

Argentina's Monsignor Aguer: Here, Too, LaRouche's Thinking Finds an Echo

The following is the text of a May 26 dialogue on the Buenos Aires radio program "Los Dos Reinos" ("The Two Kingdoms") of Radio Provincia, among: La Plata's Roman Catholic Archbishop Monsignor Héctor Aguer; guest speaker and EIR's Ibero-America editor Dennis Small; and Fernando de Estrada, the host of this popular Sunday radio talk show. The transcript has been translated from Spanish.

De Estrada: Last Thursday in Buenos Aires, an extremely interesting event took place, where the possibility of an alternative to what could well be called an economic catastrophe, which is not only Argentine but global, was presented. We, of course, are living through our own catastrophe in a most intense way. Because of the nature of the current situation, Argentina is news. But if we analyze this a little, we see that this news has been around for a while. One always assumes that news is what is happening right now, but what is going on in the world economy has been occurring for a long time, and every once in a while, there are particular outbreaks in certain countries. These are often presented as if they were separate developments, but in reality, there is but one process behind it all.

Dennis Small, the speaker at that event, whom we have here today on our program, said some very interesting things. Before turning to him, I want to remind listeners that he is the General Director of *Resumen Ejecutivo*, a bi-weekly summary of *Executive Intelligence Review (EIR)*, and is also spokesman for American politician Lyndon LaRouche, frequently a Presidential pre-candidate of the Democratic Party. Thus far, he hasn't succeeded in becoming the [official] candidate, but we shall see: If he keeps it up, it just might happen.

Welcome, Dennis, to "Los Dos Reinos."

Small: Thank you very much. I'm happy to be here.

De Estrada: As we are to have you, and also so that you can present to our listeners a summary of what you said last Thursday, which will also help them to understand the Argentine situation.

It's Only Money, and It Disappears

Small: My pleasure. I think that the point of departure for discovering what the alternative is—and there is one—to what we would call the national economic suicide that is occurring right now in Argentina, is first to analyze and draw conclusions as to the nature of the crisis that is afflicting Ar-

gentina. As you said in your introduction, [the crisis] is not independent from the international financial crisis. Further, what I would say is that the Argentine crisis is a manifestation—an extremely important symptom for Argentines, obviously—but also a symptom of a much deeper international economic crisis, a systemic crisis. In other words, the entire system is disintegrating.

The quick explanation of what is happening is that, on an international scale, this system has generated approximately \$400 trillion—not billion, but trillion—of financial instruments internationally.

De Estrada: Pardon, but the international economy cannot be measured by \$400 trillion. The real economy, of industries, of trade in real goods—

Small: Exactly, and therein lies the problem. Because there is a speculative bubble of that size, of \$400 trillion, while the Gross Domestic Product of all the countries in the world, added together, is not more than \$40 or \$42 trillion. So we are talking about a bubble that is ten times larger than the GDP of all the countries combined.

Monsignor Aguer: These are virtual dollars, like the ones the depositors lost in Argentina's "corralito" [bank deposit freeze imposed in December 2001—ed.].

De Estrada: That's how to explain how they have been victims of a genuine swindle, because in reality, the people in Argentina deposited what they thought were dollars.

Monsignor Aguer: It was real paper that they deposited, it evaporated . . .

De Estrada: Of course, because they entered a system that was not geared to production. I think that must be it.

Small: Right, exactly. Because this \$400 trillion international bubble, of which the Argentine bubble is a part, is also growing at an annual rate of 20-22%, more or less. And of course, the production that should sustain this bubble is not growing at that rate; rather, real production is disintegrating.

The result is that there is no way to maintain this speculative bubble, and we have symptoms, like the case of Argentina. Another very similar case is that of the famous Enron company, which supposedly produced electricity, or energy, or distributed it. But it turns out they weren't doing that. It was simply gigantic financial speculation, one vast swindle equal to Argentina's—where it was thought that there was a tremendous amount of money, but it disappeared, it simply



The Argentine Workers Confederation (CTA) on May 25 in Buenos Aires, one of many forces fighting national economic suicide in the country; the demonstrations immediately preceded the major forum in the city by LaRouche representative Dennis Small.

evaporated, because it wasn't backed by any productive activity. The same thing is happening in Argentina, the same with the Wall Street stock market, the same thing is happening everywhere, internationally.

The Common Good

De Estrada: It is often said that the enemy of the current neo-liberal policy is inflation, but that it has it under control. But what you are talking about is real inflation, that is, a hyperabundance of liquidity that has nothing to do with the goods that money should represent.

Small: That's right. In 1998, the international financial "establishment" made a decision on how to deal with the gigantic crisis they faced with the disintegration of the Long Term Capital Management hedge fund, and when the Russia crisis hit. At that point, they had to decide whether to proceed with a structural reorganization, a new architecture, a new international economic order, like that proposed by Lyndon LaRouche, the founder of this magazine.

De Estrada: A New Bretton Woods.

Small: A New Bretton Woods. That is, to return to the system that was established in Bretton Woods, a small American town where representatives of the entire world met to establish a post-war world order.

That Bretton Woods system had certain positive aspects: It had fixed exchange rates, fixed parities; that is, there were not floating exchange rates against which one could speculate; and national currencies were defended through exchange and capital controls, so that the national currency of each country would be used for that country's national development. That

is why we must now create a New Bretton Woods.

But the decision made in 1998 was not that. Rather, faced with the growth of the bubble, it was decided to feed it more and more with the printing press, and credit. In other words, hyperinflation. A lot of money, a lot of credit, a lot of speculation, and no production. The result is that we have countries like Argentina, which are totally bankrupt.

Monsignor Aguer: That is a perversion of the philosophy of economy, because it attributes to money an intrinsic productivity apart from its reference to labor and real economic development, to production.

Small: Yes, absolutely. And what this does is eliminate completely the fundamental conception of an economy, which is that of the general welfare, or the common good, as it is known in the Social Doctrine of the Church.

It is noteworthy that the Declaration of Independence of the United States itself is based on this principle of the general welfare; that is, that the purpose of the nation and the state is to guarantee the general welfare of the entire population and its posterity, that is, those yet to be born. To do this, one must necessarily achieve industrial development and production. This is what must be emphasized, not making money and speculation the priority.

So, what is the International Monetary Fund doing today? The strategy of these gentlemen, the international bankers, can be summarized in a few words. Given this tremendous bubble, and the demand to pay the debt to maintain this bubble, the bankers say: "First, pay the debt; second, pay the debt; and third, pay the debt." Clearly, after this, there won't be any population.

The United States and the IMF

De Estrada: How can we understand the position of the United States? Because there is a difference of opinion in that great country. We see, apparently, that the Monetary Fund answers to the U.S. Federal Reserve, and in some way, it is the United States which is behind this situation of the financial bubble and the demands imposed on debtor countries like ours.

Small: In effect, that's true. The person who controls the IMF has historically been that institution's number-two officer. The number-one officer is a general manager who deals with the public, but the person in control is the number-two person, and is always an American. Previously it was Stanley Fischer; today it is a woman, Anne Krueger, who is a total neo-liberal, and who works very closely with the Federal Reserve, but also with the U.S. Treasury Department.

This is an American who is speaking to you right now. I am American, I live there, and I consider myself a patriot of the United States; and the question that always arises is what you have just asked.

It is important to understand that the national interest of the United States is *not* the same as the interest of Wall Street and the international banks. The role of our government in recent years, in these past decades, has been almost as an appendage of the International Monetary Fund, and of Wall Street. But Lyndon LaRouche, the Presidential candidate who founded our magazine *EIR*, represents a United States very different from that of Wall Street. It is the United States of George Washington, its first President; of Alexander Hamilton, the first Treasury Secretary, who conceived of, and created, an economic system in the United States based on protectionist measures.

De Estrada: [This was] early American capitalism, in any case.

Small: It was an industrial capitalism, very different from today's speculative "capitalism."

Hamilton, who created the first Bank of the United States, has writings that are extremely important and relevant for today. This American tradition of industrial capitalism was later further developed by Abraham Lincoln, our best President in my opinion, and in this century, there have been Presidents such as Franklin Delano Roosevelt, who also represent that tradition.

De Estrada: There has been a lot of talk here recently about Roosevelt and the New Deal, above all because the crisis that we are living through, including in its international dimension, has been compared with that of 1929 and 1930. And, in fact, the policies that Roosevelt applied in his time, enabled the United States to escape from that apparent catastrophe—or that real catastrophe. But the fact is that here, today, he is discussed a lot, but not followed. Precisely the opposite policy is followed.

Small: It's interesting that you mention this, because last Thursday, in the public forum we held, I began my presenta-

tion with a story, without naming the country and without naming the President of country "X." I explained that, in a certain year, there was a catastrophic situation in that country, a country which had been a great producer but which had fallen into economic depression; that one in three workers were unemployed; banks were unable to operate, were totally bankrupt, etc. But then the President of that country announced that it *were* possible to rebuild the economy. He declared a banking holiday and reorganized the banking system . . . of the United States. We were talking about Franklin Delano Roosevelt! The same would work in Argentina today—it's a valid lesson.

Concretely, Argentina needs its own currency, not convertible to the dollar, because the dollar today is the transmission belt for this whole international cancer of speculation, which some have taken to calling "financial AIDS." If there is a fluid interchange with the dollar, the only thing that will happen to Argentina is that capital will begin to flee, as has already begun to occur.

With its own currency, defended by capital and exchange controls, national credit could be generated, establishing a national bank, as Hamilton did in the United States, and that national bank would issue long-term, low-interest credit for national productive activity. And that national currency will not be allowed to be changed for dollars and taken out of the country.

With an orientation toward technological development, and of infrastructure, industry, and agriculture, the whole technological and productive apparatus of the country could be awakened. Argentina has a gigantic, enormous capacity—I don't have to tell you that—in terms of agriculture, industry, and labor force, which today is suffering unnecessarily.

Argentines Threatened by Pessimism

Monsignor Aguer: This is truly dramatic, because what we have seen is the destruction of the real economy, I would say the physical economy, due to financial speculation.

Small: That's right. What is happening in Argentina, from what I have seen—and I would dare to comment on it as a foreigner who has come to visit the country. I know [the country] somewhat; I have visited Argentina about ten times since 1982, when I came for the first time to express LaRouche's support for Argentina in the Malvinas War. We were the only U.S. political group that did this. But I would dare to say that I have found in Argentina these days—while there is a rejection, even a fury and an anger over what is happening, there also exists a profound cultural pessimism—

De Estrada: That's true.

Small: —over whether this can be resolved or not.

De Estrada: It is a kind of skepticism, and that can be fatal.

Small: Right, because what is needed instead is an optimism, but an optimism founded on knowing that there is an answer. It is possible for Argentina to overcome this problem,

and for Argentina to establish, on an international level, political and economic relations with those sectors and countries which are doing the same.

The problem is that people believe here, as they do in my country, that globalization is eternal, is omnipotent, and cannot be changed. But that's not true. The majority of the world's population has rejected globalization. China wants nothing to do with it: They have their own economy, their currency is not convertible to the dollar; and they are protected. In India, the rupee is not convertible to the dollar: They don't want anything to do with it, although they are of course being pressured by the International Monetary Fund.

But India, together with China and Russia, have put together a development project that is very important for countries like Argentina, which is the construction of a Eurasian Land-Bridge, a vast project of railroads and development corridors that will bring industrialization to the interior of the Eurasian continent. To put this in practical terms for Argentina, this is a gigantic market for Argentine exports.

If Argentina were to join with Brazil, for example, and reject the IMF, protect national industry, establish its own currency, there are international interlocutors who would share that outlook.

De Estrada: What you have mentioned is the majority of humanity.

Small: That's right.

De Estrada: If these three mega-countries are not part of what is called globalization, one could ask, where is globalization?

Small: Not very global.

De Estrada: That's right, not very global.

Monsignor Aguer: What's happening is that there's a kind of atavism here. Our relationship is with the United States and with Europe. The President has just returned from a trip to Europe that went badly, everyone says, because the sovereign nations of Europe ordered him to make a deal with the International Monetary Fund. But of course, here we are inside that limited globalization, and they tell us we shouldn't be isolated from the world—that is, their limited globalization—when the real world exists outside that.

Small: Right, exactly. It is strange, because many people have said to me, "What LaRouche proposes is a leap into the void, into the unknown. It can't be done." They say, "Better a bad known, than a good unknown." I hate to say it, but this is really a cowardly view.

Monsignor Aguer: That's the way slaves think.

Small: Exactly. But clearly, what LaRouche proposes is not a leap into the void, because it has been done historically. There are historic points of reference, not only in the United States, but in Germany, in Japan, in Argentina itself, with [Carlos] Pellegrini, and in other cases. Rather, those who are not in the real world are those who insist that one has to stay on the financial *Titanic* just when it is sinking.

So, what is needed is a sense of optimism in seeing that

there is an alternative, and run the risks, because neither can one be ingenuous.

That is, the world right now is dangerous: Argentina would undoubtedly suffer reprisals, but that would be nothing compared to the genocide going on right now.

Becoming Like Africa

De Estrada: The real reprisals are what is happening.

Monsignor Aguer: But of course. In a country like ours, where there are malnourished children, this is a terrifying thing.

Small: Perhaps ten years ago, when we said that the "Africanization" of Argentina and of all Ibero-America was coming, LaRouche was told, "No, you're exaggerating, you're apocalyptic, that can't be. We aren't Africa." But today, one can see the children in Tucumán and in other areas: Argentina is becoming like Africa, and Africa today is disappearing from the face of the Earth.

So, with this IMF policy, at the end of the road, the money isn't there! There is no money for Argentina. The IMF is not going to give it money. The only thing it will perhaps give, if Argentina commits suicide in a manner acceptable to the Fund, is that it might give enough money to refinance what Argentina already owes to the Fund.

Monsignor Aguer: Yes, money on a computer screen. Truly, this is virtual money.

De Estrada: It's very strange, but this loan from the IMF that is so anxiously awaited is for the IMF itself. That is, it is a self-loan. Or perhaps, it were better seen as the debt with the IMF growing without any reason for it, and without Argentina receiving any benefit.

Small: Yes, we have been studying this phenomenon of the foreign debt of countries like Argentina, and the numbers document exactly what you are saying. This is virtual arithmetic, "bankers' arithmetic."

In the case of Argentina—and the statistics I will cite are taken from the World Bank; official statistics presented by the Argentine government—in 1980, Argentina had a foreign debt of \$27 billion. And in the next 22 years—that is, from 1982 until today—against these \$27 billion, Argentina paid in pure interest on the debt, \$120 billion. That is, it paid between four and five times what it owed, and after all this process of paying the debt five times over, Argentina ends up owing \$142 billion, six times more than it owed to begin with.

Very strange arithmetic, where 27 minus 120 equals 142. This is bankers' arithmetic, and it would be laughable if it didn't mean the destruction of an entire population. Because this arithmetic reflects the quantity of Argentine wealth that has left the country, in exports, in the destruction of its labor force and of the existing capital in the country. And what is happening in Argentina, is also happening in Brazil, in Mexico, in Nigeria, in Russia.

The entire financial system is rotten. It must be replaced

by a New Bretton Woods. This is feasible, not a leap into the void. It is a leap toward something that can work.

Will U.S. Policy Change?

De Estrada: The Monsignor asked at the beginning of our dialogue, what is the situation in the United States? Because clearly, no country in the world, not even the United States, could benefit from financial corruption like this.

Small: Right. Few people know it, because the media only lies, but the effects of these IMF policies are disastrous for the physical economy of the United States as well, where there has been a collapse in the real economy. For example, the production of steel is half of what it was 20 years ago, in per-capita terms. The production of machine tools, the same. In the labor force, the only new jobs are in service and in unproductive things.

The U.S. economy is in bad straits. What there has been is a financial bubble in the stock market, in the “dot-coms” of the so-called “New Economy.” And now it’s all falling apart. This Wall Street bubble, which before had managed to sustain itself through a certain amount of consumer indebtedness, all this is now ending.

A period of crisis is coming in the United States, where many people are going to have to recognize that Lyndon LaRouche was right in what he said and did. We are a part of the Democratic Party. LaRouche is a Democratic pre-candidate for the Presidency, not very beloved by the Democratic Party’s officialdom, because of what we are discussing today. LaRouche is not very beloved by Wall Street either. But Franklin Delano Roosevelt also did what he did in the United States based on a fight with Wall Street, defending the interests of the nation first.

And so there is a very intense battle going on in the United States. What is coming out today as a net result of the Bush government’s policy, both in economics and in foreign policy, is very bad, very destructive, in the Middle East and in the rest of the world. But the United States is also in a critical moment, as with other countries, and I am hopeful and optimistic that we can even change the United States itself.

De Estrada: And that it will react in time.

Small: I hope so. But who knows? One doesn’t enter into political activity with the guarantee or security that one is going to win. One enters out of the knowledge that, morally, there is no other way, and that the other path leads to Hell.

I am optimistic because I know that this is the only way to achieve this. I believe that we can do it, but only time will tell if we succeed or not.

De Estrada: Well, thank you very much for this intervention. We have had Dennis Small with us.

Monsignor Aguer: And may [LaRouche’s] thinking find an echo also in Argentina. I believe that there are people who are effectively warning that this path is the path of genuine independence.

Peru Upset as National Heroes Are in the Dock

by Luis Vásquez Medina

“We are not assassins; we offered our lives for our country, and we have nothing to repent.”

—Gen. Jaime Patiño

On May 17, retired Gen. Augusto Jaime Patiño, who had led the celebrated 1997 operation which freed 72 hostages held by terrorists at the residence of the Japanese ambassador to Peru, was arrested—for this heroic action itself—and put behind bars at the offices of the Anti-Terrorism Unit of the National Police, where he remains. This arrest has triggered a furor in the nation, including among Peru’s Armed Forces. Four days earlier, a Lima judge had issued arrest warrants against 11 members of the Peruvian Armed Forces, who had participated in the daring raid of April 22, 1997 which freed the hostages whom the MRTA narco-terrorists had held for 126 days. The warrants were issued on the request of anti-corruption prosecutor Richard Saavedra and associate prosecutor for human rights Ronald Gamarra Herrera, the latter an underling of the current Alejandro Toledo government.

Among those accused by Toledo’s prosecutor, on charges of “aggravated assassination, are two retired generals and nine active-duty officers, who among them represent the elite of the Peruvian military.

Rigorously organized and impeccably carried out, the 1997 rescue operation in Lima, which was dubbed “Chávin de Huántar,” was considered by experts one of the most successful rescue actions in recent military history worldwide. It was carried out by a commando force of more than 100 men, the majority of them colonels and generals of the Peruvian Army and Navy. The operation succeeded in freeing all but one of the hostages unharmed, although two officers also gave their lives along with the unfortunate hostage. One of the officers killed, Col. Juan Valer, a member of then-President Alberto Fujimori’s Presidential bodyguard, died while using his body to shield then Foreign Minister Francisco Tudela, when a terrorist shot him at point-blank range.

‘One of the Few Successful Operations’

The national and international campaign to jail the Peruvian heroes who saved the nation at its most difficult moment, is clearly intended to serve as a death blow to the Peruvian Armed Forces. But more than this, its intent is to degrade and demoralize the Peruvian people themselves, if they can be induced to accept such immorality. In this very special sense,