

dashed, deliberately.

This year, when we started to collect the money from the additional pump price, we thought we should keep it aside. Although it would be part and parcel of the budget, it would not come into the total [budget] stream of day-to-day government affairs. Some of it would be set aside, targeted to projects that are aimed at the welfare of our people.

I think what people should understand, is that we know what is best for our own country. We know how to go about it. If you bring in an expert from outside, the first thing he will ask you is, "What do you want?" I know what I want. Then he will ask you, "Why is that what you want?" I know why it is. So I have done half the job. I know what I want, and I know why it is what I want. But somebody will come from outside and say that what I have done is not right, because he thinks he knows better than I do myself, what is going on in Nigeria.

In some countries, they have succeeded in convincing them that what they were doing was right. In our own case now, we do not totally reject what they tell us, but we relate to our own policy. When I was minister of finance, the IMF managing director told us, at a meeting in Washington in 1993, that developing countries should think *inwards*, they should have home-grown solutions. I think this is what we are doing. We are not doing anything outside what their policy is! Home-grown solutions, that we will think globally, but we will act locally. These two policies are the policies of the IMF and the World Bank.

**EIR:** Now globally, there is growing debate, in light of the dollar crisis, the collapse of Barings Bank, that one needs to think about a "New, Just World Economic Order." Would this debate have the support of your government? Do you think it is a useful debate?

**Saleh:** This is a new subject that you introduce, and I think that we should have the benefit of our own experts to advise us on this. It is good not to throw away new ideas, but one has to carry along those who know about it. If we find that the ideas are ones that we could officially say we support, we will do it. But I cannot say now that the Nigerian government will give support to this, nor should we say that we totally reject it. But we would want our own experts to study the central bank idea, the Ministry of Finance idea, the national planning idea. We have a Nigerian Institute of Social and Economic Studies, and the Institute of Strategic Studies. We have quite a number of these organizations that we ought to bring under one roof. What are the merits and demerits of what is going on now, and how do we improve on them, or how do we discard them, and what do we put in place of them? It is not something that one person can verbally say, offhand, "Yes, this is acceptable," or "No, this is not acceptable." We need a chance to study whatever it is, and our own personnel will do this, who know about national and international economics.

## An alternative to the present bankrupt monetary system

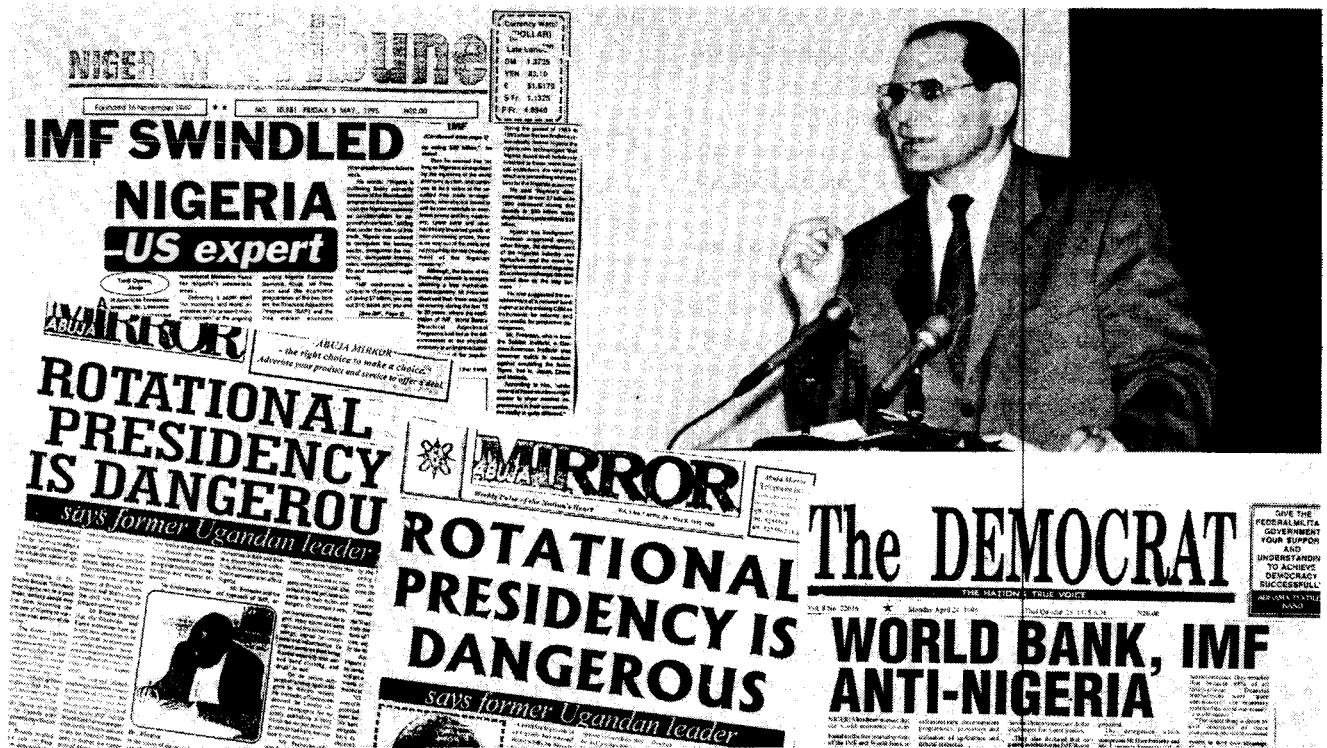
by Lawrence K. Freeman  
and Uwe Friesecke

*This speech was delivered by Mr. Freeman on May 4 to the Second Nigerian Economic Summit in Abuja, Nigeria.*

For Nigerians to develop the full potentials of this well-endowed nation, it is important to examine the dynamics of the current world economic and financial crisis. I will briefly highlight the most serious systemic deficiencies in the principles guiding our monetary system. Then I will present the outlines of an alternative economic system, premised on an axiomatically different set of principles.

Today we can say with certainty that the global monetary system, dominated by the western banking capitals in the United States, the City of London, and continental Europe, is in a state of collapse. The ongoing dollar crisis is the most serious sign of this. With the prestigious Lloyds of London now sliding into insolvency, even the skeptics should conclude that we are in an unprecedented financial crisis. Unless substantive radical changes are made, which depart from the accepted assumptions underlying current monetary policies, there will be an even more serious phase of financial disintegration in the immediate to near-term period ahead. The twentieth-century model which approximates this disintegration phase is the 1922-23 collapse of the monetary and financial system of Weimar Germany. However, the most important difference is, that unlike the period in Germany from 1922-23, when the United States was still capable, as a strong creditor, of helping to restore Germany with the Dawes Plan, no such super-creditor exists today that can bail out the bankrupt global monetary system. Therefore, we are facing a much more serious and dangerous crisis today than we have faced at any other time in history.

We have documented that the cause for this crisis began after the death of President John Kennedy, and especially after August 1971, when we adopted the wrong-headed policy of "decoupling" the monetary system from the real, goods-producing physical economy. As a result, per capita wealth measured in real tangible goods has been declining, not just in less developed countries, but also in such an advanced-sector country as the United States. Simultaneously, over roughly the same period of the last 30 years, the distinctively



The Nigerian press reports on the speech by Lawrence Freeman (shown here) to the Second Nigerian Economic Summit on May 4. Freeman spoke immediately before a representative of the World Bank, creating quite an uproar. Other articles from the local press quote former Ugandan President Godfrey Binaisa, who headed the Schiller Institute delegation.

separate (from the real economy) set of monetary aggregates has undergone a fantastic expansion in nominal paper values. This has brought us to the point that the world economy today more closely resembles a gigantic gambling casino of pure monetary speculation, rather than the progressive economy we used to know back in the 1950s and early 1960s.

### The speculative bubble

This point has been emphasized by Denis Healey, former British chancellor of the exchequer, who said last year that only a mere 2% of daily financial transactions are related to the production or distribution of goods, and 98% is spent on financing pure speculation, and debt. French Nobel Prize economist Maurice Allais has been warning of the same problem since 1988, and recently Robert Leuschel of the Brussels Lambert Bank has echoed similar concerns. However, only Lyndon H. LaRouche, Jr., the founder of our magazine, *Executive Intelligence Review*, has shown the willingness to face the full magnitude of this monetary crisis. He describes it with the following useful analogy: He compares the purely fictitious speculative financial growth of monetary obligations to a cancer eating away at its host—the real physical economy, which produces the wealth of society. As the cancer grows, it must consume more and more of the healthy tissue of its host until the body dies from the spreading cancer. The analogy is accurate, in that the financial bubble of

speculation depends on a small flow of income from the physical economy for its survival. So the cancerous bubble must be continuously fed, even to the point of eating up whatever remaining healthy bone and tissue still exists in the real economy.

Some may object that this is too harsh, or an inaccurate description. Not at all. The proof of the insanity of the policies governing the monetary system today, is the explosion in derivatives, which is only the latest and most exotic instrument of speculation. The face value of derivatives was \$1.1 trillion in 1986; it grew to over \$10 trillion in 1992, to \$16 trillion in 1993, and to an unbelievable \$45 trillion by the end of 1994, for a staggering annualized growth rate of 59%. Over the same period, world steel production per capita has been dead flat, and per capita grain production has dropped by 1.3%.

In December of last year, this derivatives bubble exploded. It led to the infamous multibillion-dollar bankruptcy of Orange County, California, one of the richest communities in the entire United States. A couple of months ago, we witnessed the overnight demise of Barings Bank, one of the oldest established banking institutions in England, which was the result of the inability of the bank to cover its \$27 billion in derivatives exposure. It should be no surprise to anyone, that the seven leading New York-based banks are hopelessly overexposed in derivatives, and are technically

insolvent right now, yet they are still allowed to keep their doors open for business.

## The debt bomb

Sandwiched between the bankruptcies of Orange County and Barings Bank was the blowout of the Mexican economy at the end of last year. The Mexican debt crisis rocked the global monetary system, and remains completely unresolved today, even as we meet here in Abuja. Because so many foolishly praised the Mexican model as a success story for Nigeria to follow, it is important to show just how wrong they were.

Mexico's debt in 1980 was \$57 billion; it soared to \$141 billion by 1994, and when the so-called relief package is added in, Mexico's debt now stands at \$191 billion. On closer examination, the "great" Mexican model shows that during this same period, when the debt increased by over 300%, the standard of living for the Mexican population went in the opposite direction, as shown in these figures: per household bean production dropped 37%, milk by 22%, steel by 27%. Overall production of consumer goods dropped by 20%, and producer goods by 27%. In 1988 came the Brady Plan, which, under the cover of "debt relief," imposed the following measures on Mexico: 1) total central bank autonomy; 2) unrestricted opening to foreign banking and financial activities; 3) elimination of all tariffs; 4) full convertibility of local currencies with the U.S. dollar; and 5) massive privatization fire-sales of national assets.

The result of the Brady Plan was a worsening of the crisis, which resulted in a 40% increase in Mexico's debt. Do you still want to listen to the so-called experts when it comes to Nigeria, after you have looked at their record in Mexico? Even today, some still foolishly maintain that Mexico is on its way to recovery, while in reality the physical economy is shrinking, unemployment is rising, and the standard of living for all but the wealthiest is being driven down further.

Russia is another example of the devastating failure of the International Monetary Fund's (IMF) Structural Adjustment Programs (SAPs). In 1992, the Yeltsin-Gaidar government brought in Harvard "whiz kid" Jeffrey Sachs to teach the Russians the wonders of western capitalism with his shock therapy policy. The result, several years later, is a complete disaster. In January 1992, the ruble was at 70 to one U.S. dollar; in 1994, it was devalued to 2,000 rubles to the dollar, and it now it is 5,000 to the dollar. Productive capacity has decreased 60% over the last five years, and industrial production is less than 50% of what it was in 1989! Light industry has collapsed to 20% of 1989 levels. According to Russian government figures, half the population lives at or below the poverty level, and life expectancy for males has dropped from 63.8 years in 1990 to 58.9 in 1994. Infant mortality has more than doubled in four years, from 14 deaths per 1,000 births in 1990 to 30 per 1,000 in 1994.

Russia definitely suffered the shock, but never experi-

enced the therapy.

Total African debt in 1980-83 was \$120-140 billion, and in 1994 it is approximately \$300 billion. During this 15-year period, \$10-20 billion a year was extracted for debt service, totalling approximately \$300 billion for that period. If one adds to this the loss of money due to unfair balance of trade and flight capital, then almost \$500 billion was taken out of the African continent during this period. No amount of humanitarian aid can make up for this! To show just one effect of this massive debt burden on the continent's population: African countries pay four times as much in debt service now as they do on health care for their over 600 million people, who desperately need these life-saving services.

## Bankers' arithmetic

Nigeria is suffering today primarily because of the liberalization programs that were forced upon the Nigerian economy as "conditionalities" for IMF approval of new loans. Under the rubric of "free trade," Nigeria was ordered to: deregulate the banking sector; deregulate the currency, the naira; deregulate interest rates; remove protective tariffs; and accept lower wage levels. From 1986-93, these IMF "dictats," together with systematic efforts to prevent the development of large-scale infrastructure, and the denial of the right to new technologies, have adversely affected the Nigerian economy in the extreme.

As one should have expected, it was over exactly the same period of time, that Nigeria found itself hopelessly indebted to these same financial institutions, the very ones which were prescribing what "was best" for the Nigerian economy. Nigeria's debt reached over \$7 billion by 1980, which then increased by over 400% during the decade to \$30 billion today, despite the country's having paid off over \$10 billion. IMF math is unique: In 15 years, you start off owing \$7 billion; you pay over \$10 billion; and you end up owing \$30 billion.

There is just no country during the last 15 to 20 years, where the application of IMF-World Bank Structural Adjustment Programs has led to the advancement of the physical economy, or an improvement of the standard of living of the population. These policies only adjusted the people's stomachs to hunger and their bodies to disease. Whether this was ill-advised or ill-intentioned, we can debate. But the sad state, especially of the economies of Africa today, reminds us of Shakespeare and the *Merchant of Venice*, where the creditor insists on payment from the debtor, even if it is the "pound of flesh."

As long as Nigeria is strangled by the injustices of the world economic system, and continues to be a victim of so-called free-trading arrangements, whereby it is forced to sell its raw materials at ever-lower prices and to buy machinery, spare parts, and other necessary import goods at ever-increasing prices, there is no way out of the crisis, and no possibility for real development of the Nigerian economy.

But the world monetary system is collapsing, and there are only two foreseeable alternatives. Either governments, especially of the Group of Seven nations, find the political wisdom to put the Bretton Woods system through orderly bankruptcy reorganization, including measures to stop speculation, and instead promote rapid development of production of physical wealth around the globe, or we will see ever-deeper disintegration and chaos of the world economy. This would uproot the political stability of regions of the world even further, and lead to many more violent military conflicts than we are already witnessing.

### What kind of reform is needed?

Thus, faced with a dramatic crisis, can't we at least have enough courage to say that the principles ruling our present economic and monetary system might be flawed? I say yes, we can face this tragedy, and find a solution to the crisis. Recently we have heard a growing number of voices asking for a review of existing monetary arrangements. This includes Japanese Finance Minister Takemura, who last month raised the question of rethinking the floating exchange rate currency system. Other senior Japanese industrialists, and

bankers in Europe, have also expressed fears about the potential of a global financial collapse.

Let me present to you an outline of the needed measures of economic reform for the world economy, including measures to defend and develop the Nigerian economy. These ideas are not entirely new. They reactivate a debate from the 1970s. In 1975, Lyndon LaRouche wrote a proposal for global economic reform, and called for the creation of an International Development Bank (IDB). In 1976, the summit of the Non-Aligned Movement called for a New World Economic Order. In Africa, this led to the Lagos Plan of Action of 1980. Clearly Africa would be a happier place for its people today, if this plan, and not the IMF-SAPs, had been implemented during the 1980s.

In April 1982, at the height of the Ibero-American debt crisis, Mexican President José López Portillo invited Lyndon LaRouche to meet with him, and discuss policies to solve the debt crisis. LaRouche, who had discussed his proposal for a "New, Just World Economic Order" earlier with the late Indian Prime Minister Indira Gandhi, formulated a comprehensive program to reorganize the debt of Latin America, and through economic integration to develop their nations.

## Coming soon in EIR

Lyndon LaRouche, following a visit to Sudan on Dec. 18-24, 1994, commissioned the staff of *EIR* to begin work on an in-depth *Special Report* on the subject of "How London Ran U.S. Policy Toward Sudan." That report is now nearing completion, and will be published in a forthcoming issue. Topics include:

- the British Arab Bureau's Horn of Africa policy, under Henry Kissinger and Zbigniew Brzezinski;
- the physical economy of Sudan;
- London's operations against Sudan: 1898, the 1930s, and today;
- the archeology and history of Nubia/Sudan;
- ethnicity as a method for genocide: British intelligence's anthropologists at work; the myth of the "Nilotic People."

In an interview published in *EIR* on Jan. 6, 1995, LaRouche underlined the importance of this project: "The significance is that, although very few Americans or even Europeans know it, World War I actually began on Sept. 2, 1898, at the junction of the White and Blue Nile in the vicinity of what is today Khartoum. . . . The significance is that today there are many people, especially in London, who are trying to influence certain people around our State Department, or Rep. Frank Wolf [R-Va.], into getting



Lyndon H. LaRouche, Jr. (center) lectures at the University of Khartoum, Sudan, in December 1994.

the United States into a fuss with Sudan. There are two countries in Africa, Nigeria and Sudan, both presently slated for destruction by London. If those two countries, or either one of them, goes, is disintegrated as London wishes, and as Frank Wolf wishes, apparently, all of sub-Saharan Africa, Black Africa, goes into the pit irreparably. That has strategic implications which can affect the life and welfare of everybody on this planet, including people in the United States, who don't realize how important Africa is to them."

This proposal, entitled "Operation Juárez," became the rallying point for all those who opposed the structural adjustment policy in Latin America during the 1980s, and who, after the recent events, feel very much vindicated.

Measures for a reform of the world economy must include:

1) Global bankruptcy reorganization, freezing of the existing debt structure (currently about \$2 trillion in Third World and former East bloc nations' debt). Sorting out the legitimate from the illegitimate debts, significant debt write-offs, and conversion of the rest into new, long-term paper. Resumption of payments only after effective economic recovery of debtor nations has occurred.

2) Creation of national banks modelled after the effective national bank established by the first secretary of the treasury of the United States, Alexander Hamilton. These "Hamiltonian" national banks are to supersede central banking nationally and internationally, as instruments for organizing comprehensive currency reforms and new credit for production and development.

3) New growth in the physical economy through investment in large-scale hard infrastructure projects across continents; e.g., modern high-speed rail lines linking western Europe with Russia and along the old Silk Route with Central Asia and China; linking the Middle East and Africa to such rail systems; and developing west-east and north-south modern rail links throughout the African continent. Development of water resources for transport, irrigation, and energy production, e.g., tapping the resources of the Zaire River for regeneration of Lake Chad.

4) Massive technology transfer from the advanced sector to the developing sector, including peaceful application of nuclear technology.

5) Re-regulation of the world trading system to guarantee especially a just price for raw materials and a parity price for agricultural products.

The "New, Just World Economic Order" must be based on respect for the sovereignty of the nation-state. Every nation must have the right to have access to science and technology, which it sees as necessary for its development.

It should be properly understood that the sovereign nation-state has ultimate responsibility for the welfare of its population, and intervenes to protect and foster the growth of family households. Economics, properly understood, is the continuous generation, transmission, and assimilation of new technologies, which demonstratively increases the per capita wealth of society, the longevity of life itself, and the total members of the population living in that society. Thus, the responsibility for the welfare of the successful survival of all future generations lies uniquely within the domain of the nation-state. A community of such sovereign nation-states which agree on their common concerns for development of their respective citizens will be a more effective instrument of policy than any of the existing international agencies.

## Proposals for Nigeria

It will be rightly argued that Nigeria needs an economic policy right now, before those global changes come into effect. The following should not be misunderstood as undue outside advice, but as a contribution to the fruitful debate about Nigeria's economic policy that this administration has initiated with the 1994 budget.

1) The development of Nigeria's industry and agriculture must be protected through appropriate tariffs. The key to development is the real growth of the internal market, not export orientation at all costs.

2) Nigeria must control and regulate its currency exchange rate and capital flow.

3) Nigeria should negotiate with the IMF-World Bank and its creditors from a position of strength, demand a full review of the legitimacy of the debts, and reschedule significantly lower debt payments to make more resources available for internal development, i.e., through an increase of funding to the Petroleum Trust Fund.

4) Nigeria should build up hard infrastructure with modern technology in railways, water management, roads, and energy production; it should discuss a plan of 10 to 20 such national priority projects, including in particular, a new, modern railway system.

5) The level of education and health must be brought back to the standards known in Nigeria 15 to 20 years ago. New science and technology centers should be built.

6) Agriculture needs a parity price support system to increase productivity and output, and reduce the damaging role of the middle-men.

7) Public sector investments in infrastructure will be the locomotive for the development of private industry and manufacture, which should increasingly be oriented toward the internal Nigerian and regional African markets.

8) Tight budgetary control should guarantee the prudent application of financial resources to the national priorities. Incentives should be given to repatriate foreign wealth of Nigerian citizens.

We caution against too quickly rushing to emulate the model of the Asian Tigers. While several of these countries might appear to show modest improvement in their economies, the reality is quite different. It is true that there has been some improvement in their light consumer goods industries, but one of the primary attractions of these countries has been their cheap labor, and an open door to the influx of speculative capital, including billions of dollars in derivatives. With the notable exception of Taiwan, very little investment has found its way into the area of capital goods production and infrastructure, which are the primary ingredients for increasing the productivity of such agriculture-dominated economies.

We emphasize here again, that state-directed investment in hard infrastructure projects—which increase the availability of usable water, power, and transportation per capita, per

household, and per land area—is primary, and represents the only pathway for developing countries to progress to the pre-1964 level of the modern agro-industrial nation-state. When a country has a large percentage of its labor force involved in relatively inefficient methods of farming, the only way to substantially increase productivity, measured in yield per hectare, is through investment in the targeted areas that we have identified. Over time, progress is made evident by the slight, but significant, shifts in employment from the rural-agricultural sector into the urban-based, capital-intensive industrial sector, which to date the Asian Tigers have failed to accomplish.

### For a ‘New, Just World Economic Order’

Nigeria should raise its voice and join the growing chorus around the world to demand the fundamental reforms for a “New, Just World Economic Order.” This is as much a fight for freedom and the inalienable rights of all men today, as Nigeria’s enduring fight for freedom and against apartheid in South Africa was until 1993. At the same time, Nigeria must protect its own economy, and chart a course of economic development to reach full industrialization and modern standards of agricultural production in the decades to come. This course of action is also the precondition for establishing meaningful, constitutional, republican forms of democracy. Simply put, there cannot be democracy, if we attach any significant meaning to the term, unless we have a process of economic development which reaches into the pores of every village.

The axioms of such a new economic system are already well established in natural law. Since political economies, organized as commonwealths, exist for the successful propagation of the human species at qualitatively and quantitatively higher levels of existence, and this is only possible by creating a culture that concentrates on nurturing the innate creative potential of each newborn child, then the correct economic policy is obvious. We support those policies that help each individual to realize those divinely bestowed human qualities that make each life sacred. Likewise, any economic policy which leads to unnecessary loss of life, or otherwise harms, degrades, or causes needless suffering to any individual, must be rejected as antithetical to the interests of the human race. We care nothing for so-called market forces or free-trade gobbledygook, since the implementation of these ideologies has consistently failed to develop any nation, or to help improve the well-being of any people.

We should now proceed to embrace these new ideas, which we know with scientific certainty will finally lift up the African continent, and enable its over 600 million people to regain the respect, dignity, and justice that has heretofore been stolen from them. Let the great continent of Africa, with Nigeria at its helm, enter the twenty-first century as an equal to the rest of the world. Finally, let us all support these profound and beautiful words, written by Pope Paul VI back in 1967, “Let the new name for peace be development.”

## Ford Foundation and bankers try to block Nigerian sovereignty

by Lydia Cherry

The Nigerian government has on several recent occasions announced its intention to get greater control over four of the country’s biggest banks. This discussion has apparently added to the concern of the bankrupt British and U.S. bankers about Nigeria’s independent economic course. Thus, the campaign to bring Africa’s most populous country under the control of a more “reasonable” figure—such as longtime Ford Foundation board member Gen. Olusegun Obasanjo—is gathering steam. (Obasanjo is now under house arrest in Nigeria for his suspected role in an unsuccessful coup attempt, thought to have been steered by British intelligence circles.)

London’s *Financial Times* has written numerous articles on how the Abacha government’s moves to gain control of Nigeria’s own banks is “worrying foreign investors.” Nigerian Finance Minister Anthony Ani explained in an interview with the Nigerian daily *Thisday* the first week in May that the Nigerian government had decided to reestablish “a presence” in the banks First Bank Plc., Union Bank Plc, United Bank for Africa Plc (UBA), and Africabank Plc, primarily because “the banks are next only to the central bank in terms of size and importance to the country.”

An independent economic course by Nigeria, against the prescriptions of the International Monetary Fund (IMF), would offer a model for the rest of Africa. But the bankers’ “concern” is not just that; the idea of a country getting control of its own economic system is anathema in the current period of economic collapse, where the name of the game is to suck out whatever is of value, to prop up the mounds of worthless paper disguised as an international economic system.

Following an unsuccessful coup attempt in March, the U.S. side of the same operation is attempting to flex its muscle to force President William Clinton to make a “Haiti” out of Nigeria. The campaign has particularly been launched by the sections of the “human rights” mafia that claim membership in the New York Council on Foreign Relations (CFR)—affiliated with London’s Royal Institute for International Affairs—and are bankrolled by the Ford Foundation. One person who fits this classification is the radical lobbyist in a three-piece suit, Randall Robinson, the director of