Two Years Into the Worst Financial Crash in History

by John Hoefle

With the worst financial and economic collapse in history now playing out with thinly veiled hysteria in the daily media reports, it is useful to remind your neighbors that Lyndon LaRouche told them it was happening long before it made the pages of the *New York Times,* and that what is happening is the tragic culmination of a process—economic, political, and cultural—which has been playing out for three decades.

As we go to press, the Dow Jones Industrial Average has dropped 1,677 points (18%) in 11 trading days, falling below the level it hit in the aftermath of Sept. 11, to levels not seen since the panic of 1998. As dramatic as that plunge may be, however, falling markets are but a reflection of a deeper and much more ominous process, the sharp decline of the physical economy of the United States, and the world. The real economy has fallen out from under the markets, which have been artificially propped up by accounting tricks, enormous and unpayable debt loads, and mass delusion on the part of the markets and the public.

Reality is now breaking through the delusion. Some people respond by closing their minds and asserting that the market will come back, "because it always does." A more extreme version of this neurosis is the type who views the market slide as an opportunity to buy, forgetting that the "buy low and sell high" philosophy of J.P. Morgan and his parasitic peers made them rich not because they could read the markets, but because they could manipulate them. Then there are those who respond to the crisis by reexamining the axioms which caused them to fall under the spell of the delusions, to figure out why Lyndon LaRouche could see so clearly what they did not. It is the latter group upon which the future of mankind depends.

The Shape of Things To Come

We are now two years into the worst market crash in world history, with the major stock markets already down some 50% from their peaks in 2000. The markets are now back to their 1997-98 levels, but carrying half a decade's more debt, leverage, and speculation. In market terms, we have crossed the peak and are now headed down the back side of a very steep mountain. How far and how fast we fall, is largely a matter of actions taken, or not taken, on fundamental economic policy. As long as the Bush Administration and the Federal Reserve maintain their Hooveresque "the economy is fundamentally sound" stance, we can expect sharp plunges, punctuated by futile attempts to bail out fictitious and unsalvageable market values.

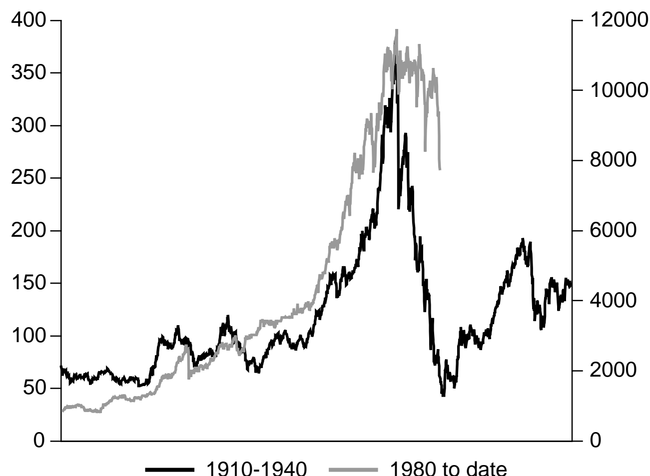
A graphic example of how fast the markets can fall is the sharp plunge in the Dow from a high of 381 in September 1929, to the low 40s in June 1932, a fall of some 90% over two years. The Dow didn't break 100 points again until mid-1933, and did not rise above 300 points until early 1954.

The rise and fall of the Dow since the 1980s bears a striking similarity to the period of the Great Depression, as can be seen in **Figure 1.** This was produced by matching up the peaks in 1929 and 2000, using weekly closings. The run-up in both periods, reflects the process shown in LaRouche's Typical Collapse Function triple curve, in which financial aggregates rise hyperbolically to the point they become unsustainable, and collapse (**Figure 2**).

A similar process can be seen in the rise and fall of WorldCom (**Figure 3**), whose stock soared in the late 1990s and then plunged back to earth in the largest bankruptcy filing ever.

This sharp rise-and-fall curve can be seen in numerous other stock market indices, corporate stock charts, and other

FIGURE 1
Dow Jones Industrial Average, 1910-1940 vs. 1980 To Date



Source: Dow Jones.

FIGURE 2
A Typical Collapse Function

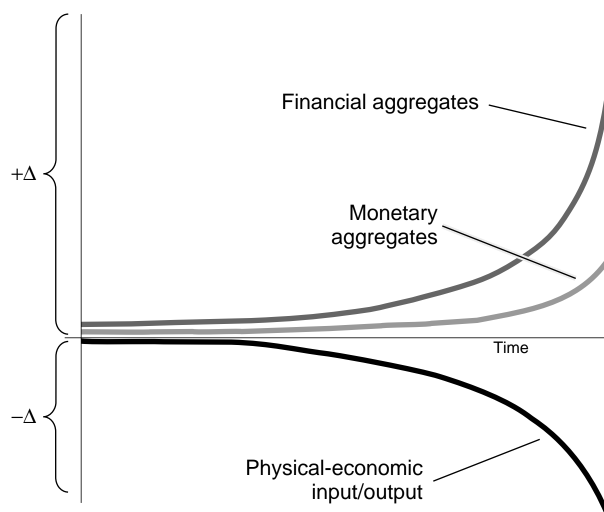
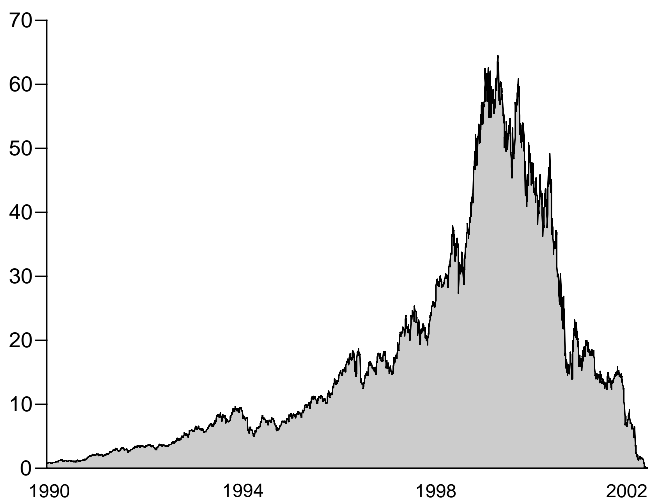


FIGURE 3
WorldCom Closing Stock Price

($ Dollars)



Source: Yahoo! Finance.

economic statistics, though it is often disguised by statistical manipulations and fakery. The pattern can already be seen in the stock prices of the energy pirates and the telecom and computer companies, and is nearly fully formed at semi-industrial companies such as General Electric and some of the big financial institutions. Absent the implementation of LaRouche's emergency policies, it is the shape of things to come for the United States and the world.

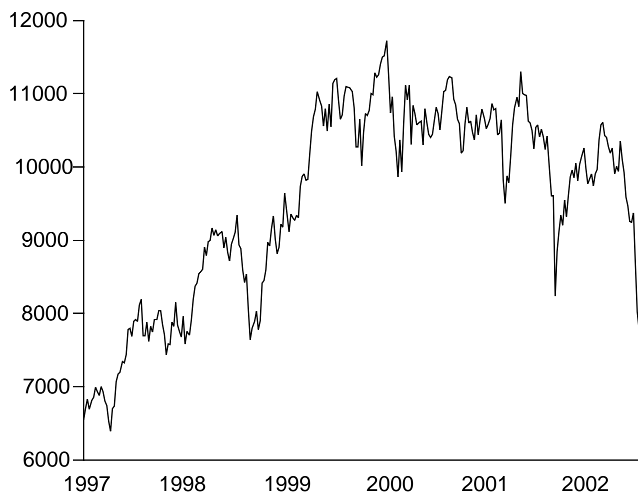
The comparison between now and the Great Depression can only be taken so far, however, because the danger is much greater now. Not only is the bubble relatively much larger than it was then (the Dow increasing by a factor of five in the two decades leading up to the 1929 peak, versus a factor of 15 in the current period), but a much smaller percentage of the population is engaged in farming and manufacturing, and a much higher percentage lives in cities, where they are much more dependent upon urban services and distribution chains. The population is also culturally less prepared to handle the hardships that would flow from a full-scale economic crash. The potential political and cultural breakdowns following a crash could rapidly lead to a new Dark Age, particularly in the cities.

Vaporization

The rise and fall of the global stock markets since 1997-98 can be compared to the volcanic eruption of Mount St. Helens, where the top of the mountain simply vaporized; in the case of the market, trillions of dollars of market capital have disappeared. This process is reflected in the Dow Industrials (**Figure 4**), the S&P 500 (**Figure 5**), and the Wilshire 5000 (**Figure 6**), all of which show a similar peaking curve. The process is more pronounced in the S&P 500 and the Wilshire 5000, which are significantly broader indices than the 30-stock Dow.

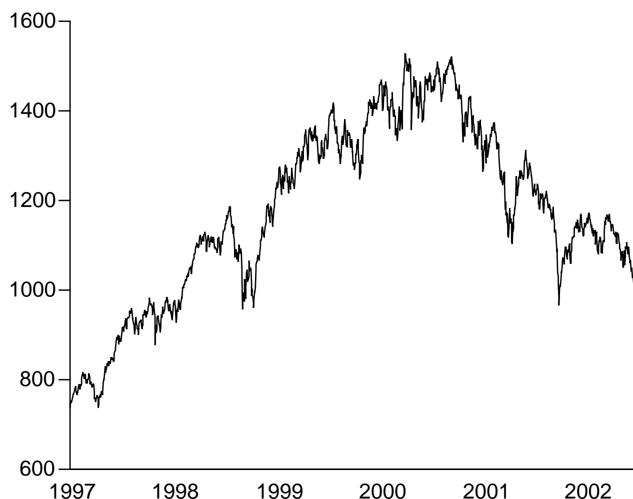
In recent years, the Dow has become more of a psychological manipulation tool than an economic index, as old-economy companies were cast out and replaced by "New Economy" entertainment, information, and services firms. Today's

FIGURE 4
Dow Jones Industrial Average, Weekly Closes 1997-2002



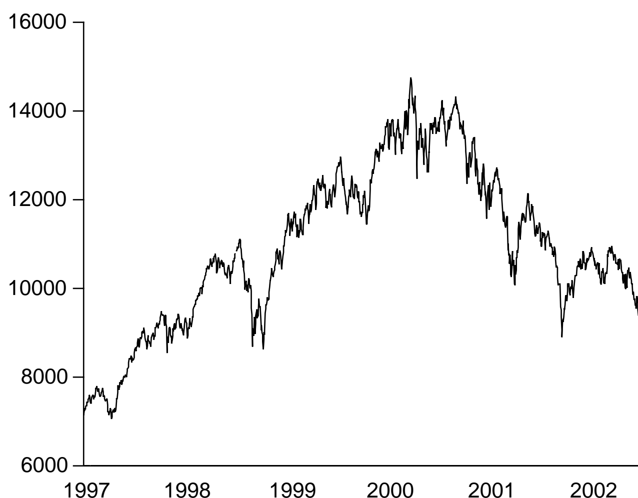
Source: Dow Jones.

FIGURE 5
S&P 500 Daily Closes, 1997-2000



Source: Yahoo! Finance.

FIGURE 6
Wilshire 5000 Daily Closes, 1997-2002



Source: Wilshire Associates.

Dow includes such "industrial" titans as derivatives giants J.P. Morgan Chase and Citigroup; American Express; computer firms Microsoft, Intel, IBM, and HP; Walt Disney Co., Wal-Mart, Home Depot, and McDonald's. Even the firms which do have industrial components have large financial operations; General Electric, for example, makes about half its profit from its financial operations, including a sizable derivatives business.

Because it contains just 30 stocks, the Dow is also relatively easy to manipulate, and the Plunge Protection Team has intervened with increasing frequency when sharp declines threaten to escalate into major panics. Though its actions are semi-secret, the Plunge Team's interventions are easily spotted by the classic "V" pattern in which the market plunges during the morning, then suddenly rebounds sharply during the afternoon.

Such interventions can be effective in dealing with anomalous events within an otherwise sound system, and can even provide a temporary boost during a systemic decline, but no amount of financial stimulus can prevent a systemic collapse when the economic underpinnings of the physical economy have crumbled. There are larger forces at work than can be dealt with by Federal Reserve Chairman Alan Greenspan's bubble-blowing apparatus, especially since the money thrown into the bubble is looted from the underlying economy, making the bubble less supportable with every intervention.

Wall of Money

The nature of Greenspan's dilemma can be seen in the sharp run-up in the markets in the 1997-2000 period, which itself is the result of an attempt to save the system in 1997. In early 1997, British fund manager Tony Dye issued warnings of an imminent disaster in the global derivatives markets, warnings which coincided with reported but downplayed reports of derivatives problems at National Westminster Bank.

Dye's warnings echoed those of LaRouche, who had warned since 1993 that derivatives speculation would indeed blow up the system.

In the over-the-counter derivatives markets, it is relatively easy to keep giant derivatives disasters hidden, because no one knows unless the counterparties tell them. Other market participants and the regulators might find out in short order, but the public is rarely told, especially when the problem is serious. Still, actions taken in the wake of a crisis can provide tell-tale signs.

In the case of the derivatives crisis of 1997, the tell-tale sign was the mid-1997 emergence of the so-called "Asian crisis," which was actually a currency-warfare attack on the Asian Tiger economies by Anglo-American financial interests. In typical form, the bankers were attempting to postpone their own bankruptcy by stealing from the Asians. This assault continued into 1998, targetting one Tiger after another, generating billions of dollars in loot and sending funds fleeing to the relative safety of the U.S. financial markets. The result can be seen in the rise of U.S. stock markets during the period.

The game came to an abrupt halt in September 1998, when looting-target Russia caught the markets off-guard with a default on its GKO bonds and a devaluation of the ruble. The prospect of a sovereign default—the "debt bomb" policy advocated by LaRouche—sent the financial markets into panic, with investors fleeing speculative paper in favor of more secure U.S. and German government bonds. This, in turn, caused many derivatives speculators to hemorrhage money, with the markets moving in the opposite direction from their bets. Long-Term Capital Management, the giant Nobel Laureate hedge fund, went bankrupt and was bailed out by the banks at the urging of the Fed. Many other derivatives players, some considerably bigger than LTCM, were also grievously wounded.

In response, Greenspan and his central banking peers launched what speculator George Soros later called the "wall of money," flooding the markets with liquidity and promises, and a cover-up of the extent of the damage. Only later would the players admit what LaRouche said at the time: that the global financial system came within a hair of melting down in 1998.

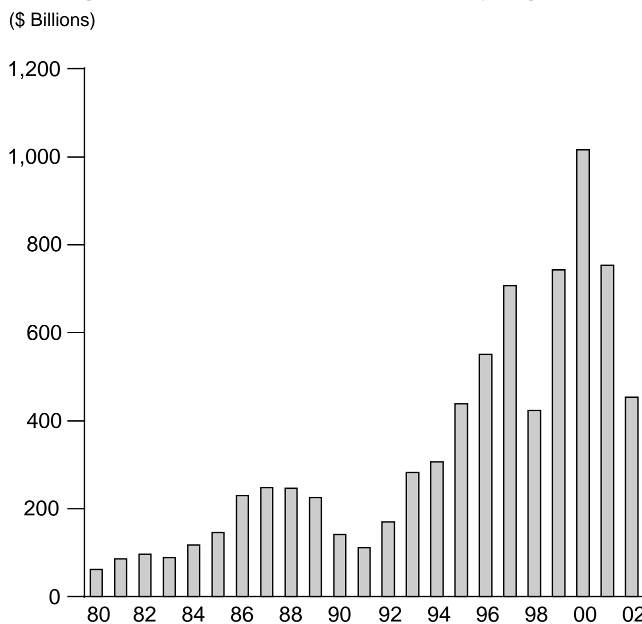
It was this "wall of money" approach, combined with a liquidity injection under the guise of preventing potential Y2K problems and a regulatory blind eye to "creative bookkeeping," which led to the sharp rise in U.S. financial markets from late 1998 into early 2000.

The attempt to bail out the system in 1997 led to the blowup in 1998, at which point another bailout was launched which blew up in 2000. Since then, global markets have plunged, major corporations have collapsed, pensions and retirement funds have evaporated, and the financial system is disintegrating. But don't worry, because a bailout is in the works. After all, the markets always rebound, don't they?

FIGURE 7

Foreign Capital Inflow Into U.S. Drying Up

($ Billions)



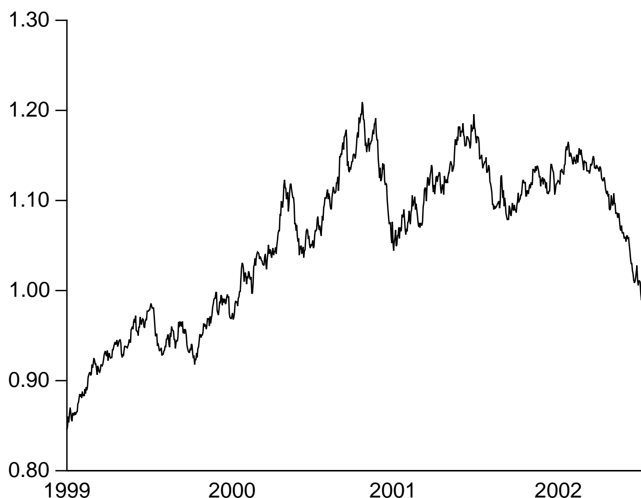
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Systemic Crisis

The U.S. stock market bubble was actually a global phenomenon, financed in part by huge flows of investment capital into the country. Money poured into the United States during the go-go 1980s, though that flow ebbed a bit when the U.S. banking system went under (the Fed secretly took control of Citicorp and arranged shotgun marriages for the big banks) after the real estate market collapsed. To save the day, the financiers unleashed the derivatives market, unpayable debt was rolled over, and financial deregulation escalated. Changes in the tax codes allowed money that previously would have been paid in taxes to instead be gambled in the markets, and corporations used money that should have been invested in their business activities to support their stock price. The bubble soared, but the physical economy suffered, as health care, education, transportation, goods production, and research and development were all choked back in order to feed the bubble.

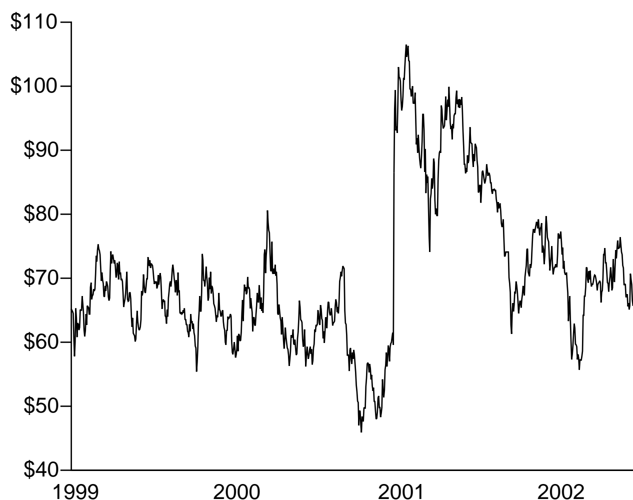
As the bubble grew, the cash poured in, but that process abruptly reversed after the market peaked in 2000 (**Figure 7**). The decline in U.S. stocks led to a decline in the inflow of foreign capital, which in turn further depressed stocks. This process was ameliorated by the strong dollar, because the rising dollar increased the profits of foreign investors as the markets rose, and reduced their losses as the markets fell. However, in 2002, the weakness of the U.S. economy has caused the dollar to fall, including a sharp fall against

FIGURE 8
Dollar Falling Against the Euro
(Euros per Dollar)



Source: Wall Street Journal.

FIGURE 9
J.P. Morgan Chase Vaporizing Market Capitalization, 1999-2002
($ Billions)



Source: Yahoo! Finance.

the euro (**Figure 8**).

The process defined by a falling stock market, a falling dollar, and reduced foreign capital inflows spells doom for the U.S. financial bubble, and when the United States falls, the world falls with it. Add to that the outbreaks of this systemic disease in Japan, Argentina, Brazil, Turkey, and other nations, including growing problems within Europe, and you have a prescription for disaster.

Sinking Banks

In all the corporate disasters breaking out in the United States, two names keep cropping up with uncanny regularity: J.P. Morgan Chase & Co. and Citigroup. Both were major lenders to Enron, and according to a report by the U.S. Senate Permanent Subcommittee for Investigations, both banks were active participants in Enron's fraud, using offshore affiliates to help Enron disguise loans as energy trades. Both banks lent heavily to the energy-pirate and telecom sectors, and are undoubtedly facing losses in the billions of dollars as those sectors vaporize.

J.P. Morgan Chase is the result of the acquisition of J.P. Morgan & Co. by the bigger Chase Manhattan. The deal, which closed on the last day of 2000, has been an absolute disaster as measured in ordinary—and therefore misleading—market terms. The market capitalization of the combined Morgan Chase is now less than that of Chase alone on the day before the merger, with Morgan (or at least its equivalent value) having simply vaporized (**Figure 9**). This is not surprising, as it was likely a bankruptcy at Morgan, and perhaps Chase as well, which led to the takeover of the aristocratic Morgan by the commoners at Chase.

The merger only bought a few months. Indications are that Morgan Chase blew up in mid-2001 and was secretly taken over by the Fed, similar to the way Citigroup's predecessor, Citicorp, was in 1989. During the fourth quarter of 2001, Morgan Chase combined its two lead banks, Chase Manhattan Bank and Morgan Guaranty Trust. As part of that process, $125 billion in assets and $7 trillion in derivatives simply disappeared from the combined banks' books, suggesting major financial problems. Still, with $24 trillion, Morgan Chase has more derivatives than any other bank in the world, and more than enough to make a spectacular explosion.

Citigroup may be under Fed control as well, as rumors of major derivatives losses circulate. Citigroup is the result of the 1998 takeover of Citicorp by Travelers Insurance, creating what is now the largest bank in the United States, with just over $1 trillion in assets and $9 trillion in derivatives. On July 18, Saudi Prince Alwaleed bin Talal, Citigroup's largest individual shareholder, said that he had invested another $500 million in the bank, raising his holding to $10 billion. Alwaleed, a nephew of Saudi King Fahd, obtained his initial stake in the bank shortly after the Fed took it over in 1989 and began arranging a bailout. The latest cash infusion raises suspicion that Alwaleed is performing a similar service for Citigroup.

Not to be left out is Bank of America, whose $620 billion in assets puts it third behind Citigroup's $1 trillion and

Morgan Chase's $713 billion. Bank of America's $10 trillion in derivatives puts it solidly on the hot seat in any financial crisis, and it has also loaned heavily to bankrupt companies. Rumors are flying that Bank of America has applied to the Fed for a secret bailout.

If the Fed winds up running the three biggest banks in the country, who's going to bail out the Fed?

Mutual funds, pension funds, and insurance companies are also big holders of stocks and have been hard hit by the decline. There's a lot more damage out there than has been admitted so far, and the hemorrhaging is continuing.

Pompous Pundits

Those tempted to listen to the siren calls of "recovery" and "sound fundamentals" emanating from the canyons of Wall Street and the nation's capital would do well to recall the comforting assurances given by the pundits and politicians in the period immediately before and just after the crash of 1929:

"Stocks prices have reached what looks like a permanently high plateau. . . . I expect to see the stock market a good deal higher within a few months," Yale economics professor and Hoover adviser Irving Fisher said on Oct. 17, 1929.

"The industrial situation of the United States is absolutely sound," Charles E. Mitchell, chairman of National City Bank of New York (a predecessor of Citigroup), said in early October 1929. "I know of nothing fundamentally wrong with the stock market or with the underlying business and credit structure," Mitchell added on Oct. 22, 1929.

Even after the 13% drop on Black Monday, Oct. 29, 1929, the pundits were urging the public to stay in the market. "This is the time to buy stocks," said market analyst R.W. McNeel on Oct. 30. "This is the time to recall the words of the late J.P. Morgan . . . that any man who is bearish on America will go broke. . . . Many of the low prices as a result of this hysterical selling are not likely to be reached again in many years."

"Financial storm definitely passed," banker Bernard Baruch cabled Winston Churchill in mid-November.

"I see nothing in the present situation that is either menacing or warrants pessimism," Treasury Secretary Andrew Mellon announced on the last day of 1929.

"I am convinced we have now passed through the worst . . . and shall rapidly recover," President Herbert Hoover stated on May 1, 1930.

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The Usefulness of Nepad for Africa

by David Cherry

"You are the masters of your continent! . . . My brother Mandela, my brother Mbeki, forgive! My brother Mugabe, forgive the whites! They are now poor. . . . You are free. We are bigger than them. We are mighty!" That was the kernel of an impromptu intervention by Muammar Qaddafi—to thunderous applause—at the founding meeting of the African Union, in Durban, South Africa, on July 8.

One of the elements of truth in Qaddafi's words, is that the Anglo-American powers are not as all-powerful—and Africa is not as helpless—as they seem in the illusions of many Africans.

A thoughtful Nigerian columnist addressed the problem of these illusions in relation to the New Partnership for Africa's Development (Nepad), a plan of African Presidents to get aid and investment from the developed countries, in exchange for policies of privatization, austerity, and politically good behavior (see *EIR,* June 14, 2002). Referring to the failure of the Group of Eight (G-8) summit on June 26-27 to offer Africa any real help via Nepad, Dr. Tajudeen Abdulraheem wrote in the Kaduna, Nigeria *Weekly Trust* on July 19, "I am not sorry they [the African Presidents] did not get the check. If they had gotten anything substantial, they would not be amenable to reason and to engagement with various anxious stakeholders who have been either very critical or cautious about Nepad."

Among the numerous African Presidents in the "very critical or cautious" camp are Zambia's Levy Mwanawasa and Namibia's Sam Nujoma. At a press conference on July 4 in Windhoek, Namibia, Mwanawasa, in a spirit akin to Qaddafi's, said of Nepad, "We must do everything we can do, to develop this continent. We must respect our sovereignty and not expect outsiders to do it for us."

Against this is the widespread view typified by an utterance of Mwanawasa's neighbor, President Benjamin Mkapa of Tanzania. Mkapa's complaint about Nepad is that "the rich North should stop the rhetoric and start delivering on their promises," as he told the Society for International Development in Dar es Salaam, Tanzania, on July 5. Mkapa, however, seems to be unaware of the depth of the economic crisis that affects the advanced-sector nations as well; for example, that the United States has debts of $32 trillion in combined government, corporate, and household debt, compared to a Gross Domestic Product of $10 trillion, and that about 72% of U.S. GDP goes to service that debt.

HIV/AIDS Could Collapse the State

But in one way, Mkapa is right. Because Africa is unlikely to be able to deal with the AIDS pandemic on its own, in time to prevent the utter collapse of society. The Prime Minister of Mozambique, Pascoal Mocumbi, is already warning, "We could face the collapse of the state."

At the G-8 summit in Canada, the African Presidents arrived with their Nepad proposal of 205 points. Buried in the document is Point 125, which states, "One of the major impediments facing African development efforts is the widespread incidence of communicable diseases, in particular HIV/AIDS, tuberculosis, and malaria. Unless these epidemics are brought under control, real gains in human development will remain an impossible hope." The G-8 responded with their own document, the Africa Action Plan, which includes a less categorical, but still pointed, passage: The consequences of AIDS "stand to undermine all efforts to promote development in Africa." Neither side, however, sought to make this fundamental point the basis of discussion.

Stephen Lewis, a Canadian who is UN Special Adviser on AIDS, said in an interview with *AllAfrica* shortly after the summit, "None of these summits means anything unless they are undergirded by dollars. . . . The suggestion of [an additional, annual] $6 billion, pretending that it is new, is in fact an illusion. The $6 billion is warmed-over money, previously announced in Monterrey and on other occasions. . . . The $6 billion figure is pathetic. Abysmal . . . 2.3 million lives are being lost to AIDS every single year in Sub-Saharan Africa alone."

The reader, however, must climb a higher hill than Lewis occupies. The G-8 powers should be acting on the basis of an actually scientific view of the guaranteed interaction of the billowing HIV pandemic with the take-down in their own countries of hospitals, routine medical care, and public health and sanitation infrastructure: Once they are helpless, AIDS will take them, like a thief in the night. Their witchdoctors' condoms and other *muti* won't save them. This scientific view dictates massive investment *now* in a program of optical biophysics to discover the vulnerabilities of the HIV virus, as U.S. Presidential pre-candidate Lyndon LaRouche first proposed in the 1980s. It also dictates massive investment in, and encouragement of African and Asian development to deal with the poverty co-factor of AIDS stressed by LaRouche, and in recent years, by South African President Thabo Mbeki—poverty, ill health, and poor nutrition degrade immune systems.

That is, the G-8 powers, even if only in their own self-interest, would have the elimination of AIDS and the development of Africa as an object of passionate concern. In attacking AIDS, they would solve the problem that Africa probably cannot solve. Why isn't this happening?

The problem with the G-8 powers is not the absence of resources. Even with the U.S. debt crisis and the financial collapse now under way, there are still some resources. The disability of the West is in its own illusions—illusions that have rubbed off onto some African leaders. The greatest danger of the illusion in the United States and elsewhere that permitted this to come to pass, is that money is the same thing as wealth. What is money, if it doesn't represent physical goods or capability? The financial bubble mentality of recent decades, preferring illusion to reality on all subjects, permits the West to imagine that the AIDS pandemic "can't happen here." Now, the financial collapse presents a chance to return to reality.

Nepad Encounters the African Union

Despite the absurdity of the G-8 summit, South African President Mbeki, in his weekly letter in the online *ANC Today* on June 28, declared that the summit "signified the end of the epoch of colonialism and neo-colonialism," and said that "the decision of the developed world to enter into a new partnership with Africa was expressed in concrete form."

But much of Africa does not agree. How could it? Is the International Monetary Fund about to change its spots? Did the summit mark the suspension of Anglo-American efforts to tell Africa who should exercise power in Zimbabwe, Zambia, Madagascar, and Kenya? Did the United States desist from trying to manipulate Nigeria into leaving the Organization of Petroleum Exporting Countries?

To crown it all, just after the summit, the British oligarchs, through their mouthpiece, the South African Institute of International Affairs (the local equivalent of the New York Council on Foreign Relations), declared that they had hoped that South Africa would take control of Africa and run it to suit them (a reference to what they hoped Nepad would be), but South Africa had fallen short. Above all, it failed to impose its will on Zimbabwe by threat of force—and the oligarchs would now have to do it by other means. Thus, Nepad exposed!

The institute's message was delivered in the form of an address by its deputy chairman, Moeletsi Mbeki, President Mbeki's younger brother—a cruel irony—to the Foreign Correspondents Association of South Africa. Before the apartheid era, Moeletsi Mbeki said, "South Africa was an important player on the world stage. Under the leadership of [British agent of influence Prime Minister] Jan Smuts, South Africa sat in the inner war councils of the Allies during both world wars. . . . When South Africa rejoined the community of nations after the demise of apartheid in 1994, the world [the oligarchs refer to themselves and their allies thus] therefore had great expectations of the government." These expectations have now been abandoned, Mbeki said.

The African Union (AU), first conceived by Qaddafi, was founded in Durban, only days after the younger Mbeki spoke, in early July, to replace the Organization of African Unity with an organization that has a program. The Nepad organiz-

ers had declared Nepad to be "a project of the African Union" many months ago, and the AU's first chairman is Nepad's leading protagonist in Africa, South African President Mbeki. Yet Qaddafi, at a reception for Mbeki in Tripoli before the summit, had called Nepad a project of "former colonizers and racists. . . . If there are common benefits, we are ready. There is no problem. . . . But we will not be tricked easily. Africa is a giant which has woken up and broken its shackles." His vision of the AU is one of an aggressively independent and self-determining Africa—unlike Nepad, once its rhetoric is stripped away—even seeing Africa as a single nation. "We must invest in it and build roads, so we have a powerful economic space rivaling Europe and China," he told Libya's Parliament on July 19.

Which outlook prevailed in Durban? Apparently, neither. The crucial Assembly of Heads of State commenced on July 8. That day, Qaddafi's proposal to increase the size of the Nepad Heads of State and Government Implementation Committee from 15 to 20 was adopted. It was an important decision that shifted the balance of power.

South Africa, meaning President Mbeki's faction, "has lost a titanic battle to rapidly transform the newly launched African Union into a formidable machine that would police errant nations and kick-start the continent's economic revival," wrote the *Financial Gazette,* a pro-British Harare, Zimbabwe daily on July 11. The summit "had been expected to crown reform-minded South African President Thabo Mbeki's ascendancy to the leadership of a result-oriented united Africa," it said. "Diplomatic sources said the first deadly blow against the reformists' agenda was delivered on Monday when Libyan leader Muammar Qaddafi's proposal to increase the number of representatives on the implementing committee of Nepad from the original 15 to 20 was adopted. By increasing the number, analysts said countries such as Libya and Zimbabwe, which would have been left out of the committee because of governance issues, were now likely to sneak in through their regional dominance." But Qaddafi's vision does not seem to have gained dominance, either.

Africa Must Industrialize

There can be no doubt that Nepad has made itself useful by provoking an all-African debate on important issues. One particular voice, not present at the G-8 summit or the founding of the AU, stands out. It is the almost child-like voice of an old man—child-like only because he freely says what others have been taught to forget. Rev. Clement Janda, outgoing general secretary of the All Africa Conference of Churches, said in an interview in Nairobi in mid-July, that the only way forward for Africa is through industrialization. Janda is an Anglican clergyman from Sudan. Africa has the resources, both human and material, he said. He blamed Africans for a propensity to look to the West, Japan, and elsewhere for finished goods, and for not taking the issue of industrialization seriously. The wheel has already been invented, but "we must learn to produce it ourselves," he said, according to the African Church Information Service (ACIS) on July 15. In recent years, Janda has been outspoken that the West must help by "uprooting the debilitating debt burden."

This is what LaRouche has taught these many years. This is the implication of LaRouche's 1981 book, *Stop Club of Rome Genocide in Africa! Critical Comments Appended to the Lagos Plan of Action,* with its emphasis on how the productive city is built. But for most Africans, "Africa must industrialize" is a "hard saying," because their ears are attuned only to the UN lexicon, in which the word "industrialization" has been replaced by "poverty reduction"—channeling resources and suitable employment to the poorest. But "poverty reduction" cannot change the productive geometry. It cannot even live up to its name by reducing poverty on a large scale. Only industrialization can do that.

Janda's view, wrote the ACIS, is that he considers "the new move to inject life into Africa's economy through Nepad as not genuine and realistic, noting that it was likely born out of the fear by the West about the new African Union. He felt this was to counter the threat posed by the Union to the developed world as it [Nepad] was orchestrated by the West."

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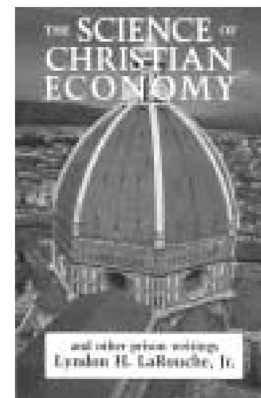

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