of Morgan Chase's long-term debt. J.P. Morgan Chase, with $713 billion in assets, is the world's leading derivatives bank, with $26 trillion in such highly leveraged bets. Since the start of 2001, Morgan Chase's market capitalization has gone down from $106.5 billion to $33 billion. Morgan Chase is undergoing a death seizure which mirrors that which Enron experienced during 2001, where each month, it shrinks further.

Morgan Chase Chairman William Harrison has announced that he plans to fire 20% of the bank's investment banking division, which employs 20,000 people. (This would bring the number of workers fired at all divisions of Morgan Chase to 14,000 since the merger of J.P. Morgan and Chase Manhattan banks in December 2000.) On Oct. 9 the *Financial Times* reported a joke making the rounds on Wall Street, to the effect that a newspaper headline will soon appear, reading, "J.P. Morgan To Cut Workforce 120%." The same day, *Financial Times* "Lex Column" called Morgan's firings "haircuts [that] are getting close to the scalp—which may be in line with prevailing fashion, but makes each round harder to handle without damaging the franchise."

Japan and Germany

Bank of Japan (BOJ) Governor Masaru Hayami announced on Oct. 11, "The strength of [Japan's] banks has declined and the market's trust has been damaged. If there is a crisis, we will serve as lender of last resort." There will be the third banking system "reorganization/bailout" since 1998. The BOJ will attempt a very delicate operation in which Hayami will try to facilitate the purchase and write-off of bank bad paper, while continuing the functioning of Japan's heavy industrial enterprises.

In Germany, Commerzbank was hurt further by an early-October memo from Merrill Lynch, reporting that Commerzbank has sustained credit derivatives losses. Commerzbank's stock fell from 44 euros in 2000, to 5.3 euros on Oct. 8. Moreover, the market share price of other financial institutions which make up Germany's main stock index, the Dax-30, have also experienced huge losses: Bayerische HypoVereinsbank, –84%; Deutsche Bank, –64%; Allianz/Dresdner Bank, –83%; Münchner Ruck, –75%; and MLP, –96%. The entire market capitalization of these six banking firms plummeted from a combined 330 billion euros in 2000, to just 71 billion euros in early 2002, a fall of 78%.

The collapse of the physical economies of these three nations is accelerating the banking-financial crisis.

South African Strike Exposes False Choices

by David Cherry

At the ruling African National Congress's policy conference in Johannesburg in late September, with the national trade union strike in prospect, South African President Thabo Mbeki angrily declared that the ANC was "under attack from domestic and foreign left sectarian factions" who accuse the party of turning its back on the poor. He was absolutely right. The jackals are gathering to feed on the discontent and misery partly unavoidable in the immediate post-apartheid years, but which are increasingly the consequence of the globalization and privatization policy into which President Mbeki himself has been steered by his Anglo-American self-declared "friends." South Africa can be brought to its intended end as a "failed state" by the policies of the left, or by Mbeki's own policies, or by the two in competition. But it need not happen.

Africans have difficulty believing that the Anglo-American powers contributed to the ending of apartheid for the purpose of imposing on the entire continent a combination of policies of differing political stripes that is even worse. It is a replay of the British use of its drive against the African slave trade in the 19th Century to seize much of the continent—but now with much greater human suffering in prospect. These are the policies of principalities and powers that are imposed by polite, friendly, and apparently well-intentioned people who are, nonetheless, the walking dead.

Trade Unions Offer No Alternative

The occasion for President Mbeki's attack on "domestic and foreign left sectarian factions" was the approach of the national strike of Oct. 1-2 led by the Congress of South African Trade Unions (COSATU), a member—along with the ANC and the South African Communist Party (SACP)—of the now strained tripartite governing alliance. Statements by Mbeki indicate that he blames COSATU for being guided by these "factions." We are confronted with a picture of President Mbeki and the ANC leadership on one side, and COSATU and the SACP on the other, playing out their scripted parts in a variation of what has already happened in other countries such as Peru, Mexico, and Colombia, leading to the destruction of national sovereignty and potential for development.

For his part, Mbeki supposes that a global financial system that is collapsing will fulfill its promises to inject capital to help develop the country, so long as free trade and privatization inducements are provided. In Mbeki's reckoning, a social safety net redistributing wealth to the poorest will meanwhile cushion the transition to the new dawn. The global financial system, on the contrary, must *extract* capital from South Africa just to keep its huge bubble from bursting. There will be no new dawn, under this bankrupt system. The recent announcement of plans to interconnect the national electrical grids, from South Africa to Uganda, is a case in point. The big money for this selective infrastructure is for making a market in electricity; no large increase in *generating capacity for manufacturing and household use* has been mentioned.

COSATU, apart from being exactly right about the evils of globalization and the necessity of ending privatizations, is also—like the ANC government—promoting policies that call for the redistribution of existing, and dwindling, wealth. Thus, neither side has a vision of how South Africa can rapidly increase the production of wealth under conditions of a worldwide financial and productive collapse.

Who in the world today understands economics as a process of the advance of the cognitive powers of the individual, and of the construction of the subsumed physical productive capacity? Is it not thought-provoking that the minds behind the development of the United States, Germany, and Japan—and the primary exponent of their approach today, Lyndon LaRouche—do not figure in public discourse in South Africa? These are minds such as Benjamin Franklin, Alexander Hamilton, Lincoln's adviser Henry Carey, Friedrich List, and the thinkers of Japan's Meiji Restoration—not one free market or privatization advocate among them. Is it not also curious that the two courageous South Africans who most shared in this thinking in the 1930s and 1940s, Moses Kotane and H.J. van der Bijl, are all but forgotten?

Support for the National Strike

Social conditions in South Africa form part of the backdrop to the national strike of Oct. 1-2. According to UN Development Program data cited by COSATU, South Africa is one of the five most unequal countries in the world, in terms of living standards. The UNDP reports that one in seven South Africans does not have piped water, making it worse off than Zimbabwe, Morocco, and Indonesia in that respect. Its infant mortality is the 57th worst, on a par with Algeria and Syria. These conditions result from the legacy of apartheid—the ANC only came to power in 1994—combined with the results of Anglo-American financial hegemony in the years since.

COSATU reports that unemployment in South Africa has increased from 16% in 1995 to almost 30% today. Job losses have run at about 100,000 per year in that period. With the loss of formal jobs, South Africans have sought work in the so-called informal sector, so that more of those who are employed today have very low-level work. According to *Statistics South Africa,* 35% of workers earned less than 1,000 rand a month in 1995; but by 2001, the figure had climbed to 39%, and R1,000 was worth more in 1995. (The rand, worth 28 U.S. cents in 1995, is now worth 10¢.)

COSATU has sponsored strikes and demonstrations against privatization, anti-labor legislation, unemployment, and high interest rates since 1995. The strike of Oct. 1-2 was called against privatization, unemployment, and high prices, especially soaring food prices.

While the South African Chamber of Business estimated participation at 15%, it was clearly larger. The executive director of the Cape Chamber of Commerce, Albert Schuitmaker, said that participation would have been greater were it not that, "With rising inflation and particularly the cost of food prices going up, workers have realized that missing a day's wages, even two days' wages, is quite a dent to their income."

Highlights of COSATU's report of the first day's activity include that, although municipal buses were running in Johannesburg, they were mostly empty; in Pretoria, buses were not running, but the train station seemed almost normal. There was "unprecedented support" among miners, including "massive response" in Free State, Rustenburg, and Witwatersrand. In the Witwatersrand industrial area, there was an estimated 60% stay-away and municipal workers were on strike in most areas. In Durban, it looked "like a public holiday," and there was "very strong support from the port workers, who are threatened with privatization soon. About 2,000 COSATU members and others marched on Parliament" and submitted a memorandum with its demands. "Overall," the report concluded, "we estimate that at least 80% of mining and manufacturing workers have joined the stayaway."

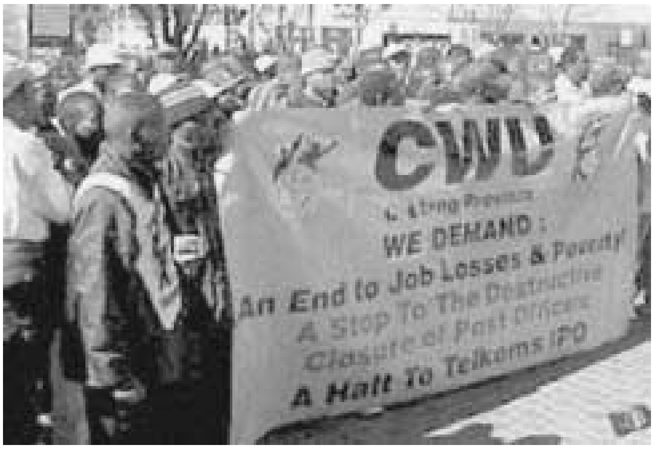
According to the South African Democratic Teachers Union, teaching almost ceased on the first day in many schools in Gauteng province, which includes Johannesburg and Pretoria. In Mpumalanga province, the teacher stay-away rate varied from 15% to 35%. Schools in four other provinces, including Eastern Cape, were on holiday, but 50% of non-teaching officials in the Eastern Cape education department stayed away.

On the second day, according to COSATU's detailed report, participation remained strong.

The Case Against Privatization

COSATU's Anti-Privatization Memorandum, issued on Oct. 1, argues that privatization leads to higher prices for basic services; decreased and inferior quality services for the poor, since they cannot afford the services provided by private interests; decreased capacity of the state to restructure the economy to ensure infrastructure development and growth; and the "casualization" of labor and removal of workers from established bargaining units in the public sector.

The case is not abstract, since it has already been proven everywhere, including in South Africa itself. Johannesburg privatized its water services to a group including Suez Lyonnaise des Eaux, the same French company that is the largest shareholder in the consortium that took over water and sewer services in Buenos Aires, Argentina. There, the price of water was supposed to drop by 27%; instead, it increased by 20%. Wherever Suez Lyonnaise comes in, prices have gone up—



South Africa's Communications Workers Union striking against privatization, and marching outside the Johannesburg Stock Exchange. Representatives of three other unions which took part in the anti-privatization strike Sept. 30 (from left): Dirk Herman of the Mineworkers Solidarity Union, Silumko Nondwangu of the National Union of Metalworkers, and Senzeni Zokwana of the National Union of Mineworkers.

including in Paris. Why shouldn't they? Isn't that what privatization is really all about, from California to the Himalayas? The company promised to build a new sewage treatment plant in Buenos Aires, but did not, and almost all of the city's raw sewage is flowing into the Rio del Plata. The Johannesburg Metropolitan Council, in violation of law, made its decision to privatize in secrecy.

Privatization of water in KwaZulu-Natal province (KZN) to Specialised Outsourcing (Outsors) led to the hiring of private security toughs to disconnect those too poor to pay, and to a 28% price increase in the Durban Unicity in May 2001, in the midst of a cholera epidemic. Households in northern KZN served by Umgeni Water had begun to receive 6 kiloliters of free water monthly, but the rural areas, much affected by cholera, were not included, and the rural households were paying a flat 20 rand a month for water and sewer.

In Eastern Cape province, water disconnections in Highland View forced residents to drink from old pipes next to the sewage treatment plant. Four persons from disconnected households were hospitalized with cholera at the beginning of May 2001; one died. It was the first appearance of cholera in the province in recent memory.

South Africa's state-owned electricity producer, Eskom, presents another ugly picture. It has been preparing for 30% privatization for some time, with commodities trader Walter Kansteiner—now U.S. Assistant Secretary of State for Africa—having counselled one of the unnamed candidate purchasers. Eskom has been brutal in preparing for privatization by attempting to show that it could "recover costs." While the Cabinet declared in March 2001 that every home should get 50 KWh of free electricity every month, Eskom announced about the same time that it would be disconnecting 20,000 households each month in Soweto alone. This was being carried out in the weeks before the June 21 onset of Winter in the southern hemisphere, and included a June 5 incident in which Eskom security guards wearing bullet-proof vests fired a dozen or so rounds on Soweto residents resisting disconnection of service.

Eskom announced that its profits were up 37% in March 2002, just as the government announced that the national electrification program was "not commercially viable." This is the International Monetary Fund's policy without the IMF. IMF loan agreements in Africa now often include the condition that water infrastructure either be privatized or operated with full cost-recovery.

Mbeki's Case

Mbeki cannot answer COSATU on privatization, and has not attempted to do so. His weekly letter in the online *ANC Today* for Oct. 3-10 responds to COSATU by citing major advances since the ANC came to power in 1994, including that many people in the rural areas now have access to piped clean water, electricity, and primary health-care centers; that mothers and babies now have free health care; that children now have a free meal at school, and so on.

The week following his letter saw major new steps. The Cabinet announced that the price of white maize meal will temporarily be subsidized at almost 50%, because of soaring prices. Meanwhile, the re-establishment of a strategic grain reserve is being considered and a Food Monitoring Committee will monitor the food production process, the supply chain, and the relationship between retail prices and actual costs. The Cabinet is also proposing to Parliament immediate increases in pensions, child support grants, foster care grants, and so on. The possibility of a food stamp program is being studied by two government departments.

Moreover, recent legislation making the government the ultimate owner of South Africa's mining lands is now supplemented by the Cabinet's adoption of a Mining Empowerment Charter. The Charter sets a target of 26% ownership of the mining companies by nonwhite South Africans within ten years. On a more urgent matter, it provides for upgrading the still prison-like living quarters of miners, their conversion to family units, the promotion of home ownership for mineworkers, and the improvement of their nutrition.

The advances the ANC government can take credit for, therefore, lie overwhelmingly in redistributing South Africa's shrinking wealth. But the inroads of globalization and privatization will accelerate the shrinking. The more difficult task of increasing the production of wealth in time of worldwide depression is not being addressed.

COSATU and the Ultra-Left

In attacking what he sometimes calls the "ultra-left," Mbeki is attacking COSATU, or at least its strike leadership. But the core of the "ultra-left" is outside of COSATU. This core considers that President Mbeki has sold out and is now an adversary. It is exemplified by theorist and strategist Patrick Bond and the "global justice movements" he praises, such as the narco-terrorist/separatist Zapatista movement in Mexico. Bond is an associate professor at the University of the Witwatersrand in Johannesburg and a research associate of the Alternative Information and Development Centre.

This ultra-left is simply a local expression of the oligarchy's international right-wing/left-wing apparatus to eliminate the nation-state and industrialization. The left-wing side is directed in a significant degree by Britain's Teddy Goldsmith, founder of *The Ecologist* and brother of the late billionaire Jimmy Goldsmith, and it is partly funded by the Goldsmith family foundation.

Trevor Ngwane, the expelled ANC leader who is secretary of the Anti-Privatisation Forum in South Africa, represents this ultra-left operation in action. He appeared on South African national television during the World Summit on Sustainable Development there, with the message that President Mbeki was a sellout who was working with De Beers and Anglo American. Ngwane has support from such NGOs as the World Development Movement (U.K.) and Peoples' Global Action. PGA is the umbrella under which all of the world's major anti-nation-state, anti-industrial, narco-terrorist gangs assemble.

In contrast, COSATU President Willie Madisha and General Secretary Zwelinzima Vavi are South African patriots who are not ready to break with the ANC, despite the fight over privatization. Their view was expressed in COSATU's pronouncements during the strike, such as the Oct. 2 statement that "we will continue to use any opportunity government offers, for genuine engagement. . . . In September, we agreed with the ANC that we would work intensively to overcome our policy differences. That process should continue."

The problem within COSATU is not just that the ultra-left is influential in some important quarters there. Rather, on privatization and social policy generally, the ultra-left is its guiding leadership. The patriots today are only willing to go so far, but tomorrow, they will be surprised by what is required of them by the logic they have imbibed from the likes of Patrick Bond.

To Build the Future

South Africa cannot develop without international and intercontinental policy coordination in favor of Lyndon LaRouche's approach to nation-building. It could join Malaysian Prime Minister Mahathir's golden dinar currency plan, or produce a plan like it for Africa. It could adopt the kind of exchange and capital controls that are currently protecting Malaysia from speculative attack.

It could also investigate the thinking of the Italian Chamber of Deputies in its Sept. 25 bipartisan passage of a resolution calling for a "new financial architecture," motivated in the final debate by Deputy Giovanni Bianchi, who said, "Not by chance one speaks of a New Bretton Woods. . . . Let us not leave . . . Lyndon LaRouche, who had forecast the destiny of the bubble, to be the only one to carry on this issue. The Italian and Argentinian destiny lies in this." The resolution proposes far-reaching changes in the international financial system that would support the "real economy" and avoid "speculative bubbles." South Africa could also coordinate with PRONA Party leaders in Brazil, allies of LaRouche who scored record electoral victories on Oct. 6, and who are calling for an immediate New Bretton Woods monetary conference.

And what about the State Department and the British Foreign Office? Let them scream.