

nal of the New York Council on Foreign Relations. This “elite” magazine is the mouthpiece of the London/New York financial oligarchy. In open hysteria, CFR research leader E.B. Kapstein announces the “end of the financial crisis”! The world financial system is “shockproof,” he claims. The roots of a conceivable systemic crisis of world finances have been “eradicated.” Under relatively normal conditions *Foreign Affairs* would never let itself get carried away by such obviously absurd assertions. Even President Clinton spoke of “the seeds of potential disintegration” in the world financial system, and French President Jacques Chirac declared that financial speculation has taken on the dimension of “financial AIDS” for the world financial system. The overlap in time between the *Foreign Affairs* article and Lyndon LaRouche’s 30-minute Presidential national campaign television broadcast on Jan. 27, in which he presented the inevitability of the collapse of the financial system, is also characteristic.

Mr. Kapstein does not trouble himself in the slightest to present any grounds for his categorical assertion of the “end of the financial crisis.” He simply asserts that the “international regulatory structures” in the last 20 years have been so “strengthened” that no systemic dangers threaten the financial

system any more. *Foreign Affairs* is not a bit disturbed by the fact that over the last 20 years, the financial markets internationally have been radically deregulated and that this has made the present scale of international financial speculation possible. The undeniable financial crises of 1995—Kapstein mentions the Mexico crisis, the Barings Bank collapse, and the Japanese banking crisis—were merely local phenomena and the work of lone “criminals.” Derivatives speculation is harmless, he says, and only “scared little rabbits” would see in them a danger for the financial system.

In fact, Mr. Kapstein reminds one of the loud speech of little Peter in the dark woods, when he announced, “We have found the way, to stem the [financial] crisis.” The deeply entrenched fear of the near-term collapse of the world financial system has obviously grown so greatly in the financial oligarchy, that it is believed that one can no longer afford to even talk about the condition of the world financial system. So, such discussions will be deliberately throttled and made taboo, because it is feared that the financial collapse might be hastened by it. But unwittingly, *Foreign Affairs* has unveiled the mistrust and inner panic about the state of the financial system, in the financial oligarchy itself.

Kapstein’s curious hoax

This comment was issued by Lyndon H. LaRouche, Jr. on Feb. 4:

The current, January/February edition of the New York Council on Foreign Relations’ *Foreign Affairs*, features a curious piece of whistling-in-the-graveyard fiction, authored by one Ethan B. Kapstein, Director of Studies for that Council. Kapstein’s curious concoction, which appears under the title, “Shockproof: The End of the Financial Crisis,” will go down in the history of the arcane, as the celebrated “Kapstein Hoax of 1996.”

His myth argues, that the world has emerged successfully from what was, for many, a series of critical episodes in international financial crisis. He giggles, “Many Chicken Littles had predicted during the late 1980s and early 1990s that trading in derivatives—futures, swaps, and options—would trigger the next global financial crisis. But they overlooked the important role that derivatives have played in moderating systemic risk, providing banks with increased opportunities to diversify their portfolios and protect themselves from sudden market shifts. . . . The international financial markets have not suffered because the roots of the disease have largely been eradicated.”

Undoubtedly, either the high price of paper has impelled *Foreign Affairs* to cut what it deems not-essential

passages from its contributors’ articles, or author Kapstein did not think the empyreal elegance of rhetoric as wildly absurd as his own, should be marred by reference to relevant facts.

The only serious issue posed to a reviewer by Kapstein’s hoax, is why would *Foreign Affairs* publish such obviously hysterical rubbish at this time? On that account, two facts readily available to anyone travelling in the Washington, D.C. orbit, are outstanding. There is a currently escalating fight within the Democratic Party (and the government) over two issues: Whether or not the President and Democratic Party should pretend to believe in an “economic recovery” which it knows does not exist, for the duration of the 1996 primaries; and whether it is not advisable for the Administration and Party leadership to avoid as much as possible, the charge by certain Bush-league and other Republicans, that the Democratic Party is listening altogether “too much” to the ideas of Lyndon LaRouche.

No one of influence, excepting some Yuppie parasites of the type swarming in the unfumigated corners of the *Wall Street Journal*, actually believes the sort of fairy-tale peddled by Kapstein’s hoax. In no part of the world—for example, France, Italy, Germany, the former Soviet bloc, Japan, the U.S.A.—are economic and financial conditions anything but becoming worse by the week. Only the stock-market and financial indexes continue to rise, as one might expect of any creature in the terminal stage of feverish infection.