ties of the victim, an inability to make and to execute rational decisions under the pressure of extremely traumatic circumstances. The commitment to avoid making such decisions of great pungency and force, is, for many of the post-war adult generations, a virtual absolute.

Under the latter circumstances, truth and justice are the first victims to be sacrificed to such a sense of axiomatic expediency. In effect, morality has flown out of the window, and pragmatic expediency in service of precedent and established procedure, fill up the space from which considerations of truth and justice have been expelled.

This kind of peer pressure, from the so-called "me generation," and the "Xers," is the most deadly enemy of nations from within today. The accustomed hostility to the kind of decision-making which has distinguished every occasion civilization, in the past, has risen above a menacing crisis, combined with the extent and irrationalist intensity of peer-pressure on this point, makes it most difficult for any President, especially one who himself represents the relevant, afflicted generations.

This internal problem, is combined with actual fearfulness of the external enemy. Combined, it represents a challenge to leadership which would have been accepted, fruitfully, by such among our national heroes as General William Tecumseh Sherman or General Douglas MacArthur, or France's Lazare Carnot. It is a challenge not easily accepted by those reared in the circumstances of those whose childhood and adolescence occurred during the post-World War II decades. I have no difficulty confronting such challenges; at least, relative to the monstrous challenge this represents for even the most exceptional leading persons among the post-war generations.

The correlated difference, is that the best among those of us from earlier generations pursued happiness, in that sense of joy, called *agapē,* gained from living the life of a needed person, whereas the post-war generations offset an intrinsic lack of happiness in their choices of what are called "life-styles," by an obsession with pursuit of momentary pleasures. The moral relativism of the post-war generations, by rejecting the notion of a common truthfuless for all mankind, has successfully expelled truth from their lives; in this circumstance, what could they imagine the truth of their own lives to be? What, in truth, is so valuable to them, that they would lay down their lives, their careers, their fortune, for the sake of that truth? Without a compelling submission to truth, lacking in these generations, effective choices of decision, in matters requiring great pungency and force, simply do not exist.

Only a great shock, can shatter the mortal grip of the post-war 1964 changes in cultural orientations. That financial shock is about to be delivered to the White House gate. The mountain has packed its bags, and is coming soon, to visit our President at his Washington residence.

APEC leaders tread water, as financial tidal wave sweeps in

by William Jones

As the 18 leaders of the Asia-Pacific Economic Cooperation (APEC) forum met in Vancouver, Canada on Nov. 23-24, a series of rough jolts on the world's financial markets upset the nicely orchestrated political agenda for the meeting. It was clear from the beginning that the world financial crisis, which is wreaking havoc in the Asian markets, would be a prime topic of discussion. As it developed, the continued unravelling of the Asian financial markets during the course of the conference quickly became *the* topic of discussion.

From the beginning, it was intended that the leaders would accept the extended bailout arrangements worked out by U.S. Treasury officials and the Asian finance ministers in Manila on Nov. 18. The much-vaunted "Manila Framework," a "crisis management" attempt to deal with an erupting volcano, simply calls for more financial back-up to the limited funding of the International Monetary Fund (IMF) to meet the unfolding crisis. More IMF austerity for the countries affected by the crisis is set as a precondition for any assistance. In addition, anticipating that the magnitude of the expected eruptions will far outstrip any funding the IMF may provide, the financial leaders in Manila called for "a cooperative financing mechanism" for mobilizing "outside funding" from individual countries, that would supplement whatever the IMF had to throw into any bailout. The idea that the IMF wouldn't have the funds necessary to meet a crisis led one of the Korean financial officials to comment, "If the IMF is short of funds, the IMF isn't worth its name."

The Asian Monetary Fund

The "financing mechanism" was what remained of a Japanese proposal to establish an Asian Monetary Fund, which could support Asian currencies that were under attack. Such a fund would operate independently of the IMF, it was thought. But, the IMF hit the roof when the proposal was made. There would be no funding without conditionalities, the IMF insisted, and no independent lending to countries under attack except under IMF conditions. After U.S. Treasury Secretary Robert Rubin had initially expressed support for the Japanese proposal, pressure was put on the United States to back off. Therefore, when South Korea turned to the United States and Japan for temporary help to resolve their own liquidity prob-

At a press conference in Vancouver, President Clinton described the Asian financial crisis as "a glitch in the road." He is shown here at an earlier meeting with Japanese Prime Minister Ryutaro Hashimoto.

lems, they were quickly told to go to the IMF. "We were told that any help from other countries would only be in the context of an IMF agreement," Dr. Kim Ki-Whan, Ambassador-at-large for Economic Affairs and the Korean Ministry of Foreign Affairs, told reporters at a press conference in Vancouver on Nov. 23. South Korea then turned to the IMF with a keen sense of betrayal and humiliation.

Hoping that the APEC leaders would simply rubberstamp the Manila arrangement, President Bill Clinton tried to play down the Asian crisis. Speaking at a joint press conference with Canadian Prime Minister Jean Chrétien on Nov. 23, Clinton called the crisis a "glitch in the road." This was immediately interpreted that the President was not taking the magnitude of the crisis seriously enough. During his bilateral meetings the next day with Japanese Prime Minister Ryutaro Hashimoto and President Suharto of Indonesia, and at a breakfast with leaders of the Association of Southeast Asian Nations (ASEAN), the President was quick to back-track from his comment. When asked about the crisis at a photo opportunity with Prime Minister Hashimoto, President Clinton said, "We need to take this very seriously; we need to work very hard at it. We don't need to be at all casual, but we should also have confidence that we can work through it." When asked about the President's comment the day before, National Security Adviser Sandy Berger claimed that the word "glitch" was an "undefined term." "I don't know that this was a carefully conceived word," Berger admitted.

Japan has its own problems

But the financial blow-out could not be "talked away." On Nov. 24, a tearful Shohei Nozawa, the president of Yamaichi Securities, the fourth-largest securities company in Japan, announced that the firm was closing its doors, when it was discovered that it had billions of yen in bad debt in off-balance-sheet accounts. The Bank of Japan, hoping to avert a panic, immediately announced that it would cover fully the deposits and inter-banking transactions of the bankrupt firm.

The crisis in the Japanese banking system created a further problem for the "Manila arrangements." One of the prime backers of the back-up funding in the Manila arrangement was to be Japan, which, despite its own banking crisis, is the major creditor nation in Asia. And yet, as the Japanese banking system unravels, the Japanese may have to look after their own house rather than provide funding to other ailing Asian economies. At a press conference on Nov. 25, Prime Minister Hashimoto warned that Japan could no longer be a "locomotive" of the Asian markets. "We are certainly not arrogant enough to think that we can take the role of locomotive for Asia," he said. The Manila gerry-rigging is, however, dependent on countries willing to provide funding to keep the bankrupt financial system afloat. There is, however, no actual fund that will be established for that purpose, but rather, the whole operation is dependent on commitments of individual nations to provide funding quickly when needed. One of the "providers" may soon be out of the running, as the crisis unfolds.

In addition, the Japanese hold billions of dollars worth of U.S. Treasury bills. The fear has been that if the Japanese should experience a liquidity problem, they might run to sell those bills, leading to a collapse of the market. The Clinton administration was keen on assuring the Japanese that, regardless of their problems, they would not suffer the fate of South Korea. Responding to a question from *EIR* on Nov. 24, Deputy Treasury Secretary Larry Summers said, "I do not see, under any circumstances that I foresee, any IMF program for Japan. Obviously, Japan, working with the IMF, has a crucial role in responding to—as do we—in responding to the various situations that may arise."

More fundamental than the flawed technicalities of the Manila-Vancouver "arrangements," was the absolute failure to face the fact that the IMF-based international financial system is dead in the water. The visible failure of the President to address that basic issue at Vancouver, by negotiating arrangements for a New Bretton Woods System to replace the crumbling IMF system, will only serve to intensify the financial convulsions.

At the APEC leaders' meeting on Nov. 25, Mexican President Ernesto Zedillo tried to draw an analogy to the earlier peso crisis, encouraging the others that if they made the hard choices and implemented the IMF austerity package, everything would turn out well. President Clinton gave his full backing to this fairy-tale of the "Mexican recovery," making an even more far-fetched analogy with the savings and loans institutions' crisis in the United States.

Mahathir attacks free-market ideologues

Although President Clinton failed to face reality, other leaders realized that more fundamental questions remained to be answered. Malaysia's Prime Minister Mahathir bin Mohamad, a spokesman for defense of national economies, addressed some of the more fundamental questions which the Vancouver organizers had hoped to avoid.

Speaking to a gathering of APEC business leaders on Nov. 23, Mahathir launched a broadside against the ideologues of the unbridled "free market." "Market forces are as prone to abuses as are command economies," said Dr. Mahathir. "It must be remembered that self-interest is what moves market forces—and self-interest is not far divorced from greed. Unchecked greed can overcome good sense in the market."

Mahathir reiterated his charges that the Asia financial crisis was brought on by speculative attacks against some of the Asian currencies. "These countries had worked very hard in order to build their economies and give their people a decent life," he said. "From defeated and colonized people, they had pulled themselves up by their bootstraps in order to achieve a good degree of development. They had been largely successful in overcoming poverty in their midst. There was hope that, within two or three decades, they would be able to become developed countries."

"The truth is that some market players decided to pull out, ostensibly to prevent themselves from losing their money when the economy collapsed. Were they indeed holding huge amounts of the currencies of the countries concerned, when they dumped them, in order not to be caught by the devaluation?" he asked. "The evidence seems to show that they had not invested in these currencies at all. They had merely borrowed these currencies in order to sell them and thus devalue them. It is the same with the shares.

"How can they do this and destroy the economies of so many countries and the livelihood of so many millions of people?" Mahathir asked. "The answer is the free market. The free market allows them to do this. It is too bad that countries and people have to suffer and pay a heavy price. But that is the way a free market works. Market forces cannot be interfered with. It is sacrosanct."

"Power corrupts," Mahathir warned. "As much as government can become corrupt when invested with absolute power, markets also can become corrupt when equally absolutely powerful. We are seeing the effect of that absolute power today, the impoverishment and misery of millions of people and their eventual slavery."

For countries like South Korea, Thailand, Indonesia, and the Philippines, now forced to impose IMF austerity, the message struck a sympathetic chord.

The issue was also brought to the fore by Mahathir at the ASEAN leaders' breakfast with President Clinton on Nov. 24, and again at the morning meeting of APEC leaders on Nov. 25. Speaking at a press conference on Nov. 25, Mahathir was asked if he were not a "lone voice." "I am not a lone voice," Mahathir responded. "Almost every nation from Southeast Asia has focussed on the need for dealing with the problems of speculative moves against their currencies." Even Dan Tarullo, Assistant to President Clinton on International Economic Policy and the U.S. sherpa for the APEC meeting, admitted that at the APEC meeting, "a number of leaders thought it was difficult to distinguish the good and very positive effects of currency trading, which is to say facilitating trade and investment on the one hand, from activity that some think was not so good."

On Nov. 25, representatives of the APEC Business Advisory Council told APEC leaders that speculation is a "time bomb" that could ruin banks and destabilize economies. Hopewell Holdings Chairman Gordon Wu Ying-sheung, a member of the council, said: "We called for cooperation in developing and enforcing rules against market manipulation and abuse in their efforts to lower or raise the value of a currency." Wu said that speculators could obtain easy credit from banks, enabling them to leverage their holding 20 to 30 times. "Some of these banks will get burned and then their governments will have to bail them out," Wu said. "This easy credit is a time bomb."

The attempts by President Clinton and other APEC leaders to go into a state of denial over the bankruptcy of the existing financial system, has set the stage for the next round of convulsions. Like the proverbial King Canute, who tried to stop the tides, the President may soon find himself adrift in a world of woe, as the U.S. economy is swept along into global economic chaos.