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## Interview: Helga Zepp-LaRouche

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# Time to take power away from the bubbleheads

*Mrs. LaRouche is the founder of the Schiller Institute and is currently the candidate for Chancellor of Germany of the Civil Rights Movement Solidarity party. She was interviewed on the radio program "EIR Talks" on June 17, by Tony Papert.*

**EIR:** Helga, given this week's simultaneous stock and currency collapses in Asia, the financial panic in Asia, the deepening financial collapse of Russia, major financial collapses in Latin America, how would you characterize the current global financial situation?

**Zepp-LaRouche:** Well, I would say that the developments we have seen in the past days, which were characterized by a fully synchronized slide worldwide of both the stock markets and the currencies, are actually symptomatic of the kind of phase-change Mr. LaRouche forecast in January of this year, which you remember very well. This was the so-called "end of the Asia crisis," where everybody was talking about how the Asia crisis was over, that the situation had stabilized.

And Mr. LaRouche forecast at that point that the second phase of the Asia eruption of the global systemic financial crisis would occur at the second quarter of '98.

So, this is exactly what we are seeing, and all the so-called financial experts stand completely discredited. Just look at the horrendous fluctuations and downward spiral motions going on. For example, on Tuesday, you had a Dow-Jones collapse of 2.3%. All the stock markets in Europe went down between 1% and 4%. Latin America averaged -4%. Moscow, -7.3%. That was a seven-day collapse of -18%. (Since January, the stock market in Moscow has collapsed by 57%.) Asia on the same day went down between 2% and 5%, and the yen continues to be more or less in a free fall. Today, some of the Asian stock markets have gone up, only because of the rumor of a joint U.S.-Japanese action, and the fact that U.S. Deputy Treasury Secretary Larry Summers is going to Japan, meeting with Japan authorities—even though one has to wait and see what they announce—but this has not stopped the continuous currency collapse.

The Indonesian rupiah went down in one day from a whopping 14,900 to the dollar, to 16,400. And that is close to the low point we had reached in January. The yen collapse virtually destroys all of South Korea's production in exports.

It virtually wipes out all the industry of South Korea, because they are losing their competitive edge toward Japan. It creates tremendous pressure on the renminbi. And then, look at the situation in Russia, which is absolutely desperate. The United States said that Russia is too dangerous to fail, so there are quiet, frantic negotiations for a major bailout package going on. . . .

If you look at all these different elements together, the situation is absolutely out of control. And one thing is becoming apparent: that the effort to conduct crisis management in Indonesia, in South Korea, in Japan, in Russia, here and there, does not function any more. The period in which crisis management could create the illusion that it resolves these situations, is over. So, we are in a complete phase-change.

**EIR:** This week, all of a sudden, government officials and bankers, especially in Asia, but not only, began using the "D" word, depression. Why?

**Zepp-LaRouche:** Well, this is very, very interesting, because for a very long time, Mr. LaRouche has been the only person who has been warning that the continuation of monetarist neo-liberal policies, which began 30 years ago, would lead to a depression worse than that of the 1930s. And he was always attacked for this, and called "controversial," and this and that.

But now, all kinds of people are talking about the depression, even people you wouldn't think of, such as representatives of the International Investment Conference in Melbourne, where a World Bank official, named Jean-Michel Severino, said these amazing things: "We are probably at the end of the first cycle of the crisis. And we are entering into a deep recession. Or you could even use the term 'depression.' This depression could be very long-lasting, if it is not handled very, very carefully. The risk is there, and probably we are counting in months rather than in years."

This, from a World Bank official, is quite amazing. Then, at the same occasion, Thailand Deputy Prime Minister Supachai said that "if the yen would drop with no limit or no bottom, then the second Asia crisis would mean a First World economic depression."

So, I think Mr. LaRouche has been completely vindicated. . . .

**EIR:** As you've said, there seems to be far-reaching agreement that we are in a depression, at least among knowledgeable people. What caused it to happen?

**Zepp-LaRouche:** Well, the key question which people have to understand, to grasp what has happened to the U.S. and to the world economy, is that both the U.S. and the world economy underwent a series of shifts in the underlying policy axioms in the period immediately after the death of President Franklin D. Roosevelt.

These shifts are each somewhat different as hypotheses, in respect to those which preceded and followed. But underlying all the shifts, is a certain philosophical direction. It is that philosophical direction which brought us from a successful U.S. economy of the time of the best of Franklin D. Roosevelt, to the world wreckage which dominates the world today.

So, first, with the death of FDR, there was an immediate shift under Truman, under the influence of Winston Churchill and the Harriman crowd in the United States, toward a pro-British and pro-monetarist policy in international monetary affairs, and in the affairs of the world economy.

There were three shifts, essentially. One was immediately after the death of Franklin D. Roosevelt, when Churchill induced the Truman administration to reverse the Roosevelt policy of immediately liquidating the colonies of Great Britain, France, and the Netherlands, and reversing Roosevelt's policy toward the so-called Adam Smith system.

Truman, under the influence of Churchill, immediately restored the colonies of France, the Netherlands, Portugal, and so forth, implementing an immediate return toward the Adam Smith orientation, with some limitations, of course, in economic and financial policy.

This change was supplemented by the bombing of Hiroshima and Nagasaki, for which, under a just law, Truman should have been convicted for crimes against humanity at Nuremberg. This was a war crime, because there was absolutely no military reason, in terms of the war itself, to do this.

The purpose of the launching of the bombing in Hiroshima and Nagasaki, was to inaugurate the nuclear age, and a certain role of the postwar U.S.-British versus Soviet conflict, the so-called nuclear age conflict.

This was a complement to restoring the hegemony of the French/Anglo-Dutch/Portuguese oligarchical interests, which, for example, in the United States were typified by the Harriman interests, Lovett, Stimson. So, this crowd took over.

They took over, with a reconstructionist approach which was to establish the military preparation for maintaining what became known as the nuclear war conflict. This underwent a modification with the Eisenhower negotiation of what became the protracted North Korea/South Korea conflict, following the ouster of MacArthur. It resulted in a downward slide of the economy, in domestic and other financial policies, in the tax policy of the Eisenhower administration. And in this way, the Eisenhower administration policies

continued the Truman policies, which resulted in the 1959-60 deep recession.

Then, the only turn for the positive in the entire postwar period of any significance, was under Kennedy, where some of these measures, such as the post-Sputnik space program, was activated under President Eisenhower. Kennedy, during 1961, made a positive reversal in U.S. policy in the direction of the Franklin D. Roosevelt policies. But, with the death of Kennedy, although with some reluctance in doing this, Johnson turned radically away from the Kennedy policies, in the direction of a radical monetarist policy, more radical than that of the 1950s, with the introduction of a cultural paradigm shift, the post-industrial utopianism in the period between 1964, '68, and '72.

This was then followed by the events leading to 1971, the end of the Bretton Woods agreement, and a series of shock measures in the 1970s and '80s, which eventually led to the self-destruction of the U.S. and the world economy, a reversal, a downward trend in the economic condition of the developing sector generally, and a worsening of their social and demographic conditions.

So, this then led to a ruining of per-capita income in the United States, and echoes of this occurred not only in Great Britain, but also on the continent of Europe, and in Japan. With the final blow, the '92 shift, under the influence of people like Margaret Thatcher and Mitterrand, and, to some degree, echoed by Bush, they put the world in the direction leading into the present ruin.

Each of these periods is characterized by a somewhat different policy. One could argue that some people would defend one of these policies against another. But the overall direction of these trends is governed by one thing: the successful move away from the world of the nation-state, defined by the model of Alexander Hamilton and those who followed in the same footsteps, toward a restoration of the rentier-financier globalist system, the elimination of the nation-state, establishing a globalist system as a de facto new global Roman Empire. . . .

I would like to add a second feature in this, and that is a change in the characteristics of the politically dominant layer of the population. We now have, in leading circles, in the United States, in Japan, in Europe, a group of people in power, typified by what you could call the Wall Street fast-buck operators, that is, people who are playing a game, which is exactly what happened in the South Sea Island bubble and the Mississippi bubble in the 18th century.

This was a bubble which enjoyed the participation of the patriotic faction, by and large, which, in the process, was bankrupted by its participation in the bubble. And the same thing happened in France, where a layer of the French population, which had attempted to implement Colbert's economic development program, was financially ruined by speculation in the financial bubble.

Now today, these financial—you could call them “bubbleheads”—have taken over the dominant political positions, not only in the Wall Street and other financial centers, but also in many policymaking positions. So these bubbleheads of the Mississippi and South Sea Island bubbles of the early 18th century, today are fanatically involved in trying to get “my money” for pure speculation. . . .

You know, in London, in Europe, in Japan, in many of the developing countries, we have now gone from a ruling layer of people who believed in industrial capitalism, to one which does not understand any more the importance of real production, of profitability, of technological progress, why this is necessary to make a better product, the idea of a national economic interest, and so forth. We are no longer dominated by this capitalist thinking layer, which used to have trade union partners and so forth, who used to see the economic strength of a country as the basis for serving the national interest. But we are dominated by people who wish to destroy everything, simply to make a personal quick profit. And that is the problem.

Now, we have gotten to the point where only if we demoralize and bankrupt, and strip of their political power, these layers, where we have a collapse of the power of these bubbleheads—which can be very easily the result of the ongoing collapse of the financial system—that only under those conditions, is it possible to restore the world economy, by going away from globalization, away from free trade, away from this wild monetarism, back to the idea of an agro-industrial conception of wealth, and the function of the nation-state to protect the economies in their pursuit of this course of action, and to foster the growth of the world economy through cooperation among the leaderships of pro-protectionist nation-states, somewhat like the best features of the 1950s, under the old Bretton Woods agreement.

We have to restore something like a nation-state-based anti-globalist, anti-monetarist, pro-agro-industrialist kind of economic orientation. This would mean the end of the influence and political power of the bubbleheads, which means that we must liquidate the so-called assets of the bubbleheads. We should not try to save their money. We should just write it off. It’s worthless, it’s gambling, and we should not pay other people’s gambling debt. So, that is the nature of the present situation. . . .

**EIR:** On another aspect of this crisis, there are strong indications that the collapse of the yen and other Asian currencies is having a serious effect on China. Now, you have a long acquaintance with China, where you’re very well known as the “Silk Road Lady.” Could you tell us about this?

**Zepp-LaRouche:** Well, I think it is very important that the Chinese Finance Minister, Zhiang Huaisheng, just wrote in the Chinese *People’s Daily*: “Whether or not economic growth targets can be realized, not only will affect China’s

already extremely serious unemployment situation and increase the pressure on the stability of the renminbi, but will also affect the state enterprise reform.”

Now, this is very remarkable, because this is, to my knowledge, the first time that a Chinese official is talking in such an open forum about the effects the Asia crisis has on China. And by the way, you know, the Chinese leadership, since November last year, doesn’t talk about the Asia crisis, but they talk about the *global* financial crisis. But this is the first time that they admit that China is hit in such a serious way.

Now, in reality, the Asia crisis does put China in a totally impossible situation, because their exports to Asia are collapsing. They do not have enough export earnings, so revenues are not coming in. They don’t get the income necessary against the short-term loans outstanding, and many regions of China are therefore experiencing balance of payment problems. And I think that given the three areas that China’s Finance Minister mentions—namely, unemployment, the stability of the currency, and the reform of the state enterprises—that all of that will force China into a protectionist direction. They have no other way.

Now, it is very notable that the Chinese media have, for a couple of days, been coming out with the line that while China tried, with great sacrifices, to keep the level of their currency, that they have been cheated, that the United States, Japan, and the G-7 in general are doing nothing to stop the collapse of the yen. I think that that is very serious also, in light of President Clinton’s coming trip to China.

China must go in a protectionist direction, but they also need a massive injection of science and technology investment to keep the necessary rate of social capital formation, and especially in the machine-tool area. So, one can only hope that that aspect is taken care of by President Clinton’s trip.

But, China up to now was the last island of stability. And if they are affected by the crisis, then the world will go into unbelievable dimensions of downward spirals. If China were forced to devalue its currency, you would see a crisis developing, compared to which the present level would be nothing.

**EIR:** You mentioned that President Clinton is going to China next week. In a recent article on what China can expect from the Clinton administration, you made a surprising call for a new Non-Aligned Movement. Could you elaborate on that for our listeners?

**Zepp-LaRouche:** Yes. As you know, President Clinton will go on a state visit from June 25 to July 3. And this visit will take place under conditions of what can only be called a global catastrophe. Crisis management doesn’t function any more. The IMF is de facto bankrupt, after the U.S. Congress refused to vote up the \$18 billion of the U.S. contribution to the IMF. The derivatives bubble is about to burst in Indonesia, South Korea, Russia, other places.

So, one would think that the only way this visit could

become a success, is that the two governments should address that. But the big question is: Will they?

Now, let me locate this in the following way. Mr. LaRouche and I went to Moscow in April '94, and Mr. LaRouche addressed there a seminar with leading economists, a former prime minister, top-ranking scientists from different fields. And there he presented the idea that the only way in which the world could come out of this crisis, would be if a number of key nations were to return to the kind of alliance which Franklin D. Roosevelt had formulated at the end of the Second World War, namely, that the United States, China, Russia, India, and hopefully other nations, would ally, and together go for a reorganization of the bankrupt financial system, go for a New Bretton Woods, and reorganize the world on a more just basis.

Now, that was in April '94. And, well, there is no doubt that President Clinton personally, and I think his administration, puts the strategic partnership with China on a very high level. I mean, he gives it very great importance. There's also no question that President Clinton wants economic cooperation, that he indeed is all in favor of the kind of state-to-state cooperation in infrastructure projects that was pursued by his former Secretary of Commerce Ron Brown. And I'm also absolutely certain that President Clinton is fascinated by the very rich and beautiful 5,000-year-old Chinese culture.

But unfortunately, I don't think that this is enough. For a variety of reasons, I think that, at the latest since October '97, the Clinton administration has stopped seriously considering the kind of reorganization proposed by Mr. LaRouche. And unfortunately, the Clinton administration has taken, in the meantime, the indefensible position of defending such speculators as George Soros, in disregard of the fact that it was Soros who triggered the beginning of the Asia crisis in February '97, with his speculative attack on the Thai currency, the baht.

Now, you can not do that, because with this, the Clinton administration is defending exactly the same kind of international financial powers who, in the final instance, are really behind the scandal-mongering for which Starr and Gingrich and others have become somewhat infamous around the world.

The problem is, that the international financial powers know that their system is finished. And they are using people like Starr and Gingrich as the attack dogs to try to stop Clinton through an impeachment, so that he would not go for the kind of FDR reorganization. . . .

The problem is that despite the fact that the U.S. Secretary of the Treasury Rubin has attempted to organize what he called a new architecture for the world financial system, it is unfortunately nevertheless a fact that the United States *did* support the IMF and the World Bank, for example, in the case of Indonesia, with draconian austerity measures, which just are throwing that country into worse and worse crises every time the IMF intervenes.

It is unfortunately clear that as long as the United States supports the IMF, the World Bank, this for sure will lead to the disintegration of the financial system. And if the financial system collapses, this will bring the Clinton administration down. It is not Gingrich or Starr, or such people who potentially will lead to the fall of the Clinton administration, but it will be their own monetary policies. And because this still is the picture, one can not expect Clinton to define a China policy which would address the axioms of the strategic crisis, and seek the necessary kind of strategic cooperation with China.

Nevertheless, the New Bretton Woods solution proposed by Mr. LaRouche remains the only solution for the present crisis in the world. And therefore, since the financial crisis has demonstrated that all the countries of South Asia, of Southeast Asia, or East Asia have a common interest — China, India, the countries of Southeast Asia, all have worked for a modest industrial improvement, and improvement of the living standard of their people, and this has been threatened and destroyed by speculators in a matter of weeks.

Therefore, we are proposing the creation of a new Non-Aligned Movement, which puts together many countries so that they can support one another in the fight against globalization, that they can together impose the kind of protectionist measures which, by the way, the industrial countries took as their right, when they began their industrialization phase. This was the case for the United States; it was the case for Germany in the postwar reconstruction period, when the Kreditanstalt für Wiederaufbau, which was a kind of national bank, gave credit lines for very clearly defined purposes in the common interest of the country.

So, these countries must be allowed to do the same thing. And they must also go back to the kind of philosophy which still existed in the discussions, for example, when the Secretary General of the United Nations was U Thant, and there was a discussion about the so-called Second Development Decade, and the perspective existed for the developing countries to overcome their underdevelopment, an idea which has completely vanished in the meantime.

Now, if you look at another aspect of this, and that is the fact that both India and Pakistan conducted nuclear tests, they did this against the background of the Asia crisis. And they clearly wanted to establish their sovereign right to have the so-called dual-use technology. Dual-use technology is technology which can also be applied in the military domain. By what justification can you deny the majority of the world population access to the kinds of technologies which they absolutely need to overcome misery and poverty in their countries?

So, what the nuclear tests of these two countries actually signify, is the end of the kind of technological apartheid which was imposed by the globalists. And therefore, it must be seen as something very positive.

Now obviously, this is all very dangerous, not so much

because of India or Pakistan, but under conditions of a continued financial collapse. There is, for example, the danger of a breakup of Russia. If certain regions of Russia, like Siberia or other places, were to secede, and you would have nuclear weapons in the hands of regional mafias, or other forces, that indeed is very dangerous.

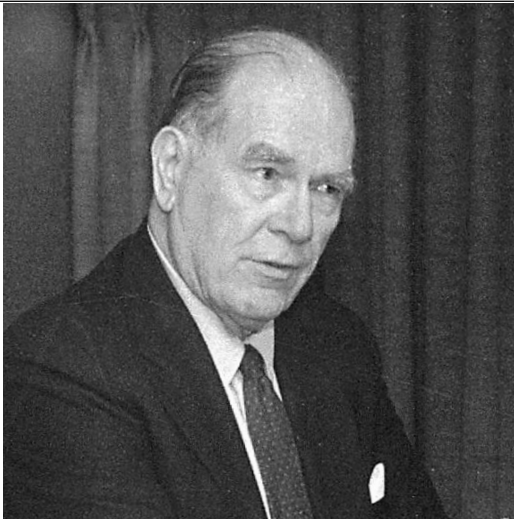
And therefore, there is only one sane approach to all of that, and that is a return to the kind of Strategic Defense Initiative which was worked out by Mr. LaRouche at the beginning of the 1980s, and which was adopted by the Reagan administration in 1983. Such an approach of developing a new strategic defense system, which indeed makes offensive weapons like nuclear weapons obsolete, and applies technologies based on new physical principles, in the form of a science-driver, to the civilian world economy, and in this way would lead to an increase in the productivity of the world economy—that indeed would be a way to overcome the present world depression.

Now obviously, some people, like certain think-tanks in Great Britain right now, want to put on the agenda the idea of a new condominium between the United States and China, as a way of countering the nuclear testing in India and Pakistan. This is dangerous. This is completely insane! And it would be a great misfortune if the discussion between the U.S. and

China at this summit, were to be focussed on such a narrow and wrong idea. I just hope this will not happen.

Now, what we propose instead, is that this new Non-Aligned Movement of countries like China, India—which, by the way, alone have already 40% of the world population, and if you add Southeast Asia, you have half of mankind living in this area—that they would combine the fight for a just new world economic order, with a strategy of a global SDI, a turn to a Mutual Survival Strategy, and have an idea for a vision of the 21st century.

If that were to be on the agenda between President Clinton and President Jiang Zemin and the Chinese government, that would indeed be an adequate response to the present situation. Now, I think the idea of a new Non-Aligned Movement is an absolutely crucial idea, because if the G-7 does not provide leadership in this extraordinary crisis, then the leadership must come from those people who represent the majority of the human race. And I can only say that nobody should think that the so-called Third World countries, or large countries like China, India, Indonesia, the fourth-largest country in the world, that these countries should be induced to accept policies like those which were the underlying policies of the G-7, of the United States, of Europe and Japan, policies which for 30 years have proven to be a complete failure.



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So, nobody should try to impose these policies on these countries. And I think we have reached the point in history where either we bring the political order in cohesion with the laws of the universe, or this civilization will not make it. And that is what's on the agenda.

**EIR:** I know that you're involved in a campaign for the restoration of Classical education in Germany. I think there would be tremendous interest in that in the United States, if people knew about it. Could you tell us something about it?

**Zepp-LaRouche:** Yes. This is not only a problem for Germany. This present financial crisis is not only a financial crisis, but it is part of what I call a civilizational crisis, where the entire culture which represented the high point of European culture, of 2,500 years, which is also the basis of Americans' culture, is about to be lost.

You have right now, just to mention one aspect of it: Not only is the knowledge of universal history virtually disappearing among the younger generations, but you also have an outbreak of youth violence in the United States, in Europe, in other places, which is absolutely breathtaking. If a country, if a society, looks at its own young people as the most dangerous component of its society, then that is a symptom of a dying civilization.

Now therefore, what I'm doing in Germany in particular, is that I'm trying to revive the greatest educational system which, in my view, ever existed, which is the Humboldt educational system of the 19th century — which is not outdated, as some people may think, simply because it defines as the goal of education that the outcome of education must be beauty of character: that pupils are not supposed to learn just technical skills for practical jobs, but that they have to develop their character, that they must take responsibility for their place in universal history, that they must know the tremendous contributions of all previous generations, to then know, from that standpoint, how to contribute to the future, and future generations.

Right now, the issue of education is probably — aside from the economic issue, you know, the unemployment, the financial meltdown, and so forth — education is the hottest issue in Germany, because anybody who is not completely immoral, understands that if we leave to our children a world which is in such a condition where drugs, Techno, the most horrible noise, rhythmic noise, which is not to be called music, is actually causing not only damage to the ears, but brain damage, so that people who are undergoing this for a long period of time, they indeed can not think any more, that their cognitive powers are severely hampered, that we can not leave the future world to these values.

But, we have to go back to the Classical values of Classical Greece, of the Italian Renaissance, of the German Classics, which have an idea of man as man in the image of God, as man infinitely capable of self-perfection.

## G-8 sanctions will fuel chaos in Pakistan

by Ramtanu Maitra

Following the testing of nuclear devices in May by Pakistan in the Chagai Hills in the province of Baluchistan, the U.S. government, followed by the Group of Eight (G-8), has imposed tough economic sanctions, ostensibly to teach the Pakistanis a lesson. As has become routine, the White House wrung its hands in despair, blaming the nuclear tests and the U.S. law for further tightening the screws on an already debt-ridden Pakistan.

Considered an ally by some in Washington, Pakistan has long been suffering deeply because of its deteriorating financial situation, thanks to the International Monetary Fund (IMF)-World Bank and other paraphernalia associated with the moribund Bretton Woods system. Developed nations know in detail exactly how precarious Pakistan's financial status is. What no one seems interested in facing squarely, is the fact that the economic sanctions will have a devastating social effect with potentially dangerous political implications.

A few days prior to testing, Pakistan's Chief of Army Staff Gen. Jehangir Karamat, was overheard at a diplomatic function in Islamabad pointing out that, much more than India's acquired nuclear capabilities, the threat to Pakistan's security is its weak economy. General Karamat can be presumed to know what he's talking about, and one could surmise that the sanctions imposed by the G-8 will further undermine Pakistan's security and create internal dissension and chaos.

The IMF has already put on hold a \$1.6 billion financial aid package for Pakistan, despite the fact that the IMF review team reported back that Islamabad had complied with all its earlier demands.

### Already in deep recession

Pakistan's economy is in deep recession. The real Gross Domestic Product grew by only 1.3% last year. Thanks to sanctions, the growth could be negative this year. External debt is \$25 billion, and the country's debt service bill, which amounts to more than 30% of Pakistan's export income, is growing steadily at a rate close to 7% annually.

Since 1987-88, poverty in Pakistan has also been rising steadily (following a fall between 1969-70 to 1987-88). Pakistan's 1997-98 economic survey reported: "Absolute poverty declined in Pakistan from 46.5% in 1969-70, to 17.3% in