

Financiers predict a crash in September

by Lyndon H. LaRouche, Jr.

It is the almost consistent opinion of the leading financial circles of Switzerland and London that a general financial collapse will erupt on a world-scale during the coming month of September.

Technically, a highly probable September 1982 financial crash could be postponed into early 1983. If concerted action were taken by a combination of London and Switzerland financier-interests, a threatened September crash could be "papered over," and postponed into 1983. Since the timing of the crash depends upon such decisions in London and Switzerland, it is impossible to predict "objectively" exactly what month the collapse will actually erupt. All one can say objectively is the following:

It is probable that a new worldwide financial collapse—a "Crash"—will occur as soon as September 1982, and it is certain that both the President and the Congress have been behaving like a pack of imbeciles on the issue of financial and economic policies.

Two kinds of 'crash scenario'

There are two possible versions of a September "Crash" scenario. The first version assumes that the Israeli attack on Beirut does not trigger a shutdown of Middle East petroleum flows into Western Europe. The second assumes that such a shutdown occurs: in which case, the West German and Jap-

anese economies immediately collapse.

In the first version of the September Crash, it is the U.S.A. which is hit hardest: a general, chain-reaction collapse of thrift and commercial-banking institutions, with Chase Manhattan and Citibank rated by London and Switzerland as among those almost certain to collapse during that period.

Beginning with the lunatic actions of President Nixon and Treasury Secretary John Connally, during and after August 1971, sanity and long-term solvency began to leak out of the U.S. banking system at an increasing rate. As a result of the continuation of the high-interest-rate policies launched by President Carter and Paul A. Volcker during October 1979, the U.S. banking system proved it had learned nothing from the earlier collapse of the Real Estate Investment Trust financial bubble of the 1970s. Led by the arrogantly ignorant major commercial banks of New York City (excepting the more sly and clever Morgan Guaranty), the banks supported Volcker's "controlled disintegration" policies, and borrowed and loaned their way into a bigger and better financial bubble. The bubble is about to pop; the chain-letter bubble is about to collapse.

To make matters worse, the relatively sanest head of government in the trans-Atlantic community, West German Chancellor Helmut Schmidt, has been hoodwinked into swallowing a pack of delusions about the policies of Henry Kissinger, Helmut Sonnenfeldt, and Secretary of State George

Shultz. Schmidt has shown that he clearly believes that he has an agreement, an agreement which, in fact, does not exist on the U.S.A. side. Schmidt has no sense of the urgency of his insisting on immediate and profound changes of policy from the Reagan administration.

So, probably, the financial structures will go kerplow in September and October, and the Republican Party will be given a mud-bath by the voters in the November 1982 elections. President Reagan will become virtually an impotent "lame duck" President, and Vice-President Bush will strut about, waiting to become the new 1932-Herbert-Hoover candidate for the 1984 election campaign. Currently, President Reagan is avoiding doing anything which might upset the Republican chances in the November 1982 elections! "Whom the gods would destroy, they first make mad."

London is looking forward, with a heathen passion of devoutness, to a general incineration of a goodly portion of the Middle East's petroleum outflows. If London's British-trained agent of influence, Israel Defense Minister Ariel Sharon, succeeds in butchering the moderate command of the Palestine Liberation Organization, in West Beirut, several things pleasing to London (and amusing to onlooking Moscow) will erupt.

Worldwide, there will be an eruption of international terrorism against Jewish and U.S.A.-denominated targets, as well as a scattering of other targets of opportunity: Armenian terrorism in France, terrorism against U.S.A.-denominated targets in West Germany, Camora-Red Brigades blood-bath in Italy, and the first large-scale deployment of terrorist forces now waiting to be unleashed in the United States.

Worldwide, the Nazi-International-coordinated collection of tribalist and other separatist movements, will be unleashed, with cooperation of the network of anthropologists traceable to New York City's American Museum of Natural History. These separatist movements are essentially interchangeable with the complex of international terrorist groups, also coordinated by the Nazi International.

The Nazi International, reconstituted by agreements of Winston Churchill and Morgan interests (Allen Dulles) during the close of World War II, is used as principal cut-outs for a network of oligarchical "families," the same families which backed Hitler at various points during the 1920s and 1930s. They control international terrorism, using the Switzerland-based Nazi International as a principal cut-out, operating partly beyond the screens of anonymity provided by Swiss and Liechtenstein banking, and through such channels as the Hapsburg Documentation and Information Center of Madrid.

In the Middle East, two forces are most to be watched. The first are the legions of the Pol Pot of Iran, Ayatollah Khomeini, assaulting from the eastern flank of the Arab world. Within the Arab world, there are the fanatical spawn of the British SIS Arab Bureau's Ikhwan, the Muslim Brotherhood. Caught between the two, in the enraged aftermath of an Israeli strike into the heart of West Beirut, most of the Near-

Asian Arab world, and possibly also Egypt, goes up into Asharite flames.

Under such conditions, world-market petroleum prices zoom to about \$100 a barrel or higher. The British Petroleum marketing cartel and the Aspen Institute's Robert O. Anderson clean up financially, while Japan, continental Europe, and most of the developing nations slide toward a new dark age.

Under such conditions, added to a general financial collapse inside the United States, there will be a plummeting of conditions of life inside the United States to levels beyond the imagination of citizens presently. However, we must not speak of such things. This will only annoy a President Reagan, who is firmly resolved to do nothing to change policy until after the November 1982 elections.

If President Reagan had the guts to do so

If President Reagan summoned the guts to do so, this whole nasty business could be stopped right now.

The scenario for Reagan to follow is this:

On Sunday night, Aug. 15, President Reagan must appear to deliver a major message to a nationwide television audience. The President will appear with a large portrait of President Franklin D. Roosevelt visible behind his left shoulder. He would begin to speak:

"... Just a little less than two years ago, most of you elected me to be your President for four years. You elected me to perform the duties of my office with no consideration for any public-opinion polls, newspaper headlines, or state or local elections. You put upon my shoulders the duty to protect the best interests of this nation; you assumed that I would not allow any petty influence of party or pressure-group to prevent me from fulfilling my constitutional duty in this office.

"Tonight, I am acting to justify that trust which many of you placed in me a little less than two years ago. First, I will tell you the bad news, and then the good news.

"My friends, we are in an economic depression. Whoever says we are not simply does not know what he is talking about. Some people have said that the recession has bottomed out. That statement is false. At the present rate, no one knows how far down bottom will be.

"It is much worse than that. The very highest circles of finance in London and Switzerland have stated repeatedly that an international financial crash will erupt during the coming month of September. I do not know whether that prediction is exactly accurate. I do know that the financial institutions of the world are on the edge of what could become the greatest financial crash of this century.

"That is the bad news. Now, for the good news. With your support, to put massive pressure on the Congress, we can stop this new depression here and now.

"Tonight, I have sent a letter to Federal Reserve Chairman Paul A. Volcker, ordering him to submit his letter of

resignation to my office by midnight tonight. If he is watching this broadcast, he can turn off the TV set and sit down to write that letter of resignation now. The economic policy of the United States is no longer a matter of his concern.

“At the close of the Sabbath, just after midnight tonight, I shall have used by executive powers to put into immediate effect a number of emergency measures which are the first step in stopping this depression.

“To spare you an explanation of the complicated technical details now, I shall tell you what the most important of those emergency actions will be.

“I am remonetizing the gold reserves of the United States, at a fixed price of \$500 an ounce.

“This is not a gold-exchange system. This does not mean that there will be one dollar in gold on deposit for every dollar of currency in circulation. It means that those foreign central banks which enter into a \$500 an ounce gold-reserve agreement with the United States, will be assured that there is \$500 in gold for every \$500 of U.S.A. Treasury currency notes placed into international circulation from this time forth. The U.S.A. Treasury’s gold-denominated issues of currency notes issued from this time forth shall be as good as gold in international markets.

“We are restoring the policy of gold-reserve-backed U.S. Treasury currency notes as the lawful currency of the United States.

“To bring this anti-depression action into full effect, the Congress must assemble immediately to pass emergency legislation I am sending down tomorrow morning. I desperately need your help to ensure that the Congress does what it should do, and do very promptly, on these anti-depression measures. There is no time to be wasted in long, drawn-out procedures, or adding on irrelevant riders and amendments.

“I do not control the Congress. You, the citizens do, if you make up your minds to it.

“First, the Congress must enact an emergency bill, according to the Congress’s powers and responsibilities under Article 1, Section 7 of our Constitution, accomplishing a general reform of the Federal Reserve System. This act will make the Federal Reserve System in effect the Third Bank of the United States.

“This Act will do several things which are absolutely indispensable to prevent our recovery measures from leading to a renewal of monetary inflation, as well as providing the mechanisms for a general and rapid economic recovery.

“Full regulation will be restored to the banking system of the United States.

“The lending power of the private banking system of the United States hereafter will be limited to two forms of lending. First, the lending of deposited savings of currency. Second, the lending of issues of U.S. Treasury gold-reserve-denominated currency notes.

“No foreign financial institution may do business with or within the banking system of the United States unless it provides the U.S. Treasury auditors full transparency, and

proves, by means of such auditing transparency of its off-shore operations, that it is conducting business according to standards equivalent to those of a U.S. banking institution.

“Those measures of regulation are indispensable to choke off the causes for monetary inflation. In a moment you shall begin to see why this is so important for our recovery.

“In addition to the emergency act to reform the Federal Reserve System, I shall ask the Congress to authorize the immediate issuance of \$400 billion in U.S. Treasury currency notes.

“These notes are not for government spending. They are for lending, through local banks, to get our farms and factories and construction back to work once again. He,” pointing to the portrait of Roosevelt, “would have done exactly the same were he alive and President today.

“These notes are to be loaned out at between 2 percent and 4 percent interest rates. They will be loaned only for certain purposes. These purposes will include investment in production of agricultural and industrial goods, and investment in important kinds of basic infrastructural improvements by governmental or private organizations.

“Let me give you an example. Let us assume that you, one of our citizens, is a farmer or manufacturer, or owner of a construction firm. You have a legitimate investment in producing wealth. You negotiate a loan agreement with your local banker. You offer security, and your local banker agrees to invest a percentage in the total value of the loan agreement. Your banker takes that loan agreement to a branch of the reformed Federal Reserve System. If the Fed approves the loan, the Fed will write that banker a Federal Reserve cashier’s check for somewhere between ten percent to sixty percent of the total value of the loan agreement. The banker will be charged between 2 percent and 4 percent for the loan of the value of that check, and he will be allowed to add a small service charge for administering that part of the loan.

“Those of you who are about as old as I am, will remember how he,” pointing again to the Roosevelt portrait, “handled our problem of wartime mobilization. If you were a farmer or industrialist, with a war-production contract or sub-contract, you went to your local banker, drew up a loan agreement and went through just about the same procedure I just described to you.

“Of course, back then, most of what we spent went directly or indirectly for war. Since military goods aren’t consumer goods or machine-tools, military spending on that kind of scale was very inflationary. This won’t be. We will be producing useful consumer goods and useful capital goods, the kinds of goods people buy.

“If you will call your congressman right now, and tell him you insist on his supporting these actions to stop the depression, you can make this night a night to tell your grandchildren about, the night we pulled ourselves together to stop a worldwide depression.”

Do you think President Reagan has the guts to do that? Would you support him with all-out support, if he did?