

Lewis added that Germany and Italy are facing a growing demographic crisis, which will create enormous fiscal problems for the two largest Euroland economies. "In order to keep to the Maastricht ceilings on public budget deficits and public debt, the foundation for creating the euro, both Italian and German governments must impose an increasing degree of public austerity and spending cuts. In both Italy and Germany, the ratio of pensioned population to gainfully employed, peaks by 2005-06. This means political instability, and perhaps, worse, is a pre-programmed part of holding to the euro."

The fall of the euro against the Japanese yen has been even more dramatic. While the euro has lost some 15% against the dollar since January 1999, it has lost nearly 35% against the yen. "The euro-yen rate is the driving force on global foreign exchange markets, though euro-dollar and dollar-yen are the rates everyone speaks of," Lewis said. "The yen is now at extremely uncomfortable levels, both versus the euro and also the dollar." The Bank of Japan has spent a reported \$10 billion of its foreign exchange reserves in a vain attempt to hold the yen stable, hoping to prevent further devastation of Japan's fragile export-led "recovery."

The fundamental issue is why the governments of Europe still cling to a synthetic currency which represents surrender of one of the most essential aspects of national sovereignty—the power of a nation to determine its own money policies, and to create its own currency.

Colombia verges on widespread starvation

by Javier Almario

The figures are alarming. In the poorest sectors of Colombia, classified as levels one and two, food consumption fell 48% in the first nine months of 1999. The immediate reason for this collapse is the decline in income of the majority of Colombians, due to increased unemployment and the generalized bankruptcy of the economy caused by the globalist prescriptions imposed by the International Monetary Fund (IMF) over the past nine years.

In these strata, meat consumption has been practically eliminated. Official statistics show that in the past two years, national meat consumption has fallen 17%—7% in 1998 and 10% in the first months of 1999. Meat has been replaced in part by egg consumption. If the government does not sharply reverse the IMF policy, it is virtually certain that the new millennium will usher in widespread starvation.

Unemployment, according to DANE, the official government statistics agency, is 21% in the seven largest cities of Colombia; it has not been quantified in the countryside. Moreover, companies are currently laying off their workforces en masse and then rehiring them, but at half their original wages.

The crisis has its roots in the reforms that were applied by the César Gaviria government in 1991, when imports were deregulated, exchange controls eliminated, and regulatory norms reduced on bank and foreign investment. In this environment, money from the drug trade flowed more easily, and penetrated all corners of the economy. Contraband of merchandise, one of the factors that provoked the crisis of the industrial sector, is one of the most common means used by the drug traffickers to launder money.

For nearly two consecutive years, the central bank kept interest rates high, as a means of preventing the peso from devaluing, a decision which was made on the basis of IMF formulas. This policy, zealously adhered to by Roberto Junquito, at the time a member of the central bank's board of directors, and now with the IMF, effectively bankrupted industry and agriculture.

Industrial paralysis today is so serious that electrical energy consumption in the industrial and commercial sectors fell 50% between September 1998 and September 1999. Industrial orders fell 63% in the first nine months of 1999. During this period, retail sales fell 10%; gasoline consumption fell 10.6%. This last was a consequence in part of a 48% increase in gasoline prices during the same period, resulting from an IMF demand to allow the domestic price of gasoline

The Science of Christian Economy

And other prison writings by Lyndon H. LaRouche, Jr.

Includes *In Defense of Common Sense*, *Project A*, and *The Science of Christian Economy*

three ground-breaking essays written by LaRouche after he became a political prisoner of the Bush administration on Jan. 27, 1989.

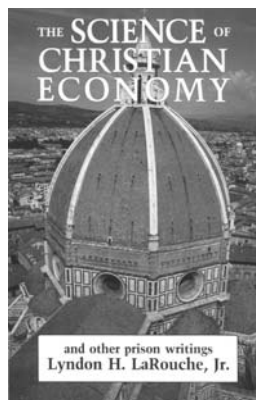
Order from:

Ben Franklin Booksellers, Inc.

P.O. Box 1707 Leesburg, VA 20177

Toll free (800) 453-4108 (703) 777-3661 fax (703) 777-3661

Shipping and handling: Add \$4 for the first book and \$.50 for each additional book in the order. Virginia residents add 4.5% sales tax. We accept MasterCard, Visa, American Express, and Discover.



\$15

to rise to the international level. Cargo transport declined 25%, construction fell 35%, and industrial production plummeted 15%.

The banking system is bankrupt

Loans by the banking system declined 9% during this period. The national banking system is completely bankrupt, because the other sectors of the economy are in no condition to meet payments. During January-October 1999, the banking system lost approximately \$900 million, and the government spent nearly \$4 billion in an attempt to keep it on artificial life support. Some economists are now talking about a "liquidity trap," where the banks receive money, but it neither circulates nor generates production. The World Bank and the IMF announced special loans to participate in saving the banks, but this money will fall into a bottomless pit. If the real economy is not salvaged, the banks will continue bankrupt, and no amount of money will be able to save them.

From January 1998 through September of this year, nearly 300 companies with capital of more than \$700,000 were forced to liquidate, while another 270 companies went through bankruptcy proceedings in an attempt to save themselves from outright liquidation. Some 25,000 workers are directly affected by this process.

In October, Finance Minister Juan Camilo Restrepo announced that the IMF had created a \$2.7 billion contingency fund for dealing with possible attacks on the peso. IMF conditions for this "help" are barbaric. The new condition is that the "peace dialogue" with the narco-terrorists continue—the policy by means of which the government has ceded 40% of the national territory to complete control by the narco-terrorist FARC. "If the peace process advances, there will be more money for Colombia," said Restrepo, at an October press conference called to announce the latest agreements with the IMF. The Fund is also demanding that the age at which Colombians can retire be raised (in other words, that more people should die before receiving their pensions), and that there be greater labor "flexibility," so that workers can be dismissed more easily or hired below the legal minimum wage. Other demands include more budget cutbacks, especially that there be no more state investment, that taxes be increased, and that privatization be accelerated, selling off state companies at fire-sale prices.

All this is sowing desperation among the Colombian population. At least 1.5 million Colombians have been forced to abandon their homes and jobs, to seek more secure places to live (they are being called "internal refugees" by the United Nations and non-governmental organizations). So far this year, some 60,000 mainly middle- and upper-class families have left the country, for primarily the United States, Canada, and Costa Rica. A study by the National Association of Financial Institutes reports that this mass migration of Colombians has resulted in at least \$2 billion in flight capital. Not yet measured, but more serious still, is the brain drain that this crisis is provoking.

Stimulus packages won't save Japan

by Our Special Correspondent

During this correspondent's recent trip to Japan, several government and party officials reported that the current mood in Japan is one of complacency, and that nearly everyone "believes that Japan has weathered the Asian financial crisis." Official after official pointed to the positive rate of Gross Domestic Product (GDP) growth, and the rise of the Nikkei stock exchange to 18-19,000, as proof that the fiscal stimulus packages and the corporate restructuring programs have been successful. Foreign capital flows are fuelling a new stock market bubble and allowing the Japanese banks to begin to write down their bad debt. The officials stated that despite that problem, the fiscal stimulus packages continue to help the economy.

Managing this illusion of growth is one of the new twists in Japan's effort to come out of its near ten-year-long economic depression. It appears that the reluctant consensus of Japanese leaders is that globalization is inevitable, and that allowing foreign firms to buy up Japanese financial and industrial corporations is the path that Japan must take. Although there is resistance to this policy, Prime Minister Keizo Obuchi has managed to hold his coalition "crisis government" intact for the time being.

One sign that this "crisis management" coalition could come apart, is the sudden rise in value of the Japanese yen. As the yen neared 100 to the dollar in November, Bank of Japan officials intervened to stem the rapid appreciation, buying \$5 billion worth of yen, but this had little effect. Most Ministry of Finance officials thought that the high end of the yen would be around 105-107, which could sustain a profitable margin for Japanese exporters and manufacturers. However, with the yen breaking 105, exporters and manufacturers are facing another racheting down of production and rise of unemployment, which could reach 5%. So much for the much-vaunted "Japanese recovery."

Another telltale sign of the problems facing Japan is the fact that Japan's internal debt is skyrocketing. All of the fiscal stimulus packages have driven up the debt-to-GDP ratio to over 130%—worse than the Italian budget deficits. Unless this Liberal Democratic Party coalition government either raises taxes or "monetizes the debt," the credit-worthiness of Japanese government bonds will sink to the level of "junk bonds." Moreover, the government is faced with underfunded pension funds, a crisis which recently nearly tore apart the fragile coalition.

Were the Bank of Japan to "monetize the debt," that is,