

Editorial

A proposal to sink the British pound

Last week the *EIR* presented statements by the Foreign Minister of Argentina, the Foreign Minister of Panama, and other leading Latin Americans to the effect that they would not rule out declaring a moratorium on their foreign debt payments.

After several capitals and private financial circles requested a more precise statement from *EIR* founder Lyndon LaRouche, whose advocacy of such a move has been prominently covered in the Latin American press, he issued a July 11 reply. We excerpt:

"First, I wish to make it clear, in this written form, that I have proposed three distinct actions bearing upon reorganization of the external debt of the nations of Central and South America.

"I have proposed that the government of Argentina help to prevent the triggering of a domino-like collapse of the international monetary order, by limiting its unilateral action on financial relations to expropriating British financial claims against Argentina under the title of 'contraband of war.' . . .

"I have made a second recommendation, that the OAS force negotiation of measures for reorganization of the approximate quarter-trillion dollars of external debt of the nations of South and Central America. I have emphasized that the projected 25 percent or possible greater collapse of the depression-ridden U.S. economy, combined with the effect of Volcker's high interest rates on international financial markets, will prevent most of these nations from meeting their 1982-83 debt-service obligations unless appropriate measures of debt reorganization are taken in the relatively immediate future. I have emphasized that debt reorganization by nations one at a time would almost certainly fail to produce any useful result.

"In addition, separately, I have repeated my insistence that the President and the Congress of the United States have no sane choice remaining, but to implement an interconnected series of emergency actions forcing both rapid reform of the U.S. financial situation, and creating the conditions to force through sweeping reforms of the international monetary order.

"The combined effect of these three sets of meas-

ures would be to collapse London and Switzerland as the dominant financial centers of the world, and to establish a new gold-reserve system based on the U.S. dollar." Under those conditions, writes LaRouche, "the required form of reorganization of debt relations within the OAS can be effected to the mutual advantage of both the United States and the other members. . . .

"In making these proposals," he continues, "I have stressed the crucial political fact that most of the influential economic advisers of the United States, including the President's own Council of Economic Advisers, are a pack of wretched incompetents concealing from the President the fact that the United States has already entered a new 'Herbert Hoover' depression, a depression triggered by the insane and cruel policies of Federal Reserve Chairman Paul A. Volcker. . . .

"I have proposed emergency concerted actions by members of the OAS in order to force a perception of reality into governmental and private commercial banking circles in the United States. Forced, however reluctantly, to face reality, those circles will begin quickly to recognize the urgency of the kinds of corrective measures I have proposed. . . ."

He then restates his gold-reserve program, which we summarize in this week's Special Report, stressing that "Nations which elect to join the United States in implementing the same measures, must form a new international lending facility, operating on a gold-reserve basis. By means of this mechanism, the urgent debt reorganization can be effected. Debtor nations will issue gold-reserve denominated bonds at nominal coupon, discountable within the processes of the new international lending institution. These bonds will be offered both to purchase outstanding debts of the issuing nations and to secure additional credit for high-technology development projects. . . . Such measures will have the effect of establishing immediately the kind of Common Market in the Western Hemisphere which will unleash the potential prosperous growth of all members."