

## EIR Feature

# One year after the crash: This is not a recovery

by Joyce Fredman

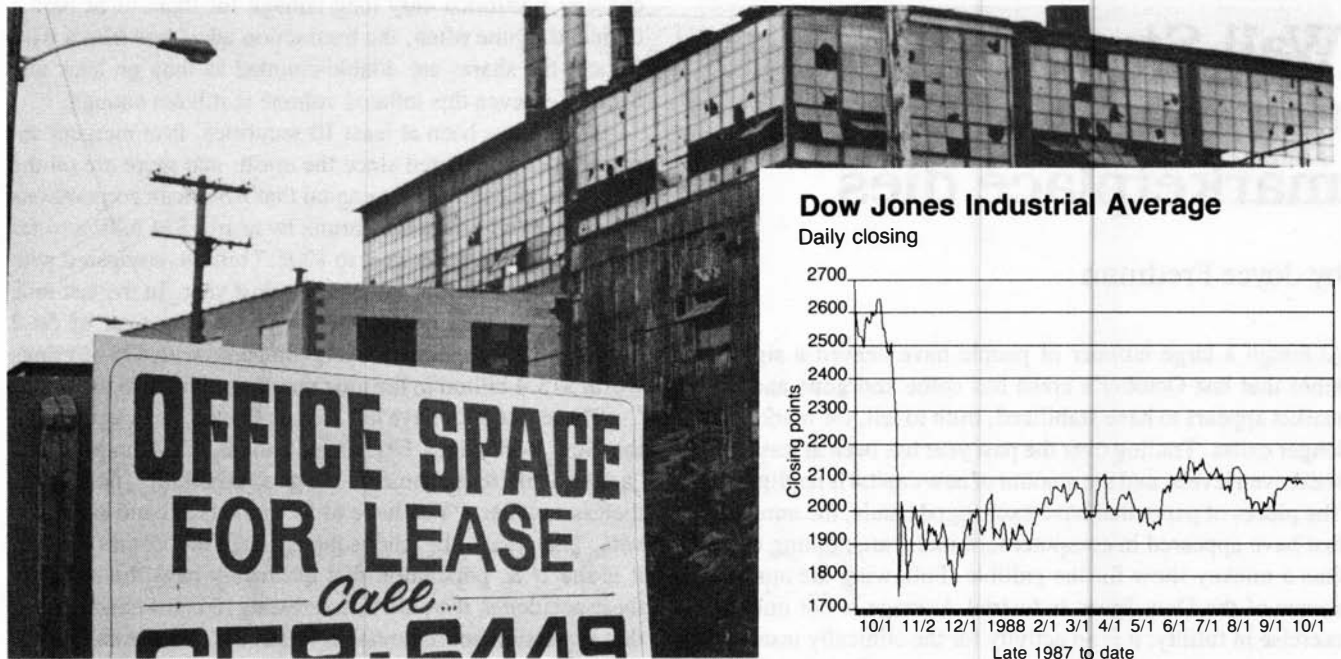
“The long-feared stock market crash of the late 1980s became an accomplished fact yesterday, as share prices collapsed on Wall Street in a wave of selling unlike anything seen since the 1930s. . . . At the close of New York trading, the Dow Jones Industrial Average had plummeted 508.32 points to 1738.74 in an unprecedented flood of sell orders which broke effortlessly through every bear-market record since the Great Depression. The Dow’s percentage fall of 22.62% was nearly four times the previous postwar one-day record of 5.7%, set in the early 1960s, and beat the collapse of 12.8%, recorded on Oct. 28, 1929, the day of Wall Street’s Great Crash.”

One year ago, on Oct. 20, 1987, that was the front page story in London’s *Financial Times*, and every other newspaper worldwide. Since that day, U.S. newspapers and financial journals have been filled with speculation as to when and if another crash is to occur, while articles appear monthly documenting the damage to the country’s financial system.

To the average citizen, the mumbo-jumbo of insider trading, bond market and currency fluctuations, and the various banking regulatory agency acronyms, is little more than Greek. Yet the consequences of the machinations of the Wall Street and banking crowd are all too real. The federal tax-revenue base lost between \$100 and \$150 billion in revenues, forcing state and local budgets into draconian austerity.

Hospitals and emergency rooms are facing “medical gridlock.” Infrastructure, such as bridges, ports, canals, and roads, is collapsing. Housing has become unaffordable, interest rates are rising, and industry has become passé, while dog tracks and gambling casinos become the way of tomorrow. Deposits of hard-earned income in the nation’s savings institutions are threateningly insecure, and whole continents have been slated for death to pay usurious rates to a group of faceless sharks known as the New York bankers.

The questions posed by the decay and collapse of the American Dream are not simply those of comfort. When defense allocations are slashed and politicians put forth legislation for the legalization of heroin and cocaine, strategic and funda-



mental moral issues are brought to the fore. The destruction of the U.S. industrial base has raised serious doubts as to the readiness of the nation to defend itself. If the internal economy of the family household does not allow adequate parental care of children and youth, if society has lost its commitment to decent public education for every child, then the ensuing decline in morality is a foregone conclusion.

Less than three weeks from the presidential election is a most opportune time to review such events. Democratic presidential candidate and economist Lyndon H. LaRouche, Jr. wrote on Nov. 8, 1986:

“The collapse of the U.S. economy, is not the result of any single facet of U.S. policy; it is the result of the mutual interaction of the past 20 years’ trends in several policy-areas: monetary policy, credit policy, tax policy, and economic policy. In the area of economic policy, the most powerful depressing factor, was a dramatic shift in U.S. defense policy, established under President Johnson, and consolidated under the Nixon, Ford, and Carter administrations.”

The next administration will have this economic chaos foisted upon it, and unless there is a dramatic change in economic policy emanating from the White House, the fragile world financial system is doomed, along with the world’s citizens.

### Back to the American System

The changes that are demanded entail a substantial reevaluation of the banking sector, one of the most crucial barometers of a functioning economy. If a nation’s banking is a fraud, so is any so-called recovery. From the time that Alexander Hamilton became Treasury Secretary in 1789, a well-defined standard for the banking industry was set:

“To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted. The connection between inventions of the mind, and the increase of the physical productive powers of labor, is the kernel of the American System.”

It was the role of the bankers to foster such activities. That idea took a nation which had been massively in debt and still bleeding from the war, and made it into an industrial giant. The policies, envied worldwide, became known admiringly as the “American System of political economy.”

The financial and banking community presently has not only lost that once-famous commitment to manufacturing and industry, but is rather engaged in dirty-money laundering, speculative “junk bonds,” and usurious swindles and extortions. Amid the venal motives and greed, however, is an amazing level of incompetence. With all their power, these would-be Shylocks have built themselves a crumbling empire, a house of cards that is all jokers. A giant bureaucracy spends its time doing nothing other than creating the illusion that everything’s okay. Behind the phony statistics and the sucker’s deals being offered is pure desperation. They are standing at the precipice of total bankruptcy; their terror is all the worse, as they have lost whatever brains God gave them.

Unfortunately, over 5 billion people have been brought along on this expensive and deadly joy-ride. Unless the lies of Wall Street and banking are exposed and their swindles brought to a halt, and an immediate reorganization takes place, the American System will be lost forever. One year from the time of the stock market crash, is none too soon to begin.