Interview: Lyndon H. LaRouche, Jr.

What's really behind the S. Korean crisis

The following are excerpts from an interview with Lyndon H. LaRouche, Jr. on the international radio broadcast "EIR Talks" on Jan. 7. "EIR Talks" airs each Saturday on satellite at 5 p.m. Eastern, on G-7, Transponder 14, 91 Degrees West, and each Sunday on shortwave station WWCR, at 5 p.m. Eastern, 2200 UTC, at frequency 5.070 megahertz.

EIR: George Soros just visited Korea, and met with its President-elect and other people there. What is going on now with the Korea crisis? . . .

LaRouche: Well, this Soros, of course, is a pestilence, is very dangerous. He's a British-controlled entity, who is used by them, largely against the United States. He's on the "nonwanted" list, because of his association with promoting drug trafficking, by our drug czar's office, among others. He's closely tied to all kinds of filthy things around the world, and he is a marker of the kind of hedge fund insanity, which has triggered the Asia crisis. *That is, Prime Minister Mahathir of Malaysia in no way exaggerated, in no way misfired, in pinpointing George Soros as the key figure, or the typical key figure in what was done to Malaysia and other Southeast Asian countries.* And those in the United States who defended Soros were being either ignorant, stupid, or just plain misguided, in some other sense.

Now, let's look at the problem here. The problem, essentially, the problems we're dealing with now, began, really, in changes of policy which started about 30-odd years ago, about 30, 32 years ago, in the U.S. and Britain. The markers were the British sterling crisis of the fall of 1967, and the following dollar crisis of the first months of 1968, which began a shift in policies, along with changes in budgetary policy for fiscal year 1967 in the U.S. under Johnson, which turned us away from a high-tech economy, toward a low-tech economy, sometimes called a "technetronic" or "information society," or "post-industrial society," or neo-Malthusian wilderness, or whatever you want to call it.

But, in 1970-71, Nixon, under the influence of Kissinger and [George] Shultz and others, took the wrong turn in response to the monetary crisis of August 1971, and took the world off the Bretton Woods agreements. As a result, we've had, since then, what's called a floating exchange rate system.

Now, if you look at some figures, you see, very quickly, already during the 1970s, clear warning signs of what happened in places such as Korea. For example, in the United States' case, until 1971, about '56 to '71, when we were keeping these figures in this form, if you compared the turnover of U.S. dollar foreign exchange, against the combination of exports and imports of real goods, you'll find that the export and import of real goods, that is, hard commodity trade, essentially, accounted for about 70%—each year, during all those years, '56 to '71—accounted for about 70% of the total turnover of foreign exchange. During the middle of the 1970s, this rate of U.S. foreign exchange turnover, that is, trade goods to foreign exchange, had dropped to about 25%. By 1982, we had a drop from 70% at 1972, to about 5% in 1982. Then, by 1992, it had dropped to 2%. A few years later, it had dropped to 0.5%. These are U.S. figures, but they're pretty much indicative of what's been going on around the world. Britain among the worst: Britain's almost off the charts on this sort of thing. As a result of that, it means that financial transactions no longer have any real relationship to an economy, except a parasitical one.

So, now you look at Korea. Korea had an essentially sound economy, physical economy. The main problems were some structural changes which occurred over the course of the 1980s, where it went to a high-rise, packing-crate-house society. And then, on top of this, on top of these cultural shifts, you had radical attacks on Korea, under Bush and, also, continued by Mickey Kantor, as trade negotiator. These latter set loose potential for disaster inside Korea. The economy was still essentially functional. That is, it was a producing country. It didn't have enough food production, partly because of deregulation. It was in trouble. Its young people began to gamble, in the form of derivatives and futures trading, and short-term credit obligations. So, on financial account, the country began to go insane. And the strength of its basic economy, began to become diluted much by this financial insanity.

All right. So, what happens? In comes something which is only possible under the floating exchange rate system, that is, in which you have irregular markets, in which pirates who have no relationship or responsibility for the currency, sit in gambling dens, and bet on the value of a currency, as in a pit, in a financial pit. And the following morning, the financial officials say, "The currency has fallen in value!" "What do you mean, it fell in value?" "Well, the gamblers over in this Las Vegas of offshore—"

We'll have to come back to this. [commercial break]

EIR: Lyndon LaRouche was describing how the Korea economic crisis developed, due to policies introduced in the U.S. and worldwide, beginning about 30 years ago.

LaRouche: What happened, essentially, is, then, the currency collapses, and the government says, "Ah! The markets have decided that our currency is worth less today than it was yesterday." Now, this becomes a problem, because then people begin to act and say, "Well, your currency's worth less, we want more money from you to pay your old debts, because your currency's just been downgraded." This gets to the point of a crisis, as it did in the case of Korea, where the collection of short-term obligations denominated in non-Korean currencies suddenly going up in price, meant an amount that Korea could not pay.

Now, nothing had happened. The won, the Korean currency, on the day when such a crisis occurred, still had as much purchasing power, in terms of Korea-produced goods, as it had had before this crisis started. *The problem was, that the foreigners perceived, agreed to perceive, that the won was worth less in international exchange than it had been*. And, the basis for this, was, simply, the presumption of the bets across the table in a gambling house, a Las Vegas-type gambling house called international financial markets.

Now, in these international financial markets, hedge funds, such as George Soros's, his own operations, were dominant. And, Europeans, and others, particularly those who were against the United States, or U.S. traders who joined with Europeans in this kind of thing, had joined against the countries of Southeast Asia, which had been dollar-pegged currency bloc countries, against Taiwan, attempts against Hong Kong, against Japan, and against Korea, with China, and Russia, and Brazil, and Argentina targets for the near future down the way.

In comes the IMF, and says, "What you must do, is, you must wreck your economy, in order to influence these financial markets." Now, what are the financial markets? They're nothing but bloodsuckers, parasites, gamblers, what the Nobel Prize-winner Maurice Allais referred to as a "casino economy," the *casino mondiale*. So, as long as we continue to say that these irregular financial markets by gamblers, will determine the value of a national currency, not what the currency's value is, in terms of the goods you can purchase from it, that is, the goods it produces—as long as we allow that to go on, you're going to have this insanity going on.

Now, what's happened, is—under pressure of the IMF, and Japan, and others, the Hashimoto government—the government in Korea has gone for short-term conditions, and has welcomed George Soros, *who is the very disease that killed the Korean economy*. This problem is going to continue, until governments recognize that the Roosevelt administration was right, the Franklin Roosevelt administration, in the Bretton Woods agreement.

In the postwar period, we had a reconstruction based on limited convertibility of currencies, on foreign exchange regulation, on pegged values of relative values of currency in international markets, and, if anybody tried to come in and speculate the way George Soros does against currencies, we'd bankrupt the creature, eh? And, we have to go back to that. *Until we do that, we're not going to bring this problem under control*.

So, this is the reason why the IMF is considered a disease, because the IMF comes in and says, "A disease has attacked your economy. You must now pray, and pay off the disease! You must embrace the disease, and destroy your economy to please the disease. And we will measure your performance by this." The worst thing you can do, if you're a country and you're in trouble: If you accept IMF conditionalities, you're either on the floor with a knife at your throat, or you're clinically insane.

And, that's what the situation of Korea is now. They will not recover from this, until we introduce regulated currency values, introduce foreign exchange controls and capital movement controls, for the purpose of bankrupting what George Soros typifies. And, until we do that, this world is, in the short-term, is doomed to the greatest financial collapse in about 600 years, in terms of 600 years of European civilization's experience. And, it's coming on fast. We won't get to the year 2000 without the worst financial collapse in history, unless we stop this lunacy, unless we stop these crazy monetarists, like those lined up behind Newt Gingrich, from continuing to dictate our policies, until we go back to recognizing that government is a good idea.

The choices facing Japan's Hashimoto

by William Engdahl

On Jan. 12, Japan's Prime Minister Ryutaro Hashimoto is scheduled to finally unveil the details of his government's nervously awaited "bank rescue plan." The announced intention of this plan to to stop the threatened collapse of the Japan financial system, a system still buckling under the weight of the 1980s "bubble economy."

To date, few details have been made public about the specific working of the new supposed plan. However, from what has been said publicly by official sources so far, the actual result will be the worst disaster Japan has experienced since the May 1997 free fall of Thailand's baht.

According to a Jan. 5 report in the Japanese daily *Yomiuri Shimbun,* the final proposal of the special committee of the ruling Liberal Democratic Party, to be submitted to the Diet (parliament) for debate and approval, would include a new provision allowing the government to buy up to 13 trillion yen