They're calling it a 'Depression'—now what?

by Marcia Merry

The hallmark of this publication since its founding 20 years ago, has been its coverage of the condition of the U.S. and global physical economy, based on the economic model developed by Lyndon LaRouche on the basis of the mathematical physics of Bernhard Riemann—the LaRouche-Riemann economic model. In recent years, *EIR* coverage has documented in detail the breakdown of the U.S. economy, and focussed on the emergency measures required to reverse the depression collapse.

In the meantime, media representatives of Wall Street, the City of London, and other financial centers have spun tales of business cycles, upturns, downturns, "soft" and "hard" recessions, and all manner of other misrepresentations. In December 1992, the International Monetary Fund (IMF) put out the official lie for the new year, that the U.S. economy can expect a 2.5-3% growth rate in 1993. But now, even some of the "money boys" media are calling it by its rightful name: Depression.

Over the same week that President Clinton delivered his economic program, a slew of news articles came forth, disputing the premise of the administration and Congress that the problem is the deficit, and the illusion that the right batch of austerity measures and adjustments could fix it.

The *Wall Street Journal* ran a "Counterpoint" guest column Feb. 11, headlined "The Depression of the 1990s—It's Already Here," by James Dale Davidson, co-author of *The Great Reckoning*. Davidson began by pointing out that "Most observers, including the *Wall Street Journal,* believe that the economy has now emerged from recession. The consensus expects 3% real growth, declining unemployment and a sustained improvement in earnings. Don't bet on it.

"The past three years have not been a normal postwar recession, but a depression. Depressions don't end just because we have an election or a Christmas shopping spree." Davidson opined that the worst is yet to come, ending with the forecast, "Debt has grown too large to be sustained out of cash flow. As soon as the balance sheet is depleted, a deeper crisis of asset liquidation will catch the world by surprise."

The bill that can't be paid

Europe has seen even more outspokenness on the depression and on unpayable debts. The mass-circulation German tabloid, *Bild Zeitung,* on Feb. 17, ran an article titled, "The Day the Bill Arrived." The piece reckons that there are $50 trillion worth of unpayable debt, after 20 years of living "like there's no tomorrow." *Bild* then poses the question, "Who is to pay?" It points to the unemployment and austerity in Europe, and the famine in Africa and elsewhere.

All of Clinton's public relations ploys—the television and radio talks, the trips to the "heartland" cities in Missouri and Ohio—are ineffective in diverting attention from the economic and policy collapse. One sign is the scramble by certain speculators to go for short term six-month investments in Europe, on grounds of going for "all you can get" while the collapse proceeds.

A senior European banking source told *EIR* the day of Clinton's economic speech, "We already see signs of a crisis of confidence over the Clinton presidency. I haven't seen the markets this nervous in eight years. The U.S. stock market was inflated on the premise that Clinton would deliver his promised major fiscal stimulus. His call for "sacrifice" and higher taxes . . . has shattered those illusions. The bond markets reacted neutrally, because that is what they expected anyway.

The source said that Clinton's Feb. 17 State of the Union address bore all the footprints of Goldman Sachs's Robert Rubin—now head of the White House Economic Council—with a bit of Labor Secretary Robert Reich, but only a bit. Clinton had allowed himself to get locked into an impossible fix with a boom in stocks and bonds and the dollar. But now his program is being made concrete, and the edifice of illusions must crack.

Speculators lap up blood in the streets

Perhaps the definitive declaration by financier circles that the world is gripped by depression—not just a downturn—is from Lord William Rees-Mogg, in the Feb. 18 London *Times,* in his commentary on Clinton's State of the Union address. He states that Clinton and his advisers have "under-estimated the force of the world depression." Because of this, he notes, the new administration's proposals will likely worsen the economic decline in the U.S. itself.

Rees-Mogg writes that the financial community is concerned about the misperceptions of the Clinton administration. He says that the touted "recovery" in the U.S. is probably only a "partial" one "which could soon fade away." The U.S. unemployment figures have been effectively doctored to hide the real magnitude of the situation. Meanwhile, outside the U.S., "Russia is in a slump, with no recovery in sight," while Europe and Japan face increasing troubles. As for Canada, a new report issued in Toronto mid-month warned that "Canada's growing foreign liabilities might lead to a sudden refusal by investors to buy more Canadian debt."

Consider who Mr. Rees-Mogg is. Lord William is not only a former editor of the London *Times,* but is the investment adviser for an outfit called Global Asset Management, part of Jacob Rothschild's financial empire. Rees-Mogg has written a book called *Blood in the Streets,* outlining his perspective on how to continue to make money during conditions of economic chaos. His advice is to the effect, "Don't buy till there's blood in the streets." His perspective is that in a world which will come to be characterized by nations disintegrating into strife-torn, warring fiefdoms, and smaller, gang-size territorial units, there comes a bloody opportunity for the canny speculator to buy and profit. Rees-Mogg says that his perspective will hold as long as there is no technological revolution to wipe out the depleted assets associated with old, existing technologies.

And now for the social explosions

In fact, the depression process under way cannot at all be expected to conform to Rees-Mogg's scenarios of warring territories. The depression is fuelling the potential for internal social explosions in national economies around the globe. Look at just the news of the day.

- **Germany.** On Feb. 15, protest rallies against 30,000 planned job cuts in the steel industry took place at four affected steel sites: Siegen (7,500 demonstrators), Weimar (5,000), Hattingen (3,000), and Brandenburg (1,500). The rallies were supported by unions from all the steel industry supply sectors, in particular the coal miners, whose sector faces 17,000 job cuts. On Feb. 16, Ruhrkohle AG, Germany's leading coal producer, announced that its financial position was the worst since its founding 22 years ago, and it would shed 8,500 workers out of its total 82,000 work force this year, and 7,500 more layoffs to follow.
- **Britain.** Mass protests can be expected this spring, as the government's ability to lie about unemployment and other problems comes to an end. One senior strategist told *EIR,* "Even my Conservative friends are now telling me that the country is heading toward some form of revolution; things are so volatile. . . . It's so bad here, you can't imagine. If you put aside the mathematical juggling acts of the British Treasury, the fact is that unemployment is already around the 4 million level, and perhaps much higher than that, rather than the 3 million officially admitted. Whole classes of people are not included in the official figures, including better-paid middle-class people who have become redundant and laid off, women, part-time workers, and so on. . . . What is meant by 'revolution,' I can't say, but at the least, the government will be thrown out if things don't pick up by the spring."
- **Venezuela.** Riots broke out across the country Feb. 17, sparked by a Supreme Court action which effectively certified rampant vote fraud in the states of Barinas and Sucre. The state houses were set on fire in the capitals of both states, and de facto martial law is in effect. Students and others rioted in Caracas and throughout the country. The disorders are the latest incidents in the volatile situation following two attempted coups in 1992, and a petition has been filed in Congress to remove President Carlos Andrés Pérez. The country is wracked by high unemployment, inflation, and dislocation from the countryside.

Emergency action required

Under these now-acknowledged depression conditions, the only fair, sound domestic and foreign economic program is emergency action. What the world requires is depression-fighting packages of financial emergency measures and mass-scale resumption of infrastructure projects to rebuild collapsing economies and restore growth potential.

Commenting on the Clinton State of the Union proposals to deal with U.S. debt and the federal deficit, political prisoner Lyndon LaRouche stressed that "the mechanism of the debt growth and the growth in the fiscal crisis, is a combination of deregulation, free market policies so called, but especially the role of the Federal Reserve System under this arrangement. *As long as [the proposed measures] do not touch the Federal Reserve System and its problems, there is no possibility—no matter how stringent or austere the measures—of dealing with the growth of the total national debt, or the growth of the fiscal bite of the debt into the operating budgets.*"