The solution: a shock of sovereignty

The dynamic of the crisis itself shows, albeit negatively, what solution must be sought. As we can see, the country is channeling some $16 billion into speculative investments this year. The solution is simple: to direct the flow of these resources instead into productive investments in real economic infrastructure, as was described by economist Lyndon LaRouche in *EIR* of Sept. 8, and extensively detailed in his *Operation Juárez* proposal.

The government should drastically reform the national financial and banking system, with the primary purpose of isolating government paper, which must then be protected from the speculative oscillations of the markets and exchange rates of foreign currencies. Immediately, the government should propose an arrangement with its treasury bond holders, to set a date after which the accumulation of interest is suspended. With the backing of the national Congress, the government has the prerogative of buying back these bonds with new debt instruments, setting fixed interest rates and longer repayment deadlines.

This task would be simpler than it appears, since 80% of the market for government paper is concentrated in the hands of private banks, non-financial companies, and financial brokers, who should understand that this is the only possible—not to mention patriotic—way out of the current crisis.

These new government debt instruments could be viewed by the companies as discountable assets. This is especially important for those private companies which, because of the current characteristics of the financial markets, protect their operating capital from the ravages of inflation by keeping them on the overnight markets. Thus, for example, Mercedes Benz which currently turns over several million dollars a day on the overnight market, would be able to discount the new bonds once it is demonstrated that the money would be invested in the company's own expansion.

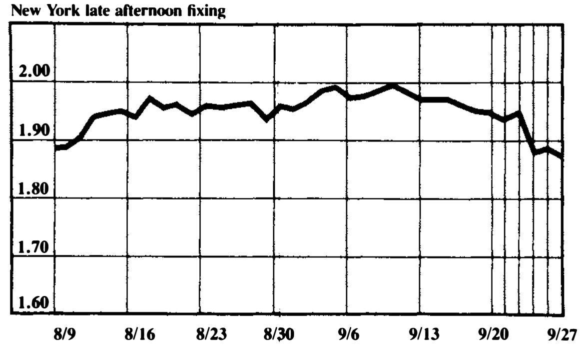
For this new system to function, it is clear that the Central Bank, which until now has functioned as an agent of private creditor interests—both domestic and foreign—and not as an agent of the National Treasury, must be re-nationalized. As part of this reorganization, the country must reestablish a system of issuing credit based on gold reserves, which would restore confidence in, and independence to, credit destined for productive use. This measure would also increase the value of gold production; most gold stocks today are fleeing the country as contraband under the auspices of powerful international groups.

If these measures were to be backed up by a Supreme Court review of the constitutionality of the country's foreign debt contracts with the international banks, as was recently proposed by members of the national congress's Mixed Commission to Audit the Debt, this would constitute the necessary "shock of sovereignty" to enable the country to keep its distance from the rapidly approaching international financial crash.

Currency Rates

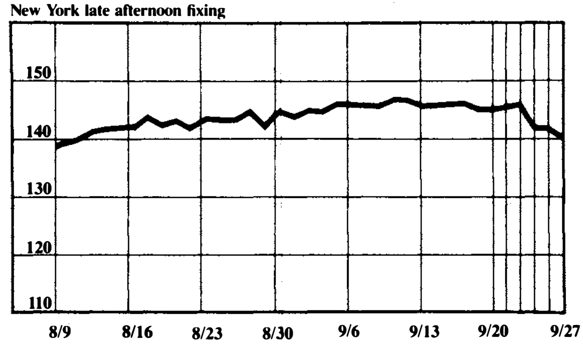
The dollar in deutschemarks

New York late afternoon fixing



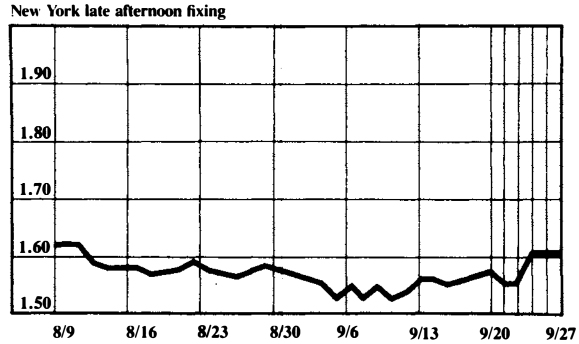
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing