Business Briefs

Russia

International Red Cross announces food drive

On Sept. 30, the International Committee of the Red Cross launched a $15 million appeal for Russia, aimed at providing food assistance for the 1.4 million pensioners and families with many children in the 12 hardest-hit regions, the London *Economist* reported in its Oct. 3 issue.

The ICRC Moscow office warns of the prospect of "mass starvation," citing the case of a pensioner's situation in Noginsk in north central Russia: "Her pension, of 400 rubles a month, used to be worth about $60; after the devaluation in August it is worth half that. In any event, it has not been paid for two months. Her son, the only person who might help her, lives in Kamchatka, in Russia's remotest far east. He has not been paid for five months. The town's economy is rotting. As the local textile factory went on shedding jobs in recent years, many workers became traders, shuttling cheap toys, shoes or make-up from Turkey or Poland, and selling them in Russia's big outdoor markets. It was arduous, chancy work, but it fed the family. Now that has stopped. The implosion of the banking system has wiped out their money."

Malaysia

Analysts: Controls a 'necessary evil'

As the Oct. 1 deadline for repatriation of the Malaysian currency, the ringgit, passed, and all offshore ringgit after that date became "waste paper," Reuters interviewed analysts in the region on their assessment of Malaysia's imposition of capital controls. The response was probably not to Reuters' liking: The consensus among financial analysts was, that the controls are a "necessary evil" to restore stability.

A European research outfit in Malaysia said, "This will insulate the economy from the external pressures that are still hurting many Asian economies. Businesses, which had been frozen stiff over worries about where the economy is going, can now get on with their jobs, because at least the currency is stable."

IDEA research said, "Our own view . . . is that Malaysia will experience more growth over [the next 18 months] than it would in the absence of capital controls." In the Singapore *New Straits Times*, IDEA's senior economist, Simon Flint, is quoted, "The country is definitely heading for recovery. So far, the measures were a great success."

Salomon Smith Barney, which has been appointed financial adviser to the Malaysian government, is dealing with troubled banks, and has released a report backing the currency control measures. "The alternative, which basically means adhering to IMF [International Monetary Fund]-type policies, will see interest rates high and exchange rates fluctuate indefinitely," the report said, according to *The Star Online* on Sept. 16.

Brazil

Industrialists blast Cardoso government

The government of President Fernando Henrique Cardoso is favoring speculation while Brazil's physical economy is dying, according to Brazilian industrialists. Luis Carlos Delben Leite, president-elect of the Brazilian Association of Machinery and Equipment Industry, denounced the government's talk of generating a fiscal surplus of up to $40 billion, in order to channel "all these resources to pay interest to international speculators," *Hora do Povo* reported on Sept. 25. "What we are witnessing is the federal government's lack of a strategic policy to deal with the real necessities of Brazil," he said.

There is "real chaos" and "absolute economic instability" in Brazil, Delben said. Cardoso's "Real Plan" has led to the loss of 458,000 jobs in the state of São Paulo over the last four years, leaving at least 1.5 million people without a place to live or means to earn even a subsistence living.

Similarly, Mario Bernandini, vice president of the Industries Center of São Paulo State, charged that for four years, the federal government has been "destroying production, in exchange for foreign loans." Cardoso appears committed to maintaining this economic policy, at the cost of the devastation of the country, "down to the last job, to the last industry," he said.

Economic Theory

List promoted over Karl Marx, Adam Smith

German-American economist Friedrich List's theory of "national economy" is an alternative to either Karl Marx or Adam Smith, Michael Lind writes in *Nation* magazine in its Oct. 5 issue. Lind, the Washington editor for *Harper's* magazine, never mentions economist Lyndon LaRouche, the chief international proponent of List's historical role. Nonetheless, the article is an important contribution to the debate on the global financial collapse.

Lind points to the "deepening global economic crisis," and attacks the "liberalization of financial markets worldwide" for having "benefitted international speculators while crippling the power of governments either in the developed countries or the developing world to promote the long-term interests of their producers and consumers." International Monetary Fund (IMF) "reforms" have only made the problem worse. For the global crisis, Keynes is not the solution, he says.

Lind says that there are three economic "traditions" in the world, "symbolized by Karl Marx, Adam Smith, and Friedrich List, the German-American theorist and activist who developed the insights of the American Hamiltonian 'national economists' into a systematic theory of industrial capitalist economic nationalism. It was List (1789-1846) who taught the Germans and later the Japanese to follow the 19th-century American example of using tariffs and other industrial policies to promote the industrialization of their nations."

Lind points to List's contrast of "national" economics with the "cosmopolitan" economics of the English laissez-faire school of Smith and David Ricardo, as the latter, in List's words, "omits a vital intermediate stage between the individual and the whole world. This is the nation, to which its members are united by the tie of patriotism." Lind asserts that, if List were alive today, he would oppose the World Trade Organization, the IMF, and the North American Free Trade Agreement.

"Listians are not Hegelians, and thus do not believe in an inevitable future; they merely believe in a possible future," Lind says. Marx, himself a Hegelian, saw the philosophy of List as a "dire threat. . . . As it turned out, List was right and Marx was wrong." Today, the premise of the left/liberal critique of globalization is "Listian, not Marxist: National governments should be able to regulate the terms on which their nations engage with the world economy."

Argentina

Worries grow over threat to real economy

It is sinking into the heads of some business and government leaders that the global financial crisis isn't going away. The Argentine Industrial Union (UIA) proposed an "anti-crisis" program in late September, arguing that "the crisis isn't just financial, but affects the real economy." However, the UIA proposals would be of little help, because they are largely based on austerity, cost-cutting, increasing taxes, extending temporary-employment programs, and similar such things. In apparent response to the UIA, the government said that there will be "no extraordinary measures to protect local industry." However, Trade and Industry Minister Alieto Guadagni told the daily *La Nación* that measures will be taken against "disloyal trade, dumping, and subsidized imports."

Interviewed by *Clarín,* Agostino Rocca, CEO of the Argentine engineering multinational Techint, argued that in times such as now, the markets aren't going to differentiate among countries. "It is illusory" to think that, he said. In fact, he warned, the current crisis is far worse than the 1995 "tequila effect," and, "if Brazil enters into a traumatic solution to its crisis, I see a serious risk of the crisis spreading to Argentina, and a recession is therefore possible." All that Rocca proposed as policies, however, is better fiscal discipline and keeping the perception of country risk as low as possible, so as not to affect interest rates.

Meanwhile, the Argentine government is continuing its commitment to the privatization and globalization policies which have fuelled the global crisis. It has decided to sell 25% of Banco Hipotecario Nacional, the state-run national mortgage bank, before the end of the year. Observers say that the estimated $350 million the government will get for the sale will probably be used to "alleviate the country's financial burden." The bank is one of two remaining state banks (the other is Banco de la Nación) which the Menem government wants to privatize.

Finance

Malaysia tightens stock trading transparency

A series of 28 amendments to four bills was introduced into the special session of the lower house of Parliament (Dewan Rakyat) on Sept. 29, aimed at enforcing measures associated with the Sept. 1 decision to repatriate share trading in Malaysian stocks to the Kuala Lumpur Stock Exchange, *The Star Online* reported. The bills were introduced by Prime Minister Dr. Mahathir bin Mohamad, in his capacity as First Finance Minister.

The four bills are needed to reinforce administrative measures at the Kuala Lumpur Stock Exchange (KLSE), the Securities Clearing Automated Network Services, and the Malaysian Central Depository. Central to the bills are enhanced transparency of KLSE-listed share transactions, and to confine dealings to only the KLSE or other legally recognized stock markets, thus banning such off-shore transactions as the Singapore Central Limit Order Book. The amendments also require all equity holdings be made in the name of the beneficial owner or authorized nominee, and beef up enforcement powers of regulatory agencies.

Briefly

SINGAPORE has surpassed Hong Kong in foreign exchange trading, according to a Bank for International Settlements report, and has taken fourth place, behind the U.K., United States, and Japan, while Hong Kong has slipped to sixth place, behind Germany, and slightly ahead of France.

THE SWISS Banking Control Commission announced on Sept. 29 that a new supervisory board has been established for big banks, in the wake of the Long Term Capital Management bailout. The LTC derivatives disaster continues to batter the stocks of the two banks known to be tied up in LTC's operations, Union Bank of Switzerland and Crédit Suisse.

DOMINGO CAVALLO, the former Finance Minister of Argentina, said he will be an adviser to Brazil's government, instead of Russia's, according to *Ambito Financiero* on Sept. 29. Advice from Cavallo, an intimate of global speculator George Soros, is the kiss of death.

THE BANK OF CHINA is awaiting approval of its first branch bank in Malaysia. Du Chaohua, deputy general manager of BOC's office in Kuala Lumpur, said the bank is confident of securing the branch license, "and we are also very interested to do business here."

THE POST-1973 ERA of floating exchange rates must end, as a minimal requirement for any solution to the global financial crisis, German economics professor Wilhelm Hankel said in the weekly *Die Zeit* on Oct. 1. Hankel is one of four professors who had launched a lawsuit against the European Monetary Union.

FARM INCOME in Iowa will drop 60% compared to last year, according to a study released on Sept. 30 by Iowa State University. Farm prices for corn, soybeans, cattle, and hogs have dropped 15-30% in recent months, and by the year 2000, unless this trend is reversed, fully one-third of all existing Iowa farms will have to quit, or restructure.