

# Peruvian industrialists choose LaRouche over IMF austerity policy

by Valerie Rush

On July 12, Ernesto Lanata, president of the Institute of Economic and Social Research of Peru's prestigious National Industrial Society (SNI), jointly sponsored a press conference in Lima with *Executive Intelligence Review*. *EIR* Ibero-American Editor Dennis Small and Contributing Editor Dr. Uwe Parpart-Henke presented the results of a four-month-long SNI-commissioned study, entitled "Analysis and Projections of the Peruvian Economy 1960-2000," to a majority of the nation's leading media.

Using a touch of irony, Dr. Parpart introduced his presentation with the startling estimate that "Peru has achieved the miracle of going from a pre-industrial to a post-industrial society, without ever passing through the complications of industrialization." For the industrialists present, it was an unavoidable truth.

The presentation of the *EIR* study occurs at a moment of intense debate within leading economic sectors of the country over how—and if—Peru will manage to survive the upcoming years of crushing austerity under the thumb of the International Monetary Fund (IMF). Even while the Belaunde government blithely claims that the accord signed with the IMF earlier this year solves all of Peru's problems, those industrial and business leaders who won't be stepping out of office along with President Belaunde next summer simply can't afford to ignore the reality of a near-bankrupt economy and the escalating social and political chaos attending it.

It is therefore of special significance that Peru's leading industrialists, who just a few years ago were confirmed supporters of Milton Friedman's monetarist policies, are now turning to the LaRouche-Riemann development model as the only alternative to what otherwise means committing suicide with the IMF. (For a summary of the *EIR* model's analysis of the Peruvian economy, see *EIR*, July 24, 1984.)

In the days immediately following the press conference, the *EIR* economic forecast provoked an explosion of press coverage. Every leading newspaper devoted space to the *EIR*-SNI revelations, with headlines warning that "IMF Demands Will Sink Peru!" and quotes from the *EIR* study blaming the IMF for the country's plight. Similar coverage was given by TV channels 5 and 9 and the widely-heard Radio Miraflores, which presented nearly three hours of interviews with *EIR* spokesmen.

As a result of the widespread media coverage, nearly

everyone in the upper levels of political, military, and economic circles of the country could be heard debating the conclusions of the LaRouche-Riemann forecast which openly challenged the International Monetary Fund myth that "more austerity is better."

## The banks vs. LaRouche

Some interests were not altogether happy with the growth alternative posed by the *EIR* forecast. Several businessmen told *EIR*'s representatives that a number of bankers were denouncing LaRouche as a "crackpot" whose ideas were "too provocative" to be trustworthy. The editor of *La Prensa*, Arturo Salazar, published a small article which defended Raul Prebisch, the founder of the U.N. Economic Commission on Latin America (ECLA) and a leading agent of the international banks in Ibero-America, from the attacks of the *EIR* spokesmen.

However, Lima's leading daily, *El Comercio*, had already seeded the environment for the presentation of LaRouche's ideas by beginning a five-part series of feature articles on "Who is Lyndon LaRouche?" In the very first article, which appeared July 1 in the widely-read Sunday edition, *El Comercio* explains that:

It is impossible for a daily like ours which always presents its readers with important developments, not to speak of LaRouche. Because very soon LaRouche will be talked about throughout Latin America and the Third World, since, until now, there has never come forth from the United States a champion of the liberty and dignity of our nations as aggressive and vigorous as Lyndon H. LaRouche, Jr.

## The role of science

The *EIR* study's recommendations included setting up scientific and technological institutions throughout Peru as the basis for developing a qualified labor force capable of absorbing modern technologies. This was especially well-received within military layers. Dr. Parpart addressed various groups on the subject of beam-weapon defense systems currently under investigation in the United States and elsewhere, and similar contact was made with the Peruvian nuclear institute IPEN.

SNI's Sr. Lanata has announced that the *EIR* study will be reviewed in detail at next October's national industrial congress, "where it will be presented as the viewpoint of Peru's business sector on how to resolve the economic crisis." This initiative on the part of Peru's powerful industrial sector to address the country's pressing economic problems is expected to provide a programmatic focus for next year's presidential elections. Even further, it will serve as a model for industrialists throughout the continent who are well aware that the economic crisis in Peru is their own.

*La Prensa, July 13, 1984: "Lanata of Industrial Society Analyzes Economic Crisis."*

"The totality of the Peruvian economy is on the verge of bankruptcy," yesterday declared Dr. Uwe Parpart, mathematician member of the economic team of *Executive Intelligence Review* which has carried out an econometric forecast together with the Institute of Economic and Social Research of the National Industries Society, whose president is engineer Ernesto Lanata Piaggio. . . .

The *EIR* economists attribute our crisis to long-term structural problems. They feel that there can be a recovery in the short term. To achieve this, they recommend, basically, the reactivation of agriculture returning to productivity levels at least equal to those of 1969. . . . The second aspect is the reactivation of the capital goods industry. . . . The demand for capital goods should come from reactivated agriculture (machinery, tractors) and from the construction and transport sector.

. . . According to Dennis Small, also from *EIR*, the creditor banks are on the edge of bankruptcy and under these conditions the recommendations for debt renegotiation should

come from the Latin American countries. . . . According to Small, the prescriptions of the IMF are intended to perpetuate our condition as [cheap] providers of raw materials. . . .

*Expreso, July 13, 1984: "International Expert Says: Distortions in the Country's Industrialization."*

"Peru has achieved the miracle of going from a pre-industrial to a post-industrial economy, but without going through the phase of industrialization. What this means is that instead of growing, it has gone backwards," said Uwe Parpart-Henke during a presentation in the auditorium of the National Industrial Society (SNI). . . .

Parpart Henke was emphatic: "It has cost Peru much to follow the dictates of the IMF. If it continues with this program, I calculate that the level of production in 1986 will be equal to that reached in 1960."

*La Republica, July 13, 1984: "Demands of the IMF Will Sink Peru."*

Peru should reject the demands of the International Monetary Fund or will otherwise face the destruction of all its efforts to achieve a process of industrialization that will allow it to develop. This was proposed by U.S. economists Uwe Parpart and Dennis Small who presented the results of a study they carried out on the Peruvian economy at the request of the National Industrial Society. . . .

Parpart and Small reiterated that "There is no way of improving the situation of Peru without profound structural changes. This is, however, completely the opposite of what the IMF proposes, which is that we use savings to export capital [to pay the debt], which means the direct reduction of our potential," they added.



*Lyndon LaRouche (center left) and Dennis Small (center right) at a luncheon with trade unionists in Argentina in July. EIR representatives have now presented to Peruvian leaders' recommendations for economic growth based on the LaRouche-Riemann economic model.*

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