Documentation

LaRouche's Record on Long-Term Forecasting

This is an excerpt from LaRouche's "The Coming Disintegration of Financial Markets," EIR*, June 24, 1994 (otherwise known as "LaRouche's Ninth Forecast").*

. . . About my qualifications: I have introduced relatively few forecasts of critical events during my 40-odd years as an economist (not counting my repetitions of some of those warnings). To date, every forecast which I have made on the basis of my LaRouche-Riemann method has been confirmed by timely developments. I now present a summary listing of those forecasts. . . .

1) During late autumn 1956, in connection with a marketing study, I forecast the imminence of a major U.S. economic recession, triggered by the over-stretching of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods. This recession broke out in February 1957 statistics, and was generally, if reluctantly acknowledged to have occurred several months later. The recession-spiral lasted into mid-1958, and was followed by a prolonged stagnation until an upturn appeared under the Kennedy administration.

2) During 1959-60, I made my first long-range forecast: that near or shortly after the middle of the 1960s, we would see the first of a series of major monetary disturbances, leading toward a collapse of the existing Bretton Woods agreements. I forecast that this collapse would see increased looting of what were then termed developing sector nations, and that the breakup of the Bretton Woods agreements would lead rapidly to austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

All of my economics forecasting and related activities of the 1960s, through spring 1971, were premised upon that same judgment. The first of the series of major monetary disturbances of the period occurred with the collapse of the British pound during November 1967, followed by the dollar crisis of January-March 1968. The break-up of the Bretton Woods agreements occurred beginning Aug. 15, 1971, and was consolidated by the Azores monetary conference of 1972. In immediate response to the August 1971 development, the U.S. government instituted the radical austerity measures known as Phase I and Phase II.

3) In November 1979, during my campaign for the Democratic Party's presidential nomination, I warned that the measures which the Carter administration and Federal Reserve had just taken, at the urging of newly appointed Federal Reserve Chairman Paul A. Volcker, would lead to the outbreak of a devastating recession, beginning early 1980. Every detailing of that forecast by *EIR* magazine's quarterly projections through 1983 was the most accurate forecast issued publicly by any agency; in fact, most, including Chase, Wharton, Evans, and Data Resources, were absurd in their sensing of the direction of the trends.

4) In February 1983, in the course of an exploratory back-channel discussion I was conducting with Moscow in coordination with the Reagan administration, I informed the Soviet government, that if it were to reject what later became known as the Strategic Defense Initiative of March 23, 1983, the strains on the Comecon economy would lead to a collapse of that economic system in about five years. This forecast was repeated in an *EIR* Special Report, *Global Showdown,* issued July 1985. The collapse occurred during the second half of 1989.

5) In spring 1984, in my renewed campaign for the Democratic Party's presidential nomination, I warned, in a nationwide half-hour TV address, and elsewhere, of the outbreak of a collapse in a large section of the U.S. banking system: the savings and loan and related sectors.

6) In May 1987, I forecast, as published in *EIR* magazine and elsewhere, the outbreak of a major collapse in the stock market beginning approximately Oct. 10, 1987. This was my first and only stock-market forecast.

7) During my renewed Democratic candidacy of 1988, in a nationwide half-hour TV address, I described the "bouncing ball" phenomenon as the key to following the continuing collapse of the U.S. economy through the course of apparent, short-term fluctuations relatively up or down. That has continued to the present day.

8) During my renewed Democratic candidacy of 1992, I warned that we were already gripped by a global financial mudslide, "down, down, down."

This is a record of nearly 40 years, a record which cannot be even approached on the public record by any currently living economist, even by France's (and *Le Figaro*'s) eminently sane Nobel Prize-winning Maurice Allais.

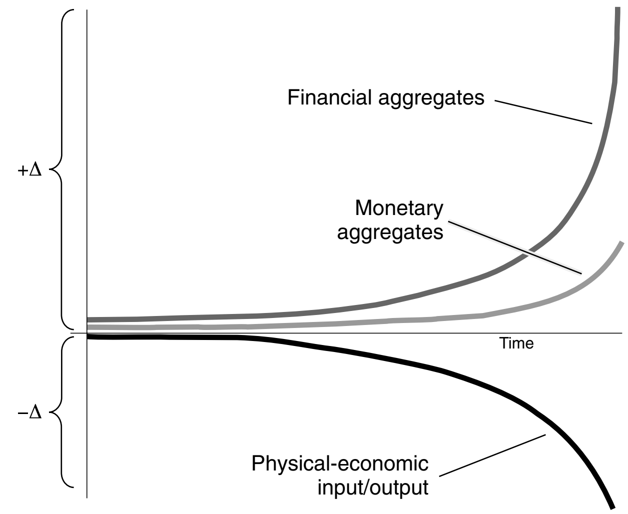
Out of that same unequalled competence, I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.* That is LaRouche forecast No. 9—the addition to the list of eight, above. . . .

Hyperinflation Looms

In Fall 1995, LaRouche introduced the "Triple Curve, a Typical Collapse Function," a heuristic device (**Figure 1**), at a seminar in Rome, Italy. It illustrates the inherent dangers of continuing policies in which financial and monetary values soar (the two upper curves), producing bubbles of financial assets, held aloft by the take-down of the physical economy, and the degrading of the standard of living and production potentials for masses of people (lowest curve).

On Jan. 17, 1998, in a keynote address to an international conference in Alexandria, Virginia, LaRouche illustrated aspects of the collapse function, and stresssed the catastrophic consequences of the U.S. and other governments continuing to back the processes represented in the "Triple Curve" diagram. LaRouche pointed to the role of the International Monetary Fund in this, and pointed to the precedent of Weimar Germany's hyperinflation.

FIGURE 1
LaRouche's Typical Collapse Function



LaRouche said that "the policy which the United States government, including the Clinton Administration presently, by default, is conducting, is a hyperinflationary policy, which will blow up the value of money into nothingness, quicker than John Glenn can get into space: through a hyperinflationary bubble, through an attempt to maintain financial aggregate by pumping in money fast enough to keep the aggregate going, under so-called bailout techniques, IMF bailout.

"What does the IMF say? The IMF says: *Cut* your production. *Accelerate* the cutting of per-capita output. *Increase greatly* the monetary output, in order to cover, and prime up, and pump up the financial aggregates, which are already skyrocketing. . . ."

In *EIR,* Sept. 30, 2005, LaRouche wrote, "Hyperinflationary Patterns: Inflation Runs Wild":

"The world is presently gripped by a hyperinflationary wave-front of a Riemannian type. The situation is already comparable, at its primary-commodities 'spear point,' to Germany during the second half of 1923, with the other categories, such as consumer prices generally, on the way to being driven to overtake the effects seen currently in the domain of primary commodities being led, as a pack, by wild-eyed petroleum-price speculation.

"Think of the way in which a 'sonic boom' moves across the landscape, with its point running ahead and the effects on the ground coming up afterwards as the conical front of the wave moves onward. Think of a shaped-charge detonation 'seen' from the 'inside.'

"From that standpoint, the system as a whole is already in a state comparable to some point in the second half of 1923 Weimar Germany. We must estimate the general shape of that monetary-financial-economic 'sonic boom' front's movements, slightly understating the actual effects for the sake of not stumbling into accidental overestimations which might impair the credibility of our warnings. However, consider the hyperinflationary explosion fully on, in ways comparable to the second half of 1923.

"Beyond that broad-brush, historical view of the matter, there are significant differences in detail which we must recognize.

"The leading edge of this rising hyperinflationary panic is the hedge-fund crisis centered in hot spots such as the Cayman Islands (where Satan spends his weekends visiting his closest human relatives, and their money). In the attempt to bail out of the Spring bubble's collapse, the hedge-fund money focussed on hyperinflationary gambles in primary materials, led by the control over petroleum markets. The attempt to turn vast masses of newly generated fictitious liquidity into apparent profits in commodities, that at rates sufficient to stave off the inevitable collapse of their monetary-financial system, a shock-wave-front-line acceleration of primary materials rise, led by petroleum prices, moved like an accelerating supersonic vehicle across and above the landscape below, sending shattering shocks to the land-based economy as the trailing edge of the cone touched land below.

"Thus, the rate of inflationary rise of prices of petroleum and related primary commodities now, is the rate which is already in the process of striking commodities on the land below the passing of the hedge-fund-drive hyperinflationary shock-point.

"That is the gist of the way in which you must think about this situation. . . .