

LaRouche issues a warning of financial shock ahead

by John Hoefle

The events of mid-February show that the pace of the collapse of the nation's financial system is accelerating at a breathtaking rate. The dramatic highlight was the bankruptcy of the king of the junk bond industry, Drexel Burnham Lambert, amid rumors of a multibillion-dollar covert operation by the Federal Reserve to prevent a panic in the markets. That was combined with the Bank of New England's borrowing of over \$2.5 billion from the Boston Fed over the past month just to cover the run on its deposits, and the blank check the Bush administration has arranged in an attempt to rescue its moribund "bailout" of the rapidly dying savings and loan system.

The financial house of cards is falling because the rock upon which it is built, the physical economy of the United States, once the pride of the entire world, has crumbled. It is no longer capable of sustaining itself, much less the speculative parasites which have infested it. The breakdown of the nation's physical economy was underscored in January, when the United States imported 54% of the oil it consumed, an all-time record, making us more dependent upon foreign oil than at any other time in our history. The U.S. auto industry, which accounts directly and indirectly for about 20% of the nation's economy, is in a tailspin. Once the world leader in auto-manufacturing technology, the United States has fallen a half-decade or more behind the Japanese.

Even by the Federal Reserve's own fraudulent and politically revised statistics, U.S. manufacturing output in January was at the lowest level in the last three years. The physical economy has already collapsed, resulting in the utter bankruptcy of the financial system. All that remains is for the wall of illusion—or delusion, more accurately—to collapse, and the panic to begin, a process which is rapidly drawing near.

From his exile in a federal prison—where he nonetheless

is able to monitor and influence world events in a manner beyond the comprehension of the bureaucrats and bunglers of the Bush administration—celebrated political prisoner and Democratic candidate for the 10th Congressional District of Virginia Lyndon H. LaRouche issued a warning that the United States faces the greatest financial collapse in its history during the March-April period this year.

LaRouche's warning

In a statement issued Feb. 15, LaRouche said, "It's the proper time for me as a candidate and also as the world's leading physical economist at the moment, to make one of my occasional forecasts. This time, I shan't change my last forecast but shall merely emphasize it in the light of recent developments. Those of you who are paying attention and were not cut off from the news, know that last spring and summer I forecast another round of financial crisis in the U.S. financial markets to hit plus or minus a couple of days, either way, of the Oct. 10, 1989 key date. Most financial forecasts are situated with reference to the 10th of the relevant month, particularly the first month of the quarter.

"Now I forecast at the time, a significant drop, but whether that drop would be the real bottom in this round of crisis, was questionable. I said there was a 75-80% chance approximately that the October crisis could be comparable to the October 1987 one in terms of impact, but that there were a couple of other things to consider, which made it different from 1987.

"First of all, in the aftermath of the October 1987 crash, which I had predicted, the Bush crowd in the Reagan administration had created a set of safety measures to be put into effect to rig markets, to try to delay and soften the impact of any new financial crash. Treasury Secretary Nicholas Brady was a key figure in this, but not the only figure. And I expect-

ed naturally that the full force of the administration's ability, together with people like the Morgan banking interests and Federal Reserve, to control or manage any new crisis, would be put into effect in October.

"Therefore, I said, that if they do that which they're perfectly capable of doing, that will mean we'll begin to feel a new decline in the markets following October, after Christmas, in January. And then I said that the probability is that by the March 10-April 10 period, there will be a 95% probability that the major crash of this round will have occurred. So today, I say that's the way she stands.

"To date, I've forecast this round of the financial crisis to begin, plus or minus a day or two before or after Oct. 10, 1989. Well, we had a 200-point official drop on the 13th of October, and a much bigger drop behind that official index figure. But the Brady mechanisms did go into effect. As a result, the financial crash of October was moderated.

"But then, as I had predicted, right after Christmas, things began to hit, and from early January 1990 on, there has been a consistent slide downward in U.S. financial markets, particularly with new developments in the bond market leading up into the collapse of the major junk bond firm Drexel Burnham Lambert.

"Now we're looking at any time from now on, but most probably between March 10 and April 10, another major international shock. This next shock, many people project, will be launched in or around the Tokyo market, and will involve pressures on the Tokyo financial system from the inflated Japan real estate market. But actually, the cause of the crisis will not be internal to Japan but will be the condition of the international financial markets.

"So there she blows. We're headed into it, the Bush-Brady mechanisms are wearing down, they're reaching their limits. We're heading into new financial storms with a big one coming up, a 95% chance between March and April 10 respectively. This, of course, will not be the last drop. If we go through this without any fundamental change in policy, if the Bush administration continues to cling to the policies of the past 10 years, then we're headed for a much bigger one, perhaps a year or so after this spring. But right now we're looking at a major drop, comparable in effect to what happened in 1931, in markets beginning this spring."

Downslide in infrastructure

"So far today I've only been talking about financial markets," LaRouche continued. "Behind the scenes, there has been a steady drop in the physical economy since 1970. There has been no net growth in physical terms in the U.S. economy since 1970. It started as a slide down in basic economic infrastructure: water systems, general transportation systems, power production and distribution of power, and so forth. There was also a deficit in urban social infrastructure: education and health delivery systems and so on.

"Next we had, from the middle of the 1970s, a very

visible and accelerating collapse in agriculture. Agriculture now is down maybe 50% from what it was in the middle of the 1970s, in terms of strength and gross productivity.

"Then we had simultaneously a gradual erosion in manufacturing. So manufacturing now is collapsing.

"This collapse in infrastructure, agriculture, manufacturing, has continued over 20 years to date, without respite. Despite the ups and downs of the financial market, constantly the real economy, the physical economy, has been collapsing.

"More recently, exports have been sliding off, because of the condition of the world markets, and because we don't produce any more goods which are export-worthy. This is not the fault of Japan or West Germany, it's our fault. We no longer allow people to invest in high technology, therefore, we're no longer competitive. And until you rein in some of these environmentalists, and stop these stupid environmentalist laws, we're going to become less and less competitive on world markets.

"Now, finally, imports are collapsing, which some people think is good. That means our balance of trade deficit is getting less pressure from imports. But the reason we're having fewer imports is that we no longer have the buying power we had a year or so ago. And that's why we're importing less. So we're going into debt less quickly because we're starving ourselves.

"The political point to sum up is not the forecast as such, though it's important to know what is likely to be happening around the corner; the significance is until we wake up, and throw out the policies which have dominated Washington, in finance, economy, tax policy, and so forth, over the past 20-25 years, this country is headed for the junkyard. So if you don't want the U.S. to head for the junkyard, you'd better find some candidates like me who are for a return to the kind of economic recovery programs some of us remember from the late 1930s and Franklin Roosevelt, or from the early 1960s and John F. Kennedy."

The golden goose

The prime example today of the type of economic recovery program needed to revive the U.S. economy is the Paris-Berlin-Vienna economic triangle put forward by LaRouche, which is properly developed has the economic potential to turn Europe into the leading edge of world economic development, and to provide the means by which the United States' own economy can be rebuilt. LaRouche compared this project to "the goose that lays the golden eggs."

"I have said before, and I shall repeat again," LaRouche said, "the current political history of Europe is a tale of two geese. There is the golden goose, the goose that lays the golden eggs, the triangle prospect on the continent of Europe, and in London, there is that silly goose, Margaret Thatcher. What does that say about George Bush? What kind of bird is he?"