

LaRouche Reform of Credit System in the Americas

On April 12, Lyndon LaRouche spoke by phone with simultaneous youth movement gatherings in Mexico City and Lima (see EIR, April 16). Excerpted here is his answer to a question from Mexico.

Q: What is the alternative to replace the International Monetary Fund/World Bank system, and what would be the mechanism for financing it?

LaRouche: What has to happen now is that the leading nations of the world, or a group of them, must put the banking systems of their respective countries in bankruptcy reorganization, with the possible exception of China, and must together put the entire IMF system into bankruptcy reorganization. This means that the governments are putting entire financial systems, both international and national, into receivership. This means that, immediately, we are eliminating, in fact, the system of independent central banking systems, because . . . the financial systems which are members of these banking systems, are bankrupt. Therefore, you can not continue the obligations of these financial interests on the books, because they are not honorable. Therefore, some agency—that of government—must intervene to reorganize these debts, and say which will be paid and which will not be paid. . . .

When a government puts a banking system into bankruptcy reorganization, the government under the general welfare principle, and under the principle of sovereignty, must make sure that essential functions performed by banks and similar institutions, are continued. That is, the savings of families, the flow of credit to farms, businesses, manufacturing, and so forth, must continue. The general welfare must continue; public payments, public services must continue. Therefore, the government will order the banker, even though he's sitting in a bankrupt bank, to deliver these financial services as before, in a normal way, especially in these priority areas.

Government in turn must mobilize the credit needed to be conduited through these banks, to make sure of the continuity of the functioning of these elements in society. This means that all creation of money and national debt is in the hands of governments, not the banks. This also means on an international level, that there's an agreement

among governments on control of finances, [that they] will create a new international monetary-financial system, much like the 1946-1958 phase of the old Bretton Woods system—a gold-reserve system of fixed exchange rates. . . .

For example, under such an arrangement, as [EIR Ibero-America Director] Dennis Small and others have done this work, you take the debt of the Americas that is illegitimate—that is, the amount of the accumulation of debt to the international monetary system, which was imposed immorally, and by fraud upon these nations since 1971, using fluctuations in the monetary-financial system as a pretext for forcing governments to devalue their currency, and then to compensate for devaluation by accepting a new, artificial debt, which they had not actually incurred, on their books. This has been sucking the blood of Central and South America since that time.

So, that kind of credit will be wiped from the books, as illegitimate, as immoral from inception. Honorable credit, honorable debt will be honored as much as possible, with certain priorities. . . .

Now, in addition to that, we have other forms of credit . . . [via] respectively sovereign nation-states, who would enter into partnership for the purposes of long-term cooperation with countries in Eurasia. . . . [T]reaty agreements would create credit among states, because they promise payments. The promise of one government to pay another, or the people of another government, is also a form of monetary creation. This monetary fund, based on this kind of credit, can be used to promote increases of employment. . . . Therefore, these long-term agreements, which increase employment and increase investment, are solid things.

Let's take the Americas. . . . As we discussed this with circles around José López Portillo at the time he was President—on the question of the 1982 crisis, as I presented this in my Operation Juárez proposal—this means we would create a facility of cooperation among consenting states of Central and South America, a credit facility, a monetary facility for agreement among themselves.

This facility would then be used to negotiate long-term credit agreements with other parts of the world, such as the U.S., Canada, and so forth. . . . This means that not only would we reorganize the International Monetary Fund accordingly, with a group of treaty blocs, reconstruction blocs, but we would also have created, in effect, a new kind of world political arrangement, which is based on the idea that the world must be a community of sovereign nation-states, each perfectly sovereign, but joined together by sharing certain common principles. And that's what the reform means.