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EIR Economics

Argentina Proves: If It Isn't LaRouche's Plan, It Won't Work

by Dennis Small

"The governments of Ibero-America will be soon confronted with saving their nations from the chaos which a collapse of the international banking system will bring. When the imminent banking collapse occurs, those governments will be confronted with political decisions which must be made within days. There will be no time available for scholarly commissions to spend weeks or even months in constructing long-winded academic treatises. Governments must act immediately, within days, in decisions which have revolutionary impact on existing banking institutions and monetary agreements, decisions of broad and profound scope, and of great pungency and substance."

This extraordinary prognosis was written almost 15 years ago by Lyndon LaRouche, in an introduction to the Schiller Institute's Spanish-language book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000.*

For Argentina, the clock has been ticking off those proverbial "days," ever since an explosion of popular outrage on Dec. 19-20 last year toppled the government of the singularly grey President Fernando de la Rúa, and his Harvard-trained sorcerer, Finance Minister Domingo Cavallo. The intervening weeks since then have witnessed a succession of Argentine governments, each stumbling around in search of a viable policy to tame the country's crisis, to the counterpoint of an interminable international procession of self-serving "experts," each eager to "draw the lessons" of the Argentine blow-out.

The International Monetary Fund blamed Argentina for failing to apply IMF policies with sufficient rigor. The *Wall Street Journal* blamed the IMF for lending Argentina too much money and not cutting them loose sooner. And U.S. Treasury Secretary Paul O'Neill, with his characteristic tact, pronounced that Argentina has "been off and on in trouble for 70 years or more. . . . And they like it that way. Nobody forced them to be what they are."

What the Argentine debt blow-out actually shows, however, are two facts that confirm LaRouche's words, facts that all of the above-mentioned actors find too unpleasant to admit publicly . . . at least for now:

1. That the Argentine crisis is merely a microcosm of the global financial blow-out, and that it is small change compared to what is coming in Japan, and on the dollar markets more broadly; and

2. That, by their very nature, neither the global financial crisis nor its local Argentine expression, can be solved by any reforms or measures short of LaRouche's plan for a complete bankruptcy reorganization of the entire international financial system, and of national banking systems with it. Other proposals may be deemend more politically palatable or expedient; the only problem is, *they won't work*—not in Argentina, and not globally.

An analysis of the Argentine case shows why. We will demonstrate that what used to be considered *domestic debt* in Third World countries, has been thoroughly *internationalized* over the decade of the 1990s, and that a single, globalized *foreign* debt bubble has thereby been created—a bubble which is today largely illegitimate, completely bankrupt, and which has dragged nearly every national banking system in the world down with it, into de facto insolvency.

The Debt Is Illegitimate

We begin by presenting the now-notorious "Bankers' Arithmetic" (**Figure 1**).

Argentina's official foreign debt rose steadily from $26

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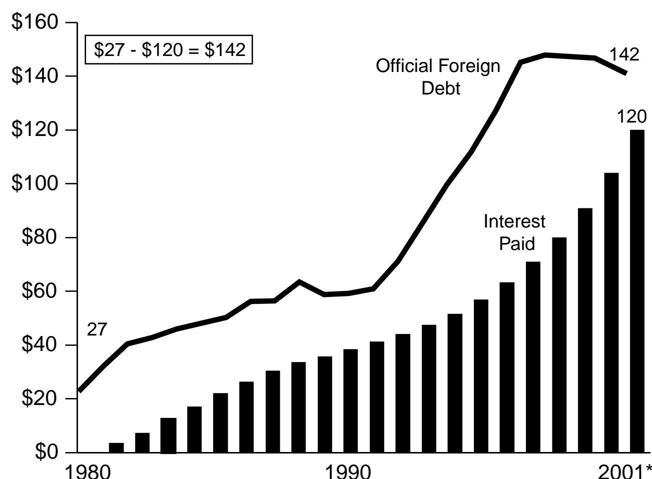
FIGURE 1
Argentina: Bankers' Arithmetic
(Billions $)



* June 2001

Sources: World Bank; Finance Ministry, Argentina; *EIR*.

billion in 1980 to about $60 billion in 1990; it briefly stabilized for a few years; and then it climbed again to $142 billion in 2001. Over this 21-year period, Argentina paid a total of $120 billion in cumulative interest payments alone—i.e., amortization payments are excluded from consideration. This $120 billion amounts to almost 4.5 times the original debt owed back in 1980; and yet, that principal grew more than fivefold over the same period. Or, in bankers' arithmetic:

$27 billion – $120 billion = $142 billion.

This representation of bankers' arithmetic—which holds as true for the entire Third World debt as it does for Argentina—points to the underlying *illegitimacy* of the country's foreign debt. What we mean by illegitimacy, is that the debt showing on the books either was never actually contracted or received by the debtor party in those amounts; and/or, that the amounts originally contracted and received have been fully paid off one or more times—this as measured in the same units of economic account in which the debts were originally contracted.

In the case of Third World debt (such as Argentina's), that unit of account is best conceived as a proportion between the dollar (the general debt currency) and the physical economic wealth generated by the debtor; a proportion which is, typically, mediated through the debtor country's national currency.

What shows up as the outrageous "bankers' arithmetic" is, thus, actually caused by four underlying factors:

Arbitrary, forced devaluations of the debtor country's national currency. These have the effect of instantaneously raising the foreign debt owed, as measured in local currency (i.e., the closest monetary equivalent of domestic physical economic production). For example, Argentina's official foreign debt of $142 billion could be paid off, for most of 2001, with 142 billion pesos, since there was a one-to-one fixed exchange rate between the peso and the dollar. But when the Eduardo Duhalde government in January 2002 devalued the peso to 1.4 to the dollar, Argentina's official foreign debt leapt from 142 billion pesos, to 200 billion pesos, in the twinkling of an eye.

Deterioration of the debtor's terms of trade. This simply means that the goods that debtors import (typically, manufactured products) rise in cost, while the goods they export (typically, agricultural and mining primary products) drop in price. Thus, the physical-economic equivalent required to pay off a given amount of debt, rises over time.

Rising interest rates. In less polite terms, this is known as the usury syndrome. Once a country is indebted and beholden to its creditors, they arbitrarily jack up interest rates and make the servicing of the original debt impossible. What ensues is a roll-over or refinancing process, whereby unpaid interest is capitalized (enlarging the debt), and new, higher interest rates are set on the new, larger debt.

In the 1980s, the ratcheting up of interest rates was accomplished mainly by Federal Reserve Board Chairman Paul Volcker's stratospheric interest-rate policy. More recently, the preferred mechanism has been to use credit-rating agencies such as Standard and Poors and Moody's. By decreeing that a given country, such as Argentina, has become a greater "risk" for lenders (usually because they have hesitated at implementing one or another IMF conditionality), these agencies trigger an across-the-board interest-rate rise for the borrower, by pronouncing that their "country risk" factor has worsened. For example, Argentina's "country risk" broke 3,000 points at the height of its 2001 crisis—meaning it had to pay 30% more than the yield on equivalent U.S. Treasury bonds, for any lender to place money with them.

Illegal capital flight. This is wealth in the form of foreign exchange that is literally stolen from the country, wealth which could otherwise have been used to develop the country, and/or to pay down the foreign debt. For example, in Argentina today there are criminal investigations under way in the courts and in the national congress, which are looking into capital flight of up to $30 billion, over the two- to three-month period at the end of 2001. Those accused of this plunder are the country's principal banks—HSBC, Citibank, BBVA, and so on—which are also major creditors of the Argentine government and private sector.

What we have here is the equivalent of the loan shark who first picks your pocket, and then howls in protest when you tell him you no longer have the money to repay him. In the case of the loan shark, the solution is obvious: a) arrest him for theft; b) take back the money he stole from you; and c)

recalculate what you owe him, to see if there is any *legitimate debt* left after you subtract for the above four factors. Whatever is illegitimate should not be paid—because it is not actually owed.[1] Or, as LaRouche succinctly put it in answer to a question about Argentina during his Jan. 24 webcast:

"If you impose upon a nation, policies which bankrupt it, which threaten its people biologically, which threaten genocidal effects, then your financial claims, on account of that system, *have no moral authority, per se.* Therefore, your claims are subject to reexamination, from the standpoint of bankruptcy proceeding, under the principle of the General Welfare."

A Tale of Two Bubbles

Return to Figure 1, and note that Argentina's official foreign debt levelled off for a few years around 1990, and that a similar process would appear to be under way today. But, appearances are deceiving.

What happened in the early 1990s is that Argentina was one of the first countries to be subjected to the "Brady bond" reorganization of its foreign debt. Under this plan, debtor nations that had reached the limit of their ability to service their foreign debt, and were at the edge of default, were encouraged by the U.S. Treasury Department (at the time headed by Nicholas Brady) to issue a new form of bond in exchange for their old, non-performing loans. And so, "Brady bonds" were born—although they were actually the brainchild of the Deputy Secretary of the Treasury, David Mulford.

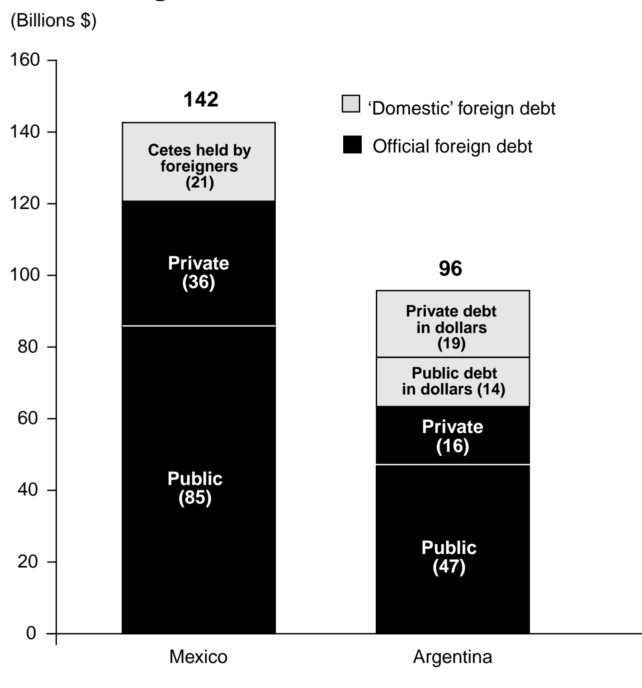
This swap of bonds for loans momentarily lowered the victim countries' total foreign indebtedness, in exchange for their agreeing to fully implement the Thatcher-Bush New World Order of unrestricted free trade policies, policies which are collectively known as "globalization."

Thus, a new looting mechanism was successfully put in place in the early 1990s across most of the Third World, just at the point that the previous approach could no longer extract sufficient physical-economic wealth from the targetted population to keep the bubble afloat. Argentina is perhaps the best case-study of how this process worked.

On April 1, 1991, under the government of the elder George Bush's buddy President Carlos Menem, Argentina's Finance Minister Domingo Cavallo—a Harvard protégé of David Mulford, of Brady bond fame—established a currency board in Argentina, under which a strict one-to-one parity was set between the Argentine peso and the U.S. dollar, and the government and Central Bank were prohibited *by law* from printing pesos unless these were fully backed by dollars held as foreign reserves. In other words, Argentina handed its monetary sovereignty over to the U.S. Federal Reserve system. Although Cavallo left government in 1996, his currency board policy remained in effect until December 2001.

1. To the best of our knowledge, the first published presentation of the concept of *illegitimate debt* came from the LaRouche movement, in the Schiller Institute's 1986 book, *Ibero-American Integration.*

FIGURE 2
Real Foreign Debt, 1993
(Billions $)



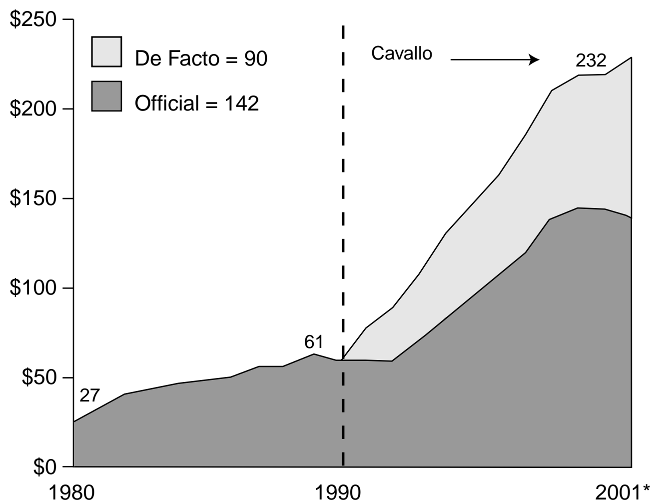
What ensued over the 1990s was the rapid "dollarization" of the Argentine economy: Most of the country's prices of goods, contracts, *and domestic debt instruments* became denominated in dollars. In this fashion, entire chunks of what was nominally "domestic debt"—for example, loans issued inside Argentina, by Argentine banks, to Argentine customers, but denominated in dollars—became "internationalized," and transformed into *de facto foreign obligations.*

EIR was the first publication in the world to take note of this new phenomenon—of a *real foreign debt* significantly larger than the official foreign debt—in Third World nations. In late 1993 speeches delivered in Sonora, Mexico and Kiedrich, Germany (see *EIR,* Jan. 21, 1994), this author warned that, as of late 1993, Mexico's real foreign debt was actually $142 billion, and not the official $121 billion, because "there are at least another $21 billion in Mexican treasury bills, or Cetes, which are currently held by foreigners."

At the end of that same year, Mexico's foreign debt bubble blew apart along precisely that fault line, of foreign-held Cetes that had been transformed into dollar-denominated Tesobonos in the Spring and Summer of 1994. The architect of that piece of policy lunacy in Mexico was then-Finance Minister Pedro Aspe—another Mulford protégé.

That report in *EIR* noted that in Argentina, in addition to its official foreign debt of $63 billion for 1993, "a giant bubble

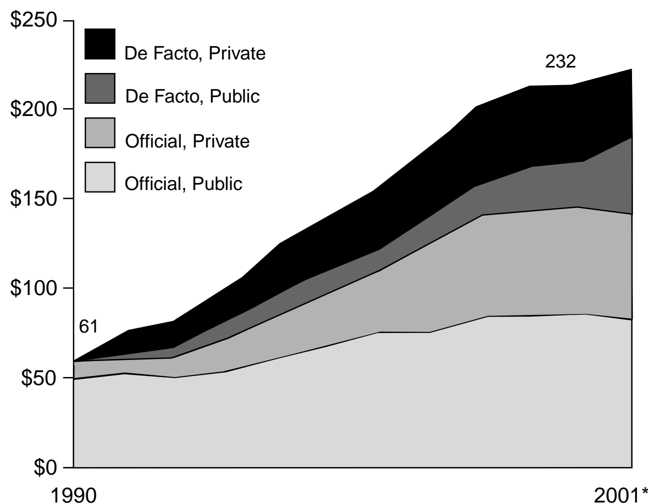
FIGURE 3
Argentina: Foreign Debt, Official vs. Real
(Billions $)



* June 2001

Sources: World Bank; Finance Ministry, Argentina; *EIR*.

FIGURE 4
Argentina: Real Foreign Debt
(Billions $)



* June 2001

Sources: World Bank; Finance Ministry, Central Bank, Argentina; *EIR*.

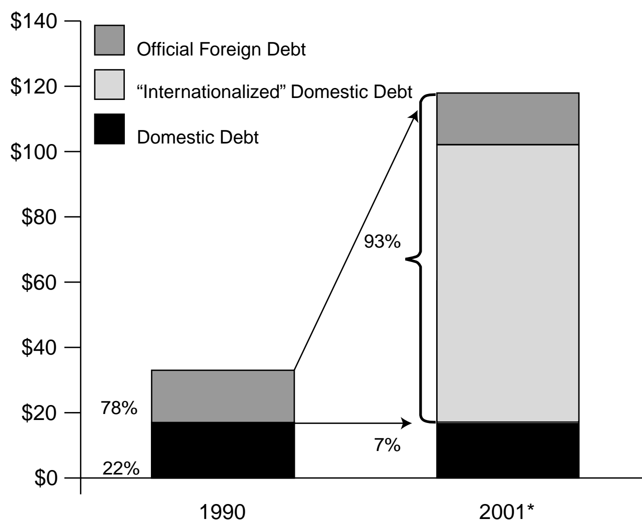
of dollar-denominated internal [i.e., domestic] debt has also been generated. The government itself has issued $14 billion in internal bonds, payable in dollars, while the private sector has another $19 billion in dollar-denominated debts, principally high-interest-rate credit cards. So Argentina has another $33 billion in dollar obligations, bringing up its total real foreign debt to about $96 billion." **Figure 2** reproduces a graphic included in that 1994 report.

Figure 3 shows what happens when you add on these de facto foreign obligations to Argentina's official debt figures from the last two decades: The country's *real foreign debt* rises from $61 billion in 1990, to $232 billion in 2001. More significantly, the average annual rate of growth of the total real foreign debt jumps from 8.4% over the decade of the 1980s, to a staggering 12.9% over the 1990s—*an increase in the rate of growth of the bubble of more than 50%.* Such are the achievements of "globalization."

Today, as in the early 1990s, the existing mechanisms for keeping the bubble afloat, have come to the end of the line—globally, and in Argentina as well. This time around, however, there is no debt bailout scheme that can work: The bubble is now growing so rapidly that the amounts of new monetary instruments that are today required to salvage any given "X" dollars worth of debt, are *larger than "X" itself.* And the underlying physical economy has been looted to the point of breakdown. The parasite has overtaken the host.

Figure 4 presents a more detailed breakdown of the four principal components of Argentina's real foreign debt, over the period 1990-2001.

FIGURE 5
Argentina: Foreign Debt and Domestic Debt
(Billions $)



* June 2001.

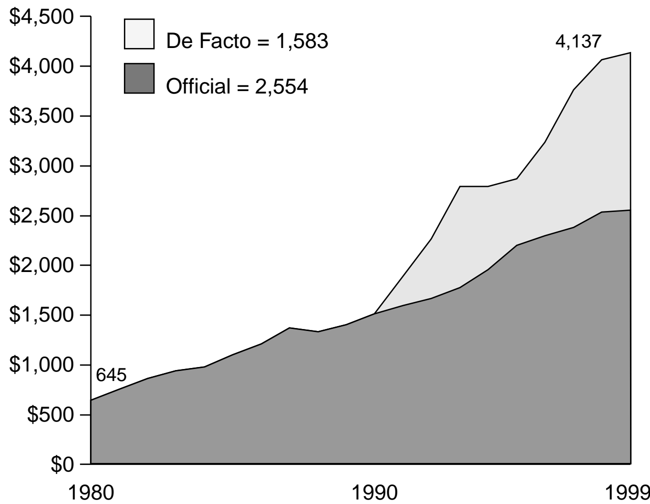
Sources: World Bank; Finance Ministry, Central Bank, INDEC, Argentina; *EIR*.

When we compare Argentina's total debt, both domestic and foreign, in 1990 and 2001 (see **Figure 5**), the results are startling: Not only has the combined debt bubble more than

FIGURE 6

World Total, 'Emerging Markets': Foreign Debt, Official vs. Real

(Billions $)



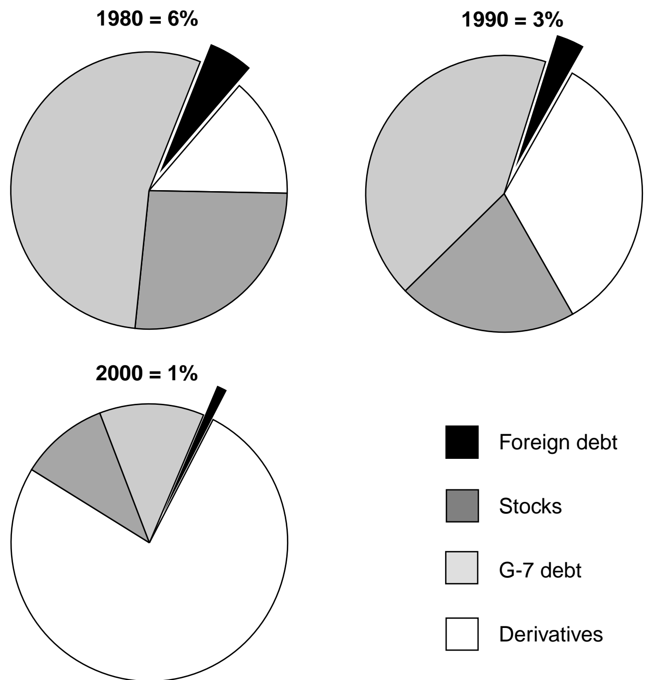
* June 2001

Sources: World Bank; *EIR*.

FIGURE 7

Foreign Debt and the Global Bubble

(Percent of Total)



Sources: Federal Reserve Board of Governors, "Flow of Funds Accounts"; OMB, "Budget of the U.S., Fiscal Year 2001, Historical Tables"; Bank for International Settlements; World Bank; *EIR*.

tripled, from $78 billion to $248 billion, but the real foreign obligations have almost completely gobbled up what used to be domestic debt. In 1990, some 22% of Argentina's combined debt bubble was domestic; but by 2001, only a minuscule 7% of the total was still domestic. The two debts had merged into one, and had become "internationalized."

This is not a matter of semantics. Domestic debt may be directed to productive activities or not, but it functions within the sovereign domain of the nation-state: It is issued in national currency; it is owed in national currency; and its treatment remains within the purview of the national government's banking and monetary authorities. But over the course of the 1990s, the decade of Thatcher-Bush globalization, *domestic debt has disappeared as a functionally distinct category,* not only in Argentina, but in almost every nation around the world.

If we look at the foreign debt picture for all the so-called "emerging market" nations (the Third World plus the member-countries of the Commonwealth of Independent States of the former Soviet Union), we see a similar growth of de facto foreign obligations beginning in 1990. *EIR* estimates that the real foreign debt of these nations was more than $4.137 trillion in 1999, more than 60% larger than the $2.554 trillion officially reported for that year (**Figure 6**).

Although this $4.1 trillion represents only 1% of total financial aggregates (including derivatives) worldwide, or $4.1 trillion out of $400 trillion (**Figure 7**), it represents that portion directly leveraged against nation-states, and for that reason has particular political significance.

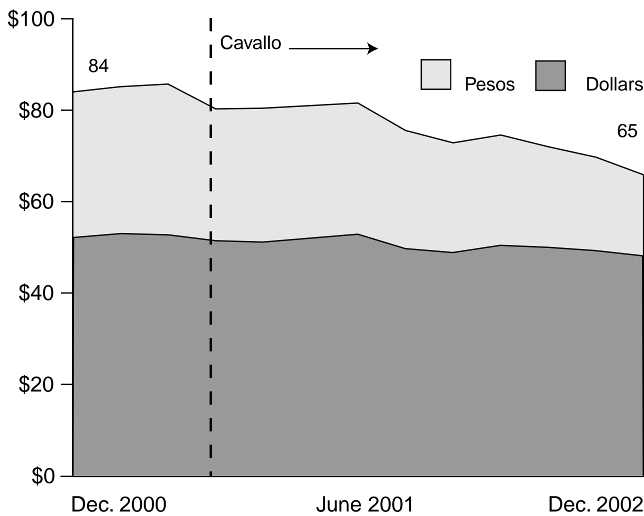
A Hamiltonian Reform of The Argentine Banking System

If there is no longer domestic debt as such, as we have argued above, then this would seem to imply that Argentina's entire domestic banking and monetary system is as bankrupt as its foreign debt.

Indeed, it is. And that fact is of the greatest relevance for determining what policies will and won't work in that country today.

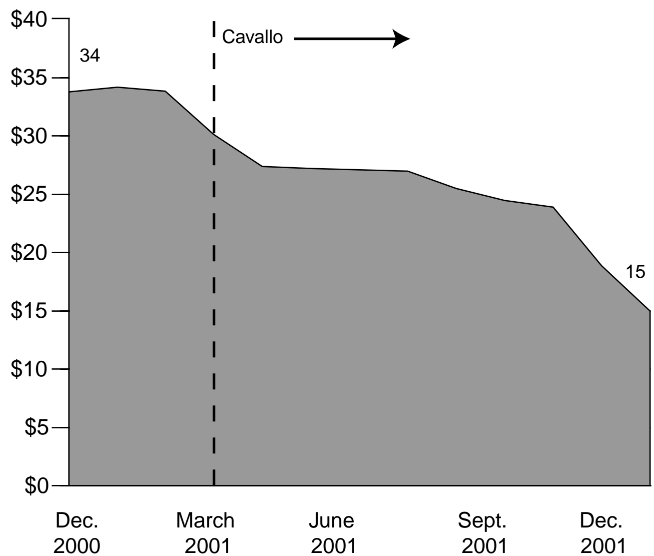
Over the course of 2001, as Argentina became increasingly incapable of repaying its foreign debt, despite numerous multibillion-dollar bailout packages from the IMF and others, the country's banking system was bled white, as nearly 25% of its total deposits were withdrawn. The lion's share of this occurred under the stewardship of Domingo Cavallo, who returned as Finance Minister in the De la Rúa government in March 2001. As **Figure 8** shows, the $15 billion that was pulled out under Cavallo's watchful eye was almost entirely

FIGURE 8
Argentina: Total Bank Deposits
(Billions $)



Source: Central Bank, Argentina.

FIGURE 9
Argentina: Central Bank Reserves
(Billions $)



Source: Central Bank, Argentina.

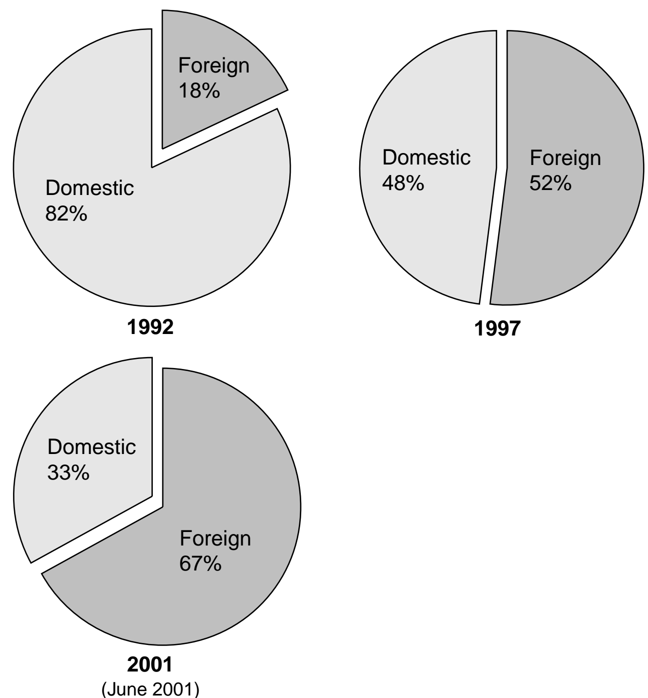
peso deposits. But these were then converted into dollars, thanks to the one-to-one convertibility regulations put in place with the currency board in 1991, which led to a corresponding $15 billion plunge in the Central Bank's foreign reserves during that same time period (**Figure 9**).

Where did the dollars go? What is beginning to come to light in Argentina, is that these $15 billion—and then some—were illegally spirited out of the country by the commercial banks themselves. According to charges brought before the courts and in the Argentine Chamber of Deputies, over the course of 2001, the principal banks used the savings that Argentines had deposited with them to "lend" money to phony front companies which they themselves helped set up. These mail-box companies in turn took the money out of Argentina to neighboring Uruguay—whose banking secrecy and other shady practices have earned it the reputation of being "the Switzerland of Latin America"—and thence to the Cayman Islands, London, Miami, and other world-class money-laundering centers.

All of this was greatly facilitated by the fact that foreign banks today control two-thirds of Argentina's banking system.

Figure 10 and **Table 1** update a 1997 *EIR* study of the foreign takeover of the banking systems of Ibero-America, Argentina included. Because of a bank privatization policy that began in the early 1990s, by 1997, foreign banks owned controlling shares (20% or more of the total assets) in banks constituting 52% of the Argentina banking system—the high-

FIGURE 10
Argentina: Bank Control
(Percent of Total)



Source: Central Bank, Argentina.

TABLE 1
Argentina's Top 10 Banks
(Billions $)

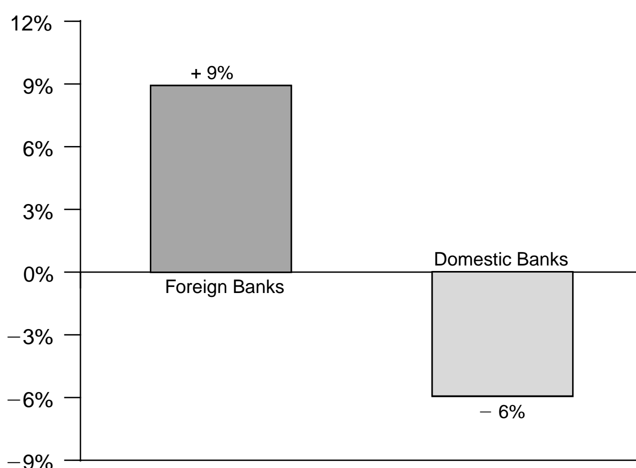
Rank in 2001	Bank	Assets in 2001 $	Assets in 2001 % of total	Assets in 1997 $	Assets in 1997 % in total	Control
1	Nación	16.6	12%	15.0	12%	Domestic
2	Provincia de Buenos Aires	13.5	10%	10.1	8%	Domestic
3	Galicia	11.9	9%	8.0	7%	BSCH
4	Río de la Plata	11.0	8%	7.3	6%	BSCH
5	Francés	9.6	7%	4.3	4%	BBVA
6	Boston	8.5	6%	4.3	4%	BankBoston
7	Citibank	8.0	6%	4.6	4%	Citibank
8	HSBC	5.7	4%	3.6	3%	HSBC
9	Hipotecario	4.9	4%	4.2	3%	Bank of N.Y.
10	Nazionale del Lavoro	3.9	3%	2.3	2%	Nazionale del Lavoro
	Subtotal, Top 10	**93.6**	**69%**	**63.7**	**53%**	
	Total	**134.9**	**100%**	**120.4**	**100%**	
	—Foreign controlled	**90.3**	**67%**	**63.2**	**52%**	
	—Argentine controlled	**44.6**	**33%**	**57.2**	**48%**	

est for any Ibero-American country at that time. Over the intervening four years, that foreign dominance grew to fully 67% of the total bank assets.

As can be seen in Table 1, this has occurred despite the fact that the number-one and -two banks in the country—Banco de la Nación and Banco de la Provincia de Buenos Aires—are still state-owned domestic banks. But the next eight banks are all foreign controlled, and include many of those now under investigation for capital flight. It is also noteworthy that the IMF and Wall Street crowd have made the privatization of Banco de la Nación and Banco de la Provincia de Buenos Aires a central demand of their conditionalities. If the Duhalde government bows to this pressure, then about 90% of the banking system will be in foreign hands.

As it is, the trend is unmistakeable: Over 1997-2001, foreign-controlled banks grew at an average 9% per year, while domestic-controlled institutions declined by –6% per year (**Figure 11**).

FIGURE 11
Argentina: Average Annual Growth of Banks, 1997-2001
(Percent)



Source: Central Bank, Argentina.

With such shady financial institutions dominating the Argentine banking system, by early December 2001 the hemorrhage of funds leaving the system and the country had turned into such a torrent, that a desperate De la Rúa government decided, on Dec. 3, to freeze all bank accounts and impose capital and exchange controls. These were necessary measures—a kind of tourniquet applied against a hemorrhage—but they were too little, too late. The Argentine banking system had already been bled white, *by foreign-controlled "Argentine" banks themselves.* When the population began to demand their savings and checking accounts back, De la Rúa found that the money was no longer there. On Dec. 20, he was forced to resign in the fact of massive "pots and pans" demonstrations.

None of the four ensuing governments since then has found a way to remove the tourniquet—which in Argentina is referred to as the "*corralito,*" or "little corral"—and give the

people back their money. And that is because *the Argentine banking system as a whole is completely, hopelessly bankrupt.* It cannot be salvaged, to function as a source of domestic credit. This is the central political-economic issue on the table in Argentina today.

The IMF, the U.S. Treasury, and international creditor banks are all demanding that the Duhalde government resume payments on the foreign debt—which were formally suspended with a debt moratorium by the Adolfo Rodríguez Saá government, in the last week of 2001—and that they agree to bail out the banking system to the tune of $50-60 billion. In other words, the Argentine government is being told that it has to agree to drastically cut its budget and find other, novel ways to reduce the population's living standard, in order to bail out the banks, before the IMF will even think of lending them perhaps $10 billion—which must *also* be channeled to the banks.

Unless it changes course radically, the Duhalde government is heading toward a bank bailout similar to Mexico's notorious Fobaproa scam. This was a mid-1990s $100 billion government bailout of Mexico's bankrupt banking system, after the crash of 1995, which was simply added on to Mexico's already onerous public debt—i.e., it was placed squarely on the shoulders of Mexican taxpayers.

The Duhalde government is currently writhing between the impossible options of servicing Argentina's $232 billion foreign debt and bailing out the domestic banking system, on the one hand, and trying to prevent the country from descending into barbarism and civil war, on the other. It won't work.

Duhalde has made the mistake of trying to reestablish convertibility between the peso and the dollar, by setting a fixed parity of 1.4 pesos to the dollar for trade and other transactions, while allowing a floating free-market rate for financial and all other uses. But convertibility—any convertibility, at any floating or fixed rate—is tantamount to releasing the tourniquet while leaving the source of the hemorrhage untouched: The country will simply be bled to death, by speculative assaults on the peso of the sort waged against the nations of Asia in 1997 by George Soros and other speculators. To further try to stem the tide by using the Central Bank's minuscule $15 billion in reserves to defend the peso, is worse than useless: It is simply throwing $15 billion down a sinkhole.

But there *is* a solution, as Lyndon LaRouche has repeatedly stated. If we may stretch our medical metaphor to its limits, the necessary steps can be so described:

1. *Stop the hemorrhage.* Maintain a full foreign debt moratorium, and strict foreign exchange and capital controls. Do not attempt to bail out the current bankrupt banking system—no matter how loudly Wall Street hollers in protest.

2. *Quickly give the patient a blood transfusion, fully replacing his currently contaminated blood.* A new, sovereign, *inconvertible* currency must be issued by the government, through a National Bank created for this purpose—i.e., not through today's semi-autonomous Central Bank.

3. *Make sure the new blood supply is irrigating the entire body.* Issue substantial volumes of new, low-interest credit, through such a Hamiltonian National Bank, directed to priority national and regional infrastructure development projects. Special attention must be paid to productively employing the 20% of the Argentine labor force that is currently unemployed, and to opening up new, high-technology sectors which will serve as the motor for the entire economy. Commercial banks, domestic and foreign alike, which cooperate in this endeavor, should be chartered by the government to function. Those that do not, should be expropriated.

4. *Then, and only then, can the tourniquet be removed.* People can be repaid the money held in the "*corralito,*" in the new, sovereign, inconvertible currency, which will in any event be worth far more than today's peso or the dollar.

5. *Finally, fire the quack doctors who nearly killed the patient.* Break with the IMF and its bankrupt system, and join the global effort to rapidly bring into existence a New Bretton Woods monetary system, along the lines specified by Lyndon LaRouche.

(*Research for this report was contributed by Gerardo Terán and Gonzalo Huertas, from* EIR'*s Buenos Aires bureau.*)

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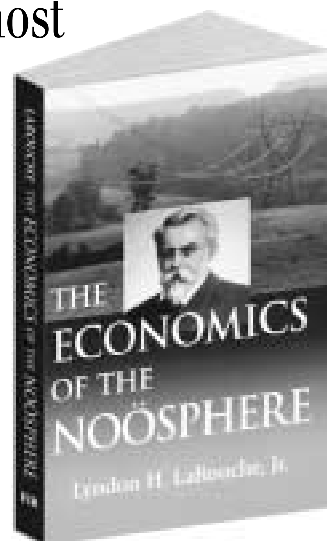

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LaRouche's Argentina Role Alarms Wall Street

by Cynthia R. Rush

The fact that U.S. Democratic Presidential pre-candidate Lyndon LaRouche has set the policy agenda for Argentina—his proposals for national banking and the creation of a sovereign currency have been read from the floor of the Congress and are circulating widely in the country—has unnerved the Anglo-American financial oligarchy. On Jan. 28, one of its Argentine mouthpieces, the financial daily *Ámbito Financiero,* better described as the *Wall Street Journal* of Argentina, published a libelous diatribe against LaRouche, voicing hysteria at the extent of his influence in this crisis-wracked nation.

Under the headline "The Strange Marriage of 'Lilita'-Seineldín," the daily, which reflects the Mont Pelerin Society's fascist worldview, complained that individuals from such different ends of the political spectrum as Congresswomen Elisa Carrió ("Lilita"), of the Alternative for a Republic of Equals Party (ARI), and jailed Malvinas War hero Mohamed Alí Seineldín, are inspired by LaRouche. The latter is "a shady leader of the U.S. extreme right wing, whose bizarre style and racist harangues, similar to neo-Nazi groups, have placed him on the fringes of his country's political life," *Ámbito* lied.

Columnist Damián Ferrer, who wrote the attack on LaRouche's influence, admits that *Ámbito*'s real concern lies elsewhere, however. During the Jan. 5-6 Congressional debate on the Emergency Law proposed by President Eduardo Duhalde's government, the ideas of "economic interventionism" predominated, he laments. It was during that debate that Elisa Carrió extensively quoted LaRouche on the global financial crash, and his recommendations for Argentina. In the midst of the country's current economic upheaval, *Ámbito Financiero* worries, such dangerous ideas could lead to "the resurgence of populist proposals," and the strengthening of "nationalist and anti-U.S. sentiments."

In other words, LaRouche's proposals to put Argentina through bankruptcy reorganization, are being taken seriously. They have been widely disseminated inside the country, and were elaborated during his Jan. 24 webcast to an international audience, in response to a question by a prominent Buenos Aires judge (see below). There he named "the International Monetary Fund system" as the cause of Argentina's bankruptcy.

In a Jan. 29 response to *Ámbito*'s slander, Lyndon LaRouche wrote that the real reason for the attack is that Argentina is "hopelessly bankrupt," and "there are those in Argentina who would wish to deny that fact, or create a wild diversion in the effort to distract attention from what remains a simple clear fact of financial accounting."

IMF Says, 'Suffer'

Ámbito Financiero published LaRouche's reply on Feb. 1. The reply stands in stark contrast to the bestial outlook *Ámbito* shares with the Anglo-American bankers. IMF Managing Director Horst Köhler reflected that outlook when he recently warned that only if Argentina shows a "willingness to suffer"—to kill more people—can it hope for international financial assistance.

Similarly, in its Jan. 23 edition, the piggish *Wall Street Journal* editorialized that "Argentina deserves to be treated like any other banana republic," or get the "Haiti treatment," unless it bends to Anglo-American demands.

Under enormous pressure from London and Wall Street, the desperate Duhalde government is, suicidally, moving toward complying with the Fund's demand for a "sustainable," austerity-based economic program (more budget cuts), including an immediate free-float of the peso, in hopes of getting between \$15 and \$20 billion in financial aid.

When Foreign Minister Carlos Ruckauf travelled to Washington for meetings with the Bush Administration on Jan. 29-30, he carried a letter from President Duhalde to President George Bush, in which Duhalde slavishly promised to abandon "as rapidly as possible, temporary measures of a dirigist nature" he had been "forced to take." His government, he said, is fully committed to "the free-trade system." Ruckauf told Treasury Secretary Paul O'Neill and Secretary of State Colin Powell, that Duhalde would also remove exchange controls as soon as possible.

Any deal with the IMF is inimical to Argentina's national interests and will only intensify popular rage over the freeze of bank deposits, and disintegration of jobs and living standards. Government inaction has given free rein to goon-squads of terrorist provocateurs to operate freely in the midst of generally peaceful "*cacerolazos*"—pots and pans demonstrations—smashing bank ATM machines and shop windows, and causing violent clashes with police.

Government vacillation is also encouraging the financial networks that have historically looted Argentina, to more aggressively defend their right to continue doing so. The Hongkong and Shanghai Banking Corp. (HSBC), the London-based flagship bank of the global drug-trafficking enterprise known as Dope, Inc., has been lobbying the government, through its Argentine director Emilio Cárdenas, to accept a plan to "help" the government put an end to the deposit freeze, and the mass protest it has provoked. However, the government must be willing to officially adopt dollarization, and allow the foreign banks to increase their hold on the banking system, 67% of which they own already.