

Alan Greenspan, chairman of the U.S. Federal Reserve, June 10 testimony before the Joint Economic Committee of Congress:

“The current economic performance, with its combination of strong growth and low inflation, is as impressive as any I have witnessed in my near half-century of daily observation of the American economy.” U.S. economic growth, he said, is “still enjoying a virtuous cycle.” Greenspan concluded: “Our economy has remained strong this year, despite evidence of substantial drag from Asia, . . . the economy continues to perform more impressively than it has in a very long time.” Regarding Asia, Alan-in-Wonderland admitted that as “the events of the past few weeks have demonstrated, the restoration of normally functioning economies will not necessarily go smoothly.” Still, he chirped, Asia’s problems do “not seem likely to threaten the expansion of this country’s economy.”

Malaysia’s Mahathir slams hedge funds

Malaysian Prime Minister Mahathir bin Mohamad spoke in Tokyo at the Fifth Symposium of the Institute for International Monetary Affairs on June 2. A summary follows.

What is the worth of a nation, if someone can devalue it, and bankrupt it? In a scathing attack on the “analysts” who claim that weak “fundamentals” are the reason for rapid currency movements, Dr. Mahathir posed very directly that it is the speculators and hedge funds that are destroying the economies of Asia. He noted that, even immediately prior to the onset of the attacks on the Asian currencies last summer, international organizations, including the IMF and Michel Camdessus, were praising Malaysia “for our sound economic management, for our superb economic fundamentals. . . . On June 17, 1997, just two weeks before the currency hurricane struck, the IMF gave Malaysia not just a clean bill of health but the IMF in fact praised Malaysia’s economic fundamentals. . . . And the IMF commended Malaysia to investors as an economy that ‘justifies the confidence of the markets.’

“I cite all this in order to address all those extremist ‘market fundamentalists’ who believe that the market is always right and that the reason why so many of us are in desperate straits today is because we mismanaged our economies and because all our ‘fundamentals’ were rotten to the core.”

“The analysts and all those who are obviously cleverer than us simple elected leaders must know that we have had not ten years, but 40 years of economic growth unparalleled in human history. Since some of them are young enough to be our grandchildren, perhaps we should remind them that

many of the things that they complain about and which they say are the reasons why we are in such difficulties today, were things that we ourselves started complaining about when we ourselves were their age. So many of the so-called fundamentals which are now listed as the main causes of the currency and financial turmoil of the last 12 months — corruption, monopoly, crony capitalism, inadequate human resources, very far from perfect banking systems and practices — have always been with us. Yet, we were able to grow faster and longer than anyone before in human history. . . . But the true causes of why our currency plummeted and why we are facing an economic crisis must be sought elsewhere.”

After describing areas in which measures must be taken, Mahathir continued: “At the international level, I believe that the time has come to deal with the entire issue of reform of the international financial system to ensure currency stability and to contain the activities of those who buy and sell money for no other purpose than to make profits.

“Let me say once again that currencies need to be changed if there is going to be international trade. That is why the leaders of the western nations met to draw up the Bretton Woods Agreement, the purpose of which was to agree on a mechanism for determining the value of one currency against another.” But, then, Mahathir said, “some countries in the West decided to devalue their currencies in order to enhance competitiveness,” and quickly “a currency market emerged which took advantage of the mildly unstable exchange rate. . . .

“With the invention of arbitrage and futures trading, the need for exchange rate stability for the purpose of trading gave way to the desire of currency traders to make massive amounts of money in the shortest possible time. An artificial system of devaluation and revaluation of currencies was devised which enabled currencies to be appreciated or depreciated literally within seconds. Thus the Indonesian rupiah was, at one time, devalued by more than 600%, then in the space of a few days recovered by 200%. It is still moving up and down by 100% to 200% in the space of one day or even half a day. . . .

“Can it be that all the assets of that huge country, with 220 million hard-working people, are suddenly worth only one-sixth of its previous value? What, indeed, is the worth of a nation, if suddenly someone can devalue and even bankrupt it? . . .

“All in all, the present system, if there is a system at all, is messy, unreliable, and destructive. Can world trade depend on these shadowy market forces, whose methods are not known to anyone except themselves? But, again, this hedging profits only the hedge funds, adding to the cost of goods and services.

“There is nothing to indicate the need for currency trading other than the vast profits that can be made by currency traders. On the other hand, we now know the extent of the damage to the economies of whole countries and regions that currency trading can inflict.



Dr. Mahathir bin Mohamad in Argentina, 1997.

“The excuse that currency trading provides market forces with the means to discipline governments is totally unacceptable.

“Everything points to the need for an international financial system which will bring about stability of exchange rates among other things. Admittedly we cannot bring back the gold standard or the Bretton Woods system. It would be a sad commentary on the ability of the world’s financial and economic experts if they cannot come up with proposals on a new international financial system. . . .

“Fixed exchange rate is no longer possible or realistic. Obviously the political, economic, and social performance of a country will have an effect on the value of its currency. . . . As for the economy, there are various indices which can be given points, indicating the strength of the economy, and therefore, the currency. It is not beyond the capacity of the world’s great economists to devise a measurement of the economic performance of a country. . . .

“This is, of course, only a suggestion. The financial experts and the economists may laugh, but it will stop the currency traders from laughing all the way to their banks. . . .

“Devaluation or revaluation are not the answers to the world’s economic problem,” said Mahathir, describing the different factors which go into improvements in productivity.

“We are moving inexorably towards globalization. Like the proposal to link human rights, the environment, and labor

practices to trade, globalization, liberalization, and deregulation are ideas which originate in the rich countries, ostensibly in order to enrich the world. But so far the advantages seem to accrue only to the rich. . . .

“Perhaps the peoples in the developing countries should be happy because they will be served by the most efficient and the biggest companies of the world. They will have the choice of three giant banks, four makes of cars, five hotel chains, ten fast food chains, etc. . . .

“In a globalized world, should there be national governments? We have seen that market forces can change governments. What is the need for national elections if the results have to be approved by the market?

“These are some of the international issues which have either to be attended to immediately, or at least debated seriously. Far too often, decisions on these issues are far from democratic, yet the same people insist on democracy for everyone. It is about time that international democracy be recognized as being as important as national democracy.”

The new, ‘ugly’ capitalists

On June 4, Dr. Mahathir addressed the Nihon Keizai Shimbun International Conference on “The Future of Asia in a Globalized and Deregulated World” in Tokyo. A summary follows.

Prime Minister Mahathir demonstrated how a phony concern for “human rights” was used to justify interference in the economies of the industrializing nations, which went along with attacks by speculators and hedge funds, to allow foreign banks and corporations to take over those economies.

Is it not strange, he asked, that “in a world which talks incessantly about the freedom of speech, about human rights, millions of people being made jobless and destitute does not arouse the sympathy of the exponents of human rights. Their response this time is simply to point at the governments of these countries and accuse them of a variety of social crimes. That for 40 years these self-same governments had developed their countries and created millions of jobs for their people was dismissed as the ill-gotten gains of their corruption.”

International agencies then demand “reforms,” such as an increase in interest rates, a credit squeeze, an tax increase, that “all subsidies and monopolies must be withdrawn and the government should not control exports.”

“Finally, the countries receiving the IMF’s aid must open up their economies, so that foreign companies could operate without any restrictions on ownership or areas of economic activity.” When these countries are under stress because of the devaluation of their currencies and collapse of share prices, local companies and banks are attractive for takeovers by foreign companies. These countries are then told that the takeover of the economy by foreign companies would result in economic recovery.

Mahathir talked about how, in “the heyday of blatant capitalism,” exploitation of the poorest workers was considered

as a matter of right. In response to Communist revolutions and violent takeovers of governments, “the Western capitalists decided to show a friendlier face to their workers. The rights of the workers to form unions, to have higher wages and bonuses, to shorter working hours and holidays, to good housing and medical treatment were recognized and granted. . . .

“The term capitalism was gradually displaced by the free market. . . . The ugly capitalist image of private corporations was replaced by a much more friendly, professionally managed public listed companies.”

With the end of Communism, “the concept of the nation-states and their independence had to be debunked. Non-interference in the internal affairs of nations must give way to the right of the powerful nations to intervene in order to ensure that the right things are done. Even democracy has to be sacrificed in favor of market forces in determining policies and government leadership.

“President Carter was the first to claim the right to intervene in any country where human rights are alleged to have been violated. This was followed by the attempt to use the GATT [General Agreement on Trade and Tariffs] and the WTO [World Trade Organization] to link trade with human rights records, workers’ rights (specifically low wages in countries competing with the developed countries), the environment, etc.

“The targets of these sudden concerns for the people’s well-being seemed to be those developing countries which clawed their way into becoming industrialized nations, producing goods which compete successfully with those of developed countries. The results of linking trade with human rights, etc., would be to make the cost of production of these countries increase so much, that they would not be able to compete at all or they may not be able to export their products at all. . . .

“Ugly capitalism seems to be at the back of this humanitarian concern. It is not humane at all, as the consequence of this demand is to make the peoples of these countries poorer, not richer. . . .

“Paralleled with the propaganda on deregulation and globalization came exposures of the misdeeds, the corruption and the cronyism of the leaders of countries, which, incidentally, had managed to industrialize themselves and produce goods to compete with those from industrialized countries. Inundated with these propaganda materials from the capitalist-controlled world press, the peoples of these countries soon turned against their governments. They joined the chorus not only to demand the overthrow of their governments, but to open up their countries to foreign exploitation. . . .

“It has been pointed out that currency traders can devalue any nation’s currency at will. Currency trading is done not by hedge funds alone, but also by the big banks. One of these banks is capitalized at over \$600 billion. It is believable that between these banks and the currency traders they have almost \$30 trillion. . . .

“With trillions at their disposal they [the new capitalists] have become a force that no government of developing countries can go against. Control of the media enables them to shape public opinion, censor criticism, and generally promote the legitimacy and the wholesomeness of their concept of the new world order. If they say globalism is good, then the whole apparatus will say so and no one will be allowed to say otherwise.”

Mahathir then summarized what had been broadcast by the wires the previous week: That the economies of the Asian countries will be dominated and run by huge foreign corporations; that governments will have to submit to this because they are up against forces which they cannot defeat. “But the people will show their resentment against those outsiders who will lord it over them once again. Bitter over the takeover of their national corporations, they will show their feelings in many ways. Sooner rather than later, they will think of regaining control over their economies. They will regard this as a new war of liberation. Even if they want to avoid violence, violence must come, as the new capitalists disregard the signs. . . . There will be a kind of guerrilla war which will not be good for anyone.”

Mahathir concluded: “Maybe this will not be the future of Asia. . . . Maybe the healthy economic competition between Asia, Europe, and America will be restored. But the new capitalists would not want to miss the opportunity to dominate the world and make lots of money in the process. Only if their own countries restrain them, will the future of the world of which Asia is a part be peaceful and prosperous.”

Coming soon in EIR

Lyndon H. LaRouche, Jr. addresses the issue of “The Substance of Morality,” in an article which will be published in a forthcoming issue. In introducing this major theoretical work, LaRouche identifies a crucial paradox: Science and technological progress are indispensable for the continued progress of our species; “however, when and whether progress, or even retrogression occurs, is never automatic; the actual outcome is a result of what we term ‘cultural factors,’ as much as impulses attributable to progress in discovery of higher physical principles as such.”

Faced with the current global financial and monetary crisis, LaRouche writes, “sane national and related policies depend upon discovering and adopting those principles of culture to which we must turn, if we are to avert the seemingly inevitable demographic and per-capita collapse now gripping this planetary civilization.”