

Business Briefs

Finance

'Forum' covers LaRouche on financial meltdown

Finanz-Forum, the newsletter of the National Association of Financial Services in Germany, cited *EIR* founder Lyndon LaRouche and *EIR* financial specialist John Hoefle as authorities on the global financial crisis, in its June 1995 issue.

Dr. Dieter E. Lueder, in an article entitled "Finances and Crises," in a section on derivatives, wrote, "These are unimaginably huge amounts of money in a kind of 'soap bubble.'" According to John Hoefle, who gave a presentation in Washington in March, in the United States alone, the estimated size of derivatives contracts in the five biggest banks is \$8 billion. The *Frankfurter Allgemeine Zeitung* estimates that in Germany, the five leading banks have derivatives contracts of around 3.7 billion deutschemarks. . . . LaRouche explains that these [derivatives] are of no value for the economy; on the contrary, they pull money out of the economy."

Lueder states, "All facts considered, we are drawn to the conclusion that these are no longer isolated cases, but that we are confronted with a fundamental worldwide financial crisis."

In discussing what is to be done, he concludes, "If all this does not work, then the only possibility will be to initiate a mutually coordinated, ordered bankruptcy procedure. This should lead to a new system of financial, trade, production, and currency relations internationally. Exactly what that new system would be, would have to be explained in more detail at a later point."

Italy

Airline pilots protest deregulation policy

Alitalia pilots went on a "sick out" de facto strike on June 15 to protest the state air company's policy of deregulation. Alitalia pilots

constitute three-quarters of the 2,800 Italian pilots, and their protest paralyzed Italian airports. Alitalia pilots are not demanding wage increases, although they earn less than their German or French colleagues, but want to stop policies such as hiring Canadian or Australian crews flying on airplanes sold by Alitalia. The pilots are determined to force the resignation of management.

Capt. Eugenio Boldi explained to the Italian daily *Corriere della Sera* on June 16 that management "is trying to do with airplanes what they did in sea transport, that is, bringing a service which has European standards [down] to the level of Third World countries."

Transport Minister Caravale, a free-market economist trained in England, refused to mediate in the negotiations and ordered strikers back to work, using a law that criminalizes strikes that seriously disrupt public services. Caravale's dismissal has been demanded by the parliamentary opposition. An editorial in the daily *La Repubblica* on June 19 accused "anti-privatization" bureaucrats of the old state-owned industry of steering the pilots' initiative.

Alitalia Chairman Renato Rivero, a cost-cutting fanatic, cancelled all Alitalia flights on June 17-18 in order to increase public hysteria against the strikers. Rivero is a member of the board of the British Barings Bank, which he joined in November 1994, shortly before it collapsed.

Economic Policy

Friedrich List cited in China's economic debate

The impact and evolution of 19th-century German economist Friedrich List's theory of growth was raised in China in the debate on economic policy, in the March issue of *Economics Information*, a theoretical monthly put out by the Economics Institute of China's Academy of Social Sciences. The article was jointly written by two scholars from School of Economics in Wuhan University.

The article praised List, the "pioneer of the

German historian school of economics," as the leader of a school that has been fighting the economic mainstream in the West.

List's contribution, while refuting Adam Smith, is that he considers what Adam Smith leaves out—the productivity which includes not only material capital, but science and technology, Christianity, political-legal systems, and cultural mentality, the authors said. List forms his own economic theory of growth, with a systematic, unique, but sharp point of view, differing from the classical school of historical analysis.

The article quoted List from his major work of 1841, the *National System of Political-Economy*, and highlighted his refutation of Adam Smith.

List's economic theory of growth has a powerful interpretation which fits the reality of developing countries, and thus becomes a major challenge to the western mainstream theory of economics, the article said. The famous economist List studied almost every aspect of economics, and the questions he raised concerning economic growth also concerns all the factors of life, it said.

Space

Shuttle mission may lead to international station

Space Shuttle Atlantis, whose primary mission goal in the 10-day flight that began on June 27 was to dock for five days with the Russian Mir space station, will be a stepping-stone to the international space station.

This docking mission is a dry run to develop the skills and procedures that will be required for the in-orbit assembly of the International Space Station Alpha (ISA), scheduled to begin construction with the first element launched into orbit in December 1997. ISA will be based on the merging of the world's only two manned space programs.

The Russians decided to scrap their Mir II space station follow-on, which will become the core module of the ISA. The United States, Japan, and the European Space Agency will each contribute laboratory mod-

Briefly

● **SEEKING A CURE** for "financial AIDS" was on the agenda in the June 18-19 talks between Japanese Prime Minister Tomiichi Murayama and French President Jacques Chirac, Japanese sources told *EIR* on June 19. Japanese Trade Minister Ryutaro Hashimoto coined the term in 1990 to describe the extreme financial deregulation which President George Bush and British Prime Minister Margaret Thatcher were urging on all the Asian countries.

● **INDONESIA** and Kazakhstan agreed on June 23 to increase economic cooperation, following talks between President Suharto and President Nursultan Nazarbayev in Jakarta, Reuters reported.

● **LOCKHEED MARTIN** announced 35,000 layoffs in late June, nearly one-quarter of its 170,000-person workforce. It will close a dozen or more plants. In March, Lockheed Corp. and Martin Marietta merged forming the largest defense aerospace firm in the world.

● **THE USDA** on June 12 forecast falling harvests and low stocks. World production of grain (including rice) for the crop year ending on June 30 is estimated at 1,744 million metric tons. Projections for 1995-96 are down to 1,724 mmt, which would drop world stocks from 293 mmt to 255 mmt for the coming year. This is the equivalent of 52 days' consumption.

● **FOREIGN EXCHANGE** trading around the world probably hit \$2 trillion *per day* in March, Chris Deuters, head of forex trading at Lehman Brothers, told the June 6 London *Financial Times*. Klaus Said, head of forex at J.P. Morgan, said, "We think [the April figure] will start with a two [\$2 trillion]. Some say three."

● **KLEINWORT BENSON**, a British merchant bank, is in negotiations to be bought by Dresdner Bank, the second largest commercial bank in Germany. Kleinwort Benson has been one of the most important financial arms of British intelligence.

ules and transportation vehicles. The Russians will contribute more than half of the assembly missions required for the station. While the United States will maintain the Space Shuttle as a manned capability that is able to perform various functions, the greatest part of its mission will be to construct and service the station.

Once again this year, yet another study has been done by a government agency (this time the General Accounting Office), estimating that the cost of the ISA will be tens of billions of dollars more than NASA estimates. Like many others before it, this report simply adds activities into the station cost that NASA accounts for differently, inflating the supposed cost of the station. It is designed to have the maximum destabilizing effect on the ongoing budget discussions. As space writer Kathy Sawyer pointed out in the June 24 *Washington Post*, however, the station, despite the sniping of critics, is being built, and in 30 months will start to function in space.

China

Resistance to privatization grows

Hong Hu, vice minister of the State Commission for Restructuring the Economy, China's top economic affairs official, has reaffirmed China's determination not to privatize its state-owned enterprises, the official *China Daily* reported on June 21. China will continue to reform its state-run giants, but, contrary to foreigners' anticipation, "privatization isn't the orientation for the restructuring of state-owned enterprises," he said.

More than 16,000 enterprises have been merged, and 9,000 enterprises have become joint stock companies, said Hong, who has been charged with formulating policies on state-enterprise reform. The joint-stock system is a property organization setup which differs from private ownership and doesn't conflict with socialist principles, he said.

Hong insisted that China's reform efforts do not constitute a move toward privatization, because they will "see to it that the public sec-

tor, including the state-owned sector and collectively owned sector, holds a dominant position in China's economy."

Health

Diphtheria epidemic ravages former U.S.S.R.

The widespread outbreak of diphtheria throughout the former Soviet Union "is the biggest public health threat in Europe since World War II," warned Dr. Jo Asvall, European regional director for the World Health Organization. According to WHO and Unicef officials, 150-200,000 new cases of diphtheria are expected this year.

Experts fear that the situation is out of control, and that the disease could rapidly spread into western Europe. It could then, as one put it, "leap across the Atlantic" to the Americas.

Richard Reed, a Unicef spokesman, told BBC on June 19 that "the outbreak is literally galloping out of control" in the 15 countries of the former U.S.S.R. "The human costs can be startlingly high," Reed stated. He reported that, in the Central Asian nation of Turkmenistan, the mortality rate for children under two years of age who have contracted the disease is a staggering 50%.

These WHO and Unicef officials hold the following factors responsible for the alarming spread of the disease: the breakdown of proper forms of immunological control, the precipitous decline in vaccinations since 1989 in the newly independent states of the former Soviet Union, the growing social disorder in a period of "economic transition," and the increasing "human traffic" between different countries and between East and West. Also, the normal vaccination for diphtheria, which many get in childhood, does not confer lifetime immunity; vaccinations must be repeated at least once every 10 years, health officials are now realizing.

What is not discussed in the reports of these U.N. organizations, is why there has not been a massive effort by West to help the former communist countries deal with the crisis, since diphtheria is readily treatable.