

EIR Special Report

Stopping the present spiral of worldwide financial collapse

by Lyndon H. LaRouche, Jr.

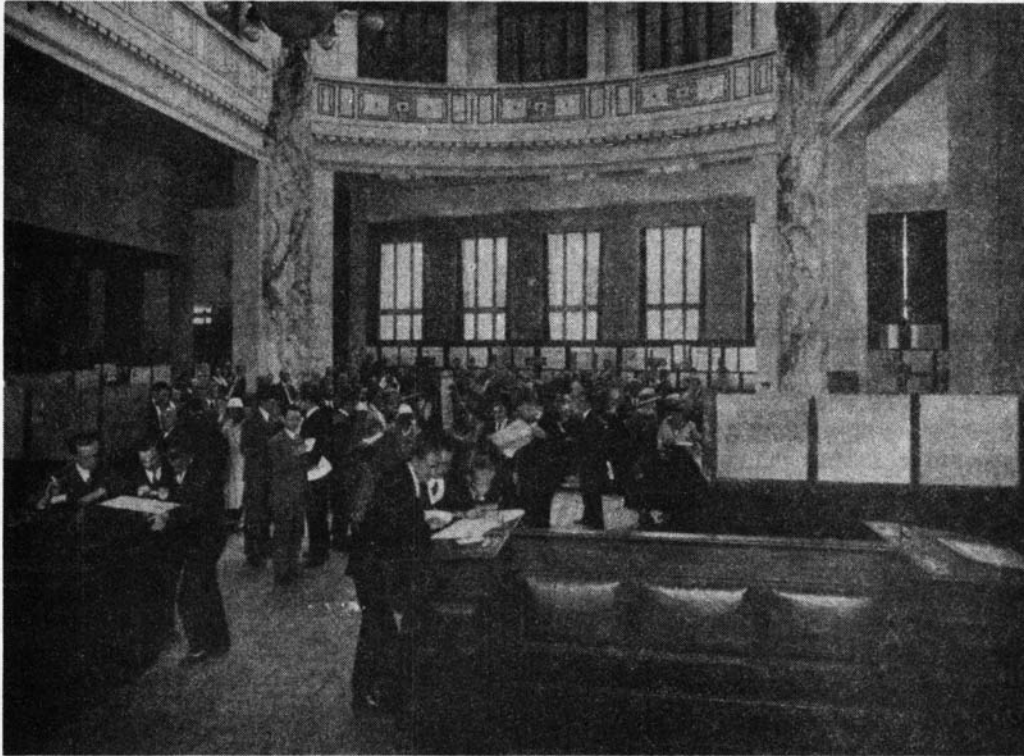
On June 1, 1984, Lyndon H. LaRouche, Jr. addressed the nation in a half-hour television broadcast over CBS network television. The transcript of that show, one of three such half-hour nationwide presentations made by Democratic presidential candidate LaRouche between May 31 and June 2, was made available to EIR by The LaRouche Campaign, and we reproduce it here in full.

ANNOUNCER: In a nationwide televised broadcast, on May 10 of this year, many of you heard Democratic presidential candidate Lyndon LaRouche's warning that the United States was on the verge of a new worldwide financial collapse, like that which occurred under President Hoover during the summer of 1931.

He told you that it was impossible to predict the exact date of a world financial collapse. He warned you that the collapse might begin next week, or might be postponed as long as into this fall, or, as a bare possibility, might not explode until early next year.

The next day, May 11, it was announced that the eighth largest bank of the United States, Continental Illinois, was at the edge of bankruptcy. Approximately a week after the Continental Illinois crisis began, the leading governments of Latin America announced the formation of a debtors' cartel. Then, on May 19, the thing which Henry Kissinger and the U.S. Treasury Department said could never occur, did occur. The governments of Mexico, Colombia, Argentina, and Brazil formed a debtors' cartel against the ruinous looting policies of the International Monetary Fund and the U.S. Federal Reserve. The thing that Henry Kissinger and top officials of the State Department and Treasury Department promised never would happen.

We . . . manifest our concern that the aspirations of our peoples to development . . . and the economic security of our continent are seriously affected by foreign acts. . . . [W]e call for a meeting . . . to the end of defining the most adequate initiatives and courses of action, with a view to reach solutions satisfactory to all the nations involved.



Vienna's Kreditanstalt bank shown three years before its collapse in 1931. Foolish optimists insisted then as they do now that a few technical adjustments would prevent economic catastrophe.

Tonight, the world, and you, your family, and your local community, are sliding downward toward the depths of the worst depression in modern history. President Reagan's Herbert Hoover prosperity has come to a screeching halt.

Yet, even after the first round of the new worldwide financial collapse has become headlines in the international press, top officials of the Treasury Department are still insisting that there must be no alteration of Henry Kissinger's monetary policies. On May 13, Treasury Secretary Donald Regan said:

We're in the midst of a solid economic recovery. . . . Our policies are now bringing the world results. The recovery overseas couldn't occur without our own economy turning up first. It has, so now others are recovering and the process has accelerated.

On May 24, another LaRouche-hater in the Reagan administration, Treasury Deputy Secretary Tim McNamar, said about the South American debt crisis:

My conversations with the Fund indicate that there is excellent progress down there.

And, a May 25 UPI wire quoted Treasury Undersecretary Beryl Sprinkel assuring everybody of an endless U.S. economic recovery:

We believe that there will be an upbeat [economic] summit in London. . . . President Reagan will be reaffirming the kinds of sound policies being pursued in the U.S. and encouraging other leaders to pursue

these elsewhere so that we can sustain the summit countries' current economic expansion. . . .

There is perhaps only one man who has the expert knowledge and will-power to bring the United States and the world out of the present spiral of worldwide financial collapse. If you care about your family and your country, millions of you will act now to make that man the next President of the United States. He speaks to you now: Democratic presidential candidate Lyndon LaRouche.

LaROUCHE: Those foolish officials who would try to say that there is no financial crisis, even after the collapse has begun, will try to tell you that the Continental Illinois crisis is only an isolated individual case.

It's true that certain powerful *foreign* financial interests did create a run against that bank, and it is also true that there were special circumstances which made it possible to organize such a run on that bank at that moment. The fact is that most of the banks of the United States could be hit by the same kind of crisis at almost any time. The reason that it was possible to plunge Continental Illinois into that crisis, is that the banking system as a whole is at the brink of collapse.

To recognize what the Conti Illinois crisis means, look back at the newspaper headlines from the time President Hoover was still promising that "prosperity is just around the corner." Look back for a moment to the newspaper stories of 53 years ago.

ANNOUNCER: The Hoover administration was saying:

“Worst Stock Crash Stemmed by Banks—Leaders Confer, Find Conditions Sound”

“Stocks Collapsed but Rally at Close Cheers Bankers; Bankers Optimistic”

Then, in September, 1931, the worldwide depression exploded into the headlines: “The Vienna Bank Has Collapsed!”

LaROUCHE: Like the Conti Illinois crisis of the past weeks, the collapse of the giant Wiener Kreditanstalt bank did not bring on the Great Depression of the 1930s all at once. Over the summer of 1931, foolish optimists, like those around Washington today, insisted that all would be well once a few technical adjustments took effect. The world waded through a crescendo of local financial crises throughout the summer of 1931. Then, in September of that year, the British pound collapsed. The Great Depression, Adolf Hitler, and World War II became the worldwide realities set into motion by the foolish governments and big financial houses of Washington, New York, and London.

The only important difference between the Great Depression of the 1930s and the new worldwide depression erupting today, is that unless we act now to stop this new depression, it will be far, far worse than any of you old enough to remember from the 1930s could remember. This depression can be stopped, and stopped right now, but only by a U.S. President strong enough to force savage reforms upon both the Federal Reserve System and the International Monetary Fund, as well as on that silly bureaucracy over at the State and Treasury Departments.

I could stop this depression right now, if I were your President. I could stop this depression right now, if President Reagan would allow me to guide his hands through this deadly crisis. I am personally fully aware of my personal limitations, but with all those limitations, there is no other presidential candidate who has the knowledge and intellectual toughness to lead our nation and the world out of the new world depression which began to erupt with the crisis of Conti Illinois on this May 11.

History has repeated itself. The same stupid mistakes made by the administrations of President Calvin Coolidge and President Herbert Hoover have been repeated by the administrations of Carter-Mondale and President Reagan. The policies which have led us into this new worldwide depression-spiral this past month are very nearly exact copies of the policies of the Coolidge and Hoover administrations; the policies of Paul A. Volcker and Donald Regan, which have sent us plunging into a new worldwide financial collapse, are copies of the stupid policies of Hoover's Secretary of the Treasury, Mellon.

Not only have the Carter-Mondale and Reagan administrations learned nothing from the way in which Coolidge and Hoover brought on the Great Depression of the 1930s, the leading circles in Washington and the international banking community have listened to and have rejected repeatedly

my forewarnings of exactly what has happened during the month of May.

The LaRouche-Riemann forecast

As many of you know, I am the designer of the LaRouche-Riemann quarterly economic forecast for the United States. Over the period from November 1979 through the end of 1983, this published forecast has been consistently the most accurate forecast published anywhere in the world. During the same period, the published forecasts of the U.S. government have been consistently absurd, and other published forecasts of private forecasting agencies correct only for a few isolated quarters.

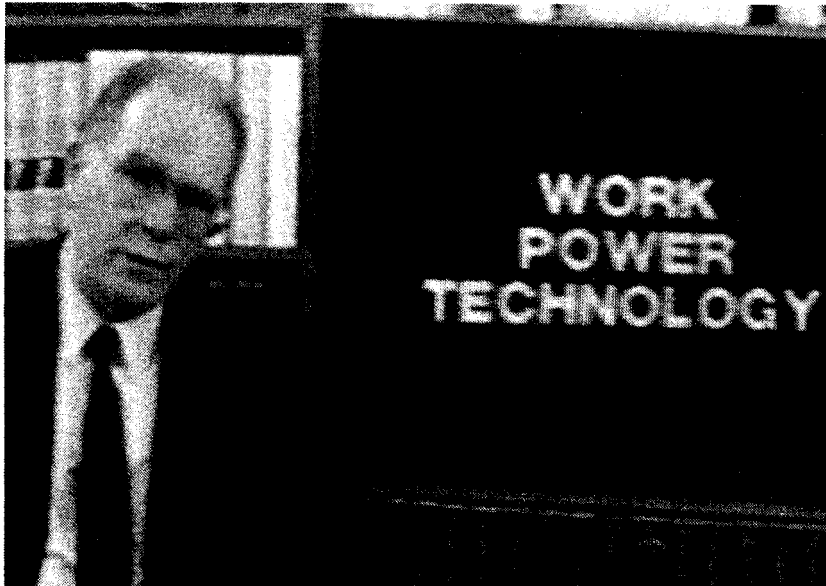
In other words, these governmental and financial circles have been continuing a policy leading directly to the disaster which erupted this May, although they knew that the world's most accurate forecasting service had warned repeatedly that this new financial collapse would occur during the first half of the 1980s unless present Federal Reserve and IMF policies were drastically reformed.

It's a matter of record, that during October of 1979, in the early period of the 1980 Democratic presidential primary-campaign, I issued a statement nationwide which warned that continuation of the policies just announced that month by Paul Volcker and Jimmy Carter would lead to the outbreak of a major recession during the spring of 1980, and would lead to a new world depression during the course of the years beyond.

In November of that year, the first LaRouche-Riemann quarterly report was issued, projecting the first major signs of a downturn in the U.S. economy to erupt by about the end of February 1980. That downturn appeared on time, as forecast. At the beginning of 1980, my colleagues and I presented a more detailed forecast of the way in which continuation of the Carter-Volcker policies would lead in the direction of a new worldwide depression. At every step over the period since November 1979, the U.S. economy has followed exactly the pattern we forecast at the beginning of 1980.

We warned that a continuation of the Carter-Volcker policies would lead into a new depression through a series of recessions and temporary apparent upturns. As we forecast, the first recession covered the period from February through the summer of 1980, and was followed by a temporary leveling-off of the recession until the summer of 1981. Between the summer of 1981 and the fall of 1982, a deep and accelerating new recession occurred, followed by a leveling-off of the rate of recession from the beginning of 1983 into the beginning of 1984. Since the first quarter of 1984, a new, accelerating recession has been underway, leading us into the May outbreak of the international financial crisis.

In other words, at the end of 1979 my colleagues and I forecast that unless the policies of Carter and Volcker were dumped, the United States' economy would go through a series of roller-coaster-like ups and downs until we reached the threshold for a worldwide financial collapse like that



NSIPS/Stuart Lewis

I could stop this depression right now, if I were your President. I could stop this depression right now, if President Reagan would allow me to guide his hands through this deadly crisis.

*Shown is Lyndon LaRouche during his just released two-and-a-half hour videotape titled *The Power of Labor*.*

which set off the Great Depression in 1931. President Reagan continued the policies of the Carter-Mondale administration; so, we have now entered a new financial collapse-spiral, in exactly the way my colleagues and I have repeatedly forecast since the end of 1979.

I must emphasize that both Washington and the international banking community have not only been fully aware of my forecasts; they have insisted, sometimes almost violently, that my analysis was wrong. Events have now proven that I have been correct, and that they have been blind fools of the sort who refuse to learn anything from the history of the last Great Depression.

The 'debt bomb'

Just to pin this point down for you, look at my record on the issue of the debtors' cartel just formed by the governments of Mexico, Colombia, Argentina, and Brazil.

Toward the close of 1981, I warned that the foreign debt of the countries of Ibero-America was about to explode. I recommended that these countries, and the Reagan administration, take a series of cooperative actions to prevent that debt crisis from exploding.

During the spring of 1982, I was the first to use the term "debt bomb," to describe the debt crisis which was about to explode. During June and July of that year, I conveyed to various governments of Ibero-America and to our own government my recommendations for immediate action to prevent this debt crisis from triggering a collapse in the solvency of the U.S. banking system and thus triggering the conditions for a new worldwide financial collapse.

During August 1982, the "debt bomb" exploded in Mexico. For a period of approximately an hour that month, the entire world financial system was on the edge of a total collapse.

However, the Reagan administration refused to accept

my proposals, which could have stopped the world financial crisis right at that time. Instead, the Reagan administration brought in Henry A. Kissinger and adopted Kissinger's policies. My proposal for solving the financial crisis of the Western Hemisphere is called Operation Juárez. This is the name of a report which I prepared at the request of leading circles in South America and Mexico, a report which I submitted to those governments and to our own government at the beginning of August, just weeks before the Mexico crisis exploded. Since August 1982, Henry Kissinger, Kissinger's associate Lane Kirkland, and officials of the State and Treasury Departments have concentrated the major part of their political efforts in Washington and in Mexico and South America in an effort to prevent the policies I present in Operation Juárez from being adopted.

These collaborators of Kissinger have been insisting around the world that they have stopped Operation Juárez's policies, and that the governments of Mexico and South America would never organize a debtors' cartel. On May 19, following the crisis of the Continental Illinois Bank, the four leading nations of Ibero-America organized the debtors' cartel, and announced policies echoing those presented in Operation Juárez.

The new depression which erupted this May could still be stopped. For example, if President Reagan would enact the same policies which I shall list for you at the close of this broadcast, and do that right now, he could stop the depression. Since I am a patriotic citizen of this country, he would have available to him all of my special expertise and my personal influence in other countries to assist him in making his efforts a success. Every patriotic Democrat would demand that I act to assist President Reagan in that way, and I would accept that demand of my patriotic fellow Democrats.

This would be personally very difficult for the President to do politically. This would mean that the President would

have to make a break with Henry Kissinger's circles, and also break with key factions in the State and Treasury departments, as well as with his own White House "Palace Guard." I do not know whether President Reagan is able to rise above the pragmatic delusions of an election-campaign year. On the basis of his performance over the past 12 months, I fear that his tendency for opportunistic wishful thinking would lead him to the kind of disaster which brought down Herbert Hoover in 1932.

In that case, the only hope that the United States might get out of the depression is placing me in the White House next January.

If Mondale or any other of the candidates approved by Mrs. Pamela Churchill Harriman were to become President, there is more than a hundred percent certainty that the United States will be virtually destroyed as a nation by the combined effects of a new world depression and Soviet aggression. With all my personal limitations, of which I am far more conscious than any of you could be, I am the only possible choice for President of the United States, unless we could assume that President Reagan himself would change course drastically right now. If President Reagan is not willing to constitute a bipartisan emergency government of the patriotic factions of both parties, to implement the kinds of measures I shall list at the close of this broadcast, I must become President of the United States next January.

A tough decision

You, as you watch and listen to this broadcast, wherever you are sitting or standing at this moment, you as an individual citizen of this republic, are facing one of the toughest decisions in your life. You must ask yourself the question, "Is putting this guy into power in Washington, the only choice I have, if I do not wish to put our country and my family through another Great Depression, worse than the one of the 1930s?" Whether you or I like that question or not, it is the question you are facing. This is the tough question every sane voter must face, during this primary election.

The thousands of Democratic convention delegates, and the millions of you watching this broadcast today, represent the political power to put me into the position in Washington, D.C., where I can provide my proven expertise to steer this country of ours out of this new "Herbert Hoover" depression.

I shall report to you now the main elements of the package of Executive Orders and Emergency Legislation I would issue within the first hour after being sworn in as your next President.

EXECUTIVE ORDER #1

Effective immediately, all new issues of U.S. currency shall be secured in value in international markets with gold-reserve denomination, pricing monetary gold in international markets for this purpose at \$750 per ounce.

EXECUTIVE ORDER #2

A state of national, monetary, and economic emergency exists. The powers of the Federal Reserve System:

- 1) to issue currency in its own name and at its own discretion;
 - 2) to set interest-rates;
 - 3) to operate an inflationary "Keynesian multiplier" in the central banking system;
- are herewith suspended for the duration of the Emergency.

Moreover, the practices of the Federal Reserve System in these suspended activities are discovered to have been in violation of explicit and implied specifications of Article #1 of the U.S. Constitution. Regulation of national policy in these matters herewith reverts to the agencies specified by that Constitution.

DRAFT PUBLIC LAW

In accordance with Article 1 of the U.S. Constitution, and in response to the national monetary, economic, and national-security emergency existing, the Congress authorizes the President to proceed to effect a new issue of \$500 billion of U.S. Treasury currency-notes, and to suspend all prior legislation which might be construed to impede implementation of this action.

1) These currency-notes, as issued by order of the Executive Branch, shall be distributed solely in the form of loans for approved categories of lending.

2) These currency-notes shall be loaned according to instructions of the Executive Branch, through the discount functions of the reformed Federal Reserve System.

3) The charge to regulated banking institutions for use of these monies borrowed for approved categories of lending shall be not less than 2% per annum and not more than 4%. The banks may add reasonable service-charges for administration and incurred related costs of risk, as such rates may be within reasonable limits stipulated by the Executive Branch.

4) There are five categories of lending for which these issues may be used:

a) Loans to the federal government for emergency defense-expenditures.

b) Loans for investment in repairs and improvement of basic economic infrastructure, to federal, state, and local governments, and to government-regulated authorities and utilities.

c) Loans to farmers for capital improvements in land and equipment, and for crop and livestock production and marketing loans.

d) Loans to industry producing physical goods for capital improvements in production capacity for research, and for operating capital of production and

marketing of such goods.

e) Export-financing credit for hard-commodity exports and engineering services.

DRAFT PUBLIC LAW

Emergency legislation, mandating the authorization of an estimated \$200 billion to be expended over a period of four years, to develop and to deploy a first generation of strategic ballistic missile defense, using means called "new physical principles," within that period of time.

DIPLOMATIC ACTION

The heads of government, and or their designated plenipotentiaries, of the Ibero-American member-states of the Organization of American States, are herewith invited to an emergency meeting to be held at Camp David, for the purpose of adopting a Draft Memorandum of Policy-Agreement covering two areas of relations with the United States of America.

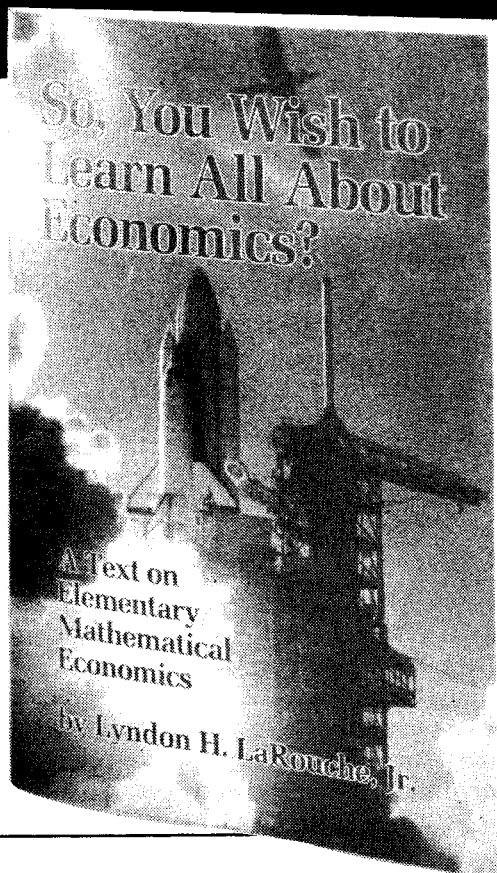
The first item shall be measures for rescheduling the payment of outstanding debt to the government and nationals of the United States. It is proposed that action be taken on the basis of the Executive Order reestablishing the U.S. dollar's gold-reserve basis, and that issues of schedules of bonds, denominated at low

interest-rates, and within gold-reserve terms, be adopted as the form of financial asset suited to be exchanged for, and replace currently outstanding debt.

It is proposed, on the same point, that member-states reaching accord on debt-reorganization adopt policies, methods, and procedures of cooperation for such case as a participating member-state may find it necessary to institute measures of comprehensive currency reforms prior to issuance of new denominations of debt-obligations.

Within the setting of debt-reorganization actions, it is proposed that new guidelines for cooperation in mutual trade among the parties be adopted, consistent with the desire of the United States to supply capital-goods exports needed for development of the internal economies of other states, and the desire of such other states to secure more efficient access to such technologies.

LaROUCHE: Unless President Reagan is willing to implement these emergency-actions immediately, the only hope of you and your family is to make certain that I am President of the United States this coming January. My colleagues and I shall do everything in our power to make that happen. Do you care enough about our country, about your family, to do your part, too?



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by Lyndon H. LaRouche, Jr.

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