World financial system is at 'five minutes to midnight'

by John Hoefle

The final days before the U.S. Nov. 5 federal elections, were marked by an increasing number of warnings from so-called financial experts of the imminence of a global financial meltdown. The density of the warnings, was an indication of the widespread recognition that the period of virtual reality which preceded the U.S. elections is over, and that reality is about to assert itself with a vengeance.

Illustrative is an Oct. 29 column in the City of London leak-sheet, the *Times,* by columnist Anatole Kaletsky, warning that a "worldwide financial explosion" is coming. "You have been warned," Kaletsky concluded.

Indeed. In May 1994, Lyndon LaRouche issued his ninth economic forecast (published in *EIR* on June 24, 1994).

"The presently existing global financial and monetary system will disintegrate in the near term," LaRouche warned. "The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly come 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."

As LaRouche noted on Oct. 5, 1996, commenting on the warnings of International Monetary Fund (IMF) Managing Director Michel Camdessus that a global banking crisis was under way, "This train came crashing into the terminal on schedule."

'LaRouchistas'

While the London *Times* and other pundits pretend to ignore the obvious truth that LaRouche was right, other observers are quick to grasp the point.

José Neme Salum, in his weekly financial column in the Mexico City daily *Excélsior* on Nov. 4, reviewed the sudden rash of public warnings from a host of famous "pro-monetarist analysts," including the London *Times*'s Kaletsky, Elaine Garzarelli in the German weekly magazine *Der Spiegel,* and Carlos Conrado H. in Argentina's *La Nación.* And then he joked, "Why now, from 'the City' of London, to Wall Street and the IMF itself, do they admit the conclusions of the Ninth Forecast of U.S. economist Lyndon LaRouche, made in May 1994? Why do all of them now want to be LaRouchistas?"

Neme Salum warned of the motives of many sounding the alarm: "Readers should also be aware that there are various intentions behind this recognition of the coming collapse of the financial markets. The most dangerous, that of the IMF, which today tells nations: 'The situation is out of control. You, as a country, cannot do anything. You should let the IMF manage the world crisis.' " Since it is IMF policies, after all, which caused the crisis, to accept their advice, is to bring the "mortal danger" of which the likes of Kaletsky warns, down upon your country, Neme said.

As he has stated repeatedly, *Excélsior*'s lead financial analyst reiterated that the only solution is "to throw [the IMF's] bankrupt world order in the garbage." On a hopeful note, Neme Salum wrote that there is a possibility that, if the Democrats win the U.S. elections, they may impose a tax on speculative operations, as part of a set of needed measures.

LaRouche himself, in an interview the day after the U.S. elections with "EIR Talks," said, "But, in any case, the problem is this. We are now—as the Managing Director (I mentioned this before on this program) Michel Camdessus of the IMF, has warned repeatedly this year—we're headed right into the greatest financial landslide you can imagine: a general chain-reaction of collapse in the international banking industry. This means that all bets are off."

LaRouche warned of a "financial Thermidor," and said of the election results that, when the Republican majority in Congress is suddenly hit by the chain-reaction financial collapse of the whole blasted system, "they're going to look like Herbert Hoover."

A close call in 1995

Germany's leading business journal, *Handelsblatt,* publicized on Nov. 4, that during the summer of 1995, the world financial system was "five minutes to midnight," at the point of complete disintegration. Citing Kenneth Courtis, Deutsche Bank's chief economist for Tokyo operations, *Handelsblatt* reported that financial meltdown was averted only by the creation of a gigantic, joint U.S.-Japan financial rescue package of a $500 billion credit line—an unprecedented bailout scheme.

That smoke-and-mirrors operation enabled Japan to paper over the crisis without dumping its huge holdings of U.S. Treasury bonds, but, like all such quick fixes, it only made the problem worse. The result, Courtis told *EIR* on Nov. 7, is that "world markets are spectacularly leveraged around this yen-dollar deal," yielding a market in which nearly everyone is betting on the yen to decline against the dollar. "When a market is this lopsided, and it suddenly starts to go the other way," Courtis said, "everyone's going to rush to get out the door at once when it blows."

Handelsblatt's revelations on the 1995 "five minutes to midnight" crisis, were featured prominently in another German publication, *Bild Zeitung,* on Nov. 5.

Another voice in the chorus, is George Soros, the international poster-boy for unbridled speculation. Soros has reversed course completely, calling for tighter regulation. Soros told the French newspaper *Le Monde* on Nov. 2 that "the markets are not sufficiently supervised, and their regulation should be reinforced. . . . I am not an advocate of laissez-faire."

"I have lived through situations in which the derivatives markets have been extremely destabilizing," Soros stated, noting that "disequilibriums occur when too many operators have positions which are in the same direction. The big rise of the yen, in 1995, was accentuated by the massive utilization of optional instruments. . . . Derivative products, without a doubt, incur big risks to the system, but it is impossible to specify what these are, since these risks have not yet appeared. I don't think that the derivative products, in and of themselves, can destroy the financial system, since the system is too resistant to this. But there are risks of a big shock."

To complete the circle, we return to the *Times*'s Kaletsky, and his article, entitled "Watch Out for the Explosion." "The lunatics have taken over the asylum," Kaletsky expounded. "The Fat Lady has hit high C. It's all over, bar the shouting. Add or subtract clichés at will: You can grasp my meaning. The great bull market may not yet be over. But it is suddenly in mortal danger. Bonds round the world and Anglo-Saxon currencies have entered the kind of wild speculative period, when even aggressive investors may be well advised to stand aside—and stock markets cannot ignore a shock in bonds and currencies."

The end is near

When Soros, the man of whom it is said—falsely, to be sure—that he took on the central banks and won, begins to warn about the need for regulation, one should pay very close attention to what is being said. Either the man has had a complete change of heart, assuming that he has one, or there is trickery afoot.

The same can be said for the *Times* of London, with its "you have been warned" posture, and the rest of the pundits who, after years of touting the invulnerability of the financial system, are now wailing about the coming crash.

For years, the financial oligarchy has sought to ridicule LaRouche for his warnings that the present financial system was doomed, that its reliance upon looting existing wealth, rather than the creation of new wealth through the application of science and technology to increase the productive powers of human labor, would lead inevitably to its collapse. But with the passage of time, it has become unmistakably clear that LaRouche was right, and the oligarchs were wrong.

With that recognition, and the corresponding growth of the influence of LaRouche's ideas, the oligarchy now fears that when the bubble bursts, the governments of the world will turn to LaRouche for help.

Thus the oligarchs have, at five minutes to midnight, launched a new campaign, to portray themselves as the people who warned of the coming crash, in the hope that when the crash occurs, they will be in a position to dictate the responses of the governments of the world, to prevent governments from breaking with the policies which have proved so destructive.

The oligarchs' solution, as expounded by the IMF, the World Bank, and other oligarchic institutions, is the creation of what amounts to a world financial government, a financial dictatorship which would impose bloody austerity upon the nations of the world.

That the battle lines are drawn, was made clear by Reuters, the British intelligence propaganda arm *cum* news service. On Nov. 2, Reuters distributed an interview with LaRouche. "LaRouche is more concerned about what he says is the impending collapse of the financial system and a nefarious, long-running plot to undermine nation-states, closely linked to Britain's royal family," Reuters commented. It quoted LaRouche as saying, "Now we're coming into the time of reality and that's where I dwell. . . . I've seen that coming for a long time. . . . The whole of blasted civilization is being consumed. . . . The word is out all over the world, the financial system is gone. . . . Either we're going to end the mess or we're going on to a new dark age."