

Editorial

1996: What the New Year may bring

A year ago, there was a widespread illusion that 1995 would bring spectacular economic growth. While it is true that stock market values have continued to inflate at an astronomical rate, the succession of bank collapses, beginning with Barings, is widely seen as a harbinger of things to come.

The Japanese financial situation is in the most critical state of affairs, with most of their banks on the verge of collapse. Noteworthy, too, is how this year ended—with a major political manifestation of the crisis in France, and a government shutdown in the United States.

The impetus for these situations in France and the United States, was the attempt by the oligarchy to seize Social Security and medical benefit funds in order to shore up the over-valued derivatives markets. In France, this was exacerbated by the attempt by Prime Minister Alain Juppé to loot the national rail system in order to shore up the collapsing French economy.

Thus, the past year ended on a note of crisis. There is a devastating paralysis among all segments of the governing elites, internationally, including those who are relatively well-intentioned. They are not yet willing to recognize the depth and extent of this crisis, and therefore they are unwilling to accept the only remedies which can work.

These measures have been clearly spelled out by Lyndon LaRouche and the economics staff of this magazine. What is needed is a total financial reorganization which sweeps away the speculative dead-weight and reestablishes the principle of national banking. In the United States, this would mean returning the power of governing the financial system to the Treasury Department, away from the quasi-independent Federal Reserve System. It would also entail establishing a Third National Bank.

It would mean recognizing that the goal of balancing the budget—whether over seven years, or 100 years—is a pernicious myth. As we have seen time and again, every effort to balance the budget leads to a further cur-

tailment of government revenues because of the negative effects of these measures on the productive economy.

To take just one example: The closure of military bases is more costly than allowing them to remain open. If we look at the totality of military expenditures, investment in military technology has been a means of introducing technological growth into the economy. The money borrowed today to foster high technology, is paid back many times over in future productivity gains, as we saw, for example, in the Apollo program and the military program of missile development, which fostered the semi-conductor industry.

In the United States, the nonsense of the Conservative Revolution's "Contract on America" (to borrow President Clinton's apt characterization), is symbolized by the bloated figure of House Speaker Newt Gingrich. In Europe, it is the Maastricht Treaty which is the rubric for a demand for vicious austerity.

If the Maastricht Treaty is not abrogated, the effect will be the destruction of France, Italy, Germany, Spain, and so forth, as viable nations. In other words, the death knell of Europe as it has developed since the Renaissance, and a return to the dark age which preceeded it. If the mythology of the balanced budget and allied austerity measures is not destroyed, a similar phenomenon will occur in North America, which will include the dismembering of the United States as a nation.

This is the reality of the depth of the crisis which faces the world, a crisis of potentially graver proportions than any other which mankind has yet suffered in recorded history. A crucial feature in preventing this collapse, is the role which LaRouche must play in the coming period.

LaRouche and his associates were framed up on fraud charges, because his enemies recognized that the remedies which he proposed to avert the crisis, would end their evil power once and for all. It is absolutely necessary that by the end of 1996, he and his associates be fully exonerated.