

The Era of Sovereign Defaults Has Begun

“These are the days when the world system of the International Monetary Fund is slipping into a chain-reaction pattern of sovereign fiscal defaults,” Lyndon LaRouche stated in the wake of the Nov. 25 announcement by Dubai World that it would be unable to make its debt payments. The Queen’s Nov. 27 speech to the Commonwealth summit, coinciding with the announcement of Dubai World’s default, was the umbrella under which the coming sovereign defaults was heralded.

The system is gone.

Nothing can be understood without consideration of the Queen’s speech in Trinidad and Tobago, which was probably the most significant event over the recent period. With her declaration that the Commonwealth—in fact, the physical extension of the British Empire’s monetarist global realm—must expand its international role, she declared the Empire’s intention for global genocide, and the end of nation-states, which are now to be liquidated in a wave of sovereign defaults.

The number of countries which are currently in jeopardy, due to their own bankruptcy and the conditions created by the Queen’s policy dominating the bankrupt *system*, is extensive; among those mentioned Nov. 30: Ireland, Greece, Hungary, the Baltic States, Ukraine, Pakistan, Romania, Bulgaria, Spain—and the United Kingdom and the United States.

Over the course of the following week, attention was focussed primarily on Greece. A report by French investment bank Natixis addressed the impossible debt situations of a number of European nations. The foreign debt of Spain, Portugal, Greece, and Ireland is, respectively, EU1,089 billion; EU166 billion; EU543 billion; and EU182 billion. As a percentage of GDP, this amounts to, respectively, 155%;

110%; 155%; and 966%. In terms of foreign debt service, it represents EU172 billion for Spain (10.2% of GDP); EU16 billion (8.8% of GDP) for Portugal; EU92 billion for Greece (10.9% of GDP); and EU167 billion (9.5% of GDP) for Ireland; for a total of EU447 billion in debt service. Natixis economists arrive at the figure required to honor that debt: EU331 billion per year over 15 years.

“The challenge is thus posed immediately,” LaRouche said, “as to whether nations will act to survive by writing off a lot of that debt through reorganization in bankruptcy.

“If the United States would declare its intention to join with China and Russia, in keeping with and building around their mid-October agreements, to establish a Bretton Woods-modelled credit-system, in place of the present world monetarist system, the world could make it. But the U.S. would have to agree to a fundamental change, and say to China and Russia that we, as a leading group among nations, should put the monetary system under bankruptcy reorganization, and establish a new fixed-exchange-rate credit system, which, while beginning with a few powerful nations—the U.S., China, Russia, and India—could expand to form the basis of a new international credit system.

“By acting in this way, the United States and other nations can get off the *Titanic*, and onto the lifeboat which I have devised. The lifeboat won’t take them to paradise, but it will provide the means for survival, rather than the road to imperial hell.

“The immediate cancellation of the neo-malthusian Copenhagen conference, in rejection of the pro-genocidal lies of Prince Philip’s World Wildlife Fund atrocity, would be the initial step toward global sanity,” he concluded.