It's not the stock market, but the whole shebang

by Anthony K. Wikrent

Speaking to an *EIR* seminar in Washington, D.C. on July 17, Lyndon H. LaRouche, Jr., candidate for the Democratic Party's Presidential nomination, dismissed the reports of incipient panic in the U.S. stock markets as "double-talk," and pointed to the underlying instability of the entire world banking system as the cause for the wild swings in the stock market indexes.

Addressing an audience of 125 political activists, legislators, diplomats, and trade unionists, LaRouche said: "This whole nation is suffering with poverty, while idiots are babbling about prosperity. There's no prosperity, there's no recovery. This tremor on Wall Street, which is rumored to pull down about a 1,000 points out of the Dow before it quits, is only a symptom of what's going on. *This whole shebang is going!* There's nothing that can be done to save this system in its present form. Cannot be done, nobody can do it. *I* can't do it; I wouldn't even try. Because it's *evil:* This system is killing people."

The questions put to LaRouche at the seminar were prompted by worries that the five-year-old bull market in U.S. equities had finally come to an end. By July 15, the Dow Jones Industrials Average was down 7.4% from its peak of 5,511 reached on May 22, 1996, with much of that 428 point loss coming in the last two and one-half weeks. There have been two trading days so far this year, in which the Dow has lost over 2.5% of its value; the last time such a significant decline occurred in one day was in 1991.

Then, on July 16, the Dow went on a particularly wild ride, plunging over 120 points during lunch, then abruptly reversing course and rocketing back up to where it had been before, ending the day up 9 points.

Asked for his evaluation of the lurches in the stock markets, LaRouche replied on July 18, "It's significant, but one should not focus on the stock market as such. One should look at the stock market as a fever symptom of something else."

Financial turnover explodes

Indeed, when compared with other financial markets, the stock market pales into insignificance, representing less than 1% of all financial turnover. In 1990, for example, the total value of all stocks traded in all U.S. stock markets was $1.751 trillion. That was less than half the value of corporate debt traded, which was $3.972 trillion, or the amount of mortgage derivatives traded, which was $3.697 trillion.

But these figures are still only pocket change compared to the really big markets. The total nominal value of turnover in the futures markets in 1990 was $152.717 trillion. About three-quarters of this was comprised of trading in financial futures; that is, futures contracts based on such things as U.S. government debt securities, the value of various foreign currencies relative to the U.S. dollar, or indexes of different financial contracts, such as the Standard and Poor's 500 stock index, or the J.P. Morgan index of developing country government debt. The actual amount of money that changed hands in the futures markets is probably somewhere between 5% and 10% of the nominal value, or $7.4-15 trillion. That is still at least five times larger than the stock market.

The amount of trading in U.S. government debt reached $26.085 trillion in 1990, or nearly 15 times more than the trading in the stock markets.

Finally, the amount of trading in foreign currencies, estimated from Federal Reserve Studies conducted in 1989 and 1992, was around $36 trillion, or more than 20 times the total value of trading in U.S. stock markets. About half of foreign exchange trading is conducted in the "spot markets," where actual currencies are traded for one another, while the other half is conducted in various forms of financial derivatives, principally futures, options, and swaps.

Thus, LaRouche emphasizes that "what is happening is not a 'stock market problem.' It's a problem of banking." Responding to a question at the seminar on July 17, LaRouche explained that "there is a shortage of cash in the banking system." The explosion of financial turnover, which increased 285-fold, or 28,500%, from 1960 to 1990, "works on what is called financial leverage. That is, the paid-in amount is actually only a small percent of the nominal value of the whole transaction. But if it goes bankrupt, you have to pay the full amount. So therefore, you have to keep paying in the small amounts to stoke the fires, to keep the [bubble] from collapsing. And if this collapses, believe me, nobody will ever figure it out. No one will ever settle the accounts. It cannot be done. There are too many invisible, off-balance-sheet transactions involved. And, also, there is a lot of drug trafficking going on. Billions, tens of billions of dollars of drug trafficking, illegal weapons trafficking. Things people don't like to talk about."

Looting of the real economy

LaRouche then explained how this process of financial speculation affects the real economy. "As the bubble gets bigger, the actual amount of cash, even though it's a smaller percent that is required, gets enormous. The cash has to be supplied, largely, by central banks, or through the leverage of central banks. The cash comes from what? The cash comes from pension funds, mutual funds, and so on, which *loot* their accounts, in order to engage in financial transactions. They squeeze rents, they squeeze taxes, they squeeze government accounts, *everything is squeezed,* everything is mortgaged up the hilt, and looted; the piggy bank is broken and robbed, in order to get more cash to put in this racket. . . .

"Where does the cash come from? Well, cash is money. The creation of money is a charge against the economy, a charge against the government. So the economy has to be looted—grandmother has to be sold; grandfather has to have his operation cut, because the cash is needed. Grandfather just has to die—we need that money, that *cash,* to keep the bubble going."

The result, LaRouche said, "was inevitable. This kind of policy has caused an accelerating rate of collapse of the real economy. Salaries are down. Look in Germany, look in Europe. One firm after the other, which are the famous firms of Europe, are collapsing, they're keeling over. Leading businesses of the world, are collapsing or being gobbled up. . . . Everything is being destroyed. Look at the water system in Washington, D.C. [and its century-] old pipes—why aren't they replaced? Didn't have the cash; had to put the cash in the bubble. New York, other cities, the infrastructure is collapsing. Look at the CSX, look at the train wrecks, look at the ValuJet phenomenon. Everything is stripped to the bone and looted."

Oligarchs react

"So what is the breaking point of this bubble?" LaRouche asked. "The breaking point is when the cash shortage hits. And what is happening, as [IMF Managing Director Michel] Camdessus said openly, on the eve of the G-7 conference in Lyons, France, several weeks ago: We are looking at a *banking* crisis, *not* a bond crisis, *not* a stock market crisis, not a commodities market crisis. We are looking at a banking crisis." The point has been reached, LaRouche explained, that "the banking system has not the means to finance a bubble, on whose existence the banking system itself has now become mortgaged. The French banking system, the German banking system, the British banking system, the American banking system, are all essentially doomed right now. And what you're seeing is the onset of a process where that doom is inevitable."

LaRouche pointed out that the world's oligarchs, centered around the Club of the Isles apparatus of the British monarchy, know exactly what is occurring, and are frantically grabbing control of all the physical assets they can lay their hands on. "Don't they know this is happening? Of course they know it's happening," LaRouche said. "Are they telling you about it? No, of course not. What are they *doing* about it?"

LaRouche observed that "for about 18 months or so, [the oligarchs] have been buying gold, platinum, getting the central banks to keep the price of gold down while they buy it up in great quantities. Gold mines, platinum mines, all precious metals, silver. *Food!* International food trade: Over 50% is controlled from London, through the international food cartels. Strategic minerals: Guess who controls those? Who controls 50% approximately of the world's turnover? It's the London market, augmented by Hongkong, Singapore, and so forth. Who controls the majority of the international trade in natural gas and petroleum? Who has been buying up bankrupt farms for a song? Who has been buying up every asset imaginable, at the bottom price? These [oligarchs], who know the financial system is finished, who know the banking system is probably going to go. What have *they* done? They have bought *assets,* control of the substances on which human life largely depends, in order to attempt to control the world in the post-crash period."

"What we're in now is a convergence," LaRouche warned. All the talk about a stock market crisis, is "wishful thinking by people who don't want to admit what the problem is. They're scared. You get some financial analyst, who's got a little money tucked away in a bank someplace, and they think that's going to be their future. And they're going to do anything to get themselves, and you, to believe, that it's *not* the banking system, it's just a stock market, or bond market aberration. They think they've got an insurance policy. *They've got nothing!* Nobody has anything, except those mighty powers that control these assets. And the question, is a political question: Are you going to let them do it to you?"