But Mexico is only one example, among many. Look at your own nation, or your neighbor's. The fact is, *we are all Argentina*—because of the global financial crisis.

LaRouche Explains How To Create Credit

The week-long Presidency of Adolfo Rodríguez Saá was beginning to move Argentina in the right direction, before he was driven out of office by London and Wall Street.

- He announced a unilateral moratorium on the foreign debt, and called for a full investigation of the legitimacy of the debt nominally still owed.
- He developed his own version of a "zero-deficit budget," under which necessary social expenditures would be fully maintained, but debt service would be sharply curtailed in order to balance the budget. Debt payments were to be slashed by more than two-thirds, from $12 billion in 2001 to $3.5 billion in 2002.
- And he announced the creation of a new currency, the argentino, to help lift the country out of depression, including by creating 1 million new jobs.

All of that is good, but not sufficient—for Argentina, and for every nation across Ibero-America. As LaRouche explained in a Dec. 21 statement, additional urgent measures include the creation of a sovereign, national currency, which would be decoupled from international currencies such as the dollar. And Argentina has to use the double-edged sword of its large foreign debt, to help bring about the bankruptcy reorganization of the global financial system.

As far back as his 1982 report, *Operation Juárez*, LaRouche has repeatedly explained that national economic development requires a sovereign currency, which must be made inconvertible with international currencies and protected with full exchange controls and capital controls. Credit emission in the new currency can be quite large, so long as it is restricted to financing *domestic* production, by activating what would otherwise be idle *domestic* labor and capital resources.

The new currency cannot be placed on the international markets, which in any event are in their death throes—i.e., it must remain totally inconvertible. Nor is there any need to go to the international speculative markets to obtain credit—nor to their domestic branches, for that matter. Any sovereign nation-state can simply *issue* such credit as it requires, through a national bank created for that purpose.

This approach was fully explained in the late 18th Century by Alexander Hamilton, the first Treasury Secretary of the United States. And this American System of economy was proven right in practice by the subsequent industrial development of the United States, and of all other countries that have adopted it, including the creation of the German customs union and of Japan's Meiji Restoration, during the 19th Century.

Argentina—and every nation of Ibero-America—can and must reorganize its domestic banking and monetary structure along these Hamiltonian lines. In fact, it is the only way to deal with the total bankruptcy of every national banking system, while preserving their essential functions in serving people's needs. Paper and banks may come and go, but people come first and have to be protected.

International credit is also needed—not from the dying IMF system, but from a new world monetary order. LaRouche has called for the creation of a New Bretton Woods system to replace the IMF, based on agreements reached among principal sovereign nations, and whose mission would be to issue long-term development credits for the financing of major global infrastructure development programs, such as the Eurasian Land-Bridge. LaRouche has recently been engaged in intensive personal diplomacy—in Russia, India, Italy, and elsewhere—to bring this project into existence in the immediate future.

Argentina and the rest of Ibero-America, if we are to survive, must join in this effort. Argentina should build an alliance first and foremost with Brazil, and from there help organize Ibero-American integration region-wide, to join in this global effort. The IMF system is dead; we cannot allow our nations to be buried with it. The moment of truth has arrived.

New Deals With The IMF Will Kill Argentina

by Cynthia R. Rush

"In observing Argentina today, one is reminded of 1917 Russia, after the removal of the czar," *EIR* founding editor Lyndon LaRouche commented on Jan. 2. "As with the recent resignation of President de la Rúa in Argentina, the czar was followed by a parade of successions. When does it end? In the case of 1917 Russia, it ended with the Bolshevik Revolution; here, in Argentina, chaos and revolution will be perpetual, if the crisis is not solved along the lines I have indicated."

The czar in this case was President Fernando de la Rúa who, together with his hated Finance Minister Domingo Cavallo, was forced to resign, after mob lootings of supermarkets and shops, and a stunning mass protest in the nation's capital, made clear that the International Monetary Fund's genocidal free-market model was unsustainable (see *EIR*, Dec. 28, 2001). Applied for over more than a decade, these policies ripped Argentina's once-developed physical economy to shreds, caused its foreign debt to balloon to $225 billion, and drove its highly skilled, literate population into misery and despair.

The last straw for Argentines was Cavallo's return as Finance Minister in March of this year—the devastation he wrought in his early 1990s stint as Finance Minister laid the basis for the current disaster—to push the country into its

Argentina's Real Debt Is To Its People

Accepting his election as interim President of Argentina on Dec. 23, 2001, Adolfo Rodríguez Saá announced the nation would suspend payments on a foreign debt whose legitimacy is questionable, in order to use the money thus saved to secure social progress. The response from Congress was dramatic: the legislators applauded, then rose for a standing ovation, and finally began to chant, "Argentina! Argentina!" It was that defiant reassertion that the overriding obligation of a government is to defend the general welfare, and the response it evoked from the Congress, which so frightened Wall Street and London. Brief excerpts from that speech follow:

. . . [E]very Argentine has the right to a dignified job, and we want to make that a reality. Tonight, we shall begin to develop a social plan to create 1 million jobs in Argentina. . . . It is inconceivable that in a country with all our possibilities of food production, people are subjected to hunger, marginalization, and poverty. . . .

Some say that the so-called foreign debt, at least partially, is the biggest economic deal ever experienced in Argentine history. This situation is made worse, because it has always been dealt with . . . in offices behind closed doors, with decisions made apart from the general interest. Worse, payment of the so-called foreign debt has been prioritized over the debt which this nation has to its own citizens.

I want to be very clear: The Argentine foreign debt has been paid without fulfilling the Constitutional requirement that says that the settling of the payment of the domestic and foreign debt of the nation, is an attribute of Congress.

We are going to take the bull by the horns: we are going to speak of the foreign debt. First, I announce that the Argentine state will suspend payment on the foreign debt. This does not mean the repudiation of the foreign debt; this does not imply a fundamentalist attitude. On the contrary, it is the first act of a government of rational character, to deal with the foreign debt correctly.

My administration invites this Congress to study all the books and administrative acts related to Argentina's foreign debt, including during this administration. . . . Gentlemen, the books are open for you.

All money allocated in the budget for the foreign debt, for as long as that payment is suspended, will be used, without doubt and without exception, for plans to create jobs and social progress.

final breakdown phase. Subordinating all economic activity to foreign debt payment, he stole from pension funds, gouged wages, and even used Central Bank reserves to pay debt. In early December, his seizure of bank deposits, making it impossible for people to access their savings, wages, and pensions, unleashed a popular fury which drove him and de la Rúa from office.

A 'Parade Of Successions'

The installation of successive governments in Argentina, and the accompanying political and economic chaos, is the only lawful outcome of a refusal to make a clean break with the IMF and return to the tested protectionist policies of the American System of Political Economy, including national banking. There are precedents in Argentina's own history which can be appealed to (see article, page 9). And, while heads of state and finance ministers from various countries are all loudly protesting that "we're not Argentina," the upheaval in that nation over the last several weeks, is just a foretaste of what awaits all nations, should they fail to adopt LaRouche's policy proposals for a new Bretton Woods system, and European Land-Bridge.

The demise of the de la Rúa government should have led to the emergence of a nationalist alternative, based on protectionist policies to rebuild the country's shattered economy and defend the principle of the general welfare, so brutally trampled on by the Harvard-educated Cavallo. What followed instead was a "revolving door" Presidency, which saw four individuals named between Dec. 20 and Dec. 31, culminating with the Jan. 1 swearing-in of number five, Peronist Eduardo Duhalde.

No one knows how Duhalde will respond when he is clobbered with the reality that there can be no return to IMF policy without unleashing uncontrollable chaos. Immediately, he is faced with the question of whether to follow up on the policy initiatives made by Adolfo Rodríguez Saá, the Peronist governor who ran the country from Dec. 23 to Dec. 30. Not only did Rodríguez Saá declare a debt moratorium; he made "social justice"—the general welfare—the centerpiece of his program, terrifying London and Wall Street. In his Dec. 23 inaugural speech, the former Governor of San Luis announced that funds allocated for interest payments on the debt would instead go to finance the creation of 1 million jobs.

The IMF and other Wall Street vultures watched in horror as Rodríguez Saá outlined programs premised on defending the general welfare. "I believe it is possible to have an Argentina without poor, without unemployed, without hunger and misery; I believe in social justice." Vowing to investigate the legitimacy of the foreign debt, Rodríguez Saá underscored that the government has a *constitutional* mandate to care for its people, and guarantee access to decent jobs, wages, and food. Unfortunately, he said, "payment of the so-called foreign debt has been prioritized over the debt this nation owes to its own countrymen."

But it was Rodríguez Saá's plan to create a new currency, the "Argentino," which he intended to make the vehicle for reviving the domestic economy, which really caused the Anglo-American oligarchs to flip their wigs. LaRouche noted that the Argentino not only might portend the creation of a sovereign, Hamiltonian credit-creation policy; it was also "implicitly conclusive evidence that the world's present monetary-financial system will become extinct in the near future, one way or the other." Within days of the "Argentino" announcement, Argentine friends of the IMF were already maneuvering to get rid of Rodríguez Saá. Lack of support for his proposals by most of the Peronist governors sealed his fate, and he resigned on Dec. 30.

National Banking

"A domestic banking system which is protected from the international speculative bubble, and which generates credit to finance a million new jobs in the country, is indispensable for Argentina's survival," LaRouche warned in his Jan. 2 statement. "Economic depression, chaos, and ungovernability will continue to haunt the country, until such time as a national banking reorganization is carried out."

"The current national banking system—90% of which is controlled by foreign banks—is totally bankrupt, and has ground to a halt. The only way to get it back on its feet, and to return to Argentine citizens their savings now frozen in the banks, is to create a new, reorganized national banking system. The central government would then use this system to channel directed credit, issued in an inconvertible domestic currency, to fund the creation of 1 million new jobs in the right areas, which would start the recovery of the economy."

Whether Eduardo Duhalde has the courage to adopt LaRouche's proposals, remains to be seen. He came into office attacking the free-market economic model which has destroyed Argentina, and vowed that the Social Doctrine of the Catholic Church would be his guide. "We have reached the limits [of toleration]," he said. "My commitment, as of today, is to put an end to an exhausted model which has plunged the vast majority of our people into desperation," and brought the country "to the brink of disintegration."

Duhalde's inaugural speech was sufficiently strong in attacking "the model," as to raise fears on Wall Street and in IMF quarters of a return to protectionism and nationalist policies. Interviewed by the *Washington Post,* former IMF Chief Economist Michael Mussa bluntly warned that Duhalde "can make a lot of noise and do a few highly visible things to deliver on his populist rhetoric—I think the international community is prepared to discount that. But if he's going to go back to the protectionist policies of the past, and renationalize the public utilities and go hog-wild on government spending, then he won't meet with much cooperation here in Washington."

But because he is a "consensus" candidate, selected as a result of a lot of back-room agreements among various Peronist and other political factions, there is tremendous pressure on Duhalde to ignore what Rodríguez Saá began, and go back to the IMF's embrace instead.

If he does, he will be the next in line out the revolving door.

Russians: Saved From Cavallo!

"Let us recall that after the collapse of the ruble and the default of 1998, Russia was literally one step away from applying the Argentine experience," the prestigious Russian economics magazine *Ekspert* commented in its year-end issue. The article placed the blame for Argentina's social and political crisis squarely on deposed Finance Minister Domingo Cavallo's monetary policy—the peso-dollar peg, enforced by a currency board, combined with "mass privatization and deregulation." *Ekspert* headlined, "It's A Good Thing We Didn't Listen To Cavallo."

It is well known in Russian policy-making circles that Cavallo's policy, with its disastrous results, was not an "Argentine" phenomenon. In Summer 1998, Russian radical liberals such as Boris Fyodorov, with help from international mega-speculator George Soros, attempted to bring Cavallo to Moscow to run Russian monetary policy. He would have called the shots for a new government under Viktor Chernomyrdin, which they were attempting to install in the wake of Russia's government bond crash. The adamant opposition of Russian Central Bank head Gerashchenko, concludes *Ekspert*, headed off the installation of a currency board in Russia.

The LaRouche movement was instrumental in stopping Cavallo's importation to Russia. A dossier of *EIR* articles, exposing the devastation of the Argentine economy under Cavallo, circulated in Moscow at that time. LaRouche's friend and collaborator Prof. Taras Muranivsky published a polemical article in *Ekonomicheskaya Gazeta*, exposing Cavallo's currency board scheme as a means to loot. To this day, the authoritative profile of Cavallo in Russian is the article Muranivsky published later that year in the biography magazine *Kto Yest Kto* (*Who Is Who*), entited, "Domingo Cavallo: The True Face Of The 'Argentine Miracle.' " Using material from *EIR*, Muranivsky left nothing but tatters of Cavallo's reputation as a financial wizard.—*Rachel Douglas*