Editorial

The Argentina Blowout: 'Planet Risk'

It was clear from the outset, as *EIR* told its readers in June, that the insane and illegal Argentine "international debt swap"—simply a cosmetic disguise on an unavoidable default—could not work. But the fact that this "long-term solution" crumbled within weeks, has a significance of its own. As of Friday the 13th of July, the ongoing meltdown of Argentine debt, and the U.S. Federal Reserve's frantic pumping of $10 billion or more in new issues of money into the U.S. banks and stock markets, make it obvious that a breaking point has been reached in the global financial collapse.

None of the new International Monetary Fund (IMF) plans for crisis, emergency, many-billion dollar standby credits for Argentina's disintegrating credit markets, have the slightest chance of working—any more than the $40 billion "financial armor" supposedly wrapped around that same explosion only a year ago. What we are witnessing in the actions of Argentina's Rasputin, Domingo Cavallo, and his bosses at Morgan Stanley and the IMF, is a murderous desperation, a last savaging of Argentina's population which only increases the pace of the collapse, and will soon end with Cavallo's downfall.

Grotesquely, Cavallo's own statement on July 13, while issuing murderous and futile decrees to cut the Argentine people's means of existence in every way he could think of, was "the financial system to the end." Like a Leporello, he mirrored exactly the desperate condition of his masters on Wall Street. The U.S. markets have reached the stage where they only manage moments of euphoria responding to the largest layoff announcements and Federal Reserve financial infusions at the same time.

The covert panic of Fed Chairman Greenspan's frantic money-printing operations during the week of Friday the 13th, point to the truth that what is involved in the overt panic over an Argentine default, is no mere "country risk." It is a "planet risk." This Argentina debt blowout is a fuse burning towards an explosion of one trillion dollars worth of international debt. The three largest countries of Ibero-America—Argentina, Brazil, and Mexico—are now moving at an accelerating pace toward a simultaneous financial blowout. The foreign obligations alone of these three countries—not including the domestic debt on which interest rates are now gyrating upwards—add up to more than $900 billion. This is held in large part by the biggest U.S. banks and financial corporations, but it is a detonator capable of huge international impact.

Beyond that looms the vast mountain of international debt derivatives, waiting to go into reverse-leverage collapse. The derivatives bubble is almost as numerous in trillions, as the Ibero-American debt is in billions, and the largest portion of the derivatives bubble is those many millions of derivatives contracts betting on—bond interest rates.

At this breaking point, anyone who is not aggressively pushing for implementation of Lyndon LaRouche's proposals for the general bankruptcy reorganization of the world financial system, is not in the real world. The IMF's latest pronouncements on Argentina, if done, would bring to well over $60 billion, the amount of emergency credits thrown at a single debtor nation within one year's time—attempting to prevent a large default which is known to be occurring anyway. Such a *public* definition of what is meant by "the financial system to the end," not to mention what is being done in behind-the-scenes panic by Greenspan, shows a system that is finished.

Had LaRouche's "Operation Juárez" debt reorganization policy for Ibero-America been implemented 20 years ago, the horrific sights of decline, suffering, and insolvency in the Ibero-American economies would not be seen today. Now all the globalized markets are operating in the same way, to enforce the same death and suffering, and yet are collapsing. The post-1971, post-Bretton Woods system is passing from controlled to uncontrolled disintegration, and LaRouche's New Bretton Woods debt reorganization idea is the only policy which can stop it.