Editorial

Rate Cuts: Swindling the Suckers

In an e-mail, a constituent asked Lyndon LaRouche, the world's leading economist, a question occurring to many as the dollar falls: "If an aggressive round of interest rate cutting globally occurs to support the dollar, and if this is accompanied by prolonged price weakness, could we experience a sudden dramatic decline in gold prices?" LaRouche answered, "I think you may have touched upon a much more important issue, than you, perhaps, recognized. I shall now present you with a summary of the immediately threatened situation, which I have been reviewing with some leading experts. . . .

"The Bush Administration's and Greenspan's recent turn toward a radical lowering of the discount rate, is probably one of the greatest financial swindles in modern history. Think of such drops in the discount-rate as a giant vacuum-cleaner, sucking in all the credulous investors throughout most of the world. Then, imagine, that after a relatively short time, the discount rate skyrockets; suckers all over the world are suddenly wiped out. Panic erupts. A threatened shut-down of the monetary-financial system is combined with a nearly worldwide collapse of payments within the economies, conditions echoing Germany in October-November 1923.

"A group of powerful private financier interests present governments with an 'alternative.' This alternative would be a parody of the 1931 formation of the Bank for International Settlements. If terrified governments submitted to such a proposal, that combination of financier interests would take over most of the world, deciding who lives and who dies.

"That scenario is the only known rational explanation for the recent turn in U.S. policy. Make a 'John Law' bubble around the theme of 'financial suckers of the world, unite!' Then, close the financial trap, with a sudden burst of 'monetary-fiscal conservatism.' The greatest financial swindle in modern history! Either that scenario is the current intention behind what the Federal Reserve System and OMB are now doing, or the leading bankers of the U.S. have turned into a pack of drooling imbeciles who are sitting in the treasuries cutting paper-dolls out of bonds.

"Now, with that now-threatened scenario in mind, re-examine the subject of the price of gold. Since approximately 1966, beginning the U.S.A. and Harold Wilson's U.K., there has been an escalation of monetary emission and financial-asset prices, accompanied by an accelerating decline in net physical output per capita and per square kilometer. . . . This growing world-wide (since 1971) discrepancy, between monetary-financial and physical values, reflects the shift of the formerly leading economies of the world, in the Americas, Europe, and elsewhere, from production-oriented to consumption-oriented societies, sucking wealth from 'cheap labor' of the other portions of the world. Second, this demonstrates, again, that there are no natural prices of anything, but only more or less sane or insane price-trends. . . . It is only through the regulatory measures of a national economy, that the movements in monetary and financial values are brought into some degree of conformity with physical values. Hence, any deregulated world or national economy is an insane economy.

"Franklin Roosevelt's genius in his 1933 and later reactions to the 1931 collapse of the British gold standard, brought the post-1944 world into the realm of a gold-reserve system, as opposed to a gold standard. By creating a state monopoly in control of the market for gold, and fixing the price of currencies to gold, Roosevelt et al., made possible the global fixed-exchange-rate system without which the 1945-1963 recovery of the economies of the Americas, Europe, Japan, et al., would not have been possible. Without a fixed-exchange-rate monetary system, a general issue of long-term international loans at 1-2% simple-interest rates, were not sustainable.

"In the short term, the wild-eyed lowering of the discount-rate expresses the included intention to lower the price of monetary gold. How long that hoax could be sustained, can not be calculated—there are countervailing factors; however, the present policies could not be continued for long. In any case, the present monetary-financial system is doomed. Nothing could save it. Therefore, the only question remaining is, what will replace it? The giant attempted swindle being conducted by Greenspan, or what should be, now, the rather obvious alternative associated with my efforts."