

Business Briefs

Bond Markets

'Crash' under way, says London trader

"The word 'crash' would be quite a nice way" to describe bond markets internationally on March 2, which saw "the biggest movements of funds ever in all the bond markets combined," a London bond trader commented to *EIR*. Another London financial source said, "Things are getting really stormy," adding that a financial crash like that of October 1987 is now in the offing.

In both Paris and Brussels on March 2, there was a "limit down" of bond futures, and in both places trading was suspended. In the London gilts market, as one source explained, "for the first time in anybody's memory . . . they have re-margined within the course of the day. That has never happened before." U.S. 30-year bonds fell one full point in trading after a big drop the day before, but almost recovered by the end of the day. This turmoil is dragging down equities markets, with Paris down 2.68% (at one point, the fall was as steep as 5%), and London down almost 1.5%.

The source said that the turmoil had been set off by "the focus on the hedge funds, which have been hit very hard by the recent collapse. There are rumors flying around that [George] Soros is going out of business and, if not that, then that 'unnamed similar funds' are in big trouble."

Economic Theory

LaRouche's views similar to mine, says Kuznetsov

Russian economist Dr. P.G. Kuznetsov said that his views on physical economy cohere with those of American economist Lyndon LaRouche, in an article in the March 2 Moscow weekly *Oppozitsiya* on his "President" project for "a life-support system for Earth" (see *EIR*, Feb. 11, p. 8). "At one time," wrote Kuznetsov, "work was being done in our country on a complete, ecologically closed life-sup-

port system for a lunar station. It would be ridiculous to project such a life-support system using some mathematical economic model. This is where you see the contradiction between 'physical economy' (Lyndon H. LaRouche's term), the foundations of which were laid by S.A. Podolinsky, and monetary economy."

Kuznetsov talked about frauds perpetrated by the International Monetary Fund. "In dollar terms, the gross world product is growing at a rate above 10%, although there is not a single country, never mind the world as a whole, where labor productivity is 10%." The deception, he concluded, is perpetrated by the "Big Seven" countries that "define the face of the IMF."

"Independent of me, Lyndon LaRouche has conducted analogous studies, showing that the IMF is a clique of thieves who are ruining the whole world. He proposed that the developing countries not pay their debts to the IMF. . . . And he got 15 years in prison."

Kuznetsov explained his agreement with LaRouche: "I would like to recall the situation that everybody was in, who attempted to study the problem of life or to describe social and economic systems and believe that the Second Law of Thermodynamics did not apply. There were quite a number of us, linked with the name of Pavel Kondratyevich Oshchepkov, and each of us was trying to prove he was the brightest, while official science was crushing us one by one like bedbugs. But today it turns out that at the other end of the planet there is a person by the name of LaRouche, who is working along these same lines."

Labor

Free market provoking class war, says Goldsmith

If the General Agreement on Tariffs and Trade free market globalists have their way, a new worldwide class war could erupt, Sir James Goldsmith warned in a paper to the "World Trade after GATT" conference in London, which was printed in the March 5 London

Times. Goldsmith, a free trader, reflects growing concern within part of the establishment over the worldwide search for the cheapest labor markets.

"What an astounding thing it is to watch a civilization destroy itself because it is unable to reexamine the validity . . . of an economic ideology," Goldsmith wrote. "I believe that free markets are absolutely necessary to improve efficiency, control prices, enforce innovation, and encourage choice. But free markets must be composed of nations with economies which are reasonably homogeneous and which are willing to accept some financial disciplines. Otherwise the *levelling of wages will be overwhelmingly downward*, and the free market will be corrupted by competitive devaluations. We need regional not global free trade. The regions can enter into bilateral trade agreements when it suits them. . . ."

"We have forgotten the purpose of the economy. In the great days of the United States, Henry Ford stated that he wanted to pay high wages to his employees so that they could become his customers and buy his cars. Today we are proud of the fact that we pay low wages! We have forgotten that the economy is a tool to serve the needs of society and not the reverse."

Should the free-trade globalists who speculate on big gains from investments in competitive low-cost regions win the day, he said, "the whole balance between capital and labor will be shattered as the cost of labor drops to reflect the new supply provided by nearly 4 billion people willing to work for a pittance."

The 'American System'

Hamilton featured in Phi Beta Kappa magazine

The economics of the first U.S. treasury secretary, Alexander Hamilton, was featured in the Winter 1994 issue of *The American Scholar Magazine*, the magazine of the Phi Beta Kappa Society (the honor society for *summa cum laude* graduates), in an article entitled "The

Strategic Vision of Alexander Hamilton." Thomas K. McCraw, the Straus Professor of Business History at Harvard Business School, echoes the Jan. 3, 1992 *EIR* commemoration of Hamilton's legacy, which was termed the "American System" of economics.

McCraw traces the evolution of Hamilton's thought during 1779-82 as a polemic against free trade, and details the collapse of the U.S. economy in the 1780s under free trade policy. During this period, Hamilton penned numerous recommendations to rectify the situation; his two themes were attacks on states' rights and free trade.

Hamilton's "*Report on Manufactures*" called for a full-blown industrial policy designed for a developing country. Unlike Jefferson and Adam Smith, who also thought America should stick to farming, Hamilton was determined that the United States be more than an agrarian country," McCraw wrote. "Because of the economic nature of his achievement, Hamilton as a statesman is best compared historically not with his contemporary rival Jefferson—the peerless apostle of political liberalism—but with the builders of modern economies in other countries at other times. He was the direct intellectual descendant of Jean-Baptiste Colbert, the great French minister who devised a system for the promotion of manufactures during the reign of Louis XIV. He was a legatee also of Charles Montagu, the chancellor of the exchequer who fashioned England's innovative strategy of public credit in the 1690s. In turn, Hamilton was himself an inspiration to Friedrich List, who envisioned and tirelessly promoted the German Customs Union, national railway network, and other measures leading to the eventual unification of the German Empire of 1871, long after List's own death. In breadth of vision and in sheer audacity, Hamilton invites comparison with Bismarck as well.

"In Japan, the program of forced modernization carried out by the Meiji reformers of the late 19th century was almost purely Hamiltonian in its economics. . . . Hamilton's *Report on Manufactures*, written nearly a century before, could have served as a blueprint for Japan's phenomenal leap into a modern industrial economy. Even the post-World War II Japanese economic miracle, based on a deliberate, focused development of competitive do-

mestic manufacturing in selected strategic industries, was fundamentally Hamiltonian in its conceptualization and execution. So, too, with the more recent development of the economies of Korea and Taiwan."

Haiti

Project Democracy spreads AIDS, genocide

Haiti is being wiped off the map by the embargo imposed by the U.N. and the Organization of American States, columnist Robert Novak warned in a commentary in the March 3 *Washington Post*. The apparatus known as "Project Democracy" has been the biggest backer of the embargo in the United States.

Novak reported on the genocidal effects of the embargo, and attacked the Congressional Black Caucus for continuing to demand that Jean-Bertrand Aristide, an advocate of "necklacing" opponents, be reinstated as head of state. "The economy has been ruined, and ecological systems ravaged. Malnutrition abounds and communicable diseases are rampant. The physical and psychological effects on a generation of young Haitians are devastating," Novak charged. He added that in a recent trip there, he found "strengthened determination that Aristide can never return."

Unemployment is 75-90%; some 70% of Haiti's businesses are almost bankrupt. "But economic collapse is eclipsed by a public health catastrophe signified by mounds of garbage in the city streets." Tuberculosis is out of control; anthrax and rabies are killing off swine and oxen, "with these diseases contracted by humans." In northeastern Haiti, one-third of new babies weigh less than four pounds. Novak described conditions in one maternity hospital where there is no anesthesia or running water. Two out of five babies born there have AIDS. "Damage to Haiti is permanent," Novak concluded. No one "believes Aristide really wants to return. Yet, 'the Colossus of the North is destroying its little brother in the Caribbean to send this message: Swallow 'democracy' if it kills you.'"

● **AZERBAIJAN** President Haider Aliyev and British Prime Minister John Major have signed an agreement clearing the way for a British Petroleum-led oil consortium to exploit Azerbaijan's oil resources in the Caspian Sea, Radio Moscow reported March 4.

● **A BUNDESBANK** director, Günter Storch, said that he is very concerned about the growing debt burden in Germany and the threat for financial markets posed by derivatives, in an interview on German TV.

● **ROMANIAN** workers (estimates say 2.5 million) joined a one-day national warning strike on Feb. 28, paralyzing the oil, mining, energy, and transportation sectors. The government has offered to resume talks on wages, investments, social welfare, and consumer goods prices, but has so far refused to break with the International Monetary Fund-authored austerity policy.

● **CHINA** has been trying to isolate Britain, while mending fences with Germany and France, Hongkong observers report. China had a "very enthusiastic" response to overtures from Paris for better relations, and has been offering very good terms to German contractors on projects that the British had bid for.

● **ARGENTINE** foreign debt, after the Brady Plan debt reduction, debt payoffs from privatizations, and the application of International Monetary Fund-style "stabilization" policies, has ballooned from under \$70 billion four years ago, to over \$100 billion today.

● **RUSSIAN** coal miners staged a nationally coordinated strike action on March 1, with 78% of mining districts taking part. The strike was organized by the Independent Mining Worker Union of Russia. Vitali Budka, of the state-controlled Coal Miners Union, which backed the strike, warned that if back pay demands are not met, future strikes would become political.