Your time is running out

by Lyndon H. LaRouche, Jr.

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At any time, soon, the second big financial blow of 1997 will bring a new round of temporary panic into financial markets around the world. If it has not already arrived by the time you read this report, you may expect it to arrive, soon. There are reasons to expect this next round to be worse than the blows which began to pummel financial markets this past mid-March. The question is: is this up-coming, next downturn likely to be "The Big One," that sinks the international financial system? That is a possibility, but, I tend to believe that relevant institutions could, and will contain the next crunch before it reaches the point of detonating the "Big One." How soon should we expect the "Big One"? Or, is that the wrong question?

During the recent weeks, most of those highly-placed sources, with whom ***EIR*** is in frequent discussion of these matters, have expressed agreement with my estimate, that the next international financial crunch is due soon, and that, when it strikes, it will be much worse than the crunch which hit beginning mid-March. A significant number of high-ranking sources, have made similar forecasts, independently of my own. Any reader who has had the opportunity to scan the news media of key countries in Eurasia during recent weeks, would have encountered published statements showing that highly placed insiders are warning of an oncoming financial downturn much worse than that which blew over a couple months back.

Meanwhile, an increasing number from relevant circles are coming to share my estimate, that the present international financial system will be extinct before the turn of the century. My point has been, that there is no way we can stop the international financial *Titanic* from sinking; but, that we can, and must act to save the passengers, before they go down with the doomed ship. The passengers we must pull off the sinking ship, are the United States, and other nations, and their people.

The importance of my forecast, is that it is designed to forewarn governments and others, to take timely preventive action, to prevent the present series of interna-

Lyndon LaRouche, Jr., in a 1988 TV broadcast during his campaign for the Democratic Presidential nomination, compares the behavior of the financial markets to a bouncing ball—up until the point that the whole shebang comes crashing down.

tional financial crises from setting off a general, global economic break-down crisis. It is not a matter of "predicting" what will happen; it is a matter of turning the financial *Titanic* about, soon enough to avoid hitting the lurking icebergs which lie just ahead.

What must be done, to turn things around, is no small thing. It is a very drastic action. It involves action by a powerful group of nations, to bring the present international financial and monetary system to a sudden end, and, simultaneously erect a new, and healthy form of international financial, monetary, and trade system, to replace the dying, utterly bankrupt existing financial, monetary, and trade system. This is no small matter.

This point is made clearer, by referring to a meeting which I had, back during the mid-1970s, with Jacques Rueff, the famous economist who had been President Charles de Gaulle's leading advisor on economic matters. The purpose of the meeting, was to review my assessment of the then-current trends in the international monetary system, and to discuss a proposal for international monetary reform, which I was putting on the table at that time. M. Rueff stated that he agreed with my general assessment of the international monetary situation, but warned that none of the relevant existing politicians had the intellect and courage to act. I share with you now, the illustration which he stated to me then; it will help you to appreciate the difficulties of decision-making which will tend to puzzle the will of key statesmen, such as President Bill Clinton.

M. Rueff summarized the history behind France's successful adoption of the so-called "heavy franc." He had proposed it as necessary; but, President de Gaulle soon returned to present the reply, that all of his other advisors opposed the proposal. M. Rueff explained, that he had replied to his President: "I stake my entire life's reputation on the certainty that the heavy franc will succeed." As, of course, it did. It was that commitment by an outstanding professional, which prompted de Gaulle to respond, after a reflective pause, with words to the effect: "We shall do it."

Although more and more leading figures, especially senior ones, are coming around to acceptance of my general forecast on the nature of the present international financial crisis, virtually none, so far, have been willing to stick their necks out, publicly, on the crucial political issues of needed institutional reform of the monetary and financial systems. Therefore, so far, the likelihood that the world will not drop soon into a "general breakdown crisis," hangs, at least to a very large degree, on the recognition of my authority as an economic forecaster.

Our President, and some other heads of state, are being carried down a raging financial torrent of successive financial crises and economic disasters, toward the rocks. Soon, they must act, in the sense that de Gaulle's support of Rueff's proposal was crucial in rescuing France from the wreckage which the Fourth Republic's policies had made of the national economy. So far, mine is the only publicly visible forecast which addresses that awesome reality. If heads of state recognize my authority in this specialized matter, that is good; but, the best among today's elected officials are not likely to rely on their own judgment, alone. If even the best among them do not think my authority can be "sold" to a significant part of their constituency, they are unlikely to act.

The present circumstances of deepening, intertwined, international financial, monetary, and economic crisis, have produced a situation, both in the U.S.A., and world-wide, in which the controversy over my personal authority as an economist has become a central practical political issue of policy-shaping for a growing number of governments and other potent institutions. On this account, it is necessary to point to my uniquely successful record as an economic forecaster, and to emphasize the source of the outstanding success I have enjoyed on that account, during a period of more than three decades to date.

Under the present conditions, as defined by the accelerating rate of degeneration of the present international financial system, especially since the U.S. financial crunch of October 1987, the question of who is a competent economic forecaster, and what is the source of his, or her competence, has become a first-rate question of national policy-making for all leading governments. On that account, it is necessary that my warnings and proposals be juxtaposed to a summary chronicle of my record as a forecaster since 1956.

On that account, it is necessary for the general welfare of our people and their posterity, that the proofs of my authority in this matter be conveyed in a prominent and forceful way. For that reason, the following chronicle, summarizing my history as a forecaster, is presented.

The political problem

The gravest economic problem faced by leading governments today, is, that most governments, and the majority of U.S. citizens continue to disagree with my warnings about the need for drastic actions to deal with the fact that the international financial system is already hopelessly bankrupt. Over this issue, the officials of the International Monetary Fund (IMF) have expressed open and intense personal hatred against me. In and around the U.S. government, for example, some of the most violent disagreement comes from the wild-eyed "free trade" fanatics, such as the neo-conservative and theo-conservative followers of Texas Senator Phil Gramm and "Diamond Pat" Robertson. Otherwise, some of the most hysterical disagreement is expressed by the managers and dupes of that giant "Ponzi Scheme" known as the mutual-funds market. Inside the U.S.A., the most numerous opposition comes from ordinary wishful thinkers, whose argument is fairly summed up by the words: "You are wrong. You will see, that they would never let such a thing happen to my money."

The issue is not simply that they happen to disagree with my forecast. The problem is, their opposition to our government's taking the kinds of actions needed to prevent the worst, world-wide economic depression in modern history from becoming an irreversible, and horrible state of affairs for a long time to come. The problem is that very large ration of people who refuse, irrationally, hysterically, to get off the sinking financial *Titanic* until after it has "actually sunk."

Here, inside the U.S.A., for example, there are two related, but distinct topics to consider, when reviewing political attitudes on the present global financial crisis.

Really sane people in the Americas, Europe, and Japan, such as trade-unionists, farmers, industrialists, and so on, agree that the 1990s have turned out to be "hard times," and are becoming worse. In these countries, most senior officials from the ranks of industrialists, bankers, and other relevant professionals, see a series of ever-worse hard bumps in the financial and economic roads immediately ahead; those who deny reality on this matter are typified by the U.S. "Yuppie" ("Baby Boomer") stratum among officials in government and the private sector, not to speak of those wild-eyed specimens who dominate the ranks of mutual-funds managements. The rising, persisting strike wave which is shaking the governments of Europe, reflects increasing popular perception of the reality, that "hard times" are here, and becoming ever worse.

Meanwhile, in these same countries, those, like the neo-conservatives, who insist that "free trade" will "kiss your boo-boos and make them better," such as the "Contract on America" enthusiasts here, form the political base of support for growing, mass-based forms of pro-fascist movements from inside the so-called "mainstream political system." The Padania separatist movement in Italy is only typical of the proto-Mussolini form of fascism building up across Europe today.

Thus, the worsening crisis of the international financial system, has evoked a sharp, growing, mass-based political division within society. This division is led, on the one side, by the viewpoint expressed by Europe's rising mass-strike ferment, as echoed by the revival of the AFL-CIO here in the U.S.A. The opposing tendency is typified by the reactionary, fascist-tending "neo-conservatives," such as the "Contract on America" ferment here in the U.S.A. The first, looks to the government of the nation-state for its essential part in organizing solutions. The second, is committed to undermining and destroying the existing form of sovereign nation-state, as the "Contract on America" typifies the revival of the Nashville spirit of the Confederate States of America, and President Woodrow Wilson's revival of the Ku Klux Klan, here in the U.S.A. The first current demands, that the national government act, implicitly demanding new Franklin Delano Roosevelts. The second, wild-eyed "free trader" current, like anarchistic, right-wing parodies of Bolsheviks, demands "the dissolution of the existing nation-state form of government."

The holocaust now continuing to target millions of Hutu and other victims, a holocaust directed by dictator Yoweri Museveni of Uganda, who has vowed publicly to outdo Adolf Hitler, is a cohering expression of the new forms of fascism the present financial crisis is fostering.

Forecasting is not 'predicting'

The most significant feature of my forecasts, is that they were never presented as "predictions," but as a scientific analysis of both the economic and related political directions in which present policy-making was sending economies. The crucial feature of my own work, is that I freed myself from those methods of statistical forecasting, which are the common cause of failure in most honest attempts at forecasting.

I developed this new method of forecasting out of the influence of Gottfried Leibniz's writings on my thinking, beginning during my adolescence. As has been stated in numerous published locations, the method I adopted, during 1952, for conducting the kind of forecasting implicit in certain lines of Leibniz's work, has depended to a large degree on the principal discovery of the Nineteenth-Century physicist, Bernhard Riemann, otherwise better known as the founder of non-Euclidean physical geometry. It is upon this choice of method, that the qualitative superiority of my forecasting work has depended.

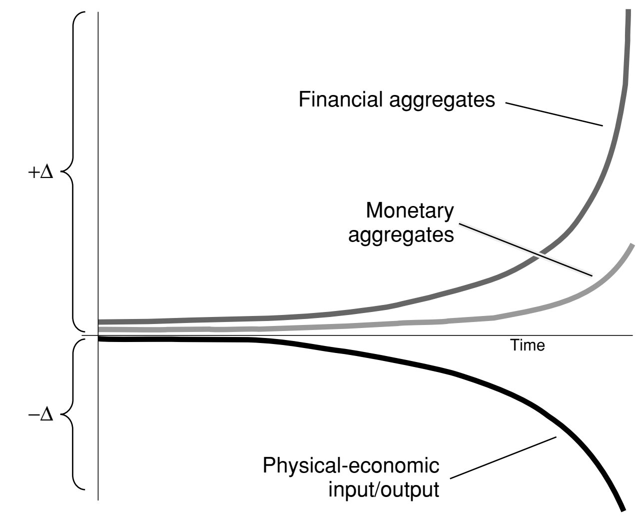
The working point here, is that you should not buy the proverbial "pig in a poke." The apparent success of some forecasts, is no indication that that forecaster will also be successful on another occasion. Nor can you judge economists simply by their reputations among their peers, nor by the positions they occupy, or awards they have won. Most Nobel Prize economists, for example, never gained the prize until they, such as Professor Milton Friedman, had caused a few terrible catastrophes. The competence of an economic forecaster lies, first of all, in his choice of method. My own work should not be treated as an exception to the rule. Therefore, a few summary points are added to this report, as a guide to better understanding of the record of success shown by the accompanying chronicle of my forecasting.

The most critical fallacy common to each and all of the competing varieties of economics generally taught in university textbooks and classrooms, is that their mathematical models prohibit attention to the one factor which is decisive in determining whether or not an economy works: the development of the cognitive powers of the individual person, whether as a farmer or industrial operative, a science-related professional, or an administrator. On this account, there is no axiomatic difference among Adam Smith, John Stuart Mill, and Karl Marx. This is the great, common, axiomatic absurdity characteristic of virtually every generally accepted variety of economics taught in universities, and displayed in professional papers, today.

The individual personality's cognitive powers of reason are the primary factor in two most notable, distinct aspects of the productive process.

On the one side, the mind of the operative, whose technological potential for increased productivity depends upon his, or her development of those cognitive processes, as through public education, to the effect of being able to assimilate, rather rapidly, and efficiently, with innovative comprehension, technological and related changes in the design of product and characteristics of the productive process otherwise.

FIGURE 1
A typical collapse function



On the other side, in administration, current policies, to the degree they deserve the dignity of the name "policy," as distinct from individuals' caprices, correspond to theorems. Like the theorems of a formal geometry, they rest upon the influence of certain underlying, axiom-like assumptions. These assumptions are efficient in effecting choices of theorem, whether or not the decision-maker is aware that such assumptions exist.

The first step in competent economic forecasting, is to adduce the efficiently operative, underlying assumptions, which correspond to the patterns of policy-decision in force. The next step, is to understand these connections, to such effect, that if one or more of these assumptions were to be changed, that change would be reflected as a different pattern of policy-shaping, than prior to such a change. If we take into account the calculable, cumulative effects of such changes in policy-shaping, over time, we are able to forecast with useful accuracy, what future changes in the economic process are likely, if a certain change in axiomatic assumption were not introduced to prevent such an outcome.

The "trick" in such forecasting, is to begin by putting to one side financial and monetary processes as such, to concentrate, as Leibniz did in founding economic science, on physical economy. Treat economic processes in their respect as an efficient interrelationship between man and nature. Then, examine the way in which certain types of financial and monetary policy regulate the decision-making processes regulating the economic side of man's interaction with nature.

Finally, as a matter of prefacing the following chronicle, consider my use of what I named "The Triple Curve Function" (**Figure 1**). For the purpose of presenting the factors of relative timing in respect to the currently ongoing series of financial crises, I asked that attention be focussed upon the pres-