

Editorial

We were right

The U.S. Labor Department announcement that the official unemployment rate rose to 10.8 percent during November confirms *EIR*'s warning in our Nov. 2 issue that the United States would enter a new, and worse, period of economic decay during the fourth quarter.

The 10.8 percent rate, up from the previous 10.4 percent postwar record set the previous month, ignores so-called "discouraged workers," former employed now on welfare, new labor-force entrants who have not registered with the Labor Department, forced retirees, and other categories of unemployed. If these excluded workers were counted, the real unemployment rate would be in excess of 23 percent—just short of the all-time worst rate of the last Great Depression.

Our forecast, conducted with the LaRouche-Riemann computer-based model of the United States economy, warned that the rate of economic decline would worsen, from a 7 percent per annum fall in tangible-goods output during the December-September period, to a 10 percent rate of decline during the fourth quarter starting in October—and through the next several quarters, if there were not a basic policy change in Washington.

In fact, the rate of decline of industrial output, at 7 percent during September, was over 10 percent during October at annual rates. The extraordinary decline of industrial orders makes inevitable a continued decline of industrial production at a rate of 10 percent or worse for the last quarter of this year. And there is no sign whatever of improvement afterward.

In the United States, labor leaders and other depression-weary citizens have taken no action commensurate with the collapse, or adequate to begin reversing it. In South America, unionists are out on the streets accurately identifying the International Monetary Fund's policies of austerity and debt-extortion—the same policies Paul Volcker has inflicted on a passive American population—as the enemy of their national survival. The "debt bomb"—refusal to pay without new development-gear credit and rational financing terms—is being taken up.

Secretary of State George Shultz, the technocrat for whom Henry Kissinger is the enforcer, has responded by trying to put in place the scheme *EIR* has exposed for the past year: an attempt to dump the bankruptcy of the international financial system onto the books of the United States, rescuing Eurodollar bookkeeping at the expense of the remaining industry of what was once the world's economic leader.

In Kronberg, West Germany on Dec. 9, the Group of Five finance ministers proposed a "new international financial institution" that would focus on short-term bailout of Ibero-American creditors. They insisted that it is possible to have a reflationary stabilization of the world banking system without reversing the awesome collapse of world trade. The Kronberg session was intended to be a "pep talk" to rebuild confidence in the international credit markets, according to senior IMF and OECD officials: "Of course, the results will only be cosmetic," they said, "but it will have an important psychological effect."

But the meeting ended up "a bigger failure than Toronto," as *EIR* founder Lyndon LaRouche put it, referring to the IMF's autumn conference. No bailout funds were secured, and even the long-term agreement to expand quota contributions by 50 percent did not materialize.

Bankers and financiers are squabbling about whether to pursue a "safety net" once more or settle down to imposing "political adjustments" on those who are committed to "too-fast growth," as David Rockefeller put it in a *La Stampa* interview Dec. 10. It is certain that an attempted bailout of the creditors by sheer money-printing would wipe out more than it would save through inflation and higher interest rates; it is certain that an open drive for "political adjustments" would accelerate the debt bomb's delivery.

The political equation is very dangerous for the Shultzes and Volckers. The "great projects" Ronald Reagan acclaimed on his trip to Brazil can be launched, if the U.S. population chooses to devote the still-vast capacity of America to launching them.