

those possibilities to life! You won't have criminals; you won't need police! Set up the vertical linkage, and everything will flow into the Treasury, which will strengthen our ruble, and industry will develop. This pathway is entirely realistic, and we should think about, and prepare the relevant decisions. Any other way, I simply cannot understand. Thank you.

For Mr. LaRouche's response to Academician Lvov, see p. 56.

Datuk Yahya Baba

Malaysia's Battle With the IMF System

Sergei Glazyev: We have as our guest the Ambassador of Malaysia, Datuk Yahya Baba, who is well known not only as the representative of this friendly country, but also as a prominent scholar, a specialist who has devoted much attention to the financial crisis. I would like to ask him to share his experience, and perhaps to tell us about Malaysia's experience in stabilizing a financial system under conditions of global crisis.

Datuk Yahya Baba: Good morning to everyone. Your excellency, Mr. Glazyev, dear ladies and gentlemen. It is indeed a privilege for me to be here, particularly with world experts on issues, which are alive for all of us. I have indeed benefitted a lot, from listening to the various experts, and the various theories on economic and financial systems. It is a privilege for me to be part of this process, and to share with you some of our own experiences in this field. I am very pleased, indeed, to hear from the experts—particularly, predicting the end of the road for the IMF. And also, the need for a new global financial structure.

For decades, these institutions of Bretton Woods—the IMF, the World Bank—have been giving us advice, and I use the word “advice” very carefully, because normally it is in quotation marks, with lots of meanings, which sometimes we failed to understand. This reminds me of our history in the Fifteenth and Sixteenth Centuries, and from then on, when we began to know other parts of the world—and what advice means. When we started to have economic, cultural, and other relationships, that “advice” also meant political advice.

As I said, that advice did not come very cheaply. We had to pay fairly heavily on that front. In the 1997 financial crisis that hit Asia first, and one year later, unfortunately, spread to this part of the world, for a year or so we listened to the advice,

we followed the advice. In a sense, that advice was: Squeeze your credit facilities, cut off your government financing, including for the lives of the people. Withdraw the subsidies that you have been giving to your people, and bankrupt the companies that have been supporting the economy. And a lot of other advice was given to us.

Dutifully, being good listeners, we followed in this way for a year. And what did we see? We saw—But, I might [first] say, that for a decade the Malaysian economy had been growing at an average of 9 or 10%. Our industries were booming. Our economy was booming. Our shares went up, our money was very much sought after, not only within our country, but all over. We were very proud to see that we could change our money in London, in Paris, in New York, and all the other financial capitals.

But with the advice that we received, the companies could not survive. They just had to submit to the new situation. Their credit-worthiness was gone. They couldn't move. And, therefore, the workers were forced to leave, and the whole country was sick. It was even sicker than before. When the country is sick, it is not only confined to the social, economic, and cultural spheres, but even more so [it affects] the political.

I have been here for six years, now, and I see a somewhat similar situation.

How Malaysia Defended Itself

Don't get me wrong. I'm not against the market economy. I'm not against political pluralism. We, too, commit ourselves to “globalization,” which is the catchword of the day. But, having experienced this for a year, we decided, from the first of September 1998, to introduce selective capital controls, which meant that our money, which was freely traded and freely available the world over, had to be brought back, within a very specific period of four months. [It meant] that our money, from the first of September, would not be legal tender outside of Malaysia.

“Aha! You're inviting a lot of black market [activity], in taking money abroad. Your economy will collapse further—because there are a lot of people, who are ‘tuned in’ to what is best for themselves.”

We fixed our exchange rate at \$1 to 3.8 Malaysian ringgit. I should say that, before the crisis we had 2.5 ringgit to the dollar for a very long time, but during the crisis, the rate went up to 4.8 ringgit to \$1, and your good friend [George] Soros said several times, “We'll see you at 5!” Meaning, they would like to see our ringgit go [to the level of] \$1 for 5 ringgit. We saw the sign on the wall, that we would have to deny him this.

We put it at 1:3.8, and it has remained so for the last two and a half years. This is beneficial for us, beneficial for our friends, for exporters and importers, and beneficial for everybody, including our industry.

The second thing we did, is to call in our shares, which were freely traded in other places, particularly in our neigh-

boring countries. Our shares are tradeable only within our country. They all had to be registered immediately. There is no short-selling, if you know what that means.

I share the view, that the international financial system is aging. It needs a major reform, in order to meet the current need for the good of all, and to serve the interests of all. Globalization is a very good word, a very good concept, and we all share it. But, it is good only if all of us benefit from it. We believe in the market economy. Our economy is largely based on the market, but we also have — like you, Russia — in some sectors, the government play a role.

Malaysia has gone through four decades of independence, trying to improve our economic situation, the economic situation for the whole population. Unfortunately, we are still in that process, which requires the government to help the less fortunate sectors of the population, requiring a different kind of medicine, a different kind of strategy, a different kind of policy. And only with that, can we ensure that our people — the poor sectors of the population — will benefit from the richness of our country.

‘The Market’ Is Not Enough

The idea that the market will correct itself, that the market would have the power, the market would have the will, the market would have not only the opportunity but also the possibility to ensure that everybody benefits, is based on a very creaky premise. To assume that the market has a conscience, we cannot accept. The market has no conscience. The market is premised on making profits, and, in fact, it has to make profits at the expense of somebody else. Maybe it’s not intended, but they have no forms of pushing [down] their motivation for making profit. We have seen for ourselves, a couple of months ago, how the market pushed the electricity problem in California. Who can believe, that in America we would have to have emergency rule? But they did, because the market had pushed itself to the very limit, of making profits.

We believe, that the market must be tempered with conscience, and that conscience must come from somewhere other than the market itself.

I think we have heard presentations from the experts. In the policy of the financial system, what is very apparent, is the laws of the jungle. Not all of us, as participants in the process of the market economy and the financial system, share similar possibilities of knowing what is happening. There is a lack of transparency, but certain rules and regulations are known, and certain practices are known to very, very few, indeed. But, we must have extra tentacles, extra ways and efforts — and not all of us have the possibility, to know what is happening in the financial world.

And therefore, what we think is required, is a common effort, a common effort of all, involving various processes, to change the system for the common good. I think, that if there

is a will, there is always a way. Where there’s a will, there’s always a way.

I am very happy to see here today, many Russian experts in the various fields. Today, we have many experts in the field of finance, and the field of economy. Of course, we are privileged to hear experts from the rest of the world. By the end of the day, it is our own experts, who have the role and the responsibility to give their best efforts — the result of their best efforts, their analysis, their forecasts — and, their recommendations for the benefit of each country concerned.

When we say “the best for the country concerned,” I am confident that when all, almost 200 countries in the world, are fighting for their own individual interests, that there will emerge a *common* interest, that will ensure that *all* will benefit. It is in the best interest of everybody, that they have their stake in the system. For so long as the system benefits only a few, the majority will fight. Informed they must be.

What I’m saying is, let’s work together. Let us find a way out together, and let us make sure of that very best principle of a “win-win” situation; so that there is no loser, in the new system.

I thank you for giving me this opportunity to speak.

Sergei Yegorov

Challenges Confronting Russia’s Banking System

Mr. Yegorov is the president of the Association of Russian Banks. The text has been translated from Russian, and sub-heads have been added.

First of all, I should like to say that the Association of Russian Banks considers very timely the idea of the Council of the State Duma to convene these hearings, proposed by the Committee on Economic Policy and Entrepreneurship, on the topic we are now discussing. August 1998 already confirmed for us, what a negative impact financial destabilization can have on the national economy — state finances, corporate finances, and the banks.

Nearly half the banks in the country ceased to exist. The devaluation of the ruble slashed the value of bank capital. Many of them became insolvent, and lost the confidence of their corporate clients and the population. I believe there is no need to recall the consequences of the financial crisis. . . . The main thing, today, is not only to draw lessons from what happened, which of course must be done, but also to under-