

Editorial

Time to end free trade

Tumultuous developments on the international financial front, reported in this issue, show that the tide is beginning to turn against the insane British ideology of free trade. As the world systemic crisis deepens, governments are going to have to re-regulate their economies, if they want to avoid complete collapse.

As Joseph Yam, chief executive of the Hong Kong Monetary Authority, put it in a memorandum on Aug. 19, "Whether we like it or not, governments have a role in protecting the level and employment of their people."

When even the London *Times*, house organ of the British oligarchy, publishes a commentary titled "Kick Speculators Over the Hedge," backing Hong Kong's spectacular strike against the currency speculators, you know that somebody's "paradigm" is shifting.

The Aug. 20 commentary by Graham Searjeant charges that the hedge funds "aimed to destabilize an entire economy for a fast buck." The destruction of the economies of all Asia "is a high price to pay for the freedom to speculate," he writes. "It may yet trigger a world slump." Hong Kong was right to act to defend its currency, but the battle is not over yet. "If Mr. Yam succeeds, Hong Kong should find out who did what, name them, and shame them," Searjeant concludes.

In Hong Kong, it's the nation-state versus the hedge funds, in hand-to-hand combat. More broadly, the People's Republic of China, of which Hong Kong is now a part, is waging a pitched battle to defend the economic achievements of the nation. Confronted with disastrous flooding, the Beijing government is moving to take control of the situation. The *People's Daily* devotes some two-thirds of its daily coverage to decrees and marching orders, aimed to prevent speculation and hoarding, and to rally both soldiers and civilians to deal with this national catastrophe.

Russia, too, has acted on the basis of national sovereignty, taking preliminary action against the currency speculators on Aug. 17, with the imposition of controls on currency and capital, the suspension of payment on certain government bonds, the devaluation of the ruble, and other measures. But there continues to be an all-out battle over the next step, with Prime Minister Sergei

Kiriyenko urging measures by the state to revive the economy and protect the population, and with foreign creditors brandishing threats.

For the efforts at re-regulation to succeed, we require the top-down approach that Lyndon LaRouche has outlined. He has specified a five-point program, to be adopted in the context of a New Bretton Woods conference:

1. Governments must not attempt to bail out the speculators. Let the derivatives market and other paper values collapse: It's only paper! The only necessary action of government on this account, is to protect people, productive enterprise, and useful trade in hard commodities and science-related services.

2. The credit and issued public Treasury debt of national governments must be protected at all costs; otherwise, the necessary measures of economic recovery and growth would not be possible.

3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services.

4. The President of the United States must act in concert with other governments, to put the existing financial and monetary system into bankruptcy, and to put a new world monetary system into place. This must echo the highly successful, pre-1959 form of the Bretton Woods agreements, with the proviso that, to replace the bankrupt central banking systems, we require the principles of Hamilton-style national banking.

5. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade, and to provide an urgently wanted general stimulant for the private economies of the participating nations. The core of such a recovery program is the Eurasian Land-Bridge, creating corridors of high-technology infrastructural and industrial development, with "spiral arms" extending to Africa and the Americas.

Each point of this program is essential, and each is bitterly opposed by the free traders and speculators. They must be politically smashed, with the courage and determination shown by the authorities in Hong Kong on Aug. 14.