

SOUTH AMERICA

Two Systems of Ideas Clash, And FDR Is at the Center

by Gretchen Small

The great American anti-colonialist Franklin Delano Roosevelt is rearing his head in South America, and the financiers' free traders are not happy about it. In fact, they are so scared about its implications, that news of the FDR revival has been blacked out, and instead, the press is inundated with denunciations of a menacing "populism" spreading out from Hugo Chávez's Venezuela.

Thus, one of the hottest news stories to come out of Ibero-America in recent times has been completely suppressed by the English-language media. Speaking to 300 policymakers and government officials at the Latin American College of Social Sciences (FLASCO) in Quito, Ecuador on March 21, Argentinian First Lady and Senator Cristina Fernández de Kirchner, detailed how the Kirchner government had revived an economy that had imploded in 2001, by repudiating the International Monetary Fund's "system of ideas" in favor of a policy copied from FDR's New Deal. Under that New Deal policy, in fact, Argentina today leads the continent in real economic growth.

Argentina rejected "the economy of financial gambling" which had led it to the point of disintegration, and instead set out to rebuild national industry and a national business sector, by returning the state to its rightful role as the regulator of the economy, Senator Fernández argued there, and in other public presentations during her three-day trip to Quito. FDR showed that government sponsorship of public works and infrastructure projects increases national productivity, so the private sector can develop, she emphasized.

Ecuadorian President Rafael Correa, after meeting with the Argentinian First Lady, stated that his government and

that of Kirchner, with whom he had also met before, see eye-to-eye on many issues of economy. So, too, in announcing his government's economic program for 2007 on April 2, Correa declared that it is restoring the role of the state as "planner, regulator, and promoter of the economy," to foster the productive economy and provide jobs for its people. The biggest economic problem Ecuador faces is unemployment, the Ecuadorian President stated. To achieve our goal of "an economy oriented to the well-being of all of our inhabitants," our priority objectives will be to invigorate "the real economy, based on productive growth and the generation of jobs," and deepen economic integration with our neighbors.

Ideas Which Can Change History

The Kirchner-Correa collaboration around policies which Franklin Roosevelt proved work, is providing new intellectual leadership in a South America in upheaval over the destruction wrecked by three decades of free trade hegemony, but in dispute about how to save itself. Should the United States rally, in concert with the great powers of Russia, China, and India, to organize discussions on a return to a global system of cooperation for the mutual development of all sovereign nation-states, as Lyndon LaRouche is proposing, it will find ready partners amongst its closest neighbors.

Senator Fernández was accompanied on her visit by her husband's Economics, Planning, and Foreign Ministers, who held working meetings with their Ecuadorian counterparts. As the First Lady noted in her FLASCO address, a "new wind is blowing" over the region. There are discussions of substance occurring across South America over what ideas



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Ecuadorean President Rafael Correa greets visiting Sen. Cristina Fernández de Kirchner, the Argentinian First Lady, in Quito on March 22. Both affirmed that their nations are restoring the role of the state in promoting the productive economy.

work: Finally, we are talking among ourselves, as we never have before, she said.

Fernández organized her speech around a contrast between the two “systems of ideas” being battled out in the region. For the past 30 years, we in Argentina, as the rest of the region, were victims of “experiments in intellectual constructions which do not exactly have to do with the interests of the country or its people,” she said. In fact, this “neo-liberalism,” as free trade and IMF policies are known, has called into question the viability of government itself in the region. We now are demanding that the state take political initiative. We are implementing a “system of ideas . . . totally opposed to that taught throughout the 1990s,” which threatened that Jupiter’s lightning would strike down any country that did not impose permanent restructuring and reduction of consumption, never mind violate IMF dictates on handling the debt.

Argentina renegotiated its debt, and adopted FDR’s model, and Jupiter’s lightning did not strike. The old regime’s system of ideas collapsed like the Berlin Wall.

Néstor Kirchner copied Roosevelt’s New Deal policy when he was Governor of Santa Cruz, she said, and he is doing it now as President. When he was a candidate, he harped on—and that’s the word for it, not said, but harped—on the importance “which we gave to public works and infrastructure, as movement which multiplies economic growth,” she

said. “We had copied it from the New Deal, . . . when Roosevelt through the New Deal and public works . . . strongly reactivated the whole economy. We know the multiplier effect which it has, economically and socially. Economically, as the mother of industries . . . it provided the basic infrastructure required for economic activity, so that businessmen could carry out their activity using railroads, communication systems, airports; and society could do the same, with hospitals, schools, potable water, housing. It’s all a ‘virtuous cycle,’ that also re-creates a country’s confidence in itself.”

We stand “at a unique moment in the history of Latin America, where integration is a duty,” she concluded. The system of ideas put forward by Ibero-American leaders today isn’t a matter of dogmatism or ideology, as is often suggested. “It is simply that we have verified in practice that that *other* system of ideas caused only hunger, misery, pain, and had a devastating effect. It is therefore time that the system of ideas by which we can produce prompt and concrete results which improve our compatriots’ quality of life, be given the historic opportunity that Latin America deserves,” she said.

Correa, who assumed office in January, shares these ideas, and the Kirchner team’s intellectual combativeness. In an introduction written for *The Hidden Face of Free Trade Agreements*, a book co-authored by the man who now serves as his Energy Minister, Alberto Acosta, and published in 2006, Correa denounced “the sophistry of free trade,” making clear that he is unwilling to accept that Ecuador remain forever a country specializing in producing hors d’oeuvres (shrimp) and desserts (bananas). Identifying the historical opposition between the “American System” of protectionism and the “British System” of free trade, Correa argued that the United States developed under its system, and Americans historically understood that free trade is “part of the British imperialist system.”

Correa also dismissed the “questionable” argument that globalization is irreversible. “Few things in economics are irreversible,” he wrote. U.S. blue-collar workers are as much the victims of free trade, as the poor and unskilled in the rest of the world. “In the humble judgment of this author,” he wrote, “neo-liberal globalization will last as long as its benefits for the U.S. last.”

The Battle of the Two Banks

With the disintegration of the world financial system as its back drop, this year’s annual meeting of the Inter-American Development Bank (IDB), held March 16-20 in Guatemala and attended by 6,000 people, was quite contentious, as the financiers squared off against this spreading idea that survival requires a return to state regulation of private interests.

The Institute of International Finance (IIF), representing 375 of the world’s top banks, released a new report attacking Argentina, Venezuela, Bolivia, and Ecuador by name for what they call “populism”: “increasing the role of the state in the economy . . . at the expense of market-oriented policies.” Ad-

LaRouche on the Subject Of President Bachelet

EIR's Ibero-American Editor and Director of Resumen Ejecutivo de EIR, Dennis Small, issued the following press release on March 26.

An article released last week in Mexico by Juan José Mena Carrizales, purporting to represent the LaRouche Youth Movement, which lyingly characterized Chilean President Michele Bachelet as “Mrs. President Pinochet,” requires immediate clarification of the views on the matter by U.S. statesman and *EIR* founder and contributing editor Lyndon LaRouche. The unstable Mr. Mena does not represent the LaRouche Youth Movement, nor the views of any organization or publication associated with Mr. LaRouche.

President Bachelet's election to the Presidency of

Chile in 2006 represented a fundamental change in the Chilean political landscape, in which the fascist, synarchist forces associated with Gen. Augusto Pinochet were swept from their dominant position in Chilean political life, for the first time in three decades. Although President Bachelet's economic policies fall short of what is required internationally, and in Chile, at this time, with her defense of features of globalization and free trade; still, her association with what Mr. LaRouche has referred to as the informal Presidents Club in South America; and in particular, that Club's movement towards continental integration and great infrastructure projects free of the policies of the International Monetary Fund, especially as promoted by Argentine President Néstor Kirchner, has made President Bachelet part of an important, and positive dynamic across South America. That dynamic can be brought to fruition in association with the movement inside the United States, headed by Mr. LaRouche, to return the United States to the successful economic policies associated with Franklin Delano Roosevelt.

mitting there is a risk of possible U.S. “recession” and a likely flight of risk capital from Ibero-America, the bankers insisted that the region's governments must put through yet more “reforms” which cut pensions, labor protections, and government regulation.

The bankers' problem was, that they couldn't get the “elephant” of the Argentine recovery out of the meeting. Argentine Finance Minister Felisa Micheli addressed the meeting on March 19, debunking the assertion by IMF and other bankers that Argentina's economic growth is only a temporary rebound from the depth of crisis. Our policy has produced sustained growth, and it will continue to produce sustained growth, Micheli reiterated, as she detailed the increase in jobs and wages, the reduction of poverty, the increase in industrial activity, and other progress that has been made.

Likewise, the Argentine, Ecuadorian, and Venezuelan Finance Ministers were busy discussing the project to establish a new regional facility, to be named the Banco del Sur (Bank of the South), to finance development projects in South America, lending on the basis of physical economic, not financial criteria. Paraguayan officials announced during the meeting that their country wants to join.

The financiers decided the idea had gone too far. U.S. Treasury Secretary Henry Paulson; the humongous former IMF official ensconced in the Mexican Treasury, Augustin Carstens; and Colombia's Finance Minister Oscar Zuluaga went on record against the new bank at the meeting, insisting that “the IDB is all the region needs.”

Meanwhile, IDB President Luis Alberto Moreno flapped around promoting the IDB's so-called “new initiative,” “Op-

portunities for the Majority,” whose Bush-like slogan is: “Let no one be left behind.” The initiative is pure refried neoliberalism, centered on such ideas as:

- Portraying the remittances sent by millions of economic exiles back to their families as the “new” form of foreign aid, which governments must get their hands on. The IDB reported that remittances reached a new record in 2006, at a whopping \$62 billion;
- Promoting Mussolini-like public-private partnership programs as anti-poverty measures. A seminar at the meeting on “Private Initiative for Public Welfare” featured lunatic monetarist Hernando de Soto, who is setting up a two-year project at the IDB on this; and
- Reintroducing plantation economies across the region, under the guise of biofuel production. Moreno, a member of Jeb Bush's Inter-American Ethanol Commission, announced that investments worth \$200 billion would be needed for mass production of bio-fuels in the region over the next 14 years, and the IDB will support infrastructure and R&D—if they are geared to bio-fuel production.

Outside of bio-fuels, where insanity dominates almost across the board, these policies are increasingly scorned, as leaders in the region look for profound changes. Ecuadorian Finance Minister Ricardo Patiño addressed the underlying issue head on, in his March 20 address to the IDB meeting: “It is essential to organize a new financial system and a new international financial code . . . which puts money at the service of life, and not life at the service of the debt,” he said. “The international financial system . . . should be an ally of the nation-state” in the state's task of ensuring human devel-

opment. It is the responsibility of the state “to promote national productive investment, instead of international speculative investment.” Patiño stated what everyone knows, but few say: The current system is “destroying life on this planet, in front of our noses.”

Will Brazil Flunk the Reality Test . . . Again?

At the close of the meeting, London’s *Financial Times* admitted in print (March 23) that if Brazil were to join the Bank of the South, the new bank would be “the biggest threat to the Inter-American Development Bank (IDB) since the 1980s debt defaults. . . . With the money of Venezuela and political will of Argentina and Brazil, this is a bank that could have lots of money and a different political approach. No one will say this publicly, but we don’t like it.”

The IDB, set up in 1957, has evolved in recent decades from its original intent of financing regional development, into being a branch of the International Monetary Fund, imposing the same conditionalities. The Bank of the South, meanwhile, is projected to have a capital base of \$7 billion, even without Brazil, an amount almost equal to the asset base of the IDB and Andean Development Corporation (CAF) combined, with their \$4 billion and \$3.7 billion, respectively.

The problem is, that the notorious pragmatism of Brazil’s political class has seized control of the Lula da Silva government, which is politely pulling the plug on the initiative to establish the new regional bank, to counter the prevailing free trade genocide of the IMF. How much of this latest bout of suicidal pragmatism is a result of Lula’s and Bush’s love-fest in support of bio-fuels in their Washington, D.C. summit on March 31, is under investigation by *EIR*.

The Bank of the South, Lula told Ecuador’s Correa on April 4, “has a certain confusion of concepts,” Correa reported. Brazil’s Special Presidential Advisor for International Affairs, Marco Aurelio García, added that it is a “relevant idea,” but it is technically “inconsistent.”

Correa was in Brasilia to try to lean on Lula to support the idea of the bank. “Latin America has nearly \$200 billion in reserves invested abroad, especially in the First World. In other words, a poor region like Latin America is financing the First World, which is absurd,” Correa stated. On March 31, the Finance Ministers of Ecuador, Argentina, Venezuela, and Bolivia met in Caracas, Venezuela to try to launch the Bank of the South by the middle of 2007, to be capitalized by pulling in a large chunk of the \$200 billion now deposited abroad.

Brazilian Senator Aloizio Mercadante, of Lula’s PT party, presented a different idea of where the money should go. In an April 4 speech before the Senate plenary, Mercadante called for creating a \$100 billion World Environment Fund to combat the greenhouse effect and “defend life.” He also announced that he was inviting Al Gore to come speak before the Brazilian Senate—although it is by no means clear the Senate has the budget to cover Al Gordo’s hefty speaker’s fee.