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alternative to the discredited bunkum of the IMF, Bank for International Settlements, Club of Rome, Wharton School, and other feudalists, misnamed economists. Death threats became particularly intense in August—following the issuance of what was then a private document called "Operation Juárez," but in the midst of the rapidly expanding economic nationalist ferment throughout Latin America. Kissinger Associates, an operations grouping headed by one of LaRouche's chief enemies, was formed then. And evidence began to mount that Kissinger-associated thugs were deployed to Europe in an effort to kidnap, or murder, Helga Zepp-LaRouche. In September two attempts at vehicular homicide against Mrs. LaRouche occurred, one of them one year to the day following a 1981 attempt that left Mrs. LaRouche with longlasting back and neck problems. As if to produce the pedigree for the attacks, the London *Observer*—typically British intelligence journalistic operation with ties to the royal household—in October slandered the LaRouches.

London had other reasons to be upset, of course, and they showed it in the lead to the *Observer* article. LaRouche's associates had succeeded in pointing Italian authorities in the direction of British Freemasonic circles in their search for the directors of the drug traffic and terrorism, and the investigations were becoming a bit too hot for London to handle. Equally upsetting was the fact that the Italian courts heard public testimony implicating Henry Kissinger in the Red Brigades assassination of Christian Democratic statesman Aldo Moro.

The surfacing of Dr. Teller's campaign for beam weapons—a program clearly mirroring LaRouche's—smoked out a slightly different but related set of enemies: the *New York Times* and the Soviet KGB secret service. The attack on LaRouche is not simply a vendetta, of course. It represents the commitment of the oligarchy, in league with the desperate Soviets, to move fullsteam ahead with their population wars, resource seizures, and total economic depression. Nowhere is this shown more clearly than in the attack on the founding and functioning of the Club of Life, an international association initiated by Mrs. LaRouche and committed to putting into effect a new world economic order based on spreading the fruits of human reason, through technology transfer and scientific education, into the developing sector, thus simultaneously reviving cultural optimism in the previously industrialized North. A barrage of assassination threats, and lack of security protection, prevented the LaRouches from attending the Rome conference of the Club of Life; press blackouts have since been the rule.

The Club of Life, representing leaders from four continents, was successfully founded because enough individuals realized that reality dictated they fight for an economic reorganization like that outlined by LaRouche, or face the end of civilization. The reality of the depression began to hit in 1982; the LaRouche method—the method of Leonardo da Vinci, Gottfried Wilhelm Leibniz and the American system—is the only one that points to survival.

World Economy

Financial collapse exposes depth of trade shrinkage

by Renée Sigerson

The debt crisis which erupted during 1982 forms part of a historic turning-point in world economic development. A third of all nations—nearly all of Latin America, most of Africa, and all of the secondary powers of the Soviet bloc—failed within the span of a few short months to meet payments on obligations to the international banking system. This has occurred along with the onset of a fundamental breakdown crisis in the Western world's largest economy, the United States, and a severe worsening of economic conditions in West Germany and, only to a lesser extent, Japan.

A series of emergency financial measures has been activated by governments and international agencies, such as the International Monetary Fund, to keep financial relations "intact" until early January. These measures do not even begin to address the fact that, to describe the state of the world economy most plainly, a large proportion of the world is bankrupt.

Since August, more than $20 billion in emergency "bridging" funds has been made available to debtor countries by the U.S. Treasury, the Bank for International Settlements, the IMF and private commercial banks to stopgap otherwise guaranteed defaults. In addition, an equal amount of debt has been "restructured" for payments five years down the line, and another $10 to $15 billion has been "frozen" pending restructuring agreements during 1983.

Emergency measures: a farce

These emergency measures fall incontestably short of a solution to the debt overhang. During 1983, it is expected that several European countries, including France, Italy, Sweden, Ireland, Belgium, and Denmark, will require emergency financing from special international agencies such as

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the IMF's General Agreement to Borrow fund. It is expected that the level of financing requirements in Western Europe will consume the entirety of new available IMF funding agreed upon by governments in the latter half of 1982 following a lengthy series of meetings. How the developing sector's emergency requirements will be met has not yet been figured out.

The scope of the global payments crisis is partly the outcome of declining world trade, which in the second half of 1982 apparently fell 15 percent in dollar terms. Industrial-country exports were nearly $30 billion lower in the first nine months of 1982 compared to 1981, with the rise in the value of the dollar covering up an even larger drop in volume. The decrease in export markets has already eaten into the payments of the OECD economies, and it is expected that during 1983, the export decline rate will reach 20 percent.

The plummeting of world trade, which is pulling the props out from under the financial system faster than international agencies can deploy their "fire brigade" squads to patch the system up, lays bare another, yet more fundamental substrate of the world economy, where the real source of the breakdown crisis is to be found.

The 1982 debt crisis follows nearly a decade of deliberate, across-the-board disinvestment in the basic industries of the major industrial countries, particularly in the United States and Western Europe. Until the outbreak of financial collapse in the Third World, the effects of this disinvestment had been concealed in two primary ways: Western Europe and Japan desperately geared up exports to maintain employment levels and income to industry, while the United States rigged a financial "taxing" system, based on an overpriced dollar and high interest rates, to subsidize its internal credit system. Increasingly over the decade, the developing sector was thereby forced to subsidize the traditionally industrialized economies, a rigged game most of the Third World was quite willing to play so long as the annual current account deficit in the Third World was still financeable within the system as a whole.

How this parasitic dynamic has worked is demonstrated in the tragic case of West Germany. The collapse of capital investment to below replacement levels for industry throughout the 1970s was hidden only because export-dependency in manufacturing rose to over 50 percent. The first indications that Germany's export markets were shrinking came in July, fueling a political crisis which triggered the bankrupting of the country's seventh largest industrial firm, AEG. At the end of 1981, unemployment in Germany was still manageable, at 876,000; by December 1982, unemployment reached the crisis level of 2,030,000, a high point since World War II, and most of it occurring in the second half of the year, in step with the accelerated breakdown of the international financial system.

End of the rigged postwar monetary game

As the West German case shows, the intensity of the shock now being administered to the world economy in-

Real versus nominal trade deficits of developing nations

(in billions of 1972 dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
	All non-oil-exporting nations										
Export volume	56.83	82.3	82.2	81.8	91.29	95.58	103.22	112.92	119.24	123.85	131.77
Import volume	66.47	93.0	99.97	95.58	99.21	105.95	114.42	127.00	131.95	134.85	139.16
Real trade balance ..	—	−10.7	−17.77	−13.78	−7.97	−10.37	−11.2	−14.08	−12.71	−11.0	−7.39
Nominal trade balance in current dollars	—	−10.5	−32.8	−40.4	−25.7	−23.0	−33.0	−47.6	−70.6	−75.2	−75.5
Excess trade deficit due to worse terms of trade	—	−0.2	15.03	26.62	17.78	12.63	21.8	33.52	57.89	64.2	68.31
Interest payments on external debt.....	—	4.6	5.7	7.5	8.3	10.1	14.2	20.7	30.1	37.5	40.8
Total excess deficit due to worse terms of trade	—	4.4	20.73	34.12	26.08	22.73	36.0	54.22	87.99	101.7	109.1
Total outstanding debt (cumulative)	—	96.8	120.1	146.8	181.4	221.8	276.4	324.4	375.4	436.9	505.2

Source: International Monetary Fund

volves much more than the shortcomings of "irresponsible" international bankers, or the much-touted "mismanagement" of Third World economies.

For the entirety of the postwar Bretton Woods period, there has existed no agreed-upon policy within the organizations of Western nations to maintain the real industrial potential of the economies subsumed by this system. There has been no commitment to foster technological "drivers" within those economies to guarantee higher rates of manufacturing productivity.

The largest economy in the Bretton Woods system is the United States. Graphically suffering the inevitable consequences of this policy failure, the United States no longer has the capital base to merely sustain current levels of industrial output. In 1980, capital investment outlays of $250 billion fell flat in real economic terms, merely serving to sustain then-current production levels. In 1981-82, the situation worsened gravely. In real economic terms, the same nominal level of capital outlays occurred alongside an actual $60 billion reduction of the productive value of the capital and infrastructure base of the economy.

In 1979, for the first time in its history, the United States ran a manufacturing trade deficit. By 1982, it has become evident that the U.S. economy no longer has the means to internally produce the capital goods it needs merely to maintain its own industries. Four-fifths of its labor force is now employed in services-related sectors which produce no goods for basic industry needs. The manufacturing trade deficit has thus continued, while the overall trade deficit for 1982 will hit $42 billion, heading towards $70-$100 billion in 1983.

The United States now consumes 42 percent of all manufacturing exports produced in the Third World. At face value, it would seem this Third World import-dependency might be serving the developing industries in those countries. However, these manufactures are being financed with a grossly overvalued dollar, sustained by speculative capital inflows and high interest rates. The cheap manufactures now entering the United States form part of the subsidy which the U.S. credit system—in a replay of Britain's looting position within its pre-war colonial empire—is exacting from the developing world.

Recovery prayers

Publicly, the common theme which has come up at every debt negotiation this year is that the world financial crisis will be more manageable in 1983 because the United States will spur an economic "recovery." Privately, very few world leaders believe this will happen—although even fewer fully grasp the process by which this crisis can indeed be brought to its end.

While there is no sensible alternative to the U.S. dollar as the world trading currency, the terms of agreement whereby the dollar system serves as a vehicle for forced disinvestment in the manufacturing sectors of all nations within the system must be abandoned.

What has been appropriate about the international role of the dollar is that only a country as large and highly internally diversified as the United States can sustain the disruptions to its internal credit system engendered by printing enough free-exchange currency to finance global trade. However, to the extent that the United States has gutted its manufacturing potential though disinvestment, precisely those characteristics which allowed the dollar system to function at all—size and diversity of real productive potential—have tended to evaporate. A sound and politically feasible alternative to the international dollar, during a transitional phase in which the United States would hopefully relaunch investment in technological drivers in basic manufacturing, would be an Ibero-American continent-wide currency unit. In its totality, the Ibero-American continent qualifies as a large and diversified economic base for the issuance of such currency.

Historically, it has been proven that backing paper currencies with gold is the best means for linking currency values to some truthful measure of an economy's real productivity potential. In either case—restoration of a viable dollar system, or creation of an Ibero-American industrialized common market—gold valuation of the currency would be necessary.

The Bretton Woods system never took into account any measure of the real productive potential of the subsectors in the system. Conceived from its origins by the identical force which ran the British colonial empire, the dollar system now operating is economically more dangerous than Britain's pre-war empire system.

Going beyond the mere raw materials and cheap labor heists of the old British system, the devolution of the U.S. economy has begun to unleash a scale of global looting comparable to the Schachtian—that is, Malthusian—policies launched against the "Eastern territories" of Europe by the Hitler machine in the 1930s. Although the United States, politically, is not yet strictly fascist, its parasitic relationship to its "trading partners" is moving in that direction. In economic terms, this is shown by the fact that over the past 12 months, the disinvestment cost within the U.S. economy reached a scale where, even were there an "economic upturn" on the 3 to 7 percent scale reached in previous periods of ending recessions, it would be insufficient to restore 1980 levels of productivity and output. The United States is running a net trade deficit that represents 7 to 10 percent of its total industrial output at this point. In the last 20 years, there has never been a point at which the U.S. economy has grown more than 10 percent in a single year. Even assuming such an extraordinary turnaround—which nobody talking about a "recovery" has even suggested—this would be only sufficient to hold the economy to current levels of activity.

The fact that the developing sector "supports" the traditionally industrialized sector with cheap export products has been obvious for a long time. Further elaboration of how this

has been financed, however, reveals the startling magnitude of the actual subsidy the Third World has provided to the traditionally industrialized sector.

During 1982, rigorous accounting procedures show, the developing sector countries issued a financial subsidy of $150 to $175 billion to their industrial trading partners. This subsidy has two components: the adjusted trade deficit plus flight capital.

The adjusted trade deficit takes the following into account: the worsened terms of trade for the developing sector over the last decade are largely the product of unnecessarily low wages and exaggerated currency devaluations, which reduce prices on exports to the point where it is impossible for the developing sector to finance imports without external loans.

Following the 1979 oil crisis and dollar interest-rate increase, the terms of trade disadvantage for the Third World doubled, and the import deficit increased from $47.6 billion in 1979 billion in 1979 to $70.6 billion in 1980. Import reductions—the result of austerity programs imposed on orders of the IMF and the international banks—leveled off the deficit to $75 billion for 1981 and 1982. Ironically, the real trade deficit (measured in 1972 constant dollars and prices), at $7.39 billion was lower in 1982 than at any other point in the past decade.

By adding to the nominal deficit the interest-rate cost of financing Third World imports, and subtracting the $7.39 billion real deficit measured in 1972 terms of trade, the first component of the Third World's 1982 financial subsidy to its creditors is shown to be $109.1 billion, somewhat above 1982's apparently "unfinanceable" current account deficit.

In addition to that, between $50 and $75 billion in private speculative funds were taken out of banking systems in the developing world this past year for investment in high interest markets in the Western banking system. Thus, the effective financial subsidy of wealth denied to the developing sector to the advantage of creditor nations is over $150 billion: nearly 70 percent of the entire debt, including principal payments, owed during 1982 to the international banking system.

With the added feature that the United States is now increasingly a rentier economy which survives through the political "aura of power" of its banking system, the current parasitic relationship between the developing and traditionally industrialized world is an expanded version of the relationship which the United States had to the defeated nations of Japan and Germany after World War II. Detailed dissection of the German economy documents that Germany—unlike Japan—never succeeded in extricating itself from the setup whereby its cheap exports undermined its capacity to invest in regeneration of its own capital industries. Thus, the rapidity with which German employment levels collapsed this year.

This does not compare, however, to the rapidity with which negative growth will overtake parts of the Third World, beginning with Latin America, during 1983, unless a halt is called to the looting process. The declining levels of imports, far advanced in Latin America, is an alarm signal that these economies are reaching a point of ravaging economic decline.

From currently available information, the four major Latin American economies—Argentina, Brazil, Mexico, and Venezuela—have told theri creditors that, in aggregate, they will require about $50-$60 billion in financing from the international agencies and banks in 1983. While it remains entirely in doubt whether such funds will be forthcoming, that amount still accounts for only 50 percent of the debt due during 1983, plus the backlog of debt frozen during 1982.

If the IMF and BIS have their way, a substantial additional proportion of the debt will be financed by export earnings. Nominally in behalf of maintaining competitiveness in exports, massive devaluations were undertaken across the continent during the course of the year. Brazil devalued its currency by 68 percent; Argentina by 89 percent; and Mexico by somewhat over 50 percent. Simultaneously, imports are being drastically slashed. In 1983, according to the IMF's deal with the Mexican government, Mexico will import only $10 billion worth of goods, less than half of the $24 billion it imported in 1981.

Brazilian officials claim Brazil must now export 10 percent more goods in volume terms to maintain 1981 export levels in dollar terms. As these countries attempt to sell everything which is not nailed to the ground, it is clear that the IMF expects somewhere between $10 and $30 billion of the unmatched financing need in Latin America to be supplied by import reductions and mortgaging export earnings to debt repayment.

How long can an economy sustain exports if it cannot import capital goods to maintain its basic industries; how can an economy "internally generate" those capital goods, if it is forced by the IMF to eliminate government subsidies to the industries which must supply them? Moreover, even in purely financial terms, the emergency bailout program does not add up and is several tens of billions of dollars short of financing sources, even after stringent levels of austerity have been applied.

It is no secret that during 1983, the emergency "fire brigade" system will not hold together on its own terms unless two drastic measures are implemented: 1) a large percentage of the offshore banking market where much of the Third World debt is booked, is shut down, and the debt simply written off by government regulatory agencies: and 2) the U.S. government assumes direct, large-scale responsibility for refinancing the private sector debt, triggering a financial breakdown of the internal U.S. banking system. In short order, this would topple the international system in any case.

From the standpoint of reality, the Bretton Woods system declared a moratorium against itself during 1982. To prevent the next 12 months from becoming an economic Armageddon, a handful of governments must juridically recognize that the post-war world economic system did in fact expire one day last summer.