

Editorial

Malaysia's anniversary

September 1 will mark the first anniversary of the declaration of selective currency and capital controls by the Malaysian government of Dr. Mahathir bin Mohamad, and quite a celebration it will be. For Malaysia's action, taken "in the face" of the disapproving International Monetary Fund and international bankers, who vehemently insist upon what they call the "free movement" of capital, has been a near-universally recognized success. This is most evident when comparing the state of the currency and industrial production in Malaysia, with that in the IMF-dominated nations of Indonesia and Thailand.

But, as Dr. Mahathir himself has consistently pointed out, the *defensive* measures which Malaysia was forced to take in order to defend its national sovereignty do not represent the long-term solution for that country, the region, or the world. The global speculative bubble, combined with the depressing effect it is having on world production and trade, remains a threat to the well-being of all the world's nations. Speculators could still wash fragile prosperity away.

The only real security that can be provided for the world's nations is the re-adoption of the basic regulatory measures of the old Bretton Woods system—currency controls, fixed parities, and the like—in combination with the reassertion of national banking and debt reorganization of the sort that paves the way for the issuance of massive low-interest credits for huge development projects. This program is what has been presented by LaRouche's proposal for a New Bretton Woods global financial system.

So far, most national governments have preferred to demur on LaRouche's proposals, even as they put them under scrutiny. One international conference after another has refused to take up the necessary measures. Most worrying to smaller nations, of course, is the failure of the United States administration to openly drop its support for the destructive IMF measures, and give serious public consideration to such global financial reorganization.

All the more interesting then, is the report of the recent visit of Prime Minister Mahathir to China. Key-noting the Third Malaysia-China Forum in Beijing on

Aug. 19, Dr. Mahathir reiterated his call of 1997 for an East Asia Economic Caucus and an Asian Monetary Fund. Had these institutions been in place, he said, Thailand, Indonesia, and South Korea might have been saved from turning to the IMF. He stressed that Japan has revived the idea, and that China's support was essential to establishing an Asian Monetary Fund, which proposal had been "shot down by the United States and the IMF" in 1997.

It would be more precise to say that the AMF was shot down by Lawrence Summers, who was then an Undersecretary in the Treasury under Secretary Robert Rubin, but is now Treasury Secretary. Rubin himself had declined to attack the AMF at the time, and Summers effectively stabbed him (and the Asian nations) in the back.

The grouping of nations that Dr. Mahathir is attempting to recruit into the AMF could play a decisive role in shifting the global debate on the world financial breakdown, when that reality once again breaks violently over the heads of the world's nations.

Do not doubt that such a dramatic financial crisis will come about. As each day goes by, the bankers make more and more admissions about how close the system came to disintegration back in the fall of 1998—not to mention the winter of 1997. None of the causes of those blowouts have been dealt with; in fact, the financial authorities have played the part of the Sorcerer's Apprentice, more and more rapidly printing out dollars, yen, and what-have-you in order to try to paper over the abyss.

Under those circumstances, it would be worthwhile to recall another significant financial anniversary, that of Nixon's removing the dollar from gold on Aug. 15, 1971. Nixon's break from the remnants of President Franklin Roosevelt's measures put the world on a pathway to Hell from which it has yet to depart. What is required to save the world economy is a total reversal of those Nixon measures, in the reassertion of the principle of national sovereignty and the pursuit of scientific and technological progress.

Malaysia took a first step in that direction a year ago. But, there's not much time left for other major nations to do their part for a new just world economic order.