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.

The rational standard of belief

What has been summarily reported on the first eight forecasts shows that something is missing in the intelligence or morals of anyone who refuses to take the ninth forecast very seriously. Yet, that being said, although the public record shows that I am probably the world's best forecaster living during the past 40 years, does that unmatched record in forecasting guarantee that my ninth forecast is right? Any responsible government says, "He may be the world's best economist, but, even in his case, I still need the proof that his ninth forecast is right."

Think of an economist advising a government as morally in a position like the physician advising a patient. Would it be consistent with medical ethics to prescribe a medicine on the basis of "I happen to find the labels on the pharmaceutical company's products attractive"? How should the physician

Bank of England replies, defends derivatives

EIR spoke to Bank of England Governor Eddie George's press spokesman John Footman on June 13, and read to him the first couple of paragraphs of Lyndon LaRouche's article, describing George as a case study of the dictum "whom the gods would destroy, they first make mad." We asked whether George really believed what he was saying, or whether he was only mouthing such words to keep down the level of panic.

Footman replied, with his best City of London cool: "Our perception is that there is a need to monitor risks and regulators. We sympathize with some of the concerns that we see in the GAO [U.S. General Accounting Office] report on derivatives and other places. We are concerned about the derivatives transactions done by subsidiaries of securities firms. The generation of a speculative bubble would concern us if we saw that, but we see the risk being laid off in various directions, in an extremely complex way. What we need to be sure of, is that traders are not suffering undue risk, and that traders protect themselves from counter-parties, such as hedge funds. We need to watch all this very closely, and to make sure that all this is done in a professional way."

Then the Bank of England sent an "urgent fax" to *EIR*'s office in Germany, the text of a speech by Executive Director Brian Quinn before a joint meeting of the Futures and Options Association and the Futures Industry Assocation on May 25. The speech is entitled, "A Central Banker's View of the Growing Use of Derivatives." Here are excerpts:

"The ingenuity of the specialists who design and price derivatives products . . . seems boundless. . . . No officer charged with managing other people's money can afford to ignore the benefits that can come from a judicious use of the current range of derivative products; and business and finance courses at universities and colleges already see derivatives as a subject that must be covered in the curriculum. . . .

"Derivatives are here not only to stay, but probably also to grow, albeit perhaps at a less hectic pace. . . . Derivatives do not entail any new risks. . . . If the presence of derivatives makes prices of financial assets more volatile, does this necessarily mean the financial system is inherently less stable? The instinctive answer to this question seems to be 'yes.' However, academic work—while inconclusive—suggests that, if anything the opposite is the case. . . . More generally, the markets seem to be developing their own safeguards and sanctions, not least in the form of losses to shareholders."

—*Mark Burdman*