

second, more moderate plan involves slashing social spending by 25%, says a source close to the economic team.”

EIR has documented time and again, since a major exposé published at the end of 1995, how the privatization of the pension system in Chile was used to loot the country and its workers, even before the funds lost billions during the market turmoil of 1997-98. As of mid-1998, one-third of the \$33 billion in pension funds privatized in Chile was invested in the stock market, which had lost nearly 20% of its face value in the first half of that year. (The system’s supporters in the financial sector proposed to “protect” the pension money — by allowing it to be invested in *foreign* markets.) Meanwhile, 2 million working-age Chileans had come to have to pension provisions at all.

Insanity on Display

Illarionov took time out from his duties as host for foreign lobbyists, to participate on April 25 in a domestic enterprise: a press conference on the publication of Russian-born anti-nation-state crusader Ayn Rand’s works in Russian. The publishers and translators, Dmitri Kostygin and Yaroslav Remenchuk, announced a campaign to get the Ministry of Education to make Rand compulsory reading in Russian schools.

Rand, who followed Nietzsche in her hatred of St. Paul’s agapic Christianity and who advocated smashing the nation-state, supposedly in the name of individual freedom, is the heroine of the U.S. Federal Reserve’s Alan Greenspan — as Illarionov advertised in his own peculiar way. According to the *Moscow Times*, Illarionov cited opinion polls in the United States as placing Rand’s *Atlas Shrugged* as the second-most influential book after the Bible, and singled out her influence on Greenspan. “Greenspan has been acclaimed many times over as the genius behind America’s ‘New Economics’ and the economic boom of the ‘90s. He was a personal friend of Rand,” Illarionov said. “If people here are likewise influenced by her work, then I will be very glad.”

Illarionov raved on, “Every import tariff and every limit on foreign-exchange transactions is a blow to our consciousness. Every tax acts against our freedom.” The *Moscow Times* reported, “Illarionov called for hauling back state interference in the economy and said it was a myth to claim that liberal reforms had taken place in Russia over the last eight years.” He said, “If we really want fast economic growth, then sooner or later we have to cut down state spending to no more than 20% of GDP and cut back the tax base to the same level.”

Illarionov also took this occasion to pump up the so-called Chilean model, once again, as he “cited Chile’s economic plan under the dictatorship of Gen. Augusto Pinochet as an ideal example of good economic programming. He also criticized Putin’s economic think-tank for planning to write a 300-page economic program. ‘It’s better for programs to be short. One of the best examples is the program produced by Chile. It was 15 pages long and simply laid out principles

and the basis for the state’s relationship with society,’ he said. ‘1975 to 1990 was the golden period of Chilean economic reform, during which time Chile overtook the rest of Latin America.’ ”

Sapir Offers Plan To Reconstruct Europe

by Christine Bierre

Jacques Sapir, the leading French expert on Russia, and Director of Studies at the School of Advanced Studies in the Social Sciences, put forward an excellent proposal, in the tradition of Grand Designs, for the reconstruction of eastern and western European economies, in the Paris daily *Le Monde* on April 18.

Before elaborating an economic plan which would allow the nations of the Commonwealth of Independent States (CIS) and those of the Black Sea basin to reconstruct their economies in conjunction with the European Union (EU), Sapir attacks the Council of Europe for imposing sanctions on Russia and Ukraine, the former because of the war in Chechnya, the latter because of a referendum which could threaten parliamentary democracy in that country.

Despite the fact that the sanctions will have no effect whatsoever, “in order to condemn, you need a different moral stance than that of the European countries,” says Sapir, who points out that “the West more than tolerated the first Chechnya war (1994-96), . . . applauded the use of force and violence against the Russian Parliament in 1993,” and “covered up for the massive fraud committed during the 1993 constitutional referendum and the 1996 legislative elections.” Not only are sanctions a political mistake, he says, but to impose them without offering any alternative is “one of those mistakes which is worse than a crime.”

Behind this sudden indignation against Russia, Sapir sees “the work of a group of people who are delighted to rediscover an ‘evil empire’ to denounce.” This attitude is all the more convenient, he continues, because it allows such people to push into the background, “the legitimate and necessary debate concerning Western responsibility for the present evolution of those countries.” The policies imposed by the West on those countries result today in actions “which provoke our horror; we should have thought about it beforehand!”

Create a Payments Union

If we want to change the situation, “the evil must be attacked at its roots,” Sapir says. He proposes a well-thought-out economic plan to pull those countries out of crisis. “The economic depression is largely linked to the collapse of internal trade, following the dissolution of the U.S.S.R.,” he says.

Because they cannot compete, those countries have been unable to replace the internal trade, with overseas trade with more developed countries. "The contraction of trade with the former communist countries results largely from the absence of adequate systems of payment. It is possible to come out of this dead-end through a proposal which economically and politically could unblock the situation. Trade among the concerned countries must be favored through the creation, within the CIS, of a Payments Union, inspired by the experience of the European Union of payments which functioned with great success between 1948 and 1959."

Sapir elaborates: "A Payments Union means three things: It is a system which means making currencies convertible within certain periods of reference. Only final accounts would be settled in currencies or through credit lines. It is, secondly, a multilateral system of credit to develop trade, in exchange for a commitment to dismantle administrative and discriminatory barriers. It is, finally, a system of coordination and cooperation among central banks, in order to ensure fixed interest rates among member-states within periods of reference."

Sapir calls on the EU to contribute \$2-4 billion to this effort, which would be "the initial funds to feed the credit system, just as the United States did at the end of 1947." He proposes that the single European currency, the euro, be the reference currency for this entire effort, which could "re-

launch growth to levels estimated at 10 to 15%" of Gross National Product.

Politically, Sapir's proposals put Russian President-elect Vladimir Putin, who has made it widely known that he favors a privileged alliance with western Europe, on the spot. "The participation of the EU in a Payments Union, based on the CIS and the countries of the Black Sea basin, could be seen by the Russian authorities as the means to establish privileged relations with Europe, one of its widely stated objectives," states Sapir.

His proposals are also aimed at building a European alternative to the disastrous policies carried out by Britain and the United States in the last years, policies that neither George Bush nor Al Gore would change, if they became President. The creation of this Payments Union would not only reestablish western Europe's credibility vis-à-vis the eastern Europeans, but it would also give the EU "the means to get a handle on eastern European policies and face up to American attempts to impose its own vision of the economic and political organization of the European continent. For a comparatively small cost—the initial involvement would be 2 to 4 billion euros—the EU could become a motor force for the organization of the continent, and could build a partnership among equals with Russia."

Sapir's proposals intersect the fact that France will preside over the EU starting in July, and that that role "could be one of the main axes of the French Presidency."

As the financial markets go up and down like roller coasters, causing vertigo among all but the most insane speculators; as hyperinflation begins to loom, provoked by the central banks' massive liquidity pumping in an effort to save the system; and as physical economies are looted worldwide by financial capital, Sapir's proposals are highly interesting and, apart from the work of Lyndon LaRouche's collaborators, represent a rare voice of sanity in western Europe. His proposals open up a much-needed debate on the need to go back to the dirigistic methods which proved to be successful in Europe after World War II.

Toward a New Bretton Woods

Limited to Europe geographically, and limited in scope, the success of Sapir's project requires the type of broader reform of the global financial system proposed by LaRouche, for a New Bretton Woods conference. At this late stage of the financial crisis, the possibility that only part of the world could revive its physical economy without a general reorganization of the global financial system, is unrealistic. With a financial bubble of trillions of dollars parasitizing the world economy, no region of the world could enjoy autarkical development for long before the choice is posed, to either eliminate the bubble, or be destroyed with it.

Capital controls, and controls on speculation in general, have to be adopted internationally as well, to be of any use. Nothing else will stop speculators. Why would anybody in-

LAROCHE ON THE NEW BRETTON WOODS

**"The present fatally ill
global financial and
monetary system must be
radically reorganized.**

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must be reorganized.**

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vest in long-term productive projects, if they can get much higher returns on speculation?

Finally, there is also the political angle of this fight. The policies outlined by Sapir imply a war against the financial powers which have taken over the world economy and are looting it to the bone, destroying humanity with it. There is no way that we will be able to sneak in a better system in any one part of the world, without defeating that financial oligarchy worldwide. The war launched by President Franklin Delano Roosevelt against Wall Street gives us an idea of what it will take to defeat the oligarchy. And today, just as in Roosevelt's time, a positive U.S. role is indispensable in order for global economic reorganization to succeed.

Real growth and stability in the economy will only be reestablished when the neo-liberal axioms adopted nearly 30 years ago are rejected, in favor of the approaches of Franklin Roosevelt, Charles de Gaulle, and Konrad Adenauer.

Drought Ravages India, Pakistan, Afghanistan

by Ramtanu Maitra

Intense summer heat and years of scanty rainfall have created a crisis-like situation in southern Afghanistan, the provinces of Baluchistan and Sindh in Pakistan, and at least five states in India. Reports indicate that more than 50 million people and large herds of cattle have been affected. Since the monsoon rains, if they come at all in their full glory, are still a month and a half away, the drought may pose serious economic and human problems to the struggling South Asian nations. Pakistan and Afghanistan have sought international aid, and Pakistan has also deployed Army personnel to conduct relief work.

The drought in Afghanistan and Pakistan struck following eight years of scarce rainfall in the sparsely populated, desert-like land, an almost 100,000-square-kilometer area north of the Tropic of Cancer. Because the population is small and nomadic for the most part, the crisis, if food for the people and fodder for the cattle are delivered, will remain manageable. Nonetheless, a large number of cattle, though tolerant to dry conditions, have already vanished, and many families have begun migrating northwards, waiting for less harsh climatic conditions.

India Is Worst-Hit

In India, the situation is more serious, because the areas affected are well-developed, residentially and commercially. Although the intensity of dryness in the five affected states is less than that in Afghanistan and Sindh, the people are less

adjusted to such harsh conditions. Among the states affected are Gujarat and Rajasthan, two states that form the Great Indian Desert. Two other states, Maharashtra and Andhra Pradesh, are located partly in the rain shadow of monsoons. Also affected is the state of Orissa in the east. In India alone, about 50 million people have been affected, while cattle are dying in the hundreds.

The drought has hit areas that are highly vulnerable to erratic rainfall. During the last two monsoons, this area, with the exception of Orissa, got much less than its expected annual average of 16-30 inches of precipitation. There was no rain last winter, and it was no surprise that the drought has shown up in the area, which experiences, throughout the months of April and May, temperatures hovering around 112°F or more. The real danger now is of yet another monsoon failure in the area. In that case, a massive human tragedy may occur.

If concrete measures are not implemented to overcome the water shortage of Rajasthan and parts of Gujarat, Madhya Pradesh, Maharashtra, and Andhra Pradesh, such disasters will revisit the area time and again. The complex system of monsoon winds, orientation of mountain ranges, variability of rainfall, and erratic cyclones in the Indian Ocean and the Arabian Sea, lead to excessively low rainfall regions and pockets of rainshadow areas, which are not well defined. Saurashtra, a prosperous part of Gujarat, is now encountering a severe drought, but will start receiving water from the \$5 billion Narmada River Valley Development Project, beginning next year.

As of now, Rajasthan and Gujarat are the most affected states. Twenty-eight out of 32 districts of Rajasthan are drought-stricken. Some observers claim that this is the worst drought that Rajasthan has faced in the last 100 years. In Andhra Pradesh, 18 out of 23 districts have been declared as drought-hit — affecting 18,000 villages. There are allegations that the district administrators violated the guidelines set forth by the National Remote Sensing Agency (NRSA) and have aggravated the situation. Based upon NRSA's findings over the years, the state government had barred the boring of deep tube wells in certain areas. But the administrators, in the absence of any remedial policy that would ensure water to the people, ignored the guideline, and allowed the wells to be bored. This has lowered the groundwater table in those areas, causing the tube wells to run dry.

Orissa, located on India's east coast, is hardly recovered from the cyclone that killed thousands and made hundreds of thousands homeless last fall. Now, people of the state are finding out that the cyclone did more damage than what was visible to the naked eye. It made existing water tables brackish and saline in places. Today, in these places, freshwater is not available even at a depth of 1,500 feet.

Whose Fault?

While warning signs for the drought were all over the place, neither the national government in New Delhi nor the