Ibero-America (Mexico, Colombia, Panama, Ecuador, Peru, Venezuela, Brazil, and Argentina, most notably) the following measures are necessary.

1. National emergency fiscal measures

1. (a) Capital and Exchange Controls regulating movements of currency into and out of the national economy.

1. (b) Credit Controls, giving priority to investments in three areas of capital investments: basic economic infrastructure, agriculture, and goods-producing industry.

1. (c) Agreements covering mutual defense of currencies and promotion of trade among some or all of these nations.

1. (d) Policies restricting imports to both essential food supplies plus needed capital goods and spare parts for investments in the three priority categories of investment.

2. Economic measures

2. (a) National productivity must be increased through, first, increasing the percentile of the national labor force employed in goods-producing workplaces of agriculture, industry, and creation of basic economic infrastructure, and, second, increasing productivity of such employed labor through technologically progressive, capital-intensive investments.

2. (b) Where priorities must be selected among these three categories of investments, the most essential infrastructure and agriculture must have relative emphasis, and industrial development attuned to the expanding needs of most essential basic infrastructure and agriculture.

The principles are not much different than those we would have applied to the case of an insolvent but potentially profitable bankrupt industrial firm during the 1950s and 1960s. Cut out the unessential overhead (in this case, labor-intensive retail services, reselling, and clerical categories), increase output of product and productivity, by channeling priorities for investment into these areas, and stressing technological improvements in production of goods.

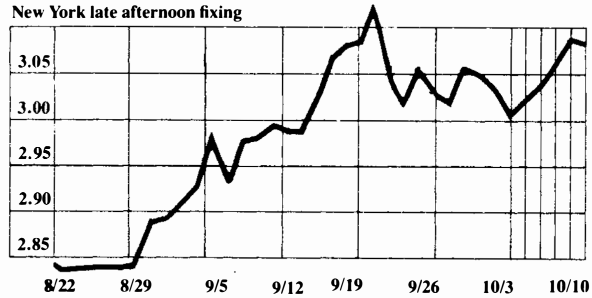
The IMF's austerity programs do exactly the opposite. They cut the country's prices of exports below true value (by forcing down the price of the national currency), reduce levels of productive employment and output, and increase the percentile of employment and expenditure devoted to overhead categories of expenditure. The IMF says, in effect, "Lay off your production workers, stop increasing employment in all categories but the most technologically backward aspects of production, and increase the overhead costs for financing charges." Any accountant or banker who proposed such "adjustments" to any sane corporate official during the 1950s or 1960s would have been put into a straitjacket and hustled off to the funny-farm instantly.

Perhaps that is what we should do with the present officials of the IMF and Federal Reserve System. What can you expect of a French bureaucrat who prints gobbledygook in lavender ink?

Currency Rates

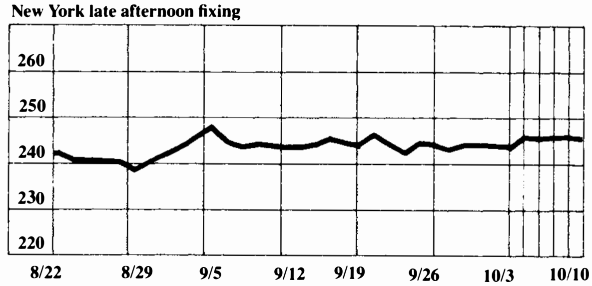
The dollar in deutschemarks

New York late afternoon fixing



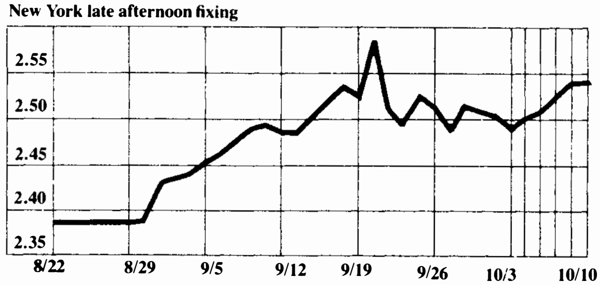
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing