

The 'experts' meet in Davos: a shipload of frozen fools

by Marcia Merry Baker

A "ship of fools," since at least the time of the medieval book by that name, connotes oblivious people on the edge of disaster. The scene at this year's World Economic Forum, in the Swiss Alpine town of Davos, Jan. 28-Feb. 2, was indeed a shipload of frozen fools. The level of absurdity and fanaticism expressed by the "experts," about the current world financial and economic breakdown crisis, was remarkable. Dissenting voices were few, though notable.

The title of this year's gathering was "Responsible Globalism: Managing the Impact of Globalization." Participants numbered more than 1,500, including business officials, dozens of heads of state, and others.

To introduce the theme, forum director David Morrison prepared a discussion paper, based on an exchange of views among 20 international economists, about what could be done to deal with financial crises, market turbulence, and so on. His conclusion? You can do *nothing*. Morrison rejected all the proposals offered — such as taxing short-term capital flows, or reinstating some type of Bretton Woods foreign exchange controls. "Impracticable," said Morrison. He asserted that, no matter how well-intentioned, such proposals have to be rejected, and that financial catastrophes, such as in Asia, can never be ruled out. It has to be accepted that due to globalized markets, such occasional unpleasant events are the inevitable concomitants of the system.

The president-founder of the Davos Forum, Klaus Schwab, said, the best you can do, is to "put a human face" on globalization, to add "a social dimension to the behavior of entrepreneurs," but that's all.

Speaking Jan. 28 at Davos, the President of Germany, Roman Herzog, proclaimed that the nation-state must give way to globalization. He said that when the Davos meeting in 1995 took place, globalization was still very much debated. But today, that debate is past history, because the world is moving into "globality." Therefore, "classic foreign policy,

which for 350 years was policy of one nation-state toward another nation-state, has to change its identity. If it does not want to turn useless, it has to adapt to the new state of the world." Foreign policy shall become a "world domestic policy," Herzog said, and he referred to such new transnational institutions as CNN, the Internet, and Greenpeace!

Snowblind to reality

As if in response, Mother Nature dispatched a blizzard to the conference, dumping snow and ice, until finally, on the night of Jan. 30, the lights went out!

"The Gods have had a huge joke on the self-important gathered in the Swiss Alps this year for the World Economic Forum," wrote Janet Bush in the *Times* of London on Jan. 30, in an article entitled "Snow-Blind to Economic Reality." Bush described how, just as the chief executives and others headed out to Davos, a heavy snowstorm closed airports, cancelled trains, and left the captains of industry "to trudge miles through the snow, carrying their own baggage."

The insane character of the 1999 Davos conference is starkly opposite to the growing attention internationally to the kinds of proposals and thinking Lyndon LaRouche has been advocating to deal with the global breakdown crisis, namely, a "New Bretton Woods" approach of control measures for currency exchange and capital flows, along with restoring mutual-interest national trade and development projects. Aspects of this approach were addressed at the conference by Malaysian Prime Minister Dr. Mahathir bin Mohamad, Egyptian President Hosni Mubarak, AFL-CIO President John Sweeney, and others. But these were the exceptions.

Janet Bush's overall characterization of the Davos event is on the mark. After the blizzard, which, she said made it hard for most of The Anointed to physically arrive at Davos, the real blindness was that "all these great minds" could not even figure out, last year, "that the world economy might be

in trouble. They didn't."

Besides ignorance, the self-importance of the frozen fools was remarkable. Look at some of the names of the seminars: "Achieving Ethical Profits in the Global Business Environment" and "Think Like a Genius." Then, Bush described the guest list, including Crown Prince Albert of Monaco and Prince Henri of Luxembourg, His Holiness Bartholomew I, Ecumenical Patriarch of Constantinople, and Brian Eno of Britain's Roxy rock music band. She reported, "Some assiduous digging turned up one group that is mysteriously called IGWEL (Inner Group of World Economic Leaders)."

"There are special people anointed with greatness by the forum," Bush concluded, "called Global Leaders of Tomorrow. The strange thing is they never get dismissed for being too old. There are no Global Leaders of Today or even Global Has-Beens of Yesterday. The forum is essentially a love-in for the world's bosses, who have become far too remote to be loved by their own employees." They won't move the Forum to Geneva where it wouldn't be closed down by snowstorms, she concludes, because "they are scared that, away from the scene of Thomas Mann's *The Magic Mountain*, the illusion of importance may be shattered."

All the while the World Economic Forum took place, like a meeting of the twilight of the New Age gods, the lights were going out on the global monetary system and economy at the very same time. In Brazil, crisis events occurred day-by-day, parallel with the Davos Forum.

On Jan. 29, the panic was spreading so fast, that Brazilian Finance Minister Pedro Malan could not take time off to go to Davos, and instead, the night of Jan. 29, he and Brazilian President Cardoso had to go on national television to try to calm things down. As of then, Brazil's currency, the real, had fallen in value by 40% during January. Rumors were sweeping Brazil that the government was planning to confiscate personal savings accounts, to acquire funds to back up national debt and the currency.

Then, on Jan. 30, an IMF "technical team" arrived in Brasilia, for a closed-door session with top government officials. The IMF demanded that Brazil completely redo the previous IMF-dictated economic program, in order to take account of the 40% devaluation of the country's currency. This would only further accelerate the damage which the crisis is causing.

On Feb. 1, speaking from the mountaintop of Davos, mega-speculator George Soros himself gave a press briefing, demanding that a "wall of money" must be erected by international financial sources, for Brazil (to back up predatory interests in the country). The next day, the President of Brazil fired the newly installed Central Bank chief Francisco Lopes, and put in his place Arminio Fraga, the former manager of Soros Fund Management!

In Japan, the real economy continues to collapse, while the policy direction remains unclear. On Jan. 31, Finance Minister Kiichi Miyazawa told the Internet *Far East Daily* that the Japanese economy was "a wreck" and that recovery

was "at least two years away." The news service reported that Miyazawa predicts that within the next year or so, unemployment in Japan will increase significantly, as companies are forced to implement austerity measures. "This means Asia is likely to remain in the economic dumps for the next couple of years," the daily concludes. By all accounts, housing starts in Japan, which have fallen at 12% annualized rates, will continue to crash; auto sales, which are falling at a 15% annualized rate, will do likewise; and industrial production, down 12% in December 1998 from the same time in 1997, will continue to collapse.

In Europe and the United States, the chain reaction effects of the global financial disintegration are evident in the rate of manufacturing layoffs, the farm crisis, and impoverishment.

The manufacturing sector of the U.S. labor force lost 267,000 workers between January and December 1998. During December, there were 18,824 million manufacturing jobs lost. On Jan. 27, United Steelworkers of America President George Becker testified to a Senate Committee on Finance, "Clearly, from the steelworkers' viewpoint, if this crisis, as it currently exists, is allowed to continue, it's going to destroy, it's going to eliminate the steel industry as we know it today. We have over 10,000 steelworkers that are out of jobs now. But we've got 100,000 of them that are on the edge." Becker singled out the IMF for blame.

At the same time as the Davos Forum, there were protests of farmers on both sides of the Atlantic. In Sioux City, Iowa, 800 people rallied on Jan. 30 for emergency action to rescue farms being destroyed by commodity price collapse. A Europe-wide rally for the same reason is planned at the end of February. In Poland, during Jan. 15-31, some 130 road blockades by groups totalling 4,000 farmers, dramatized the need for rescue measures to save the agriculture sector.

Al Gore honored at Belshazzar's Feast

Oblivious to the reality around him, U.S. Vice President Al Gore delivered his scrambled-brains address to the Frozen Fools on Jan. 29, and hyped his pet themes of the "information highway" and "sustainable development." According to an official press release from the World Economic Forum, "Gore declined to announce his candidacy for the U.S. Presidency, 'much as I am tempted to do this in Davos.'"

Definitely not able "to read the writing on the wall," on the reality of economics, or anything else, Gore announced a new drive to force cartel-serving "free trade" down the throat of any nation trying to protect its farmers, industry, or population in any way. Gore said: "I am announcing today that the United States will call for broad and deep reductions in agricultural tariffs—which now average a steep 40%. We will call for the outright elimination of agricultural export subsidies—which are found in no other sector. Agricultural subsidies cost the average European family about \$1,500 a year.

"We are also committed to ensuring that the world's agricultural producers can use safe, scientifically proven biotechnology—without fear of trade discrimination. The world

now has at its disposal safe, new technologies that can help us feed millions of hungry families. We should promote them, not punish them.” (His reference is to the patents and “intellectual property rights” now given priority over even principles of science and the means to life itself, such as seeds and growth chemicals, owned by a global cartel of commodities and pharmaceutical companies, including Cargill, Monsanto, and Novartis.)

From Davos, Gore went on directly to London, to meet with his crony British Prime Minister Tony Blair. And to make the point clear, whose interests are served by Gore’s speechifying, the Washington bureau chief for the London *Economist* asked, in the Jan. 31 *Washington Post*: “Wouldn’t America have been better off if it had booted Bill Clinton a year ago, and now had President Gore to lead it?” On Feb. 1, the London *Economist* again praised Gore, through its U.S. paper, the *Journal of Commerce*. The feature article, filed from Davos by John Zarocostas, hailed Gore for his new free trade crusade. “Mr. Gore’s speech suggests the United States is resuming a crusade begun with the Uruguay Round of trade liberalization talks in 1986 when the Reagan administration called for a total elimination of export subsidies.” The *Journal* gushed that “Mr. Gore’s comments promoted a favorable response from Rep. Jim Leach, R-Iowa. Mr. Leach called the administration’s position, ‘an exceptionally laudable gesture. It implies markets and not government aid should prevail.’ ”

Apart from this praise from London, Gore’s Davos behavior is widely regarded as in the same category of diplomatic wrongdoing as his infamous speech in Malaysia last fall, in which he denounced the host government. The leading French daily *Le Monde* ran an editorial on Feb. 2 criticizing Gore’s Davos statements as “a veritable declaration of war to the rest of the world,” referring to Gore’s demand for a new round of trade negotiations.

Documentation

Voices of reason

Prime Minister Dato Seri Dr. Mahathir bin Mohamad, Malaysia, speech at Davos, Jan. 28, “Malaysia: Bouncing Back from the Brink.”

Speaking of the Sept. 1, 1998 capital and currency control measures taken in Malaysia, he said, “We see no reason to remove them now.”

He described the Asian financial crisis as the third greatest crisis his country has faced since World War II, after the war against communist guerrillas and, later, the race riots in 1969. Finally, “we Malaysians had to take independent action to protect our interests,” and imposed the capital controls. The

results, he said, “have been very gratifying”: Foreign reserves have risen by \$7 billion from September–December 1998 to \$27 billion; the stock market has risen to 600 from a low of 260; non-performing loans have fallen; repatriation of offshore ringgits (the Malaysian currency) has allowed recapitalization of banks without depending on foreign loans, retrenchment of workers has been minimal.

Even so, Dr. Mahathir said, as a small trading nation, full recovery hinges on the world economy, but the world “will not recover if it regards capitalism as a religion. . . . The controls will remain in place until the international community devises a new financial regime which curbs the activities of currency traders.”

Mahathir said that governments that harbor currency traders and then claim that they cannot control them, should resign or be removed from office.

In expressing hope that the next millennium will be better than the 20th century, he said that the 20th century saw the invention of ever-more-destructive weapons of war, including “financial and economic weapons. . . . And they are no less destructive, no less lethal than the rockets and bombs.”

“If the world truly believes in peace, in democracy, in justice for all, destroy or curb currency trading. Then and only then will we see a revival of the world’s economy and an equitable distribution of wealth.”

Dr. Mahathir reminded his audience of the speech he gave to the IMF Meeting in Hong Kong in September 1997, adding that “I have no reason to change my mind . . . the world can do without [currency traders’] destructive cattle-like behavior.”

President Hosni Mubarak, Egypt, speech at Davos, Jan. 31:

President Mubarak said that the free-market approach has failed and must be rethought. “In the emerging world there is bitter sentiment of injustice, a sense that there must be something wrong with a system that wipes out years of hard-won development” because of market changes. It is “undeniable” that more people suffer from poverty today than two years ago. “Our global village has caught fire. We have put out most of it, but there are still pockets that can threaten us all again. . . . The time has come for us to rethink the direction our planet is taking.”

John Sweeney, U.S.A., president of the AFL-CIO, speech at Davos, Jan. 30, “How to Manage the Social Impact of Globalization”:

“The forces of globalization now wracking the world are the creation of man, not of God. Our task is not to make societies safe for globalization, but to make the global system safe for decent societies. This is not a quibble about words. As we meet, about a third of the world’s economy is in recession. . . .

“In its current form, globalization cannot be sustained. Democratic societies will not support it. . . .”