

LaRouche warns: Abandon the monetary Titanic

by Anthony K. Wikrent

On Feb. 27, U.S. physical economist and presidential candidate Lyndon LaRouche declared that “with the Bank of England’s announcement of the Barings bankruptcy, in London earlier this morning, all major financial markets internationally are braced for a major meltdown of derivatives and related investments as the likely scenario for the period through March 10. What has erupted over the past weekend is far worse than the famous U.S. stock-market panic of 1987, and will have far more devastating, deep-going effects. This crisis was not caused by some single, errant employee of Barings’ Singapore office; it is a new phase in the worsening, global, systemic collapse in the London-centered, worldwide network of derivatives markets which began with the Orange County [California] and Mexico crises.”

Within days, the world’s monetary and financial system was beset by a “dollar crisis” so severe, that even currency traders were screaming for government action. Following three consecutive days of setting new record lows against the deutschemark and the Japanese yen, the dollar fell to an all-time postwar low of DM 1.345 and Y 88.7 on the morning of March 8. Then, traders, suffering physical exhaustion, seized on a series of statements by officials around the world—no doubt hastily concerted in desperate secrecy—for a temporary reprieve.

But the miserable poltroons who have led the world into this mess, who are still unwilling to face the reality of the cataclysm they have created, quickly put forward a panoply of rationales for the pandemonium enveloping the markets. First, there were those of Sir Christopher Jeremy Morse, non-executive director of the Bank of England and former chairman of Lloyds Bank, who told a caller on March 8 that talk of a return to the gold standard, the reform of the International Monetary Fund and World Bank, and even a

tax on financial transactions is “all overblown. . . . I think people will weather it through, and they won’t change the system at the end of this bad patch.”

Some, such as U.S. Federal Reserve Chairman Alan Greenspan, slyly used the chaos to advance their political agendas. In testimony before the House Budget Committee on March 8, Greenspan linked the collapsing dollar to the defeat of the Balanced Budget Amendment. Pointing to the futures markets, where dollar contracts did not decline until just after the amendment was voted down, Greenspan declared, “There was apparent concern in the international financial markets that something significant was happening to our resolve with respect to coming to grips with the balanced budget issue.”

The lunatics have taken over the asylum

Then there was the establishment press. Not quite knowing what to make of the collapse, the *New York Times*, in an editorial entitled “Let It Drift,” declared that “no one knows” why the dollar continues to slide, so intervening might do more harm than good. The *Wall Street Journal* began a front-page article, “This is getting serious—fast,” and warned of a “full-blown global currency crisis that will drag down stock and bond markets around the world, disrupt international trade, and bring the economies of half a dozen countries to a grinding halt.” Nick Knight of Nomura Securities was quoted saying, “The thing is just madness. The lunatics have taken over the asylum.”

Those directly involved in the disorder appeared closer to panic. David Gilmore, a partner in a New York City firm named Foreign Exchange Analytics, told the *Journal of Commerce* on March 8 that the Group of Seven, scheduled to meet in Halifax, Nova Scotia in June, “must find a way to

stabilize the financial markets because what we are living with is unacceptable.” Françoise Soares-Kemp, a senior manager at the New York City office of Crédit Suisse, said, “The situation is out of hand, and unless we hear some noises that the central banks are working together to save the dollar, there will be a meltdown of confidence in paper money.”

Robert D. Hormats, vice-chairman of Goldman Sachs, told the *New York Times*, “This can only go on for so long. The U.S. cannot preserve the value of the dollar as a strong reserve asset and a strong transaction currency without mustering a solid defense at these levels. We need the financial equivalent of Desert Storm, a coalition to defend the dollar.”

They were forewarned

What about the one man who warned that it would happen? In an interview on March 8, LaRouche stated, “If you look at the world economy, you see that what is happening is that the British System is collapsing . . . at a time that there’s a major war going on between London and Washington, particularly between London and the Clinton administration.

“The crisis in Mexico and the crisis of Japanese investments by Barings and so forth, were in part colored by the fact that the British are trying to run political warfare through financial means, against the United States, the Clinton administration in particular.

“In that shot, Barings got stuck in Mexico, because the President of Mexico didn’t tell Barings they were going to do what they did. So Barings couldn’t get its money out of Mexico, except at a loss. Barings was also involved massively in Singapore, and no one has actually seen the bottom line on this one. This is not a couple of billion dollars they lost, they *really* are up to the wazoo in this one. . . .

“So, you have the collapse of a financial system, which was inevitable, given the policies, and given the unwillingness of Americans among others to come to their senses on this insane derivatives policy. But the complicating factor is that at the same time you’ve got three British monarchical banks. One has gone belly-up [Barings] and one is staggering around like a chicken that has lost its head, S.G. Warburg. That’s two out of the three banks, the third being Coutts, which is out of National Westminster now. The British monarchy banks are in trouble.

“You’ve got this derivatives crisis, which I warned about in 1992. And you saw how much attention I got from the voters and others in the political class, in warning, quite accurately, about this danger.

Will people admit LaRouche was right?

“Now the danger has hit. Are people willing to line up and say to me, ‘You were right, and we were wrong’? No. All right, until they’re willing to do something which is tantamount to that, this crisis is going to become worse.

“The two strongest industrialized economies in the world

are Germany and Japan. They’re in a relatively weakened state, but compare them to Britain. The British Isles are a complete garbage heap, a garbage heap which has been produced by those policies of Margaret Thatcher, which are the policies of Newt Gingrich and Phil Gramm. . . . If we continue to tolerate the kind of thinking which these neo-conservatives of the Mont Pelerin Society brood of chicks, such as Gingrich’s followers and Gramm’s followers continue to push, *there’s no hope for the U.S. or the U.S. economy.*

“The essential thing to remember about this crisis is not what’s going to happen to money figures, or what’s going to happen to this; it’s all going to happen, buddy! . . . *This crisis is going to continue to rock the world through at least most of this month and beyond.* Things are going to happen which were considered unthinkable in financial markets a few weeks ago. It’s inevitable, it cannot be stopped, until the political institutions agree that they were wrong, and I was right.

“. . . There are things we can do, but they’re not within the existing rules of the game. . . . I’m afraid you’ve come to that time when people are going to have to be put through an emotional wringer before they’re willing to give up some of those stupid ideas which they support. . . .

“What is required, is that a group of governments agree that the present shattered, disgustingly bankrupt international financial and monetary system, including the U.S. Federal Reserve System, is bankrupt. And that it’s the function of governments now to put the existing central banking systems, including the Federal Reserve of the United States, and major financial markets, into a systematic bankruptcy reorganization. Under those conditions, a group of nations can bring this crisis under control, using policies which Phil Gramm would never tolerate, which Newt Gingrich would probably never tolerate. You’ve got to abandon, write off, your financial commitments, the policies you’ve been running under recently. [Instead,] rely upon your technology, your industry, your infrastructure development. But we’re not going to solve our international financial problems, unless we get a group of nations together, to say, ‘Let’s get rid of this damn British System *now!* Let’s get away from the Adam Smith free trade lunacy system, and let’s go back to production; let’s go back to the system which used to be called the American System.’ *Anything else* is going to the market to see what your loan rates are on buying a ticket for a better stateroom on the sinking *Titanic*.

“You want to get out of the mess? You must give up the things that are destroying you. You want to survive? Buddy, get off the *Titanic*, and get in the lifeboats, and stop talking about how to get a better stateroom. Get to the lifeboats: It’s finished.

“And the sooner we’re off the *Titanic*—that is, the monetarist tradition of Thatcher and Gramm and Gingrich, and the *Wall Street Journal* crowd—the sooner we have a chance of surviving. Until we do that, nothing counts.”