The LaRouche record on the banking crisis

More and more Democratic Party leaders now talk of an economic depression, which they admit they failed to foresee at the time the "budget compromise" of 1990. Lyndon LaRouche alone has consistently foreseen what he has taken lately to calling the "economic mudslide." The statement reprinted below first appeared in EIR *Vol. 17, No. 9 for Feb. 16, 1990—nearly two years ago—under the title, "Bush has not fooled the economy: LaRouche."*

The word is around that George Bush—President George Bush, as he's called temporarily—will be brought down by the collapse of the economy. In response to this, you have various well-informed and pompous idiots around Washington who assure you that George will succeed in managing the economy, and there will be no crash, there will be a soft landing.

When I hear that, my response is, the only kind of soft landing this economy is going to see, is the day that George falls on his head.

In point of fact, George has not succeeded so far, at least not in respect to the economy. He may have succeeded in fooling the dumb American people, but he hasn't fooled the economy one bit. The collapse of the economy means the collapse of infrastructure—that's being going on since 1970, and that's a definite date. We have never had a recovery in the basic economic infrastructure of the United States since the high point of 1970. It's been downhill all the way.

In agriculture, since the middle of the 1970s, we've had an accelerating collapse. Since about the same period, the 1973 oil crisis period—oil price crisis, to make it more precise—we've had a collapse of manufacturing and in productivity in manufacturing. Americans are much less productive today than they were in 1974, as a result of the emphasis on low energy economy and on shifting away from capital intensive investments in modern technology.

Now, under Bush, and the last years under Reagan, the rate of collapse of infrastructure, agriculture, and manufacturing has been accelerating. Under Bush, it accelerated at rates higher than ever experienced under Reagan. In terms of the economy, Bush has been a consistent failure, a disaster, since the day he stepped into office. So when people tell you that Bush and his administration is going to continue to be successful in managing the economy, you say, okay, when does it go over the cliff? It's already gone over the cliff!

Monetary economy last to blow

What has not gone over the cliff yet, at least as of this moment, are the monetary structures. They've been inflating the monetary structures, pumping money into the monetary structures. But at the same time the monetary structures have been rising, i.e., the so-called Gross National Product, the economy has been collapsing. All that is happening is that the distance between money and value has increased.

Now, the United States is over $20 trillion in debt. That's public and private combined—about $12 trillion in debt as such; $8 trillion in what's called off-balance-sheet liabilities, of both the federal government and private agencies. For example, Fanny Mae, Ginny Mae, the S&L situation. If these things collapse, the government has undertaken responsibility to meet the obligations of these entities, the government picks up the tab. Then you have banks and others who've been borrowing money abroad on fiduciary accounts of third parties. Technically the debt is not the debt of the banks and so forth, but in case the third party doesn't pay, then the bank is liable.

There are about $8 trillion of various kinds of off-balance-sheet liabilities in the U.S. economy, so combined, we're talking about $20 trillion of this kind of debt, plus about $1 trillion dollars of short-term debt, which is the amount of credit and debt in the economy just to keep the wheels turning in trade and production.

So we now have an annual debt service obligation of over $4.5 trillion a year, which is pushing up toward the size of the GNP as it's recorded. Obviously, we can't continue to do that. It's going to collapse. The United States is the most hopelessly indebted Third World country in the world, virtually speaking.

In the course of our national history, whenever the United States government has adopted the policies of Adam Smith and opposed what are sometimes known as the command economy policies of Alexander Hamilton and President George Washington, the United States has gone into a deep depression. And this period is no exception. Since the 1950s, an increasing tendency toward deregulation and so-called free trade, or free markets, has brought the United States again to the point of collapse. The difference is, that this time we're headed toward a total, physical economic breakdown crisis.

Now, some people will say that during the 1980s there were periods of prosperity. But this is absolutely not true, by any sensible standard. What people mean by prosperity, is that some people during the 1980s have had a lot more money than they had before—or thought they did, at least on paper, in their accounting and tax statements. But the fact is that all during this period, per capita, the amount of basic economic infrastructure, the amount of agricultural output, the amount of manufacturing output, the amount of exports, and the amount of imports, have been declining. The United States economy has been consistently collapsing since October 1979, and has been actually in a drift of collapse since about 1970, since the collapse of Penn Central and the Chrysler Corporation in the famous crisis of that year.