Clinton must take on the 'Casino Mondiale'

by Kathleen Klenetsky

If President-elect Bill Clinton doesn't move immediately to crack down on the worldwide "casino" created by the last 10 years' orgy of international financial speculation and deregulation, he won't have a snowball's chance in hell of delivering on his promises to revive the U.S. economy and to provide millions of new high-wage, high-technology jobs. Instead, he will be faced with the worst financial and economic collapse in modern times, one that will make Herbert Hoover's political fate following the 1929-31 collapse seem a bed of roses.

That friendly warning was issued on Nov. 10 by international economist and former presidential candidate Lyndon LaRouche, who called upon Clinton to prick the speculative bubble that dominates the world economy, before it forces a wholesale restructuring of the U.S. economy on the model of the savage austerity implemented in 1930s Germany.

Prick the bubble

"Contrary to the popular mythology which grips public opinion among the so-called reader of newspapers and viewer of television news and talk shows," said LaRouche, "The problem is not . . . the deficit nor even the size of the federal official debt.

"The problem of the U.S. economy is a policy of deregulation unleashed during 1978-79 . . . by the Carter administration and by Paul Volcker's leadership of the Federal Reserve System, which created . . . the biggest international financial bubble in world history. That bubble is what is crushing the U.S. economy and the U.S. people," said LaRouche, "not the debt, and not the federal deficit."

Under these policies, the international economy has been turned into a "Casino Mondiale," a world casino, in which a trillion dollars is gambled daily in the world financial markets.

The devastating damage which this has caused to the real economy was detailed by *EIR* in a feature published in the Oct. 23 issue. The study showed how the U.S. economy has been deliberately and systematically looted, especially since the early 1980s, through such features of this global crapshoot as the so-called derivatives markets, through which flow billions of dollars in drug money, as well as trillions in other speculative transactions, completely unregulated.

In his statement, LaRouche also urged Clinton not to take the advice of such people as Ross Perot, Sen. Warren Rudman (R-N.H.), and former Democratic presidential candidate Paul Tsongas, who insist that draconian cuts in social spending, especially in Social Security and Medicare, must be enforced to "save" the economy.

As LaRouche put it: "Unless the Clinton administration changes its policy and recognizes that Ross Perot did not understand economics, did not recognize that the Fed is the one thing they must attack—its policies, and free trade, and GATT [the General Agreement on Tariffs and Trade] and this other nonsense—and instead follows my particular program, this country is going to spiral deeper and deeper into the worst depression of the 20th century, or perhaps into something as bad as hit Central Europe in the 14th century."

Pressure on Clinton

The issue which LaRouche raised is the crucial one for Clinton to address. Wall Street and its minions have already started bombarding Clinton with the message that if he goes beyond the extremely limited "growth program" he has outlined—a piddling $20 billion per year infrastructure program combined with another $25 billion allocated among an investment tax credit and some new worker retraining and educational projects—he'll be cut off at the knees.

So far, the bluntest *public* message from this gang was delivered by the *Wall Street Journal* on Nov. 6, in a lead article headlined "The Vigilantes: World's Bond Buyers

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Gain Huge Influence Over U.S. Fiscal Plans."

"Big bond investors around the world may now hold unprecedented power—perhaps even a veto—over U.S. economic policy," the article began. "Bill Clinton got a taste of that power in the past four weeks. Bondholders, increasingly anticipating the Arkansas Democrat's victory in the presidential race, pushed down prices of U.S. Treasury bonds and thus pushed up long-term interest rates to about 7.7% from 7.3%. It was the bond market's way of warning Mr. Clinton that as the new President he will long be on probation, with his every move instantaneously scrutinized."

(Although not mentioned in the *Journal* article, the rise in the bond prices coincided with rumors that Clinton was considering a proposal for doubling the size of his proposed public works program.)

The article asserted that Clinton will be allowed to implement some form of stimulus package. But if it means increasing the deficit significantly, or causes a rise in the inflation rate, "the reaction could be stiff and painful. With computerized trading linking global trading in U.S. government bonds, which now averages $150 billion a day, a worried investor can unload millions of dollars of bonds in seconds—and virtually 24 hours a day. If thousands of investors worldwide dump U.S. Treasury bonds, they could drive up long-term rates, which move inversely to bond prices, hobble America's economic growth and even plunge the nation back into recession."

The *Journal* quoted Robert Hormats, vice chairman of the Wall Street investment bank Goldman, Sachs: "The global bond market can be a very tough disciplinarian. Bond buyers have a very conservative bias, they'll be looking very hard at whatever Clinton does."

Coming from Hormats, that message is indeed significant. Hormats not only served as an adviser to Clinton on economic policy, his name has also been mentioned for a top economic policy position in the new cabinet. Moreover, his firm, Goldman, Sachs—one of the key players in the derivatives markets—was the largest single contributor to the Clinton campaign.

The *Journal* is just one among many organs of the international financial elite which has been telling Clinton that he must move immediately to assure the "markets" that he won't embark on a growth plan beyond that which he outlined during the campaign.

Paul Tsongas, a founder of the rabidly pro-austerity Concord Coalition, along with Warren Rudman, Council on Foreign Relations Chairman Peter Peterson, and Washington attorney Lloyd Cutler, went on national television on Nov. 9 to tell Clinton that his constituency is no longer the U.S. electorate, but the international financial markets.

Similarly vicious advice has come from a host of media scribblers who speak on behalf of the Wall Street establishment. Morton Kondracke of the *New Republic*—which supported Mussolini's fascist policies—wrote in the Nov. 7 *Washington Times* that "to calm the financial markets, [Clinton] ought to limit his plans for infrastructure spending." Kondracke urged Clinton to appoint "market-oriented moderates to key economic positions and include some Republicans in the groups," naming Rudman, Peterson, and Tsongas.

Former JFK adviser Ted Sorensen, writing in the Nov. 7 *New York Times,* urged Clinton to give a State of the Union speech early in his administration, to prescribe "the unappetizing medicine that must be taken for several years by each segment of our society."

Key appointments

How is Clinton reacting? To the extent he's talked about economics since his election, he's reaffirmed his commitment to his initial program, but has also gone out of his way to pledge his allegiance to deficit reduction, and to reassuring the markets that he can be trusted.

One important indicator of the incoming administration's economic direction will be whom Clinton appoints to fill key economic positions, such as treasury secretary. Those who are reportedly on Clinton's short list for the posts do not augur well, however. In addition to Hormats, they include:

- Paul Volcker, chairman of the Federal Reserve under Jimmy Carter and, subsequently, Ronald Reagan. Volcker, who publicly endorsed the idea, first circulated by the Council on Foreign Relations' *1980s Project,* for the "controlled disintegration of the world economy," is perhaps best known as the man who put the U.S. economy through the floor via his 20%-plus interest rate policy while at the Fed. Volcker is by far Wall Street's favorite candidate, although some in the Clinton camp fear he might overwhelm the fledgling administration.
- Robert Rubin, a lifelong Democrat and close friend of Robert Strauss, who co-chairs Goldman, Sachs. He recently stated that "you have to combine fiscal stimulus with long-term deficit reduction, and the art of it is to make the deficit-reduction part credible." He has also asserted that Clinton would deal with the deficit more aggressively than the Bush administration, because the markets wouldn't give a Democrat the same leverage they would give a Republican.
- Roger Altman, who met Clinton when a student at Georgetown University. He served as Jimmy Carter's assistant treasury secretary for domestic finance. He currently is a partner in the Blackstone Group, an investment firm headed by Peter Peterson, which specializes in buying up failed savings and loan institutions.
- Felix Rohatyn, of Lazard Frères, who created "Big MAC," the bankers' dictatorship which has virtually run New York City since the mid-1970s, placating the city's creditors by slashing social services and stretching out infrastructure maintenance and investment to the point that the conditions of roads, bridges, and the water system have become nearly life-threatening.