

ly saw as a suicidal debt policy of Washington and London.

But, it is not even a matter of thousands of jobs. Unless Europe's surviving industrial nations impose intelligent protectionism, combined with careful non-IMF investment in infrastructure in eastern Europe as outlined in LaRouche's 1989 Paris-Berlin-Vienna Productive Triangle proposal, continental Europe will soon follow Britain and the United States into a depression without bottom.

A recent report by David Roche, a London economist of the Wall Street investment firm Morgan Stanley, points to the absurdity of trying to compete in such a global race for cheap labor. "The world is awash with workers," Roche wrongly insists. "Germany and Japan have increased manufacturing employment. Germany did it by producing perfectly engineered products, which even Mercedes says it now cannot sell because its labor costs too much (\$24 per hour)." Roche reviews the cheap labor horizon from the view of a financial speculator: "Unemployment is 15% and rising in eastern Europe, where labor costs \$1-2 per hour, and is highly educated to boot. The trains to Shanghai are full of peasants looking for jobs at 2-5¢ an hour, and they matter in a globally integrating economy. China received foreign direct investment commitments worth \$15 billion in the first half of last year."

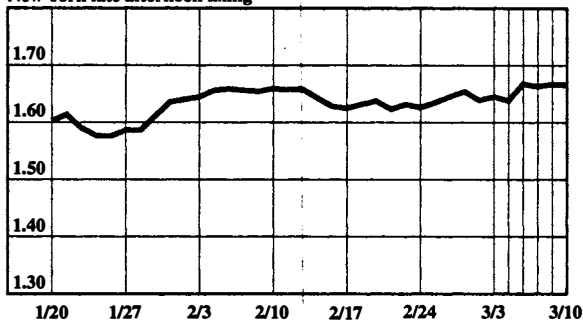
Instead of looting the cheap labor of China or Mexico or Poland, the OECD must return to a long-term infrastructure commitment to build national economies in the capital goods deficit parts of this planet. This ensures advancing employment again in Europe and North America, and at the same time builds a growing, healthy market in the less-developed parts of the world for German machine tools and French steel, high-speed trains, and nuclear technology. This, not the foolish accountants' cost-benefit calculus of productivity of labor, is what really defines economic success. Contrary to what corporate accountants and Wall Street speculators like Morgan Stanley believe, highly skilled labor is priceless.

As LaRouche has stressed for more than two decades, such a cheap labor policy is a recipe for global depression and collapse of advanced industrial capacities. By walking away from its traditional skilled labor base in western Europe, French and German industry will ensure that their fate will repeat that of Britain after World War II, but far worse. Edzard Reuter is an accountant by training, but he is also a trained physicist who should know the effects of non-linear disintegration in organic structures. This is the real meaning of what is politely being termed Europe's present "structural crisis." No sacrifice, however great, in some new "solidarity pact" for cuts in labor costs will reverse this process. The capitulation of the Paris and Bonn governments and industry to the General Agreement on Tariffs and Trade regime of "absolute free trade" and the foolish "cost-reduction" accounting, will ensure national economic suicide in the coming months, regardless of how it helps the short-term balance sheet of Daimler-Benz.

## Currency Rates

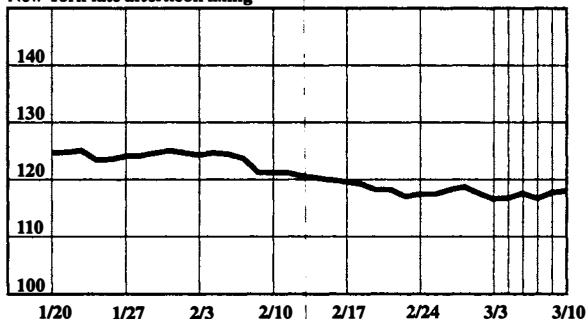
### The dollar in deutschemarks

New York late afternoon fixing



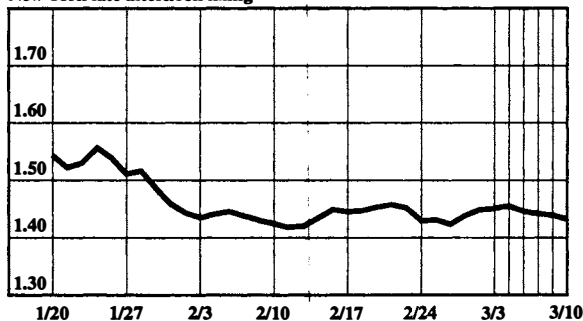
### The dollar in yen

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

