

## 'D-Day' looms for IMF system

by Lyndon H. LaRouche, Jr.

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The reference, in the most recent issue of the Beijing publication of the Industry and Commercial Bank of China, *China Urban Finance* (see *Documentation*), to certain crucial similarities of views between two of the world's best-known economists, "the well-known American economist Lyndon LaRouche" and France's Nobel Prize economist Maurice Allais, typifies the recent months' profound, ongoing shift in thinking, among leading political and economist circles from all continents.

Until recently, even during the 1996 U.S. election-campaign period, among most leading nations, not all, but a majority of leading circles would have joined hands to oppose the theses published since August 1994, in the widely-circulated *LaRouche's Ninth Forecast*:<sup>1</sup> as additional documentation supporting that forecast has been significantly updated in the Jan. 1 edition of *Executive Intelligence Review*, and later locations, since.<sup>2</sup> It is the first-hand knowledge of this writer and his associates, that, recently, among the highest-ranking, relevant circles in a number of leading nations, only a rapidly dwindling minority still refuses to acknowledge the fact, that the world financial system is already in the process of a global chain-reaction collapse. The question today, is "What do we do about the oncoming financial crash?"

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1. Lyndon H. LaRouche, Jr., *The Coming Disintegration of The Financial Markets* (Leesburg, Virginia: *New Federalist*, August 1994) (See also, *EIR*, June 24, 1994.)

2. Lyndon H. LaRouche, Jr., "We Are at the End of an Epoch," address to a conference of the International Caucus of Labor Committees, Eltville, Germany, Dec. 2, 1995 (see *EIR*, Jan. 1, 1996).

Despite that growing agreement on diagnosing the severity of the patient's sickness, no consensus has been reached in prescribing medication. Yet, despite the disagreements over choices of medication, most current leading opinion, so far, can be assorted among four types of policy-options.

**1. Preparations for the short-term:** Let us construct our war-plan for controlling events on the day either the New York financial market collapses in panic, or the collapse of the banking system of some leading nation, sets off a systemic, global chain-reaction.

**2. Hysteria:** We must throw everything, including U.S. Congressman Phil Crane's proverbial kitchen-sink, into the markets, to defend the present financial system, at whatever cost. This second option, is typified by the report which former Senator Sam Nunn reported, to *Aviation Week*,<sup>3</sup> as the commitments of a bi-partisan group in which he had participated.

**3. Whatever comes, this nation and its people must survive:** A third option asks: What must be done, to be certain that "our nation" (such as the U.S.A.), and also our citizens' pensions, do not go down the sewer, together with a doomed Wall Street? This type of thinking is still the thinking of a small minority, but the view is spreading.

**4. Euthanasia for all nation-states:** Among some of the wealthiest international financier-oligarchs, the response is: Let the financial system destroy itself in an orgy of "globaloney." When the world's financial system collapses, we will have bought up title to most of those raw materials (interna-

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3. Sam Nunn, a speech entitled "Surveying the Strategic Landscape," as reported in the "Aerospace Forum" column, *Aviation Week & Space Technology*, Nov. 25, 1996.

tional food-trade, petroleum, natural gas, precious metals, strategic minerals, and the choicest real estate) on which continued life on this planet largely depends. The wars and genocide which the British Privy Council, its Baroness Lynda Chalker, British war-Lord Caroline Cox, and their Commonwealth, have launched in the "Greater Horn of Africa," typify the raw-materials grabs and build-up of mercenary-based, warlord regimes, which groups such as the cronies of Sir George Bush are conducting, in anticipation of the early day the world financial systems go bust and nation-state governments also collapse.

Only the third option provides any calculable expectation, that civilized life would continue on this planet, much beyond the beginning of the coming century. Without the collaboration among at least some of the world's leading and other powers, in defining and adopting a President-Franklin-Delano-Roosevelt style of approach to global financial reorganization and resumed physical-economic growth, chaos would reign throughout this planet, perhaps for as long as a half-century, or more.

When those facts are taken into account, it is quickly apparent, that, without the appropriate leadership from the United States, no attempt at a rational, post-IMF world economic order would be achievable. That means, that sudden decisions of great pungency and force, must be instituted by the U.S. Executive branch during the remaining years of President Clinton's term of office. In that context, China, today, represents the leading potential partner of the U.S.A., in the effort to ensure that global civilization survives the inevitable doom of what many find it convenient to identify as "the present IMF system." The referenced article from *China Urban Finance*, reflects those currents of China policy-thinking, the which represent some of the most crucial present discussion-partners for the Clinton Administration, world-wide.

Since this writer's televised, Berlin press conference of Oct. 12, 1988,<sup>4</sup> in which the early collapse of the Soviet economic bloc and reunification of Germany were forecast, the present writer and his associates have been at the center of the international organizing efforts which presently overlap the China government's commitment to an already ongoing process of developing mass-transit-spined, economic-development corridors across the Eurasian continent, from the Pacific and Indian oceans, to the Atlantic coast and into Africa. In China, this projected Eurasian development is identified as "The New Silk Road" projects. Iran has participated in the recent completion of some of the international transportation links. India has recently committed itself publicly to its part in the Eurasian network's development, linking Southeast Asia, including Indonesia, into the rail networks leading into, and from western continental Europe. Other nations have de-

clared interest in aspects of the overall project.<sup>5</sup>

Recently, the present writer has used a number of occasions to put on the public record the outlines of the required global economic-recovery program. Three chief, categorical, and interdependent monetary, financial, and economic components: 1) The preparation for, and convening of what is fairly identified as an emergency "New Bretton Woods System," repealing the failed "floating-exchange-rate monetary system," replacing that self-bankrupted post-August-1971 system with a new monetary order containing the most successful features of the pro-agro-industrial 1946-1966 Bretton Woods agreements. 2) A shared commitment to a global economic-recovery program, premised upon large-scale infrastructure development, and centered around the Eurasian Land-Bridge projects already in their initial implementation. 3) A revival, and mobilization of the strategic machine-tool capabilities of leading industrialized nations, such as the U.S.A., western Europe, the former Soviet Union, and Japan, as part of an integrated process of global participation in the increase of the productive powers of labor through investment in scientific and technological progress.

South and East Asia represent the overwhelming majority of the human population, and therefore the great mass of potential for economic growth during the coming century. Cooperation between China and India, and mutual cooperation with the nations through which they are linked to Eurasian land-routes, is the indispensable key to a global economic renaissance erupting early during the coming century. The future political and economic security of the planet, and of the nations in it, depends absolutely upon such a renaissance.

In this setting, the present writer, as an economist, has come to assume a place in world affairs today analogous to the part played by his Nineteenth-Century predecessors, the American System economists Henry C. Carey and Friedrich List.

Acknowledged: during the 1984-1988 interval, this writer's influence on policy-shaping was set back, temporarily, by the most extensive and savage, politically motivated, fraudulent prosecution and mass-media defamation, ever directed against an international public figure, in the Twentieth-Century history of the United States. This campaign was conducted, largely through a corrupt mass news media, in the U.S.A. and internationally, with more intensity, duration, and scope, than against any personality not a major figure of government. As a result, even still today, there are millions of U.S. citizens who have been so thoroughly brainwashed by a mass-media campaign coordinated through Henry Kissinger, George Bush, et al., that those duped persons react with knee-jerk outburst of baseless, irrational rage, at the mere mention

4. Rebroadcast, as part of a nationwide, half-hour TV election-campaign special broadcast, entitled "The Winter of Our Discontent," on CBS-TV, on Oct. 31, 1988.

5. See *The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development, EIR Special Report* (Washington, D.C.: EIR News Service, January 1997).

of the name “LaRouche.”

Nonetheless, despite the lingering effects of that 1980s mass-brainwashing of simple citizens by the habituated liars of the establishment’s mass media, the role of this writer, together with *Executive Intelligence Review* newsweekly, is one of the most important private influences contributing to shaping new economic and strategic thinking, throughout most of the world today. The referenced article in *China Urban Finance*, is a symptom of both China’s emerging world-role, and of the present writer’s role in building a new kind of bridge of collaboration between the U.S.A. and China of the coming years.

*China Urban Finance* names two of the world’s leading economists warning against the insanity of today’s radically neo-conservative, “globalist” dogmas, two who have warned against the threatened earlier doom of the planet flowing from what have become today’s generally accepted classroom economics dogma. In many nations, significant numbers of economists and related professionals are warning governments of the folly of continuing recent trends in generally accepted economics dogmas. It is the duty of those professionals, to collaborate in assisting their governments, in defining the new policy-options needed to enable the nations of this planet to survive the inevitable and early doom of the present “IMF system.”

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## Documentation

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### Chinese publication cites LaRouche on ‘financial AIDS’

The Beijing magazine *China Urban Finance*, put out by the Industry and Commercial Bank of China, published an extensive article titled “Financial AIDS and Its Causal Mechanism,” in its February issue. “Financial AIDS is a metaphor for a great crisis, confronting the world financial and economic system. The main proponents of this analysis are, first, the well-known American economist and founder of *EIR* magazine, Lyndon LaRouche. The main points of his view were summarized in his June 1994 article, ‘The Coming Collapse of the Financial Markets,’ ” the magazine stated.

The second representative is “French Nobel Prize economist Maurice Allais, as shown in his articles published in *Le Monde* and other newspapers.” The term “financial AIDS” was used by French President Jacques Chirac, *China Urban Finance* noted. The article reflects the analysis of *EIR*, plus the magazine’s independent research. Following the analysis of *EIR*, the article noted that there is a split between the real economy and the financial system. The physical economy

should not just be measured by financial issues, but by the potential population density that can be maintained. The government must pay attention to the real economy; free markets must be kept under control, and monetarism avoided. Nations must let the physical economy rule the financial system, not the opposite, it concluded.

The article described how international financial transactions have exploded beyond real trade levels. There is too much flow of capital into short-term, high-risk, high-return “investments.” There is a “snowball effect” of economies jumping into “high-return” investments, with the result that real economic development is slowed down.

The bubble economy has spread from Japan to the entire world, *China Urban Finance* stated. It is “possible in the coming period that a huge financial crisis will explode, with domino effects.” The author stated he is “talking about financial AIDS, not because it cannot be cured, but because I am calling for medicine to be applied.” The author thinks that if the international community, and every national government, can adopt positive measures to control and reform the financial and monetary system, and cooperate in large-scale basic infrastructure construction and modern technology development, then the financial system could serve the interests of economic development. Industrial nations have a major influence on this and have to consider not only internal policy, but the effects on the whole world economy. They should reduce the burden of debt on poor countries and gradually reduce excessive dependence on external capital. Nations have to increase emergency reserves, create an early warning system, increase cooperation to stop the financial crisis at its roots. “To prevent and cure financial AIDS is the responsibility for the entire human race,” the article concluded.

There have been two other notable statements on this theme recently in China. At a conference in early February, the Peoples Bank of China deputy governor Chen Yuan stated that China must learn a lesson from the Mexico crisis of 1995. Mexico had opened its capital markets before the necessary control measures were implemented, and it failed to pay enough attention to productive investment. China must not only open its capital market “step by step,” but also, the opening of capital markets should be based on a powerful domestic economy and be carried out gradually, rather than in haste, Chen Yuan said.

At the end of January, Chinese economist Hu Angang, who has called for developing China’s interior and controlling the Special Economic Zones, proposed taxing speculation to meet national revenue needs. He proposed that the government create “new, exclusive tax resources,” to serve the needs of the economy without taking revenue from local governments. The best source would be “collecting taxes from stocks, bonds, options, and foreign currency,” he said. Hu Angang also proposed centralizing social security systems, investing the money in government bonds, and new value-added taxes on the service sector.