

of its own absurdity.

This time, this is happening in Southeast Asia, Latin America, eastern Europe, Russia. Plus, you have the added impact of the \$100 trillion equivalent of the derivatives bubble. This time, however, the danger is that you will reach a breakdown of the system, not over the span of one and a half years, but condensed into a few months or weeks.

IMF policy in Asia

Last week, the IMF announced the biggest bailout package in its history. South Korea was supposed to get \$57 billion; but less than a week after that, the South Korean finance minister admitted that the total short-term debt of South Korea, unfortunately, was \$100 billion, and, therefore, the package had to be doubled. The South Korean banks, alone, in June, already had a debt of \$116.8 billion, plus \$50 billion for their foreign subsidiaries. At that point, the foreign exchange reserves of South Korea were \$30 billion; it was already down to \$5 billion last week. So, South Korea, in all likelihood, cannot be saved with \$100 billion; the figure that is being

talked about behind the scenes, is \$200 billion! Just in the last four days, except Friday, the South Korean currency, the won, collapsed by 10% every day; and the only reason that it did not collapse more, is that there was a limit put by the banking system, and they stopped trading after that limit was reached. So, the won lost 40% in four days; on Thursday, it lost 10% in *four minutes!* And then they closed down trading. The won lost 88% since the end of September. That means nothing else, than that the entire foreign debt of South Korea is 88% times more expensive, and therefore, practically unpayable.

Similar situations have occurred in Indonesia, where the ruppiah lost 38%; the Thai baht lost 18%; and so forth and so on.

Obviously, Japan is intensely tied to the Southeast Asian crisis. The Japanese banking system officially has a bad debt of \$1.5 trillion, and they will need, at a minimum, between \$0.5 trillion and \$1 trillion — maybe \$1.5 or \$2 trillion — to be bailed out. The IMF was supposed to announce a bailout package on Thursday, on Friday, and now, maybe next week — who knows?

Havel on the cultural roots of the political crisis

In a speech before Parliament in Prague on Dec. 9, 1997, Czech President Vaclav Havel issued a scathing indictment of what he called the “post-communist morass” which has engulfed the nations of eastern Europe under the International Monetary Fund’s free-trade policy. While much of his criticism



would be rightly taken as an attack on the ultra-monetarist Vaclav Klaus, the former prime minister whose government fell over the weekend of Nov. 29-30, Havel’s analysis has more general application — attacking the separation of politics and economics from morality, a separation which dominates the entire world scene.

“Fascinated by our macroeconomic data,” he said, “we disregarded the fact that these data, sooner or later, reveal also that which lies beyond the macroeconomic or technocratic perception of the world; . . . the moral order behind that system of rule, that is essential for making the rules work; a climate of coexistence. The declared ideal

of success and profit was turned to ridicule because we allowed a situation in which the biggest success could be achieved by the most immoral people, and the biggest profits could go to unpunishable thieves.

“Paradoxically, the cloak of liberalism without adjectives, which regarded many things as leftist aberrations, concealed the Marxist conception about a foundation and a superstructure: Morality, decency, humility in face of the order of nature, solidarity, regard for those who will come after us, respect for the law, a culture of human relations, and many other things were relegated to the realm of the superstructure, and slightly derided as merely the ‘seasoning’ of life — until we found there was nothing to season: the foundation has been undermined. It has been undermined because — the atheists among you will forgive me — it was not developed in a rigorous climate of the divine commandments.

“Intoxicated by power and success, and fascinated by the discovery, or rediscovery, that a political party can be turned into a marvellous springboard to start up the career ladder, many began — in an environment that took the law so lightly — to turn a blind eye to this and that, until they were faced with scandals which cast doubt on the principal reason for our pride — on our privatization. Human beings are social animals who feel a need to form associations and to take part, even if only from within their own small worlds, in the management of public affairs and in the pursuit of the universal good. This, too, was somehow forgotten: Under the motto ‘the citizen and the state,’ the citizen was thrown into hopeless isolation. . . .”