

'We need a crash now,' says Lyndon LaRouche

by John Sigerson

In a campaign statement issued Sept. 24, Lyndon LaRouche, physical economist and candidate for U.S. Congress in Virginia's Tenth District, said that he has substantial points of agreement with an analysis of the teetering U.S. financial system appearing in that day's *Washington Post*. The analysis, authored by business page writer Eliot Janeway, declared that "the economy is drowning in debt," and cited the following reasons why:

- " 'Productive' bank loans to operating businesses are falling, because banks are too nervous to lend except to the blue-chip companies. . . . This never happens when the economy is enjoying a vigorous expansion."

- "The reservoir of uninvested cash (which economists refer to as idle 'liquidity') is enormous and growing rapidly."

- "To deal with this sort of sagging economy, [pro-Nazi economist John Maynard] Keynes prescribed government spending. But this remedy won't work in today's debt-ridden economy. . . . Keynes never anticipated today's paradox, as he would have seen it, of a high deficit at high interest rates pumping purchasing power out of the economy. But contrary to the assurance of supply-siders, that's what's happening."

- "Global 'hot money' is not only confusing the statistics that relate capital to its productive uses, but it is adding to the instability of the already precarious U.S. banking sector. No one knows exactly how big this pot of fast-traveling money is, but foreign-exchange transactions, now running in the trillions, dwarf measures of basic economic activity. . . . The banks are among the biggest gamblers in this global overnight crapshoot. And they plan on hair-thin margins. If the Federal Reserve, and the central banks acting with it, succeed in bringing down the exchange rate of the dollar, the U.S. banks could lose \$4 billion in a tick of the transaction screen."

- Behind the precariousness of U.S. financial markets is an industrial sector that is showing serious signs of [inventory] glut."

Not one, but many crashes

"Mr. Janeway, of course," LaRouche commented, "echoes what I said earlier just a few days ago, concerning the present crisis which broke out the weekend before this past Friday [Sept. 22], in the leveraged buyout/junk bond area. I indicated that this crisis must not be viewed as an ordinary stock market crisis, but as rather a general spiral of deflation which will produce many crises along its way—one, probably, although not certainly, in October, and certainly not later, perhaps, than March."

"I think there's an 80% chance we'll have a major financial market crash type of crisis during October, probably plus or minus the tenth of that month," LaRouche predicted. "That's about a 75-80% likelihood at this point; and if not then, certainly a 95% likelihood, by March. That's about the way it stands now."

"But the essential thing to be emphasized is not the timing of the crash; that's not the crucial thing, though it's a very important development. The crucial thing: We are now locked in to what is under present policy an *irreversible, accelerating deflationary spiral*. Which means that the whole thing is coming down. And Janeway has some very useful things to say on that subject."

"I want to add to that, at this point, we need a crash, because there seems to be no other way of accomplishing what is necessary. The American people have been stuck into the idiocy of believing in the administrative services economy orientation, and into an environmentalist orientation, so-called, as opposed to the commitment to investment in scientific and technological improvement in goods-pro-

duction, which was our policy prior to the second half of the 1960s.

“Now, until we get rid of this insanity, which has dominated the thinking of the United States for, now, about 20 years, and get back to the kind of economic policy thinking, say of the first half of the 1960s, this country, and the world, is not going to make it. Until we understand that we must have a system in which loans flow preferentially to investment in physical goods-production and basic economic infrastructure, and less preferentially to speculative investments in real estate, finance and so forth, and that the basic rates—prime rates—for investment in the economy must be between 1% and 2% at the baseline, in order to have a healthy economy—until we get back to that, we are not going to get out of this mess.

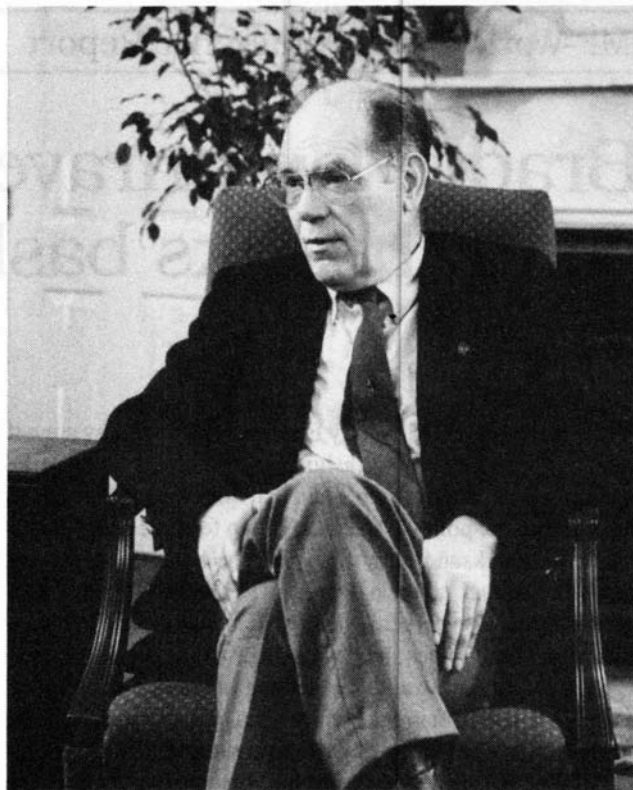
“We are going into, presently, an economic New Dark Age like that of the middle of the fourteenth century,” the candidate continued. “Until we come out of the nonsense which dominates, not only the thinking of Washington policymakers, but the thinking of a disoriented majority of the average citizens out there, until they are crushed, and crying for a return to the production of the food, the other necessities, and of the water systems, transportation, and so forth which they need to exist, to get us back to sanity, this country isn’t going to make it, nor is most of the rest of the world.

“Therefore, it’s a horrible price to pay, the Great Depression now coming on; but we’re going to pay it, until we come to our senses. Don’t blame the people in Washington alone, or even the bankers in New York. Blame the majority of the American people, who have come to accept and put up with this nonsense, this belief in the post-industrial society, which is the root of our present problem.”

Moral economics

Drawing on his own breakthroughs in formulating the “LaRouche-Riemann economic model” of physical economy, LaRouche put the question of debt into its proper perspective. “What a high rate of usurious debt service does, is ultimately to derive debt service from the value, the money value, of physical production to the point of actually *lowering* purchases of physical production and thus *discontinuing* physical production. The result is that the spiraling of debt service and of leveraged capital values based on usurious forms of debt service, depresses the economy, and ultimately the shortage of available cash flow through physical production as a source of additional debt service causes the ballooning effect, which causes the crisis.

“Now, it’s on these grounds—for scientific as well as moral reasons—that usury is outlawed as a practice in all civilized, moral society. And in that sense, because the United States and its brother nations, and others, have become usurious in their practice, and have heedlessly destroyed physical capacity of infrastructure, agriculture, and industry, and physical distribution of goods, of course, in the search



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for what they call “growth,” which is nothing but growth of values based on leverage of usury, these nations are going to be forced to the point—by sheer contraction of the physical basis—that they will either change their ways or be destroyed.

“The thing to emphasize is, as I’ve said before, that the problem here lies not only at the top—not only with the people who will use, say, Milton Friedman, as an apologist—but the problem lies with all those many citizens who accept this post-industrial, usury, etc. model: that many citizens accept those values implicitly, and that they are just as immoral as the swine on top who are doing the looting. And it’s the little citizens, who believe this nonsense, who are going to get the kick in the head, just as well as the fellows on the top—even more so. And, as I’ve said earlier, they must look into themselves, and realize that what they take as common sense, is their immorality, and their acts of self-destruction. They would tend to reject our criticism, and say, ‘Well, look, you may believe that, but I don’t accept it, and none of my friends would agree with you. All of my friends would agree with me.’ Well, they and all of their friends, on this point, are being immoral. And if they can’t change their ideas, and cannot correct these fallacious ideas, then, to the extent that their ideas are influential, then this society is going to be crushed, and will continued to be crushed, *until they correct those foolish ideas.*”