

consider introducing capital controls. Controls on short-term capital inflows are often opposed on the grounds that they may deprive developing countries of much-needed capital. However, controls on short-term capital flows have been shown to affect the composition of capital flows in favor of more stable, longer-term investment.”

The case of Malaysia, where Prime Minister Dr. Mahathir bin Mohamad imposed capital and exchange controls in September 1998, proved that Dr. Kanbur’s views were sound.

In a paper that he co-authored with Todd Sandler and Kevin M. Morrison in the Fall 1999 issue of the World Bank’s *Outreach* journal, Dr. Kanbur had also dared to challenge another cornerstone of the “Washington Consensus on Monetary Policy,” the idea that the IMF should impose “one size fits all” conditionalities on all its loan recipients.

“What is needed,” the authors wrote, “is a more radical approach in which donors really do cede control to the recipient country governments, advancing their own perspective on development strategy through general dialogue with the country and with each other rather than through specific programs or projects. The tying of money to specific projects, policy reforms, or procurement contracts should end. . . . The present mechanisms for implementing conditionalities are seriously flawed. . . . The key issue is whether it is feasible or desirable to force or induce the adoption of policies and strategies by a government that does not believe in them or a population that will not support them. The evidence suggests that such attempts are not sustainable, and the efforts by different donors to impose their own different conditionalities have proved detrimental to the development process.”

Sources close to the World Bank have told *EIR* that Dr. Kanbur’s resignation, or ouster, has brought to the surface a far more extensive battle, which has been raging for some time, between what the sources called “experimentalists,” such as Dr. Kanbur and former Chief Economist and Vice President of the World Bank Joseph Stiglitz, and “hard-liners,” who believe that the IMF and the World Bank should be the sole global arbiters of all monetary and development policy. Stiglitz has bluntly stated that Treasury Secretary Summers, himself a former World Bank Chief Economist, was a fanatical advocate of market liberalization, in the early years of the Clinton Administration, and that the policies that Summers rammed through, created the preconditions for the speculation-driven rape of Asia in 1997-98.

While *EIR* has not been able to independently corroborate the report from the Bretton Woods Project in London, that Summers is personally overseeing the rewrite of the World Development Report, the shoe certainly fits. And, it appears that the dumping of Dr. Kanbur and Stiglitz has done little to stifle the mood of revolt inside the international financial institutions, particularly in the light of the Bank’s decision to deep-six the Kanbur draft report.

European sources reported in mid-July, that World Bank President James Wolfensohn has said that he will be taking a leave of absence from his duties at the Bank.

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## Censorship Defeated

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# ‘New Bretton Woods’ Ad Is Published in Europe

On the eve of the July 21-23 Group of Eight summit meeting in Okinawa, Japan, a call for an “Ad Hoc Committee for a New Bretton Woods,” signed by 90 high-ranking personalities from around the world, was published in several European newspapers. But the German daily *Frankfurter Allgemeine Zeitung*, apparently fearful of the heat that this proposal could be expected to generate, did not even dare to publish the call as a paid advertisement. In a display of pitiable arrogance, the advertising section of the newspaper rejected the advertisement, on “principled grounds,” without specifying these further.

The elected officials, economists, and other signators of the call, astonished at the conduct of the *FAZ*, immediately placed the ad in other leading newspapers, including two German dailies, the *Frankfurter Rundschau* and *Die Welt*, and the London-based Arabic daily, *Al Arab International*.

A Schiller Institute press release on July 20 charged: “Apparently, the limits of tolerance of the ‘liberal’ *FAZ* have been reached when the issue is a fundamental change in course in economic and monetary policy, in the context of the global financial crisis. It is no coincidence that the editor responsible for the economics page and coordination, Dr. Hans D. Barbier, is an “ultraliberal” and fanatical follower of Friedrich von Hayek, who considers the “social market economy” a variation of “socialism.” Regulation of financial speculation and fixed exchange rates are apparently themes which simply are not allowed to be discussed.

“The decision on the part of the *FAZ*, to reject such ‘principled’ questions of economic survival, which had motivated those political personalities who signed for the creation of a new Bretton Woods, demonstrates the desolate condition of one part of the German elite, in its hysterical refusal to face reality: such ‘clever heads’ turn so quickly into narrow-minded ideologues.”

### Text of the Ad

*The following is the text of the call to form an Ad Hoc Committee for a New Bretton Woods global financial system, which was initiated on April 7, 2000. The names of the signators are on the Internet at <http://www.schiller-institut.de>):*

The governments of the G-7 nations have repeatedly demonstrated their unwillingness and inability to prevent the threatened collapse of the global financial system, through a prompt, and thorough reorganization of the system. This ren-

ders it urgently necessary that those in all countries who recognize the devastating consequences of a systemic financial crisis, raise their voices.

We, the signators, refer to Lyndon LaRouche as the economist, worldwide, who has analyzed the causes of the systemic crisis in greatest depth, and for the longest time, and who, at the same time, has elaborated a complete package of measures to be taken to overcome it: the anti-crisis program for a New Bretton Woods.

We, the signators, take note of the recent initiative of members of the European Parliament, which states:

The European Parliament,

**Whereas** the 1944 agreement of Bretton Woods mechanisms contributed to the realization of monetary stability and to postwar economic reconstruction;

**Whereas** there is a divergence between the real economy and the financial economy since the decoupling of the dollar from the gold reserve system;

**Whereas** financial crises have exploded in different parts of the world since 1997;

**Whereas** the international monetary and financial institutions, in carrying out their tasks, are malfunctioning;

**Whereas** it has been ascertained that the “speculative bubble” has had devastating effects for the economies of developing countries, completely transforming the structures of the world economy, and reaching the level of at least \$300 trillion, compared to the world GDP of about \$40 trillion;

invites the European Commission:

a) to propose the convocation of a new conference, similar to the one at Bretton Woods, with the aim of creating a new international monetary system to gradually eliminate the mechanisms which have led to the “speculative bubble”; b) to evaluate the possibility of anchoring currency values to an element of real reference, and to better and more completely control the movements of currency rates; c) to propose the creation of new credit lines oriented to developing investments in the sectors of the real economy, and to define infrastructure projects of continental dimensions.

The most dangerous absurdity of the present situation is underlined by the fact, that the so-called “New Economy” is being celebrated by the White House in the U.S.A. and by government leaders of the European Union, as a great success, at the very moment that the financial bubble, blown up with this myth, is bursting! Far from advancing growth and development of the world economy, so-called “globalization” has in reality showed itself to be a form of unbridled predator capitalism, which has opened wide the divergence between financial titles and real economy on the one hand, and rich and poor, on the other, in an intolerable manner—both on the national and the international plane. Considering the increasingly accelerating systemic crisis, we, the signators, have decided to constitute the Ad Hoc Committee for a New Bretton Woods.

**Former Mexican President  
José López Portillo:**

**‘And it is now necessary  
for the world to listen to  
the wise words of  
Lyndon LaRouche.’**



**An EIR Video**

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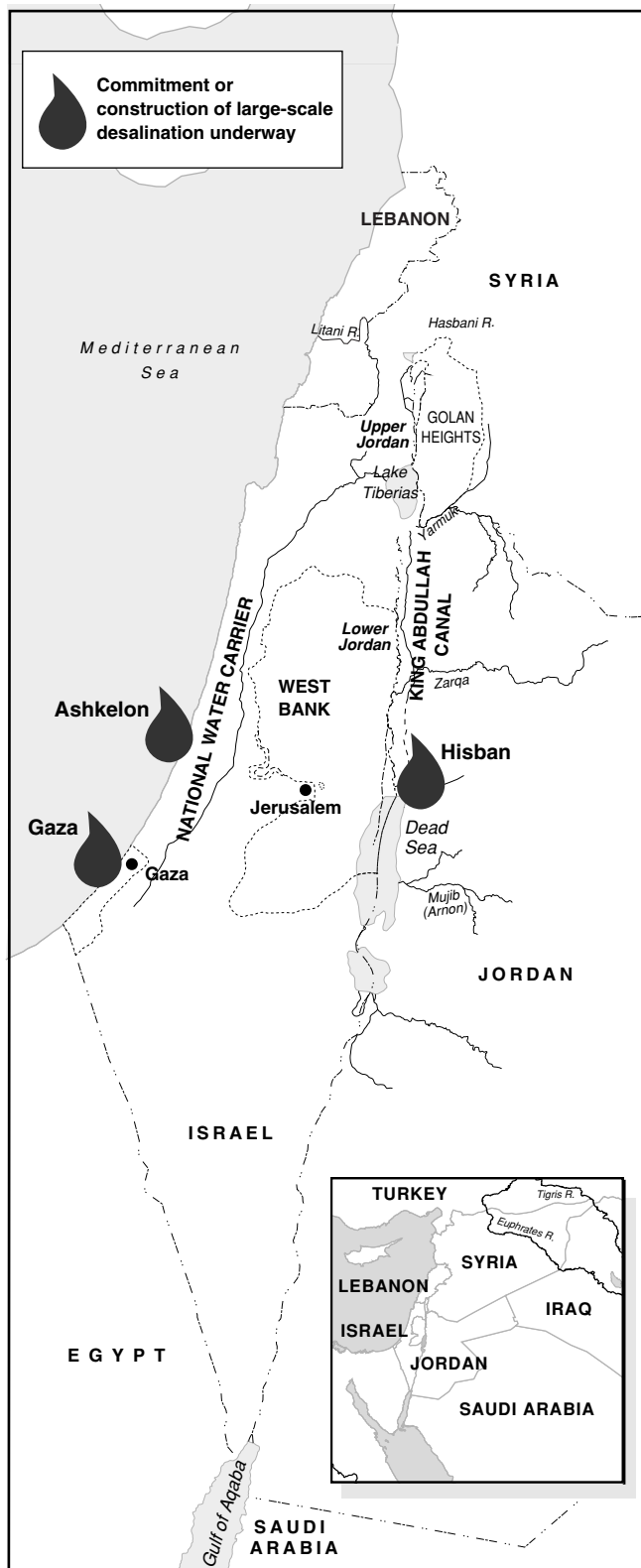
EIR’s hour-long video features speeches by Lyndon LaRouche and Helga Zepp-LaRouche, and by former Mexican President José López Portillo. Here, Mr. López Portillo is shown with Mrs. LaRouche (right) and Mexican political leader Marivilia Carrasco.

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FIGURE 1  
Proposed Nuclear Desalination



## Make Water Resources To Ensure Mideast Peace

by Marsha Merry Baker

**Figure 1** makes the point, that reaching an agreement on peace in the Middle East, can best be furthered by an internationally supported commitment to *creating water resources*, as a crucial precondition for mutual interest prosperity and security.

It shows three locations, in Gaza, Israel, and Jordan, where a project has approved, or is under way, for a large-scale water desalination facility. These are singled out by a policy paper released in November 1999, by the Washington D.C.-based Center for Middle East Peace and Economic Cooperation. Conventional power sources, not nuclear power, are premised.

**Wadis Hisban:** This facility in Jordan would desalt brackish water, potentially producing 50 million cubic meters (mcm) a year of sweet water.

**Gaza:** The coastal facility would be coupled with a new power plant under way, to likewise produce 50 mcm a year of fresh water from desalted seawater.

**Ashkelon:** This Israeli coastal location is the site for a project now being expedited, to produce 50 mcm, with contingencies to double the output.

The Center's white paper, titled "Solving the Problem of Fresh Water Scarcity in Israel, Jordan, Gaza and the West Bank," makes the point that, "without any formal decision to coordinate those efforts, simultaneously proceeding on the three projects could be presented to the world as a regional program for funding assistance purposes, and begin what could be formalized—and enlarged enough to offer a total solution to the fresh water crisis—in Final Status negotiations."

The white paper (see [www.centerpeace.org](http://www.centerpeace.org)) presents, with maps, charts, and cost analyses, a more extensive "scenario" involving the Med-Dead, and Red-Dead Canal proposals, and more coastal and inland large-scale desalination throughout the region, including in Egypt.

Reportedly, this white paper has been "on the desk" of President Clinton, and experts on water resources have been on stand-by for Camp David negotiations, yet no diplomatic initiative has been forthcoming.

*EIR* has for decades publicized Lyndon LaRouche's "Oasis Plan" approach, for combining safe, modular nuclear power plants, with desalination facilities, to produce the equivalent of "new rivers and oases" of economic development to transform the Mideast landscape of water scarcity, and strife (see *EIR*, May 19, 2000, p. 16).