# IMF, World Bank terrified of LaRouche, financial crisis

by Richard Freeman

The International Monetary Fund and World Bank held their joint Interim Committee meeting in Washington, D.C., on April 28-29, attended by several thousand people—finance ministers, central bankers, and staffers. While pretending that everything is fine with the world financial system, the IMF's 1997 "World Economic Outlook" report, released on April 23, provided abundant evidence that a financial crisis is on the horizon. The report also reaffirmed the IMF's commitment to intensified austerity and world industrial take-down.

Though he was in Europe, over 3,000 miles away, the forecasting accuracy and economic policy ideas of Lyndon LaRouche cast a giant shadow over the IMF-World Bank event. The IMF regards LaRouche, who has said that the world financial system is disintegrating, with fear. That was on display on April 24, when *EIR* called the IMF's press office to ask for a copy of its "World Economic Outlook" report. After ascertaining that *EIR* was on the phone, the press officer placed the phone down for a moment, came back, and said, "We don't give this report to *EIR,*" and hung up. Another exchange followed (see box). As far as *EIR* could determine, such treatment was accorded to no other press.

Further, IMF Managing Director Michel Camdessus, during his April 25 press conference, defended the IMF against what he claimed were attacks by unnamed "forces," which had accused the IMF of slashing jobs, causing poverty (in fact, genocide), and eliminating national sovereignty. The most prominent of these unnamed forces has a name: Lyndon LaRouche.

The oligarchical financier-controlled world speculative financial bubble is growing hyperbolically; it has sucked dry the physical economy, upon which its existence—and that of humanity—depends. The bubble will pop. LaRouche has put forth a growth-vectored alternative, but his first order of business would be to put the bankrupt IMF-centered financial system through bankruptcy reorganization. Thus, the Interim Committee meeting occurs at a world-historic moment. But, the IMF is committed to pillaging the world, in an attempt to protect the bubble, and thus keep its own power intact.

## The IMF's 'World Economic Outlook'

The IMF wrote the "World Economic Outlook" report to define policy for the Interim Committee meeting. After painting a glowing picture of the state of the world economy, the report's preface admits that there exist multiple potential disaster points, which could blow the world financial system to bits. The preface starts with such nonsense as, "The favorable global economic conditions are underscored by the continued robust growth performance with low inflation in the United States and the United Kingdom, the pickup in growth in Japan in 1996, and improved prospects for a strengthening of the recoveries in continental Europe and Canada." Then, the IMF contradicts itself; beginning with the following paragraph, it lists four trouble spots:

- "First, in much of the European Union, unemployment has risen further to new postwar peaks, and neither prospective growth nor the progress made with labor market reforms *gives reason to expect any significant decline in joblessness in the near future*" (emphasis added).
- "Second, stock markets. . . . The potential for a market correction large enough to contribute to cyclical downturn depends partly on the extent to which the rise in stock prices has been an element in a broader buildup of demand pressures. In contrast to the run-up in asset [stock and other financial instrument] prices in the late 1980s, especially in Japan and in the United States . . . a generalized overvaluation of asset prices, leveraged by increased indebtedness, does not appear to be present in most countries with strong stock markets." The way this is worded, indicates that the IMF is aware that this is the very problem in the United States.
- Third, the IMF warns that "capital flows to emerging

market countries" could sharply shrink. Such shrinkage would pop the emerging markets financial bubble, upon which significantly depends the financial bubble in the United States and Europe.

• "Finally, fragile banking systems are of concern in a broad spectrum of countries." It focuses on the developing sector. "In some emerging market countries, banking sector difficulties linked to significant exposure to foreign exchange risk have become more apparent following the reversal of capital flows." (Thailand, Malaysia, and other fake "tigers" are examples of this.) It next enumerates the sore spots: the existence of "large portfolios of nonperforming loans, the erosion of banks' capital flows, and outright banking crises."

If any one of the trouble spots blows up, the world financial bubble will explode. Thus, while the IMF report attempts to keep on its "happy face," it has deliberately chosen to report on elements which show just the opposite.

## Defending globalization

Recognizing that its existence depends on maintaining the financial bubble—without it, the IMF is through—the IMF dedicates itself to defiantly defending the policies which underlie the bubble. The IMF-World Bank Interim Committee meeting advanced the cause of one such policy—globalization. This process, which has been under way for several years, means the deregulating of national economies' financial markets, the introduction of derivatives instruments, and the green light for Wall Street and the City of London banks to buy up Third World countries' banking systems, and so on, all to extract more loot from populations, to feed the bubble. And, the language with which the IMF defends globalization, strongly suggests that the unspoken adversary is LaRouche.

At a press conference at IMF headquarters on April 24, Camdessus proclaimed, "As you see, globalization will be the common thread of our work." He listed its implementation as "a challenge" to the world's leaders.

The IMF's "World Economic Outlook" is aware of the destructive process of globalization, which contributes to the IMF's destruction of national sovereignty. The IMF, which is aware of LaRouche's criticisms, euphemistically phrased it thusly: "Another widespread perception is that globalization may, at some cost, limit the autonomy of policymakers at the national level." Globalization guts real physical economies, causing job loss, a fall in living standards, and genocide among the world's poor. While providing incontrovertible evidence of this trend, Camdessus slyly attempted to mislead the press, saying, again in response to criticism, that "IMF policies do not impoverish populations."

The IMF also publicly endorsed what its policies have enforced for the past 25 years: the deindustrialization of advanced- and developing-sector nations. In April, the IMF released a working paper, "Deindustrialization: Causes and Implications." The paper notes that it was prepared "as a background study for the May 1997 'World Economic Outlook,' " i.e., a companion piece to the report which was to define policy for the IMF-World Bank meeting.

The IMF's working paper avers, "All advanced economies have experienced a secular decline in the share of manufacturing employment—a phenomenon referred to as deindustrialization. This paper argues contrary to popular perceptions, deindustrialization is not a negative phenomenon." Deindustrialization, it says, is the result of "economic dynamism." The IMF working paper prefers to call industrial economies, "advanced economies," because manufacturing and industry no longer predominate in them.

Deindustrialization means turning the manufacturing base of a country into a rubble heap. A deindustrialized country can no longer produce the physical goods necessary for its existence. That is why, over the last 30 years, the market basket of the average American household has fallen by 50%.

The IMF working paper praises the fact that the sharpest

## IMF: 'We don't give documents to EIR'

*The following discussion took place with IMF Deputy Director of Communications Graham Newman, on April 24.*

**EIR:** We would like a copy of the "World Economic Outlook" report.

**IMF:** We don't give reports to *Executive Intelligence Review.*

**EIR:** Why not?

**IMF:** Because it is the political propaganda arm of Lyndon LaRouche; *EIR* is not a legitimate publication.

**EIR:** Do you give the report to Rupert Murdoch's publications?

**IMF:** Yes, but Murdoch's publication are legitimate press.

**EIR:** Who pays for the IMF? Don't the United States and other governments pay for the IMF?

**IMF:** The IMF is an inter-governmental organization.

**EIR:** Then who gives the IMF the authority to decide what is a legitimate organization, to whom it will give the report, and to whom not?

**IMF:** I won't answer that question.

**EIR:** Do I detect a British accent? [The IMF's Newman has a thick British accent.]

**IMF:** [silence]

**EIR:** Well, do I?

**IMF:** That is a personal and irrelevant question that has nothing to do with anything, and I am now hanging up.

deindustrialization has occurred in the United States, which went from 28% of its labor force engaged in manufacturing in 1965, to 16% in 1994. (During 1970-94, the share of the European labor force engaged in manufacturing fell from 30% to 20%; the decline in Japan was less steep than in either America or Europe.)

Continuing to hold up the United States as a model, the paper states that "all advanced economies have witnessed virtually continuous increases in the share of services employment since 1960. The United States has been one of the pioneers in this context." It has gone from 56% of the labor force employed in services in 1960, to 73% in 1994.

Speaking of the decline of manufacturing in both the real Asian tigers, which have a "full-set" economy (Taiwan and Korea), and the fake tigers (such as Singapore and Hongkong), the IMF calls this a "deindustrialization . . . of the positive variety."

The report also says that "deindustrialization also implies that the role of trade unions is likely to change over time in the advanced economies." It does not spell out what this means, but a breaking up of the ability of trade unions to defend living standards is implied.

The April 28 *Wall Street Journal,* in a front-page article entitled "A Slide in Factory: The Pain of Progress," lauded the IMF's "Deindustrialization: Causes and Implications" working paper: "Viewed from the sweep of history, the IMF is right. The disappearance of manufacturing jobs isn't necessarily a symptom of an economy's demise, but could be a symptom of success."

On April 27, one day before the Interim Committee meeting opened, the finance ministers and central bankers from the Group of Seven nations (the United States, France, Japan, Germany, United Kingdom, Italy, and Canada) met. A 17-point final communiqué endorsed the main features of globalization and IMF surveillance, and called for Russia and sub-Saharan African countries to adopt "more market-oriented economic policies."

## Reorganization needed

The IMF-World Bank Interim Committee meeting offers proof, once again, that the IMF and World Bank are morally and financially bankrupt institutions. LaRouche has proposed that the current bankrupt monetary system be put through bankruptcy reorganization. He, and his wife, Schiller Institute founder Helga Zepp LaRouche, would replace it with a new Bretton Woods monetary system, pivoted around an "Eurasian Land-Bridge" project: constructing railroad-spined corridors of high-technology development, spreading across Eurasia from the Pacific to the Atlantic Ocean, which would kick off world economic growth. The IMF would be put out of existence permanently. More than 700 prominent individuals internationally have signed an appeal to President Clinton, calling for convocation of a new Bretton Woods conference.

The IMF's fear of LaRouche has deep roots.

# IMF makes E. Europe worse off than ever

by Konstantin George

At their annual meeting in Washington on April 26-27, the International Monetary Fund (IMF) and World Bank issued reports on eastern Europe and the former Soviet Union which were widely covered in the press, expressing a "rosy outlook" and "grounds for optimism" for the future of reforms in the former Communist bloc. An updated look at the actual situation in these countries, however, reveals a diametrically opposite picture.

Even the so-called "model" reform states of central and eastern Europe are in horrible shape. A survey in the May issue of the *Central European Economic Review,* published by the pro-free market *Wall Street Journal,* on household incomes in eastern Europe during 1996, reported that, except for Albania, living standards worsened during 1996. (In Albania, the majority of incomes rose in 1996, because this was calculated before the collapse of the pyramid schemes.) In Poland, only 21% of the population reported better incomes; 37% reported lower incomes, and 40% said their situation was about the same. In Hungary, 6% reported that their incomes had improved, 72% said their situation had worsened, and 21% said it had stayed the same.

## Extermination of the young

Perhaps the most damning of the many crimes committed by IMF policies in eastern Europe is the physical and cultural destruction of the younger generations, whose effects will be felt for decades to come. Ironically, the IMF's report came only days after Unicef released a 170-page report in Bonn on April 21, on the misery confronting youths in the former East bloc. Its principal author, Gaspar Fajth, declared that for most people, living conditions are far worse than under communism: "In many ways they are worse off now, and this is a scandal."

The report said that more than 21 million jobs have been lost in the former East bloc since 1989 (i.e., during the IMF "reforms"), broken down geographically as follows: In central and eastern Europe (Poland, the Czech Republic, Hungary, and Slovakia) 4.8 million jobs were lost; in southeastern Europe (Romania, Bulgaria, and former Yugoslavia), 2.2 million jobs were lost; in the former Soviet Union (Russia, the Commonwealth of Independent States republics, and the Baltic republics), 13.2 million jobs were lost. The report documented the astronomical rise in alcoholism, drug use, and