LaRouche in 1988: 'the bouncing ball'

The following is an excerpt from Lyndon LaRouche's April 5, 1988 national television broadcast, during his campaign for the Democratic Party presidential nomination. The camera shows LaRouche with a bouncing ball, which is superimposed upon a Wall Street Journal *chart of stock market fluctuations.*

Imagine we are back in October 1929. I drop this ball.

Let's see how that looks on the *Wall Street Journal*'s chart. The picture isn't exactly the same, but the general idea is about the same.

Now, come back to the middle of October 1987. The ball I am holding is not the same ball I dropped back in 1929, but it is a similar ball. The same thing happens with this ball in 1987 and 1988 that happened in 1929 and 1930.

Why should an economy act like a bouncing ball, back in Hoover's time, and again today? One reason is that the Reagan-Bush administration has acted almost exactly as the Coolidge and Hoover administrations acted to create the Great Depression of the 1930s. If our government, in 1988, makes exactly the same mistakes which the Hoover administration made back in 1930, the results will be approximately the same. Times change, but the laws of nature do not.

There are physical laws which cause a financial collapse to resemble a bouncing ball. Whenever a financial collapse is caused by a prolonged contraction of industrial and agricultural production, all of the ordinary rules of market-behavior go out the window. Once the crisis begins, the financial markets do not go all the way to the bottom in the first panic. After the first drop, the markets tend to stabilize, so that foolish people may believe that a recovery has begun. A few months later, the next drop comes, and then a temporary stabilization at a lower level before the next drop. This is not the place to explain the physical principles involved, but you see the general idea.

We must look back to 1982, to understand how Ronald Reagan and George Bush set us up for a 1989 collapse which could be the worst depression of the twentieth century.

Back in 1982, I was collaborating with the Reagan administration in developing the policy which became known as the SDI [Strategic Defense Initiative]. We were considering two things.

As most of you know, by March of 1983, the President shared my view, that we have the scientific potential to bring to an end the time in which our people must continue living in helpless fear of Soviet missiles. Back in 1983, the President and I also shared the hope, that Moscow might join us in supporting an SDI policy.

I was also projecting the impact of an SDI program on the economy. If we assist U.S. industries to make job-creating investments in the advanced technologies spilled over from SDI development, the pay-back to the economy, in more jobs and income, would be much more than we spend for SDI.

Therefore, it was my duty to indicate any important breaking developments in the international economy.

During early 1982, I warned the administration that the Latin American Debt Bomb was going to explode during 1982. That June, I warned Mexico's President José López Portillo and the White House that the Mexico debt bomb was going to explode by no later than September. I produced a book-length report, *Operation Juárez,* which presented in detail the joint actions which should be taken by the U.S. and Latin American governments at the point the Mexico debt bomb exploded.

That August, the Mexico debt bomb exploded. Mexico acted immediately on the basis of the proposals I had outlined in my Operation Juárez plan of action. Unfortunately, President Reagan went in the opposite direction, and forced Mexico to cancel these recovery measures.

The international financial crisis we are experiencing today is a direct result of those policy-decisions made by the Reagan-Bush administration during October 1982. If you look into the financial figures, you will see that beginning October 1982, the U.S. banking system began to build up the biggest international financial bubble in history.

As a result of President Reagan's continuing the policy he adopted during October 1982, U.S. financial income zoomed over the five years from October 1982 to October 1986, but the level of physical production inside the United States collapsed at a rate of between 2% and 5% a year during 1983, 1984, 1985, 1986, and 1987. As a direct result of the President's rejecting my proposal, U.S. export markets collapsed, leading to the terrible, dangerous balance-of-payments crisis we are facing today. During the five years of the so-called Reagan recovery, our infrastructure rotted away, more and more of the more productive farms in the world were pushed into bankruptcy, while industries collapsed, and more and more communities and families were pushed into misery. This rot, bankruptcy, and misery is what the President called his "recovery." In October 1987, reality caught up with President Reagan. His bubble popped, just as a similar bubble popped for President Hoover, back in 1929. So, the ball bounces.