

measures, including sharp reduction in the number of state-paid employees; raising fees for gasoline for individual users; harsh measures against delinquents, including oil-extracting companies (those of them that have debts to the state budget will lose access to export oil pipelines); decreasing import duties for goods having no Russian analogues, and so on.

In an interview with journalist John Helmer, versions of which were published in the *Journal of Commerce* and the *Moscow Tribune* on April 17, economist Sergei Glazyev, head of the Department of Information and Analysis of the Federation Council, blasted the IMF's current negotiations with the acting Russian government as "illegal," because the spending cuts and other conditionalities violate laws duly passed by the Russian legislature. The authority of Kiriyenko and Dubinin to commit Moscow to those terms, just 24 hours after Kiriyenko's first rejection by the Duma, is also in question. IMF spokesman Graham Newman told Helmer, "I believe Yeltsin is still the President of Russia, and if he designated someone [to sign], then the legal authority existed." The Russian President, however, has denounced as "a provocation or an invention," the large public-sector job cuts to which the letter evidently commits Russia.

Sources report that Kiriyenko's signing of these documents, in order to please the IMF, was the topic of much discussion in the State Duma before the last vote.

No funds for Army salaries

The latest reports from the military sector, point to the potential social turmoil, to which further economic collapse will lead. On April 15, the State Duma overrode Yeltsin's veto of a law raising the wages of troops and officers in the Russian armed services. Yeltsin acted because the 52 billion rubles (\$8.5 billion) over two years, mandated by the law, is not in the 1998 federal budget, which is closely calibrated with the conditionalities for IMF lending. If the Federation Council also overrides, Yeltsin will be required to sign the law, but Itar-TASS reported that acting Defense Minister Igor Sergeyev doubts the money can be found in any event. Sergeyev said the priority should be to pay the 11.4 billion rubles (\$1.9 billion) in current wage arrears to the military.

In *Nezavisimaya Gazeta* of April 17, under the headline "Army May Go Out of Control," Vladimir Mukhin wrote that young officers are fleeing the military at a high rate, unable to cope with the lack of pay and other miserable conditions. The average age of retirement for commissioned and warrant officers in 1992-97 was 37. As a result, there is "an acute shortage" in the middle of the officer corps, the levels that work directly with the troops. Mukhin quoted Gen. Col. Ilya Panin, chief of the Main Personnel Directorate of the Russian Defense Ministry, who told an April 16 press conference that nearly one-third of the posts of platoon and crew commanders, and deputy commanders of companies and batteries, are vacant.

Italy's choice: EMU or New Bretton Woods

by Claudio Celani

Following the visit of Lyndon LaRouche to Italy at the beginning of April, the Italian government at its highest level officially endorsed the idea of a New Bretton Woods. Although not acknowledging LaRouche's "copyright" on the idea, the Italian government statements reflect the impact of LaRouche's week-long visit, and especially his discussions with members of Parliament, on the necessity of a reform of the international monetary system.

Thus, during a state visit to Argentina, when Italian Prime Minister Romano Prodi was asked by *EIR* correspondent Gonzalo Huertas whether he thought the April 16 G-22 meeting would deal with the proposal for a New Bretton Woods, Prodi answered:

"I personally believe that we must move toward a New Bretton Woods. And this has to be analyzed very carefully, because the risk level in the international monetary system has greatly increased in the recent period. But it is an issue that can be touched upon at this meeting. It has to be the object of a very serious analysis; it is not something that is going to be done at this moment."

More interesting than Prodi's statements, which do not specify what the "New Bretton Woods" should be, are views expressed almost at the same time by Italian Foreign Minister Lamberto Dini, who became the first Western government official to push for "bankruptcy reorganization." (Putting the entire financial system through "Chapter 11" bankruptcy procedures is key element of LaRouche's approach to the current financial collapse.)

Dini, a former International Monetary Fund (IMF) official and central bank director, criticized the IMF "bailout" approach to the Asian crisis. In an interview with the daily *La Repubblica* on April 6, he said: "We cannot hide it, there is something wrong. You cannot give investors the impression that, if the investment fails, there will be a supranational body coming in, with taxpayers' money. A moral hazard has been created, and we must temper it by introducing a sort of international bankruptcy court, to establish the principle that creditors pay for failures and that an investment has a risk factor. Like with private firms: When one goes bankrupt, you list up the creditors, you maybe reach an agreement, but you never recover the last cent."

Prodi and Dini represent different factions in the Italian government: While Prodi puts his foot in two stirrups, Dini represents a conservative banking view and the business-oriented interests of Italian industry. These factions, however, tend to converge when the discussion on the international financial crisis polarizes, and take a position different from a third faction of IMF supporters, such as, for instance, Economy Minister Carlo Azeglio Ciampi, who is the strongman in the government.

Indicative is the fact, for instance, that on the so-called Asian crisis, Ciampi and Dini have expressed totally opposing views. While Dini has warned that the Asian crisis will cost the West at least 0.5% of GNP, "and it is not guaranteed that it might not be worse," Ciampi came out April 20 saying that "the Asia crisis will not affect Europe." Ciampi's statements, which are a witting lie, are necessary to maintain the euphoria over the euro, the upcoming single currency of the European Monetary Union (EMU).

The euro "euphoria" is the main element disrupting a healthy discussion of the issues raised by LaRouche, Prodi, and Dini. On one side, Italy has been subjected to humiliating examinations of its public accounts in order to be accepted into the initial group of the European Monetary Union; on the other side, Italian politicians take license to speak out "against the rules," as revenge for being discriminated against inside

the "rich club." How far this sentiment is going to become a serious alternative policy, is an open question.

The luxury to speak out

LaRouche commented on that, in an interview with "EIR Talks." "Italy," he said, "is low on the barrel, in terms of the current European pecking order, relevant to the so-called euro. And thus, the Italian politician, who is kicked in the teeth, but who is generally much more intelligent, on the average, ironically, than the typical politician in other European countries, may compensate for his frustration, and his lack of influence in the situation, by simply coming out and enjoying the luxury of office to tell the truth."

LaRouche added, "In part, Mr. Prodi has said things which are true, accurate as far as I am concerned. . . . I don't know how far he's prepared to go, but I find it interesting that he should say it." One fact is certain: LaRouche's movement for a New Bretton Woods system is gaining increasing influence in Italy; so much, that its opponents do not dare attack it openly, but choose to push their version of it, or to slander it in order to create confusion. For instance, a proposal for a world monetary condominium between the dollar and the euro, which in reality is a policy to wreck the dollar, has been pushed under the name of "Bretton Woods Two." This proposal has been reported on by a senior economic journalist, Danilo Taino, in the daily *Corriere della Sera*. According to Taino, such a proposal is being pushed especially by French government circles.

This idea of a euro-dollar condominium is not new. It was first presented as a "new Bretton Woods" by Italian Defense Minister Beniamino Andreatta, a liberal economist who was a guest on Queen Elizabeth's yacht, the *Britannia*, on June 2, 1992, and who participated in that conspiratorial meeting against the Italian state and finances, which was exposed by *EIR*.

Also, a few weeks ago, international speculator George Soros was deployed to slander the idea of a New Bretton Woods. "We need some global regulating institution, in the Bretton Woods spirit," said Soros, in an interview with the Italian magazine *Liberal* on March 12. "We need an international organization aimed at keeping peace. It can be an empire, or a balance of powers. Or it can be some sort of international institution. In the 19th century, we had a global capitalist system as well, and it was Great Britain that represented the imperial power that maintained stability."

The battle lines are clear: the Empire versus the Nation; the euro versus a real Bretton Woods. The statements by Prodi and Dini, by reintroducing the necessity of state intervention into the collapse provoked by the markets, imply an all-out war against the financial oligarchy, if those intentions are not empty words. You must go for the maximum risk in order to win it, LaRouche said in Rome. In the next weeks, developments will show if Italians want to take that risk in order to save the nation, and civilization.

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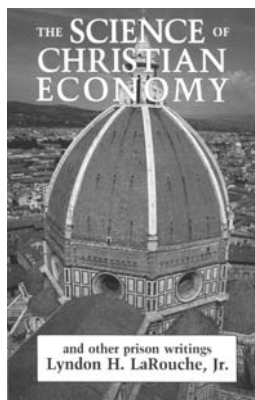
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