

Global financial crisis: 'To be, or not to be'

by Lyndon H. LaRouche, Jr.

Today, the political and financial system of Japan has been brought to near a point of discontinuity, by the failure of U.S. representatives to acknowledge the severity of the ongoing, global financial collapse of the international monetary and financial system. Although the U.S. government's refusal, thus far, to face the reality of this ongoing systemic breakdown is no worse than virtually every leading government in the world, Japan's relations with the United States are of a very special nature; a lack of adequate response to Japan from Washington could set forth a chain-reaction of collapse of every vital U.S. policy-interest in East Asia, and beyond.

Although many economists, such as France's Maurice Allais, have warned of the danger inhering in the ballooning bubble of derivatives speculation, except for France's Presidential pre-candidate Jacques Cheminade, I am the only known economist internationally who has accurately portrayed the process of "cancer"-like inevitability of the presently ongoing, systemic collapse of the international monetary and financial system as a whole. Although the relative incompetence of other economists on this point is readily explained as a result of their clinging to faulty, if generally accepted economics doctrine, the fact of my relatively unique authority in these matters remains a fact.

Although Shakespeare's Hamlet never grasped the full implications of this point, with authority goes commensurate responsibility. Despite the massive efforts of the international finance "mafia" of London and Manhattan to defame me into the silence of pariahdom, the fact of my authority persists, especially since the recent two months, when virtually all of the world's leading monetary and financial systems have been sliding into bankruptcy, visibly, and at a visibly accelerating rate. It is my authority and responsibility, at this moment of accelerating monetary collapse, to set forth

certain simply stated points on the course of action which must be taken.

First, as long as the policy assumptions built into the present international monetary and financial systems continue to be supported by governments, the presently accelerating collapse, and later disintegration-phase of the world's monetary systems is inevitable and unstoppable.

Second, the only 20th-century model which approximates what is presently ongoing in the world's financial and monetary systems is the 1922-23 collapse of the monetary and financial system of Weimar Germany. The most notable point of difference between Germany 1922-23 and the entire planet 1988-96, is that when the Weimar reichsmark collapsed, a powerful creditor-nation, the United States, could restore Germany with the 1923 Dawes Plan; there is no visible fleet of "flying saucers" available to bail out the disintegrated monetary system of virtually this entire planet.

Third, there is no possibility of preventing both general financial collapse, and subsequent global monetary and financial disintegration, unless the International Monetary Fund (IMF) system and the central banking systems of all leading nations are placed under bankruptcy-reorganization measures by relevant leading governments.

Fourth, this bankruptcy-reorganization of the world's monetary and financial institutions, must include a range of positive measures, chiefly those I identified as needed for this purpose in my 1992 U.S. Presidential campaign. These include, measures typified in each nation by the following reforms enacted by the U.S. government:

The needed reforms

1) A comprehensive currency-reform, including a freezing of the issuance of additional U.S. Federal Reserve Sys-

tem notes, and the supplemental issue, in the trillions of dollars, of a new series of lendable U.S. Treasury currency-notes, under the specifications of Article I of the U.S. Federal Constitution.

2) The establishment of "Hamiltonian" national banking, to supersede central banking, as the instrument for organizing the appropriate lending of these notes.

3) The resumption of a traditional policy of all successful modern nation-state economies of the pre-1964 era: a resumption of emphasis upon increase of the average productive powers of labor in a capital-intensive, energy-intensive mode, investment in scientific and technological progress, with emphasis on agriculture, manufacturing, construction, and the maintenance and development of basic economic infrastructure. The use of the new credit-facilities of national banking to foster that policy.

4) The resumption of traditional U.S. protectionist policies to defend the stability of those investments in technologically progressive agriculture, manufacturing, and construction, but with aid of mutually beneficial new forms of trade and tariff agreements among trading-partner nations.

5) The conduct of the bankruptcy-reorganization of the old system's financial institutions in such a manner as to prevent social chaos or related kinds of irreparable harm to the ordinary citizens of nations.

Fifth, we must acknowledge the fact, that during the recent 30-odd years, the majority of today's population has become conditioned to believe in the merit of customs which were virtually unknown 30 years ago. In some instances, considerable passion is attached to these new customs of the "post-industrial utopian" age. The fact is, that unless governments and populations are willing to abandon many of those recently acquired customs, and return to the proven customs of the successful modern nation-state's fostering of increase of the productive powers of labor, this planet will be virtually destroyed by a plunge into a now-looming "new dark age." At the present rate, that "new dark age" would have begun throughout this planet before the end of the present decade.

The proposition facing each of those who would prefer to cling to the new accustomed ways, is whether they, unlike Shakespeare's Hamlet, have the rationality and courage to abandon accustomed, "Third Wave" ideas, in time to survive, or will not find the courage to abandon disastrously failed "Third Wave" ideas, for a return to the proven policies of the pre-1964 period. The question which each of those must face, must ask himself or herself, is, "To be, or not to be?"

Sixth, the immediate cause of this collapse is the axiomatic shift away from capital-intensive, energy-intensive investment in scientific and technological progress, which emerged during the post-Kennedy, 1964-72 shift to what some have called the "Third Wave," "post-industrial" utopianism under a global monetary regime of floating exchange-

rates among currencies.

The folly of this "cultural paradigm-shift" was aggravated greatly by a number of successive steps taken under the governance of that set of "Third Wave" axioms:

1) The international oil-price hoax of the mid-1970s, the hoax organized and arranged by and on behalf of the London-based international petroleum-marketing cartel, assisted by the Henry A. Kissinger who later, in 1982, bragged publicly of having been covertly an agent of influence of the British Foreign Service all that time.

2) The Council of Foreign Relations' previously announced policy of "controlled disintegration of the economy," introduced under newly appointed U.S. Federal Reserve Chairman Paul A. Volcker beginning in October 1979. The disastrous agricultural and industrial recession of 1979-83, and the collapse of the U.S. system of savings and loan institutions, was a direct consequence of Volcker's measures.

3) The 1982-87 lunacy of U.S. financial deregulation, typified by such measures as the Garn-St Germain and the Gramm-Rudman bills, which, combined with the "junk bond" looting launched by Vice President George Bush's cronies, brought on the financial panic of October 1987.

4) The post-1987 buildup of the vast "derivatives" bubble, the cancer of "casino"-style financial speculation which is presently causing the collapse of the international financial system.

Seventh, these, and related measures, taken variously by the United States, other nations, and the IMF and World Bank, have brought the world to the present spiral of financial collapse, and toward the brink of a threatened, early global monetary disintegration. The characteristic of the resulting economic order is typified symptomatically by the tiny fraction of trade represented in daily turnover in world financial markets. Over the 1983-95 interval, the general, now characteristic trend in international markets is that economies shrink (per capita, per household, and per unit of land-area) while nominal financial aggregates bloom; the present world economic system has degenerated into the analogy of a cancer in its terminal phase. Not only has the growth of nominal Gross Domestic Product of nations been decoupled from the growth of production of essential goods and services; the continued existence of the doomed bubble of financial speculation depends upon the continued looting of the real economic basis on which the existence of nations and their populations depends.

I do not expect that governments generally, including my own U.S. government, will find sufficient courage, or political support for taking the required measures. I understand politics and its news media-orchestrated lunacies very well from my own experience of decades. I do expect that sane governments will take note of what I have stated here, and will prepare now to act appropriately, before it is too late.

The question, the price, is: "To be, or not to be?"