

Financial Times prints EIR editor's article

by Nora Hamerman

EIR has made no secret over the years of its rigorous opposition to the monetary, financial, and economic policies led by the City of London, its clearing banks, and merchant bankers. Our attack against the City's banking policy was and is grounded in our rejection of their 18th-century British East India Company colonial policy of looting the raw materials wealth of developing nations rather than fostering economic growth.

This well-known opposition, which has often provoked the ire of the powers that be in the "Square Mile" of London, makes it all the more remarkable that the City's principal mouthpiece, the *Financial Times*, published on Jan. 23 an op-ed by our European Economics Editor Laurent Murawiec, excerpts of which appear below. The article, "World Debt: Why Donkeys Thrive on Great Projects," has introduced in the public discussion of the debt issue in Britain a new factor, one not coincidentally dismissed or omitted in all previously published treatments of the matter appearing in the British media: the real economic basis of the debt crisis, and its necessary solution.

No less remarkably, the German central bank, the Bundesbank, reprinted the same article *in toto* in its "Excerpts from Press Articles" of Jan. 28, a weekly publication used by the Bundesbank to draw attention to subjects and contributions it deems worthy of interest. Since the Bundesbank has been on the forefront of the same monetarist policies of extreme austerity and enforced "adjustment" for debtor nations, the "signal" value of the article's appearance shows that those solutions to the debt crisis outlined in the article—which bear the hallmarks of Lyndon LaRouche's 10-year campaign to reorganize world debt in a way conducive to Third World development—may not provoke unbridled enthusiasm on the part of the London bankers and the Frankfurt central bankers, but have entered the landscape as an option too important not to be considered.

Excerpts of the article follow:

"The French philosopher of the Middle Ages had a story about the man who wanted to reduce his donkey's food intake. He gradually diminished the quantities, and just as the unhappy animal was 'just about getting used' to do without food, it unfortunately died. The parable can be applied to debtor nations: Any local banker knows that the indebted industrialist must be able to produce in order to break even,

make a profit, repay his debt and plough whatever remains back into the company's expansion in the form of investment, labor, and overhead costs.

"The policy of 'adjustment' however, usually associated in the speeches of central bankers and others with the adjective 'painful,' has the opposite aim. Debtors have not only slashed their level of outright consumption since 1982, but also the very foundations of any future growth: Infrastructure projects in water management, energy generation, transportation as well as investment in industrial capacity have been drastically reduced. Further, the brutal cuts in standards of living in countries where many live at or below the breakeven level required for a productive activity endanger the demographic fabric of their economies.

"An endless series of proposals for financial reorganization has been floated in the last two years. The defect in all such proposals is their common assumption that the donkey is 'just about getting used' to the now chronic austerity affecting it. But, it is the debtor nations' *capital*, rather than their *current* income, which is being eaten up in debt repayment.

"The pathway to a productive outcome of the crisis lies in combining financial reorganization with large-scale infrastructure projects capable of raising the productivity of the economies involved."

[The article then sketches the "Global Infrastructure Fund" (GIF) proposal of Mitsubishi Research Institute head Nakajima, and the included great projects, the Kra Canal in Thailand, etc.]

"Mr. Nakajima's idea is *not* a Keynesian 'pump-priming' exercise, nor a simple 'public works' approach to depression. The GIF was inspired by old lessons in economic growth, such as were demonstrated by railway development in Europe and North America. The development of ports, railway lines, townships around them, modern agriculture, water desalination through use of nuclear energy, would seem to be the most self-evident way to re-establish the indebted economies.

"'Who will pay for all these nice projects?' ask voices in the background. There it is that the coupling of the financial and the economic facets becomes the decisive factor. While the 'New Deal' did nothing substantial to stop the depression of the 1930s, building the war machine under Roosevelt in 1939-43 not only mopped up the Great Depression in record time, but presided over one of the greatest waves of economic growth in history. The secret lies with credit policies."

[The author next outlines the Hamiltonian, dirigistic credit policies used at the time to power the economy, and concludes with a summary of Lyndon LaRouche's proposals for central rediscounting of old debt against fresh credits tied to productive projects. He stresses that the emergence of a "debtors' cartel—not a cartel to default but a cartel to act jointly, whatever the action will be," has created a new, political situation which defines any possible solution to the debt crisis.]