Worse than ‘Weimar’!

by Lyndon H. LaRouche, Jr.

Tuesday, November 12, 2013

I was born on September 8, 1922, at the beginning of the process of the infamous, 1923 hyper-inflationary collapse of the economy of the Weimar, Germany republic. Now, the threat to the trans-Atlantic economy as of this date is a far worse, and virtually immediate threat for as long as current U.S. President Barack Obama remains in the Presidency. That is not even a good guess, but one about to come crashing down upon the trans-Atlantic economies as a whole soon, unless the necessary corrective actions are taken very soon.

As long as the current U.S. President, Barack Obama, remains in office, that already onrushing calamity is virtually unstoppable. In the fewest words possible, either Obama and Wall Street are both put through an urgently needed moral as well as financial reform, or the deadly catastrophe is virtually certain for virtually the entirety of the trans-Atlantic region sometime very soon. At the present date, both this President and much of the Congress have each remained increasingly hysterically impotent, through their own cowardice in refusing to face a future for which immediate remedies do exist, rather than face their own presently systemic errors.

The insanity is, essentially, “all about money.” Dump “Wall Street” and its lunatic swindles, and relatively immediate solutions are available, as could have been the case in the immediate Versailles-crafted crisis which had led into the Adolf Hitler, Germany regime. Who brought Adolf Hitler into power in Germany? Who was to be blamed for the infamous 1929 Wall Street and London crisis? In both cases, it was the financial centers of London and Wall Street, then, as it is now.

The befuddled citizens became too eager to gamble their way into hoped-for riches while gambling in financial speculations, and not enough really caring to do good for mankind, especially since the assassinations of John F. Kennedy and his brother, Robert, for their emphasis on science-driven technological progress at work. That is “why and how” the Anglo-American financial swindlers of London and Wall Street wished the assassinations of John F. and Robert Kennedy. It was not so much because they hated John or Robert; it was the fear of the specter of a possible new President Franklin Roosevelt, or, for some others, such as a new Benjamin Franklin, a genius such as Alexander Hamilton, a James Monroe, a John Quincy Adams, an Abraham Lincoln, a Franklin Roosevelt, or, in an alternative, the selection of the mythical oysters of Warren G. Harding.

Despite all writhings and groanings in protest from Wall Street and London, those are the facts of the matter to be faced, if you, personally, wish to enjoy a prolonged and actually productive and enjoyable life.

The center of this crisis is not actually the United States’ present crisis as such. The trend which led the United States (and Europe) into this presently onrushing collapse, was all about Wall Street and London, back then, and right now. What caused it? The immediate cause was the margin of our foolish voters who elected Presidents George W. Bush, Jr., and Barack

The U.S., under President Obama, is staring in the face of a 1923 Weimar-style hyperinflationary collapse of the economy. This photo shows a refuge for homeless and jobless men in Weimar, Germany, following the crash.

Obama into office, for what is now approaching a span of fourteen very ugly years.

During the recent weeks, the trans-Atlantic world has been plunging into a general economic breakdown-crisis of the present trans-Atlantic region of our planet. What we are presently experiencing on both sides of the Atlantic Ocean, is a hyper-inflation for as long as the current U.S. President, Barack Obama remains as President of the United States; not only the United States itself, but also the trans-Atlantic region of western and central Europe is now being plunged ever more deeply into the worst economic collapse since the Fourteenth-century plunge into a new dark age, probably one even much worse than that of Fourteenth-century, medieval Europe.

There is an alternative:

If the will is there to take the necessary action, there is an option, under our U.S. Federal Constitution, by which not only can our United States be brought into a genuine economic recovery, but our immediate action under our Constitution, taken now, could bring our republic into genuine recovery from the plunge into darkness which has been under way since the rejection of my July-August 2007 "Home Owners & Bank Protection Act" submitted for adoption by the Federal States of our Republic at that time.

Instead, the members of the U. S. Congress and the Federal Presidency had acted, at that time, and since that time later, to plunge our republic into a spiral downward into policies which have now dumped our republic into what has been the greatest economic crisis of the trans-Atlantic group of nations. Now, as of this past weekend, beginning this past Monday, the economy has fallen, thus far, into the steepest financial breakdown-crisis of modern trans-Atlantic history.

Fortunately, our republic *could* still be rescued at this time. As many know, I have a record of being among the leading economic forecasters for our United States during the recent decades, as in my uniquely successful forecast of the 1971, Richard Nixon depression, and also the deep 1980 recession, the steep depressions launched by the George W. Bush, Jr. recession, and, now, the economic horror-show brought to you by the Barack Obama depression. Now, the violations of our U.S. Federal Constitution by the Obama government, are combined with Obama's plunging our United States into a form of depression from which our United States, could never recover in its present form.

The necessary action at this moment, is to prevent the current President of the United States, Barack Obama, from relying upon "dirty tricks" of the type already enjoyed by President Obama, to block that action, the revival of President Franklin D. Roosevelt, from being successfully presented for a vote of the Congress, now.

Without the removal of President Barack Obama from office, the situation of our republic has now reached the point, that the continuation of President Obama in office, would mean the end of our United States under its present Federal Constitution.

Fortunately, there is an alternative, if we act very soon to adopt those needed Constitutional options. The remedy is available, and fully constitutional, if we find sufficient leaders among us with the guts to do what is constitutionally legal, and is already the only visible, constitutional course of action needed to save our nation from what is, now, virtually national economic suicide, unless we act immediately to save our nation. I am now putting myself on the block as one who has shown himself as leading among the leading economists and others of our republic, who is willing, and more than fully qualified to present that option, publicly, here and now.

Consider the following measures most urgently needed at this time.

There are two absolutely indispensable actions which must be adopted and urgently implemented, if our United States can be rescued from the presently accelerating plunge into a virtually hopeless plunge into a general economic breakdown-crisis.

First, we must expel President Barack Obama from office, immediately. There are chiefly two available options for doing so. The first of those two is the President's impeachment on such available grounds as his violation of the war powers provisions. The ***second,*** is removal from office under existing Constitutional provisions of the U.S. Twenty-Fifth Amendment.

Only with the suspension of the President from office, were it likely that the United States could be rescued from what is already the careening into virtual economic death of our United States and its economy. However, the doubtful mental health of this President, and the sheer hatefulness of this ostensibly sick President, show both the case for the President's urgent removal from office for reason of known impeachable offenses, and the arguably faulty mental health of that President, both of which were a just means for rendering him politically harmless to the general welfare of our republic.

Once we have considered these sources of available remedy as to be used for the rescue of our republic from what would be, otherwise, its virtually immediate political death at the hands of President Obama and his British imperial masters, we will have soon secured the measures needed to organize a process of general economic recovery of our republic.

Measures of the Rescue

I. Incapacitate President Obama's power to sabotage legitimate measures for removing that President from the position of power he might attempt to use to prevent lawful support for ***the re-enactment of the original Glass-Steagall law as it had been crafted under the guidance of President Franklin D. Roosevelt***.

II. That measure should be sufficient to hamstring a corrupted President, to the effect of blocking the use of the power otherwise available to him for reason of ***his illicit blocking of the necessary, immediate reenacting of the original Glass-Steagall Law***.

III. This ***legitimate action against him*** separates the legitimate qualities of indebtedness from the forms of speculation associated with such agencies as "Wall Street" and its foreign likenesses.

IV. The U.S.A. law must be improved, to replace the notions of monetarism, that done by ***a system of U.S. Constitutional Federal credit***.

V. Since the residue of salvageable monetary credit in the U.S.A., as within the bounds of the left-over balance of U.S. monetary credit, will not be sufficient to launch a recovery, the medium of U.S. dollar-denominated credit, shall be employed for such included missions as:

A. The recovery of the essential functions of each of the Federal States,
and,

B. The capitalization, in terms of the credit system, of medium- to long-term investments in higher orders of per-capita and energy-flux intensity than are supported presently, with an emphasis on ending the present suppression of the higher intensity of thermonuclear fusion needed for a truly modern economy: a space-age level of intensity of principal applications.

Matthew Ogden

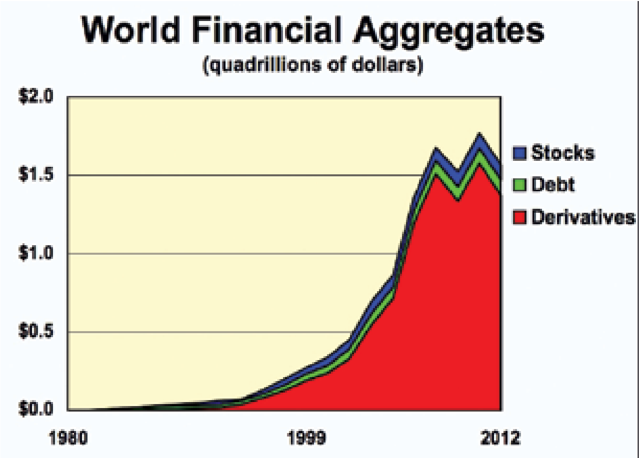
The Collapse of The Physical Economy

At the regular Friday LaRouchePAC webcast on Nov. 15, Matthew Ogden presented the documentation excerpted here, to complement Lyndon LaRouche's "Worse than Weimar" article (above).

What we intend to do, is to illustrate the collapse of the physical economy of the United States, and the growth of a hyperinflationary, worse than Weimar, bubble since the repeal of Glass-Steagall in 1999, and the election of Barack Obama in 2008.

There are different estimates for the magnitude of the world financial aggregates presented in **Figure 1**. Financial aggregates are made up of, on this slide, three different categories: so-called stocks; debt; and then, derivatives. And you see, the derivatives are the vast

FIGURE 1

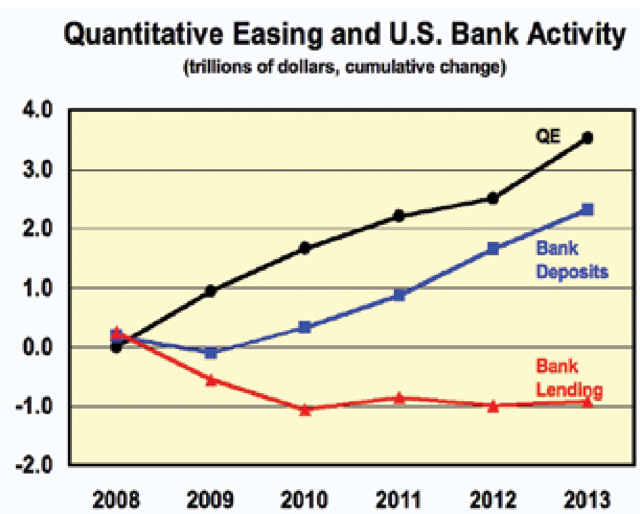


Source: Bank for International Settlements, *EIR*

majority of the world financial aggregates that are presented here. According to Bank for International Settlements (BIS) statistics, derivatives total around $700 trillion. However, according to other estimates, including estimates by *EIR*, they could very well be double that number.

What you see here, is that starting in 1980, there was already growth of the derivatives bubble, going into 1999, which was the year of the official repeal of Glass-Steagall; however, remember during those two decades prior to the repeal, Glass-Steagall was being continuously eroded by the actions of Alan Greenspan at the Federal Reserve. But after 1999, after the official repeal, the derivatives bubble exploded. That goes all the way up to that slight dip there that you see, the crash of 2007-08.

FIGURE 2



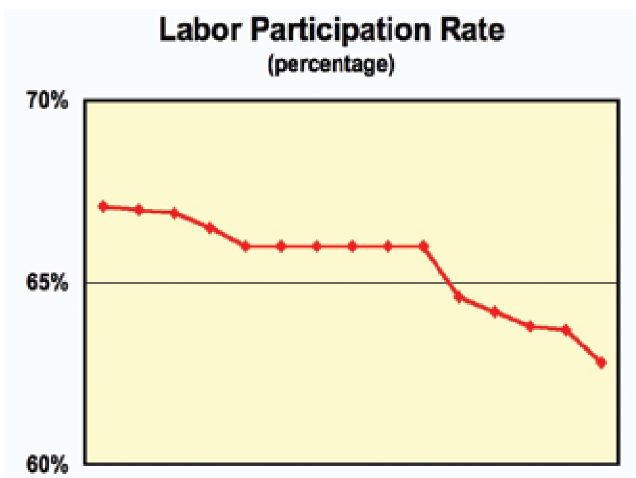
Source: Federal Reserve Bank

Now what should have happened at that point, is that the entire derivatives bubble, that entire fictitious monetary bubble, should have collapsed. The entire thing should have disappeared. But instead, beginning with the George W. Bush Administration, continuing with the Obama Administration, the policy of quantitative easing [QE] was adopted, and that led into the support and continuation, the perpetuation of that derivatives bubble.

Figure 2 shows that starting in 2008, with the growth of QE (the top line), cumulatively, we've reached the point that, because of the asset-purchasing program of the Federal Reserve, there has been almost *$4 trillion* in fictitious money pushed into the United States economy. What you see in conjunction with that, is that bank deposits, indeed, have skyrocketed in parallel to the quantitative easing spending; however, those bank deposits have in no way been reflected into the real economy. There has been no growth in activity in the real economy during the quantitative easing regime, during the five years of the Obama Administration. Instead, what you've seen is that bank lending into the real economy crashed beginning in 2008, bottomed out in 2010, and has remained at that level ever since.

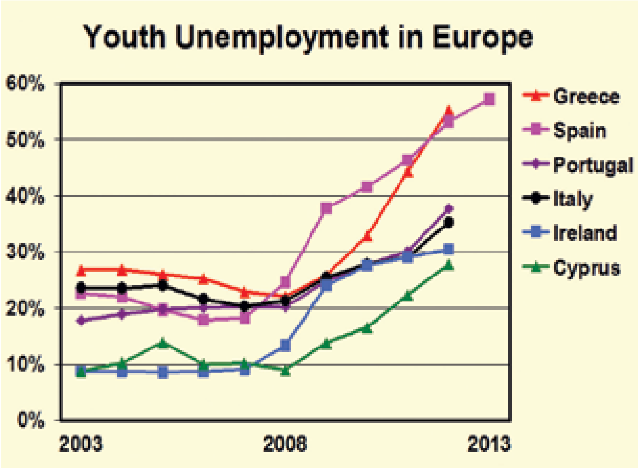
Figure 3 shows what has actually happened in the real economy. While the regime of quantitative easing has reigned since 2008, and even going back to 1999, which was the repeal of Glass-Steagall, you've seen a constant decrease in the labor participation rate—the percentage of the eligible workforce who are actually either employed, or are actively seeking employment. You saw a slight decrease beginning in 1999, but look at what happens when Barack Obama is elected in

FIGURE 3



Source: U.S. Bureau of Labor Statistics

FIGURE 4



Source: Eurostat

2008: It crashes precipitously and continues to crash. This is significant, because if you look at the number of people actually in what's called the civilian labor force—those who are either working or are actively looking for work—that number hasn't changed at all. Those are the so-called "employment numbers" that Obama is always trumpeting about.

But the point is, there has been actually *no growth* in the active labor force since Obama was elected. It was 155 million people in January 2009, and it's 155 million people now. However, the working-age population has grown over that period by close to 12 million people.

So where did all of those potential workers go? Where did that 12 million person increase in the labor force go? They never appeared in the labor force. So while the total number of the civilian labor force stayed exactly the same, the number of working-age adults who either dropped off the rolls because they've been out of work too long, *or* who have never entered the labor force in the first place—those who graduated from school and never actually went into the labor force—that number grew from 80 million people at the end of 2008, to 91.4 million people now. In other words, you have an *invisible* 12 million people out there, who essentially do not exist as a part of the United States labor force.

So what you see here, is a declining proportion, with that proportion taking a nosedive as soon as Obama entered office, and then falling continuously every year since. And, what we know from the studies, is that *real* unemployment in the United States during the Obama Administration has reached nearly 26 million people: That's the 22 million people who are officially unemployed—unemployed, underemployed, or "discouraged from seeking work"—*plus* another 4 million who never entered the workforce in the first place, during the last five years. And that is increasingly becoming what you could call a "lost generation" of youth.

Figure 4 shows youth unemployment in Europe. Everybody has heard about the dramatic numbers of unemployed youth in Greece, in Spain, in other countries in Europe. This chart shows that since 2008—again, the beginning of the Obama Administration, and the beginning of the bailout-austerity regime of Europe—you had the percentages of real youth unemployment doubling if not tripling in these countries. This is calculated for those between the ages of 16 and 24. Cyprus has doubled from 9% to 18%. Ireland has gone from 10% to 20%. Italy and Portugal have gone from 20% to almost 40%. And then you've got Greece and Spain *tripling* from 20% to almost 60%.

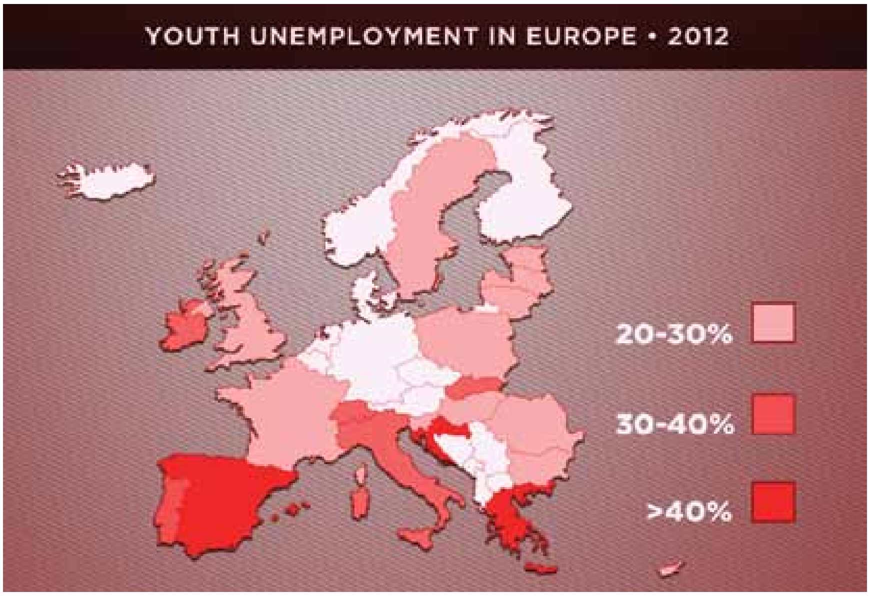
These numbers do not even include those who are discouraged from finding work, who are forced to be part-time underemployed, nor does it include the massive exodus of young people who are emigrating from these countries, in a desperate search for work.

Figure 5 is a representation of the same data in a

FIGURE 5

Source: Eurostat

FIGURE 6



Source: Eurostat

map. You can see here, in 2008, the first year of the Obama Administration—you have six countries in Europe that had greater than 20% youth unemployment.

Figure 6 shows youth unemployment in Europe in the year 2012. Eleven countries have youth unemployment of 20 to 30%. Five countries have youth unemployment of 30 to 40%. And three countries have youth unemployment *greater* than 40%.

So, lest anybody say, "Yeah, well, that's Europe, that's over there, that's across the ocean. That could never happen here," take a look at the same period of time, the five years since the beginning of the Obama Administration, in the United States (**Figure 7**). This is the year 2008, and you have three states that had greater than 30% *real* unemployment, and by "real" I mean in this case, including those who are forcibly underemployed and those who are marginally employed, or marginally connected to the labor force, including those who are discouraged from finding work. Those states are Michigan with 34%; Rhode Island with 31%; and California with 30%.

Now, in 2013—five years into the Obama Presidency (**Figure 8**)—*30 states in the United States have greater than 30% youth unemployment or underemployment*, so-called "real" youth unemployment. Fourteen are between 30% and 35%; 10 are between 35% and 40%; and 5 are greater than 40%: Nevada, Illinois, Mississippi, California, and North Carolina.

So you can see that the picture on both sides of the Atlantic really reveals what is becoming a lost generation of young people, very similar to what we saw before the Great Depression, in the years before Franklin Roosevelt took office, just looking at the collapse in employment alone.

But if you take a look at **Figure 9**, showing the *type* of work that those who are still employed are engaged in, as a percentage of the total labor force employed, you see that the situation *now* is even worse than what

FIGURE 7

Source: Bureau of Labor Statistics, *EIR*

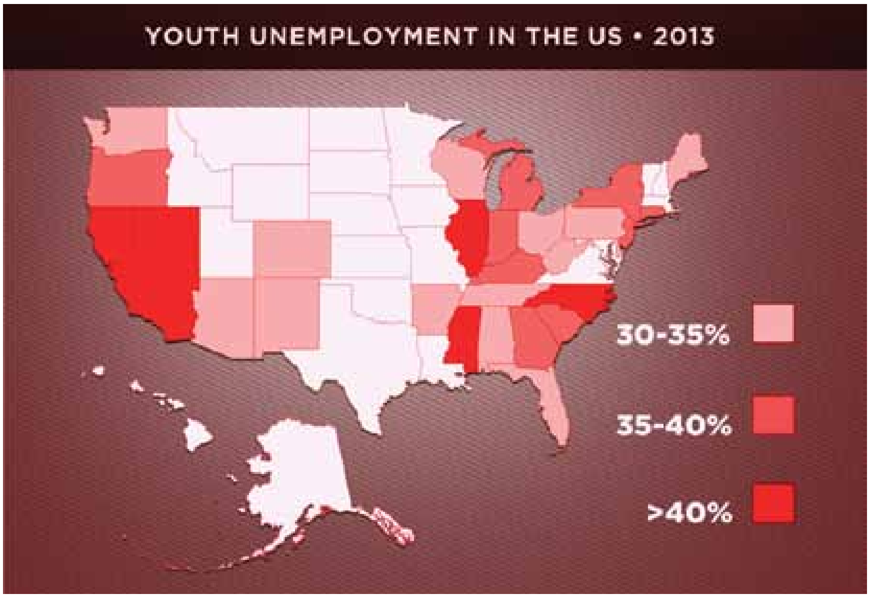
Franklin Roosevelt confronted then. Right there at the beginning of the graph, 1940, during Roosevelt's third term, the number of workers that were engaged in productive work was increasing as a percentage of the workforce as a whole. And of course, this was during the war mobilization, the [building of the] "Arsenal of Democracy."

However, as soon as Roosevelt died, and Truman took over, that increase began to reverse itself, and instead of blue-collar, skilled productive work, you had an increase in white-collar and unskilled service-sector work.

And the ratios between those two types of employment began to reverse themselves until after President Kennedy and Robert Kennedy were assassinated, going right into the beginning of the 1970s. Ironically, in 1971, which was the very year that Mr. LaRouche had uniquely forecast the crisis that hit the financial system and the economy at that time, under Nixon, you see right there—1970, 1971—the percentage of people employed in the service sector surpassed the number of people, for the first time, employed in producing goods. And ever since, you've had a steady decline in the real economy, a net decline which has never reversed itself, while services, so-called, including financial services, have steadily increased and all but taken over the entire U.S. labor force.

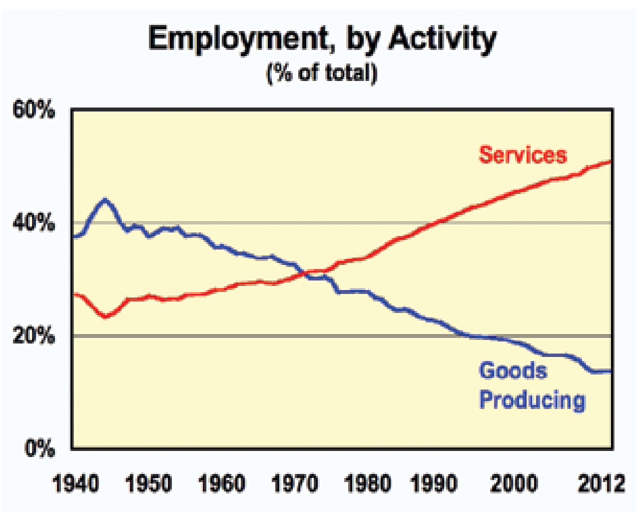
So, this is the picture of the post-Glass-Steagall financial speculation, all-about-money, Wall Street economy that's taken over this country today, and which Mr. LaRouche has characterized in this newest report as being, truthfully, worse than Weimar, by far.

FIGURE 8



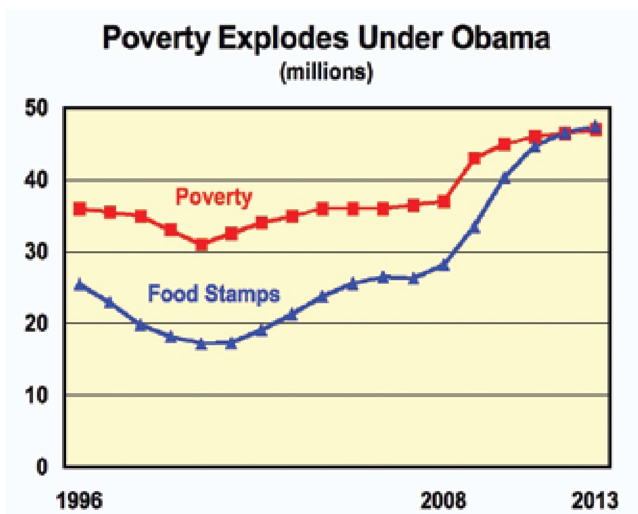
Source: Bureau of Labor Statistics, *EIR*

FIGURE 9



Source: Federal Reserve Bank

FIGURE 10



Source: U.S. Department of Agriculture, U.S. Bureau of Labor Statistics