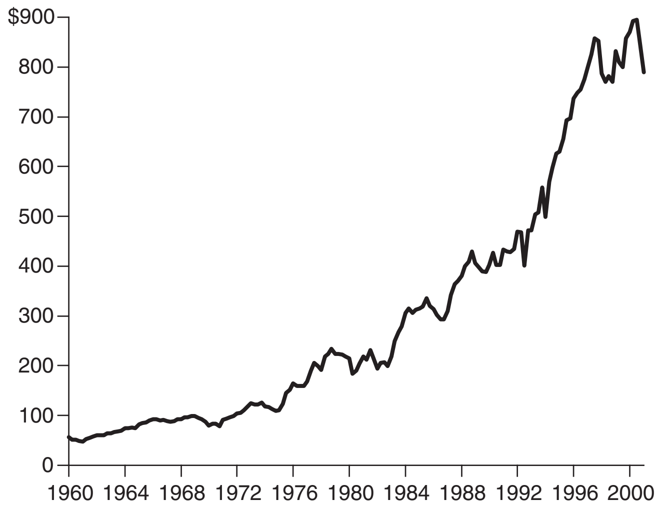
But the central point of the insanity of Greenspan's peroration (the lengthy advance text included footnotes) is that he talked about prospects for continued U.S. consumer spending—saying there are "propensities" in that direction—at the very time when it is dramatically evident that the basis for spending by consumers, businesses, and governments alike, is blowing out. So his "lack of a conclusion" was surprising only to such as the *Journal*.

Figure 1 shows one aspect of the situation—the fall in U.S. corporate profits (annualized quarterly figures released by the Department of Commerce). After a dramatic run-up during the 1990s, profits then gyrated wildly, and now are heading straight down. New Commerce Dept. figures reveal

FIGURE 1

U.S. Corporate Profits By Quarter, 1960-March, 2001

(Billions $)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

that the profit crunch actually began to hit in 1997. Now, corporate and stock market losses during the past year, have wiped out corporate profits of the second half of the 1990s.

Greenspan vs. Reality

Greenspan gave elaborate obfuscations about how U.S. consumer spending—he considers it to be the driver of the economy—can be continued. He spoke of the relationship between rising stock valuations (which are now, of course, falling sharply!) and consumer spending; between rising home valuations (also due for a crash) and consumer spending. And, as for concern that official figures, called the National Income and Product Accounts (NIPA), show that U.S. consumer savings is negative, there are no grounds for worry, he said: NIPA figures showing falling savings rates since 1995 are from certain conventions of accounting, but there are counterbalances that are contributing to "propensities" for consumers to continue spending.

In this regard, it is worth stepping back for an overall view of simply the total debt growth in the U.S. economy, no matter what kind of "conventions" of statistics are used. The latest *EIR* estimate for the total of all kinds of debt in the United States—household, corporate, and all government levels—is $30 trillions as of the first quarter of this year. This is untenable, as the situation of plunging corporate profits, waves of layoffs, impossible energy bills, and so on, worsens. This is all hitting a volume of U.S. economic activity which had already been vastly reduced by import-dependence.

At the current, self-feeding rate of layoffs, the United States this year will have an unprecedented 1.5 million jobs cuts, according to the tracking firm Challenger and Gray. This far exceeds the total of 1.3 million job losses for 1999 and 2000 combined! A number of published economists in recent week's have admitted that the mass layoff rate is not likely to merely continue to years end, but rather that a new Fall layoff catastrophe is looming.

Even President George W. Bush has been re-wired to appear to relate to this reality. The same weekend as the Jackson Hole event, Bush made a Labor Day photo-op visit in Green Bay, Wisconsin, to express his "concern for working families." Bush will do a series of such appearances in September.

The rumors are increasing that Greenspan is a has-been in office. Within two days of the Jackson Hole event, the national media put out that Sen. Phil Gramm (R-Tex.) may be Greenspan's early successor. On Sept. 5, Gramm called a press conference to announce that he is not declaring as a candidate for the 2002 Senate race, when his term expires.

Desperation in Jackson Hole

The underlying, axiomatic Big Lie in Greenspan's Aug. 31 address is that productivity gains are present and continuing in the U.S. "information economy," so it will rebound. The reading from European sources on the Jackson Hole proceedings is that, for Greenspan to go so far in re-affirming that "productivity" is growing, and that spending will continue, reveals the level of desperation involved. The Labor Dept. has just again revised downward productivity growth for the first half of 2001, to 2.1% annually rather than 2.5% reported only a month ago. And that calculated "growth," as is well known, actually resulted from a steep drop in hours worked—ie, layoffs.

Some excerpts from Greenspan's Aug. 31 speech:

Impact of capital gains/losses on consumer spending:

"No matter how one differentiates the effects on consumer spending of capital gains on stock market and housing wealth, it is clear that the massive increase in capital values over the past five years had a profound impact on output and income. The influence of capital gains on economic behavior also is likely to be of substantial consequence for the prospective performance of the economy."

Conclusion:

"In closing, accounting systems are not ends in themselves. We construct them because they have a function in aiding our understanding of some particular aspect of a business operation at a company level or for an economy as a whole. As we endeavor to better understand how changes in the level and composition of wealth affect economic behavior, new accounting systems may be required to supplement those that have long served us so well. Technology has facilitated the production of information at a far faster rate than at any time in the past. But in the information economy, it remains up to us to organize and use that information in ways that improve the quality of decision making."