

# Financial markets: a year of ruin

by John Hoefle

One year ago, in July 1997, the British Empire's chief public attack dog, George Soros, launched an assault on the nation of Thailand, in the form of a raid on its currency, the baht. Moving in the shadows behind Soros, were the institutions of the international financial oligarchy, whose power to manipulate markets and loot entire countries was quickly demonstrated. On nation after another—Thailand, Indonesia, Malaysia, South Korea—fell to this assault, their currencies and stock markets in ruins.

During this period, all sorts of claims were made. The crisis, it was said, was limited to Asia, and would benefit the

United States and Europe. The International Monetary Fund, it was claimed, could stabilize the situations with hundreds of billions of dollars of "bailout" money. Finally, as the year came to a close, it was claimed that the crisis was over.

None of these claims was true. As Lyndon LaRouche stated repeatedly during this period, the so-called Asian crisis is but a reflection of breakdown of the global financial and monetary system. Asia has not recovered, but has continued to collapse, and explosions are building in Russia and Ibero-America.

As you look at the accompanying graphs, the devastation is easy to see. What is perhaps not so obvious, is the danger represented by the increases in U.S. and European markets. As of this writing, the Dow Jones Industrial Average has topped 9,300 points, and the major European markets are at record highs. But, as the saying goes, the bigger they are, the harder they fall. The system is breaking apart, and the devastation which has hit Asia, is simply the leading edge of a tidal wave which is sweeping the entire world.

FIGURE 1  
**World stock market changes, July 1, 1997–June 30, 1998**  
(percent change)

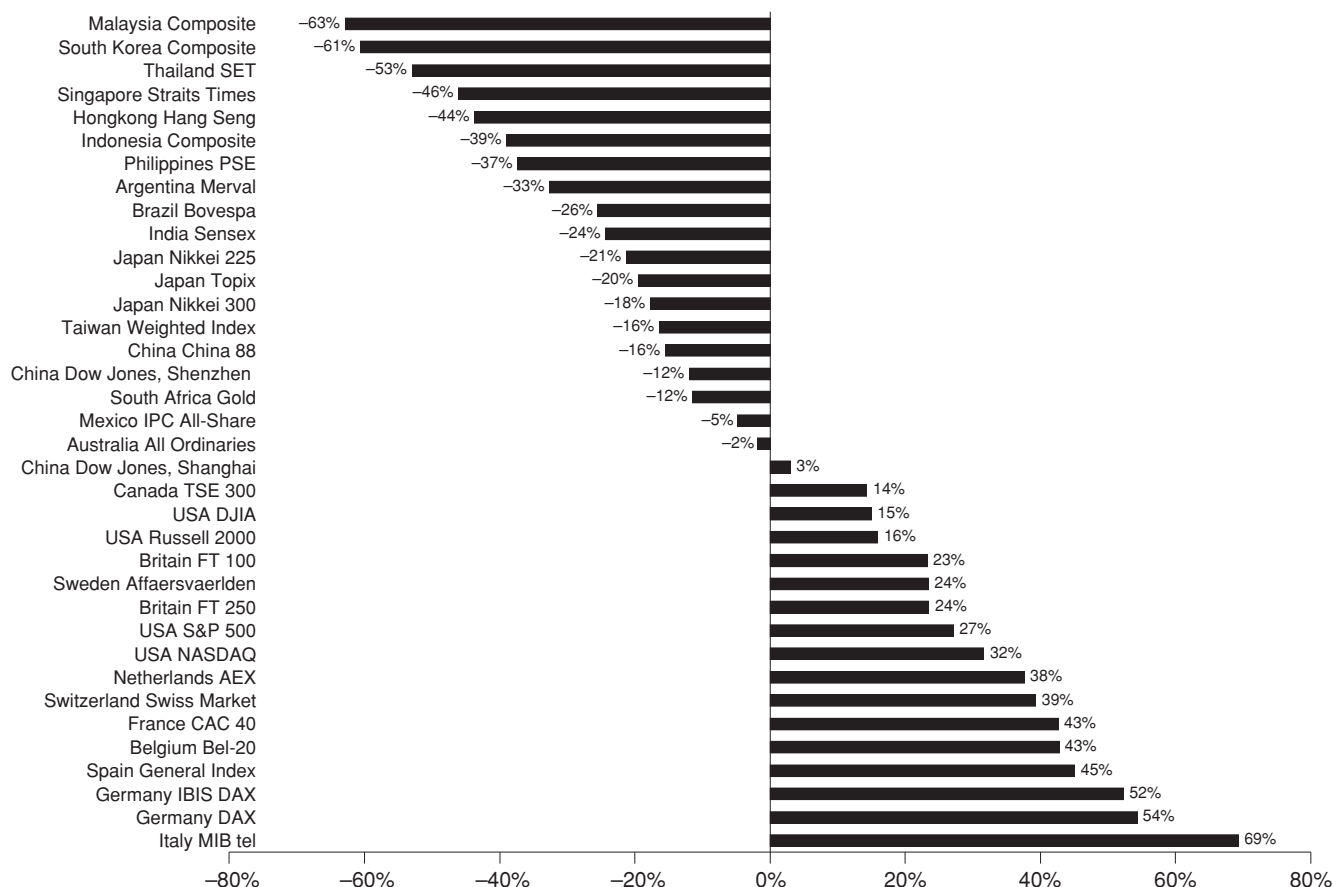


FIGURE 2

**World currencies versus U.S. dollar**

(percent change from July 1, 1997 to June 30, 1998)

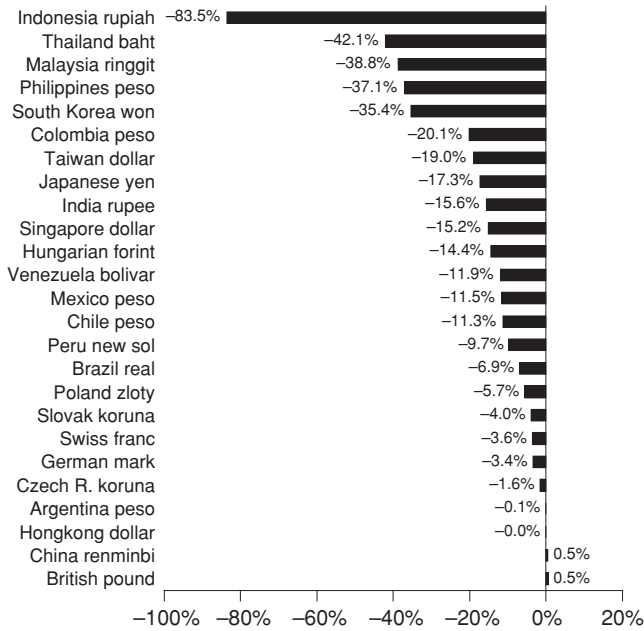


FIGURE 3

**Thailand stock market**

(Bangkok SET)

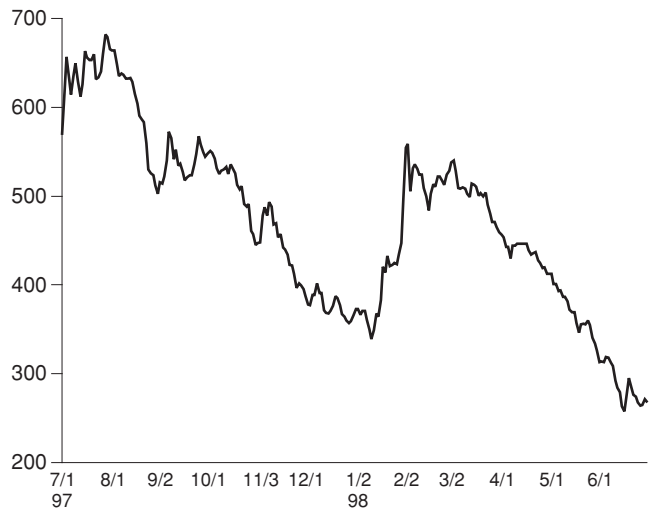


FIGURE 5

**Indonesian stock market**

(Jakarta Composite)

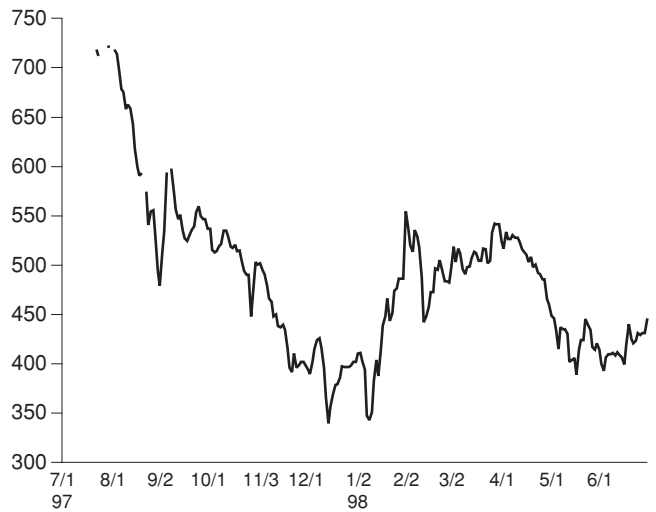


FIGURE 4

**South Korean stock market**

(composite index)

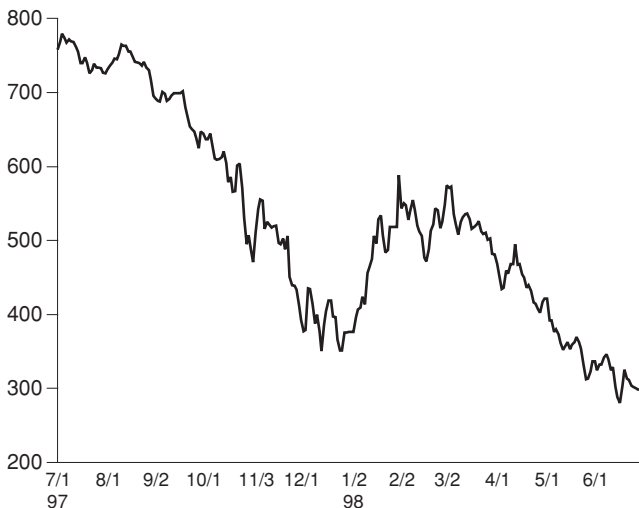


FIGURE 6  
**Brazilian stock market**  
 (São Paulo Bovespa)

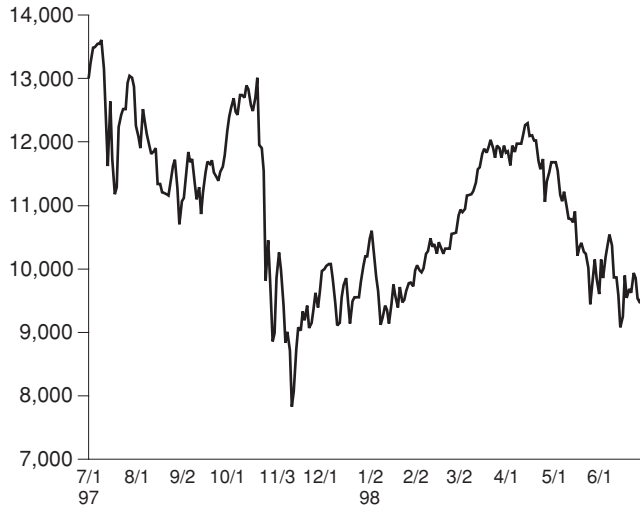


FIGURE 7  
**German stock market**  
 (Frankfurt DAX)

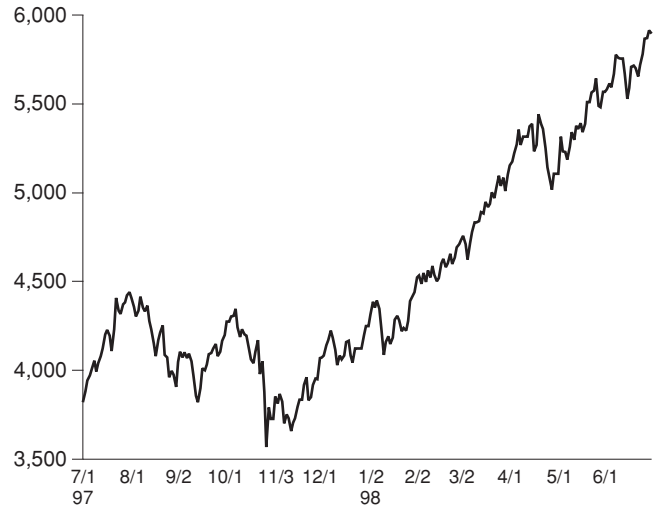


FIGURE 8  
**Thailand's currency**  
 (U.S. dollars per baht)

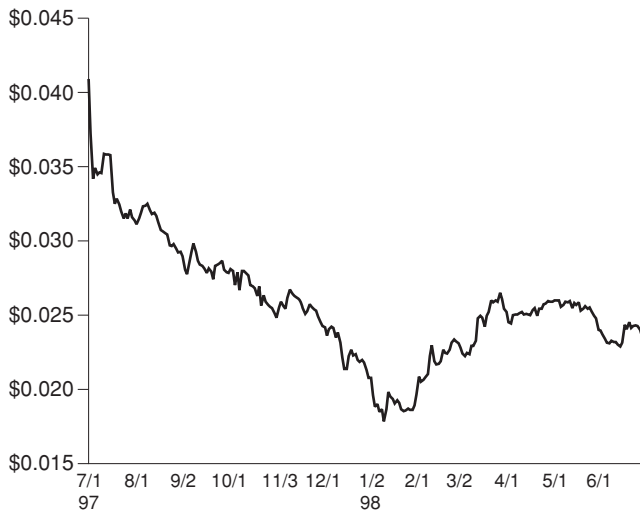


FIGURE 9  
**South Korea's currency**  
 (U.S. dollars per won)

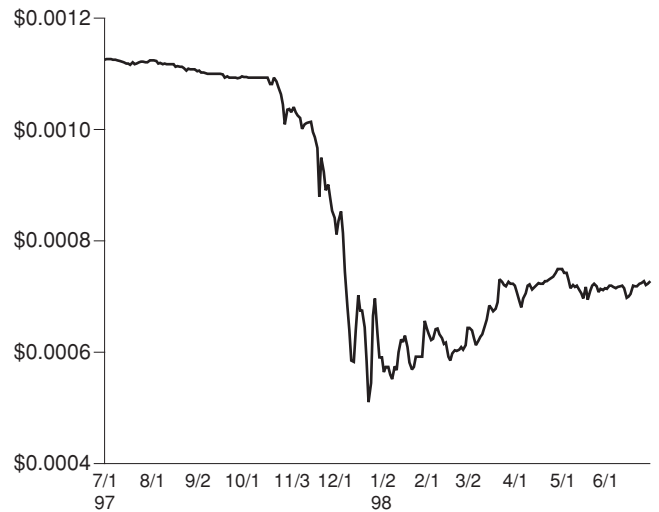


FIGURE 10  
**Indonesia's currency**  
 (U.S. dollars per rupiah)

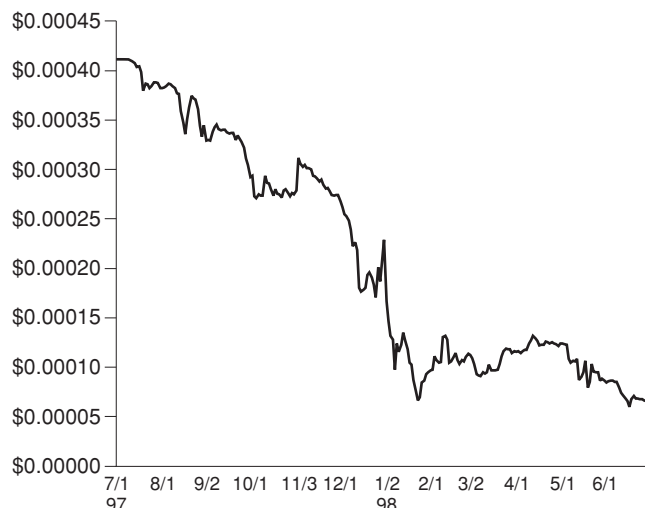
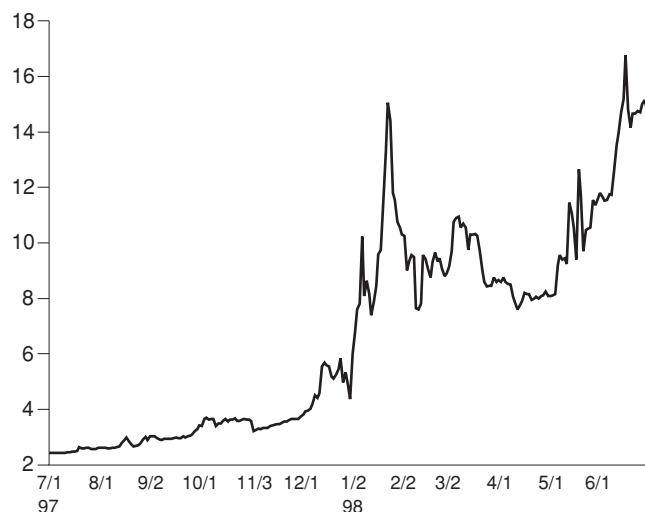


FIGURE 11  
**Indonesian rupiah needed to pay a U.S. \$1 million debt**  
 (billions of rupiah)



## Brows furrowed over financial collapse

**Germany:** Robert Kuttner, a columnist for *Business Week*, wrote a commentary in Hamburg's weekly *Die Woche* of July 10. After complaining that even the leftist governments in Europe kowtow to neo-liberalism, he continued: "Calls for a new Bretton Woods have been voiced. And, in a certain sense, also U.S. Treasury Secretary Robert Rubin and also Federal Reserve Chairman Alan Greenspan have silently joined this critique. . . . It is too risky, to leave the fate of the economy at the hands of speculative capital and unstable currency reserves."

"In the last 20 years, the U.S.A. and other big powers have intervened five times, to contain the damage caused by speculative capital. In the end, these were five violations of the idea that currency exchange rates should be fixed by the market. So far, however, the western governments are undecided, as far as a return to a system of stronger regulation of capital flows and exchange rates is concerned. But that is exactly what the center-left governments would need to gain greater political maneuvering room. They would need it, in order to pursue a policy of high growth rates—the only guarantor of social justice."

"We must recognize the importance of Bretton Woods, again. That conference fixed the exchange rates. Since the central banks were obliged to collectively support the fixed rates, speculative deals and worldwide capital flows were ruled out. This was the most important result of Bretton Woods: The regulation of capital created the protection which enabled governments to build welfare states with a high employment level and high growth rates—free from the downward-pointing competitive pressure of the global capital markets."

**France:** Major publications predicted financial apocalypse in July: *L'Événement de Jeudi* on July 7 published remarks by megaspeculator George Soros stating that "we are on the eve of a collapse of the system."

The most outspoken, however, was former adviser to the late President François Mitterrand, Jacques Attali. In a front-page column in the Paris daily *Le Monde*, headlined, "The Titanic, the World Cup and Us," he said: "A financial iceberg? We are heading into it, full speed: It is not possible to have long-term growth in stock market values which is triple that of interest rates, to have insanely overvalued markets, creating