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itself collapses, so does the protection. One cannot buy securities which offer protection against the collapse of the securities market itself.

Preliminary estimates put the cost to the insurance sector at between $2 billion and $3 billion, mainly through directors and officers liability insurance provided to Enron, and perhaps Dynegy; professional liability coverage to Enron's auditor, Arthur Andersen; and any financial guarantees on Enron's projects. In addition, the insurers which hold Enron stock or debt will have to write down the values of those assets.

The whole mess is reminiscent of the blowout of Lloyd's of London a few years ago. Lloyd's, facing huge asbestos losses, recruited thousands of "colonials" to join its prestigious ranks, sticking them in those syndicates which were facing the losses. Each syndicate would buy reinsurance from another syndicate, to protect itself from losses. However, when the losses hit, it turned out that, in effect, Syndicate A had reinsured itself with Syndicate B, which reinsured itself with Syndicate C, which reinsured itself with Syndicate A. When they went to collect, the syndicates fell like dominoes, each protected on paper but not in reality.

It Gets Worse

While it is virtually impossible to calculate the size of the hole blown in the financial system by Enron's collapse, such a calculation is not necessary. It is not Enron's collapse which jeopardizes the markets, but rather the collapse of the markets which destroyed Enron. The process of global collapse, the deflation of assets and the decline of productive economic activity, created the condition in which Enron's speculative pillaging became unsustainable, and the company simply disintegrated. If, as it appears, Enron was set up for the kill by Wall Street, that is just another layer peeled from the same onion: Wall Street killing Enron in a desperate attempt to save itself. Faced with the vaporization of the bubble, the more powerful parasites are turning on the weaker ones, fighting to live another day. Yesterday's feared predator, Enron, became today's lunch. Tomorrow, it's someone else's turn. Shed no tears for Enron, but its demise solves nothing.

All sorts of investigations of the Enron debacle are either under way or planned, including the SEC investigations, Congressional hearings, and likely even criminal prosecutions. More than a dozen suits have been filed against Enron and its officers and directors. While not without merit, none of these investigations or suits will mean a thing unless leading institutions drop their attempts to save the bubble, and turn to the policies and leadership of Lyndon LaRouche.

Instead of passing more laws to speed deregulation, Congress must admit that deregulation was a boneheaded idea, a poison pill destroying a vital segment of our infrastructure and opening the nation up to new and dangerous forms of looting. They must stand up, at long last, and admit what *EIR* readers have long known: Deregulation was wrong, and LaRouche was right. Senator Daschle, are you listening?

Argentina

'A People Cannot Die To Pay The Debt'

by Cynthia R. Rush

On Dec. 5, the International Monetary Fund informed Argentina that it was ineligible to receive the $1.26 billion payment scheduled to be disbursed this month as part of the IMF's most recent $8 billion bailout package, and demanded the devastated country impose more budget cuts. Denying rumors that the Fund favored a currency devaluation, spokesman Thomas Dawson drily reported that because Argentina had failed to meet agreed-upon fiscal targets for the fourth quarter, the Fund would have to withdraw the team which had been auditing government books since late November, without whose completion no funds could be released.

The desperate Buenos Aires government was depending on the disbursement to cover interest payments on the debt due this month. It must pay about $2 billion monthly between now and April 2002, with $1 billion in Treasury bills, or Letes, due on Dec. 14. But Dawson said the auditing team would only return to Buenos Aires when the government of President Fernando de la Rúa could offer "more elaboration" of its fiscal plans, and show how it intends to comply with Finance Minister Domingo Cavallo's murderous "zero deficit" plan in 2002. The IMF official also made clear that, even without eliminating its 2001 budget deficit, Argentina could still make more budget cuts *right now,* as a sign of its commitment to the Fund's "fiscal responsibility."

The IMF's decision is tantamount to the murder, which Argentina's Catholic bishops warned against in a pastoral letter released on Nov. 17, following a week of deliberation in the city of San Miguél. "A people cannot die to pay the debt," Archbishop of Rosario Msgr. Eduardo Mirás warned. Argentina's government and economy are disintegrating, and its people are suffering from unprecedented levels of poverty and unemployment. The savage austerity imposed through Cavallo's "zero deficit" program, whose only priority is to guarantee foreign debt payment, threatens to unleash nationwide social upheaval. Every austerity measure imposed since Cavallo took office last March, has deepened Argentina's depression by shutting down productive economic activity and shrinking the tax base. Unemployment now stands at 18.2% or 2.5 million people, not counting another 2.4 million who are underemployed.

A country that could once boast of advanced technological and scientific infrastructure, and the ability to feed itself

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and the world, has been degraded and humiliated. Several rating agencies already consider that Argentina has defaulted on its $212 billion foreign debt, because of the debt restructuring plan Cavallo put into motion in early November. In the face of this crisis, Monsignor Mirás said, "it would be unthinkable for anyone who thinks with humanity" to demand more sacrifice of this devastated nation.

But the IMF isn't known for its humanity. It is more like a vulture picking over a carcass in search of something more to devour. In this case, it's the lives of Argentine citizens, and what little remains of a once-vibrant economy.

The same kind of moral insanity was reflected in the statements of former Argentine Finance Minister Roberto Alemann, for years a representative of Swiss banking interests, and whose outlook is close to that of the fascist Mont Pelerin Society. Responding to the IMF's withholding of the $1.26 billion, Alemann said the government could find the necessary funds to pay the debt by "postponing other payments the state must make, such as bonuses, and maybe wages . . . postponing payments to suppliers, and pensions." Cavallo has already savagely cut state-sector wages, pensions, and social programs to help the poor.

Wall Street Journal columnist Mary Anastasia O'Grady echoed Alemann in her Nov. 23 article, arguing that Argentina hasn't yet suffered enough of "a full-blown financial and economic crisis" to force through necessary neo-liberal reform. Nostalgic for the days when Argentina resembled a British colony, with "stately buildings" like those found in "the English countryside," O'Grady demanded more "misery" to force Argentina's political class to cut government expenditures even more, dollarize, and fully deregulate.

A Global Battle

This policy brawl over what to do isn't something peculiar to Argentina, the assertions of Anglo-American media and Wall Street fund managers notwithstanding. It rather reflects the battle being fought out *globally,* over how to deal with the crash of the world financial system. That crashing system is what brought down the erstwhile powerful Enron Corp., which operated more like a Wall Street hedge fund than a productive energy company (see p. 4). It is bringing down Argentina, and will bring down every other country still clinging to the rules set by the now-desperate international financial oligarchy.

Various schemes, like the "sovereign debt-restructuring mechanism" recently put forward by IMF Deputy Managing Director Anne Krueger, are panicked efforts to exercise control over an increasingly uncontrollable world financial situation (see *EIR,* Dec. 7, 2001). They ignore the reality that the financial system is dead and cannot be revived. Only U.S. 2004 Democratic Presidential pre-candidate Lyndon LaRouche has addressed that fact with his call to create a New Bretton Woods monetary system, and launch a world development program through the building of a Eurasian Land-Bridge.

Against the backdrop of domestic financial chaos and social unrest, Cavallo's vow that, with or without IMF funding, "Argentina's debt will be paid," is both psychotic and criminal. On Dec. 6, after learning of the IMF's Executive Board vote to withhold the $1.26 billion payment, Cavallo went into action, showing his willingness to violate even the free-market rules he learned at Harvard University for the "greater good" of paying the foreign debt. He announced measures authorizing the government to seize private pension funds, foreign exchange, and bank funds to get the necessary funds.

The measures force private pension funds to transfer their deposits out of private banks, and put them into the state-owned Banco de la Nación. This gives the government access to another $3.1 billion with which to pay the debt. Banks can now only hold 3% of their exchange abroad in their correspondent banks; any sum above that must be repatriated. If a bank has less than that percentage abroad, too bad; it can't send more now.

The government also prohibits exporters from receiving payments of foreign exchange outside of the country, forcing them instead to deposit them into the Argentine banking system. Businessmen and bankers who need to make payments aboard for anything other than imports, have to get approval from the Central Bank, before the funds will be released.

So, the irony now, is that Argentina, at one time the IMF's free-market poster boy, has returned to exchange controls—not for the type of economic reorganization it would need to launch a real development program, but *to pay the debt.*

Highway Robbery

The measures announced by Cavallo on Dec. 6 followed an earlier package announced on Dec. 1 (a Saturday), partially freezing bank deposits, and imposing limited exchange controls.

Because of the tremendous uncertainty created by the unravelling of the economy and growing unemployment, terrified citizens have increasingly pulled their savings out of the banks, fearing a currency devaluation or freeze on deposit withdrawals. Since February, $15 billion has left the banking system, with $1.3 billion withdrawn on Nov. 30 alone. Overnight lending rates topped 1,000%, and the "country risk" premium (the rate Argentina pays over U.S. Treasury notes, when it borrows abroad) shot up to 40%.

Knowing that this run on the banks would bring down the banking system when banks opened on Monday, Dec. 3, Cavallo announced a package of emergency measures on Dec. 1, limiting the amount of cash that individuals could withdraw, and imposing partial exchange controls. People could withdraw only $250 a week in cash, for a total of $1,000 monthly, and access the rest of their funds through the use of checks or credit or debit cards.

The measures provoked rage and panic. As one economist put it, "Without doubt, the economic implosion will now accelerate." Hundreds of thousands of angry citizens lined up at banks on Dec. 3 and 4, opening accounts, and applying for debit cards. Over the same two-day period, retail sales plummeted by 50% compared to the same two days of the previous week, as people had no access to cash. In some cities in the interior, the decline was close to 70%, and some businesses didn't even open.

Of particular concern was the impact of these measures on the 38% of the workforce which has been driven into the informal economy by the economic depression. Many small and medium-sized businesses have survived so far, only by employing people off the books, and not paying payroll and other taxes. Should they now be forced to accept fixed costs, such as payroll taxes, they will cease to exist or will opt to fire their employees, rather than assume fixed costs they cannot pay. Demand and consumption will also drop, since there will be less cash circulating. Currently, one-third of all tax revenues come from taxes on consumption, such as the value-added tax (VAT) or the fuel tax. In November, overall tax revenues dropped for the sixth consecutive month, by 11.6%, including an incredible 30% decline in the VAT tax.

The alternative to complying with these regulations is to resort to the use of provincial bonds and other forms of pseudo-currency which provincial governments have created on their own to pay workers' wages and pensions, because of the scarcity of pesos and dollars. These bonds, such as Buenos Aires province's Patacon, are not subject to the emergency measures, and have already begun to proliferate. Buenos Aires Gov. Carlos Ruckauf has loudly proclaimed that he will permit "unlimited" use of the Patacon.

On Dec. 6, at the same time that he announced strict exchange controls, Cavallo relaxed some of the cash withdrawal regulations, allowing workers to access their wages, as much as $1,000 at a time, and permitting people travelling abroad to take as much as $10,000 out of the country at a time. But, as the daily *Clarín* pointed out the same day, the initial partial freeze on deposits imposed over the Dec. 1-2 weekend, allowed the government to secure the reserves it needed for its purposes; it then proceeded with the Dec. 5 measures to secure control over the flow of reserves into the country. Whether this seizure of funds succeeds in keeping the game going a week or two longer, remains to be seen.

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Doha WTO Meet: A Few Gains, But More Worries For Developing Nations

by Ramtanu Maitra

Developing nations made a few gains at the World Trade Organization's (WTO) fourth ministerial meeting in Doha, India, on Nov. 9-14; but they were left with much to worry about in the future. Developing nations, led by India, retreated on the issues of the environment, investment and competition policy, trade facilitation, and transparency in government procurement. All these will be taken up in 2003, at the fifth ministerial meeting. The developing nations' demand for an early elimination of the quotas on imports of textiles and garments imposed by the United States, was rejected out of hand.

The biggest gains for the Third World were on Trade Related Aspects of Intellectual Property Rights (TRIPS) and public health.

Life-Saving Medicines

The WTO conceded to the developing nations' demand that their governments will be able to invoke the so-called "compulsory licensing" rules that allow them to ask non-patent-holding drug manufacturers to produce patented drugs. The agreement says that the governments can ask the multinational patent holder of a life-saving medicine to lower its price, failing which, the government can ask generic drug manufacturers to produce the drug. It will also enable countries to shop around for drugs in markets where prices are the lowest, under the parallel import clause. This concession will help such nations as India, Brazil, Thailand, and China, which have the ability to produce generics cheaply. Developing nations met the strongest opposition on the issue from Switzerland and the United States.

Another area of gain was in agriculture. The ministerial declaration says that the mandated negotiations would aim at "substantial improvements in market access; reduction of all forms of export subsidies; and substantial reductions in trade-distorting domestic support." When the export subsidies, of which the European Union (EU) is the major beneficiary, are phased out, the door will be open for developing countries to increase agricultural exports. The Indian Commerce Ministry claims that "this so far has been tough to achieve because of the high level of export subsidies given by the EU." According to its estimates, despite fulfilling subsidy reduction commitments, total support to the agricultural sector in member coun-