

How Volcker and Greenspan created the financial bubble

by Richard Freeman

During the 12 years since he became Federal Reserve Board chairman on Aug. 11, 1987, Alan Greenspan has created the biggest speculative financial bubble in history. Today, the “Greenspan bubble,” a cancerous, speculative mass of financial instruments, is at the point of implosion.

Greenspan built upon the work of his predecessor, Paul Volcker. Since August 1978, when Volcker took office, America has been ruled by only two Federal Reserve Board chairmen: Volcker and Greenspan. They used the Fed’s enormous power to inflate a bubble of approximately \$300 trillion in short-term financial obligations worldwide, and many tens of trillions of dollars in the United States.

That bubble has bankrupted the world’s monetary and financial system, sucking the life-blood out of the underlying physical economy—upon which human existence depends, and which keeps the bubble itself afloat. Greenspan has used the printing press, and fierce austerity, to support that bubble at the expense of human life.

During 1998, there were several incidents that threatened to bring down the derivatives-bloated world financial system. On Aug. 17, the Russian government declared a moratorium on its short-term Treasury securities (GKO’s), as well as certain categories of corporate debt. This caused billions of dollars of bank losses. On Sept. 23, in part because of the chain-reactions caused by the Russian decision, the Greenwich, Connecticut-based Long Term Capital Management hedge fund, which by then had only \$600 million of capital but \$1.25 trillion in derivatives positions, blew out. Greenspan’s actions were swift. He arranged a meeting at which the Fed muscled the banks to provide a private, \$3.6 billion bailout of LTCM. He also bailed out many other hedge funds, and the banks that financed them, which were in a similar predicament: Between Sept. 29 and Nov. 17, he opened the floodgates of money-printing, cutting the federal funds rate by a quarter of a percentage point three times. Greenspan was going for a bailout on a grand scale, heading the United States and the world down the path to a 1921-23 Weimar Germany-type hyperinflationary explosion. No action is too reckless for Greenspan, to preserve his bankrupt bubble.

Greenspan has used this arrangement several times. During 1991-92, he arranged for the bailout of the New York

commercial banks, which had incurred huge real estate losses. Some, such as Manufacturer’s Hanover, were at the point of going under. Greenspan rigged the markets to allow the banks to borrow at the Federal Reserve’s discount window at a very low interest rate, and then turn around and invest the funds in U.S. Treasury securities, which paid a much higher interest rate. The bankers made a windfall profit on the difference between what they paid for funds, and what they got on their investment of the funds. It was Greenspan’s “bankers’ welfare.”

By his own admission, Greenspan had also turned on the printing presses after the October 1987 stock market crash, to “save” the stock market and the financial system.

Greenspan has ruthlessly protected the wild growth of every area of speculation, especially derivatives: He intervened in 1998-99 to prevent the Financial Accounting Standards Board from having derivatives reported on the books of banks (they are currently reported off the books), and he forced the January 1999 resignation of Brooksley Borne as head of the Commodity Futures Trading Commission, after she proposed regulating over-the-counter derivatives.

The root of the problem

The speculative bubble has been created and inflated by the 30-year policy of the post-industrial society. In the mid-to late-1960s, the British financier oligarchy and its satraps on Wall Street imposed this policy on the United States. As implemented, the concept has meant the shutdown of U.S. manufacturing, agriculture, and infrastructure, and the simultaneous buildup of services, especially of financial services. The policy was advanced by the Aug. 15, 1971 delinking of the dollar from the gold reserve standard, and by the 1981 Kemp-Roth Tax Act and the 1982 Garn-St Germain Act deregulating America’s banking system.

Volcker and Greenspan’s implementation of the post-industrial society policy fed the speculative bubble, while reducing the physical economy to ruins. It is that reality, covered over by the “economic recovery” hoax and the glorification of the stock and other speculative markets, which this report exposes.

The “orbit” of the post-industrial society policy, and the

“Greenspan bubble” built upon it, is like the trajectory of a comet, headed toward the Sun. No minor modifications will stop this collision, and resulting doom. Only a fundamental alteration of the policy, and the *thinking behind the policy*, can alter the trajectory. Any “reforms” of a monetary system dominated by that policy, are like changes on that comet headed toward the Sun. Only a sharp break, toward a higher order of thinking, such as Lyndon LaRouche’s proposal to put the current monetary system through bankruptcy reorganization, and erect a New Bretton Woods monetary system, pivoted around the development projects of the Eurasian Land-Bridge, can change the comet’s trajectory.

The collapse of the bubble opens up tremendous possibilities. It will expose the increasingly discredited Greenspan as a liar, destroyer of nations, and a fool. People will question how they could have been such fools to believe anything Greenspan says.

But, the bubble has also brought murderous consequences. This report looks at the process by which the British oligarchy imposed its policy of “post-industrial society” upon the United States, including the roles of Volcker and Greenspan. It documents the record surge in instruments fuelling the speculative bubble, such as derivatives, stocks, and so on, as well as the widespread destruction of the economy. And, it reveals Greenspan’s defense of derivatives and austerity.

The post-industrial society

The British oligarchy and its Wall Street offshoot began imposing the “post-industrial society” policy in the mid- to late-1960s. This view assailed the American System of economics, and the fundamental principles of civilization. Instead of a world of economic development based on the mode of capital-intensive, energy-intensive manufacturing, agriculture, and infrastructure, and the development of the cognitive and productive powers of labor, it sought to substitute H.G. Wells and Bertrand Russell’s system of an anti-progress, feudalistic globalism, enforced by a world government. In the area of economics, it sought an information age of services, especially financial services (see Lyndon H. LaRouche, Jr., “The Wells of Doom,” *EIR*, Dec. 19, 1997). There are a few pivotal points in this 30-year process. The important thing to note, is the characteristic of change from one bad policy to another.

President Nixon’s August 1971 decision to take the U.S. dollar off the gold-reserve standard was made on advice from London-Wall Street oligarchical forces. Treasury Secretary John Connally knew little about international economic affairs, and took his advice from Assistant U.S. Treasury Secretary for International Monetary Affairs Paul A. Volcker.

This delinking of the dollar from the gold-reserve standard replaced the relatively successful (especially in the 1944-58 period) Bretton Woods monetary system, with the floating-exchange-rate system, which severed U.S. financial flows from physical goods flows. The dollar could be moved

anywhere on the globe without any connection to financing hard-commodity goods trade or industrial processes. The floating-exchange-rate system meant that speculation could take off.

During 1973-75 and 1977-79, the British Commonwealth’s oil cartel, then called the Seven Sisters (now Five Sisters), unleashed successive oil hoaxes which raised the price of a barrel of oil first from \$3, to \$12 per barrel, and then from \$13, to \$33 per barrel, an 11-fold increase in six years. Other energy prices moved up in tandem. The result for oil import-dependent industrial nations, such as Japan and the nations of Europe, was a catastrophe, and this had a severe impact on the economies of the United States and the Third World.

Speculators were happy: The recycling of petrodollars, generated by the oil crisis, increased the size of the offshore, unregulated Eurodollar market, from practically nothing to more than \$1 trillion by the early 1980s.

In 1977, the Trilateral Commission-dominated administration of Jimmy Carter came into office and proceeded to deregulate and rip up the U.S. transportation grid: On Oct. 24, 1978, Carter signed into law the deregulation of the airline industry; on July 1, 1980, Carter signed into law the deregulation of the trucking industry; on Oct. 11, 1980, he signed into law the deregulation of the rail industry. In each case, the effects were calamitous (see *EIR*, March 29, 1996, “The Battle for the Soul of the Democratic Party”).

Carter introduced other ruinous policies. In August 1978, he appointed Volcker as chairman of the Federal Reserve Board. Within a year, Volcker would be implementing the policy of “controlled disintegration of the economy,” which was developed by the oligarchy’s policy institute, the New York Council on Foreign Relations (CFR), in a program started in 1973-74 called “Project 1980s.”

(The Project 1980s team became key in the Carter administration. In addition to Volcker, others who were either directors or project leaders of “Project 1980s” were Cyrus Vance, Zbigniew Brzezinski, and W. Michael Blumenthal, who were, respectively, Secretary of State, National Security Adviser, and Secretary of the Treasury.)

The concept of controlled disintegration, which was outlined in the Project 1980s book *Alternatives to Monetary Disorder*, was based on the idea that through a series of administered shocks—oil cut-offs, interest rate hikes, interest rate cut-offs—the economy could be driven to zero growth, and then, negative growth. The oligarchy asserted that this would be a disintegration that it would control. This policy was the most extreme variant of the post-industrial society.

On Nov. 9, 1978, Volcker gave a speech at Warwick University in England, at which he stated, “Controlled disintegration is a legitimate object for the 1980s.” This was not an abstract observation. The Federal Reserve has immense powers to dictate U.S. monetary policy. It sets the level of the federal funds rate, the discount rate, reserve requirements for

commercial banks, the rate for margin buying in the stock market, and so on. Within days, it can either flood the markets with liquidity, or completely dry them up.

During the week of Oct. 6-12, 1979, Volcker, claiming to be fighting inflation, began sending interest rates into the stratosphere. By December 1980, the prime lending rate charged by commercial banks was 21.5%. He kept interest rates at double-digit levels for years. The entire world economy of manufacturing and agriculture buckled; the U.S. economy was devastated, and by 1982, Third World debt had increased 50-70%.

The Volcker high-interest-rate regime intersected the debilitating effect on the economy of the 11-fold increase in the price of oil: Manufacturing and agriculture withered, but speculation flowered. One could not invest in manufacturing and repay loans at a 21.5% rate of interest, but one could do so in quick-buck speculations, which paid 25-35% rates of return.

Kemp-Roth and Garn-St Germain

Over the next several years, several bad financier policy decisions were adopted. However, two policies above all others were decisive in downgrading America into its present status of a post-industrial junk heap, and inflating the speculative bubble: the 1981 Kemp-Roth Tax Act and the 1982 Garn-St Germain Act.

Kemp-Roth, officially the Economic Recovery Tax Act of 1981 (ERTA), was sponsored by Rep. Jack Kemp (R-N.Y.) and Sen. William Roth (R-Del.). Its intellectual author was Robert Mundell, the Canadian-born creator of the “supply-side” economics variant of monetarism, who was awarded the 1999 Nobel Prize in Economics in October. Mundell and a gaggle of his protégés, including *Wall Street Journal* editor Robert Bartley, Jr., *Wall Street Journal* journalist Jude Wanniski, University of Southern California economist Art Laffer, and economist Paul Craig Roberts, drew up the ERTA, promoted it in the pages of the *Wall Street Journal*, and sold it to President Ronald Reagan. Roberts, a member of the Mundell group, served on Kemp’s staff, and drafted the final legislation. The act:

- reduced the top tax rate on capital gains from 28% to 20% (in 1979, the Steiger Act had reduced the top tax rate on capital gains from 49% to 28%);
- reduced the maximum tax rate on investment, or “unearned” income (income for interest and dividends), from 70%, to 50%;
- increased gradually, from \$175,625 to \$600,000 (by 1987), the total amount of reported estate and gift earnings that would be exempt from estate and gift taxes; by 1987, less than 1% of all estates would be taxed;
- created a bonanza for “investment partnerships,” primarily in real estate. “Passive investment partnerships” were set up, whereby, one could invest \$1, and get back \$2-4 in tax losses to apply against one’s taxes;

- reduced taxes for leasing;
- reduced overall income taxes by 23% over three years.

With the exception of the income-tax cut, all tax cuts benefitted primarily rich speculators, and even the last cut helped the wealthy the most. The tax system was deregulated, so that speculative arrangements came out on top. As planned, the cut in the top tax rate on capital gains “goosed up” the stock market. The loss of tax revenues, due both to the ERTA and the Volcker-induced depression during the Reagan years, sent annual U.S. budget deficits into the range of \$250-350 billion, and increased U.S. government debt by a larger amount than any time in U.S. history.

The Garn-St Germain Depository Institutions Act, signed into law on Oct. 12, 1982, was sponsored by Sen. Jake Garn (R-Utah) and Rep. Fernand St Germain (D-R.I.). Vice President George Bush headed a task force which helped push through the legislation. It deregulated the entire banking system of commercial banks and savings and loan institutions (S&Ls). Its key provisions were:

- The usury ceiling on what banks could charge on loans, set in most states at 10%, was repealed.
- Regulation Q, which had allowed S&Ls to pay 0.25% higher interest on deposits than commercial banks, thus guaranteeing the S&Ls a steady stream of deposits but at a relatively fair, low rate of interest, was repealed. Regulation Q compensated S&Ls for other regulations that mandated them to make 85% of their loans to the housing industry.
- The lending limits for unsecured loans by banks to a single borrower were increased, thus increasing the amount of unsecured loans in the banking system.
- Commercial banks were de facto allowed (mostly because the Federal Reserve and other regulatory agencies turned a blind eye) to buy banks out of state, thus taking a step toward creation of super-banks, in violation of the Glass-Steagall Act of 1934.
- Commercial banks were permitted to create a category of loans and investments called “off-balance-sheet liabilities,” which allowed them to earn up-front, on-the-books fees for all sorts of activities that were conducted off the books, and against which no reserve requirements were set.
- The S&Ls, which previously by law had been restricted from lending or investing more than 15% of their assets into commercial real estate (although they usually never invested more than 5%), now could invest up to 40% of their assets in commercial real estate.

Deregulation, combined with Volcker’s high-interest-rate regime, bankrupted hundreds of S&Ls. The S&Ls had made 30-year home mortgage loans which paid 3-5% interest. However, with commercial banks paying 15-16% on bank deposits, S&Ls had to offer their customers the same return on deposits, or lose depositors. The S&Ls had a huge negative spread: If one earns only 3-5% on loans, but must pay depositors 15-16%, that is a formula for bankruptcy.

What the S&Ls did, was to look for something that would

pay them more than the 15-16% that they were paying depositors. Under Garn-St Germain, S&Ls could now invest up to 40% of their loans in commercial real estate, and that market was white hot. So, the S&Ls invested their money there, looking for 20-25% rate of returns. The deregulation of the banking system, combined with the Volcker interest rate policy, shoved many financially squeezed S&Ls into the commercial real estate market. The S&L crisis was created from the top.

Moreover, the Drexel Burnham Lambert-Michael Milken junk bond operation was unleashed, and leveraged buy-outs became the name of the game. The deregulated banks invested heavily in junk bonds and LBOs, inflating the stock market.

The colligation of policies, all driven by the ideology of the post-industrial society, was self-reinforcing. Under Volcker's high-interest-rate regime, as manufacturing and agriculture collapsed, money flowed out of the physical economy and into every form of speculation. America was becoming a casino.

Greenspan becomes Fed chairman

On Aug. 11, 1987, Greenspan became Federal Reserve Board chairman. On Oct. 19, 1987, the Dow Jones Industrial Average tumbled a record 508 points. The Fed has released slightly edited transcripts of its meetings from that period. The transcript from Oct. 20 recorded Greenspan saying that the nation was closer to a monetary collapse "than we would like to believe."

Greenspan turned on the monetary spigots to keep the stock market liquid, a policy that he has become addicted to whenever it becomes necessary to protect the bubble.

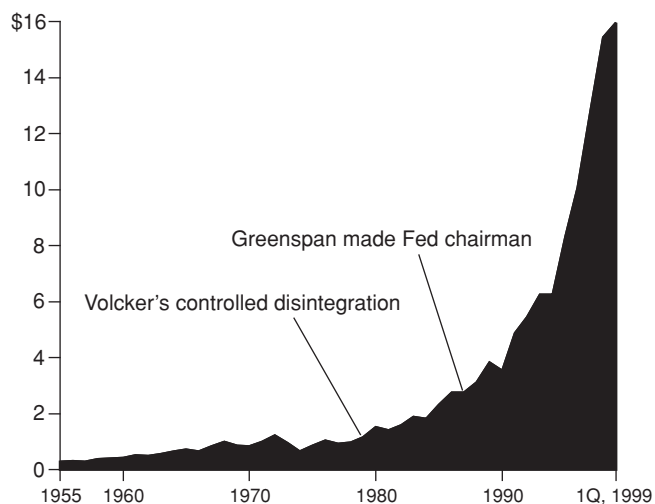
Over the years, Greenspan also fought ferociously to ensure that the speculative markets had free and unrestricted growth. In practice, Greenspan has ridden roughshod over anyone who would regulate derivatives. In the summer of 1997, the Financial Accounting Standards Board (FASB), an independent accounting board, proposed that derivatives contracts be reported on-balance-sheet, at current market value, which would simply tell investors how much derivatives liability a company held. This was a very minimal proposal for dealing with the derivatives problem; in actuality, the derivatives markets should be closed. Greenspan wrote three letters to the FASB and Congress attacking the FASB, saying that derivatives should be kept off-balance-sheet. In his third letter, on July 31, 1997, Greenspan stated, "The FASB proposal may discourage prudent risk management activities and in some cases could present misleading financial information!" The letter was signed, he claimed, by the heads of 22 "major companies in a number of industries that use derivatives [and] have expressed serious concerns about the FASB's proposed rules changes." The 22 corporate leaders were mostly the heads of banks, who are Greenspan's friends and keep him in office.

Greenspan has carried out the same policy toward the speculative stock market and other forms of speculation.

FIGURE 1

U.S. stock market capitalization, the Volcker-Greenspan bubble

(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

The speculative bubble

Let us now examine the speculative bubble created by Volcker and Greenspan, along with the London and Wall Street financier oligarchy. There is nothing comparable in history.

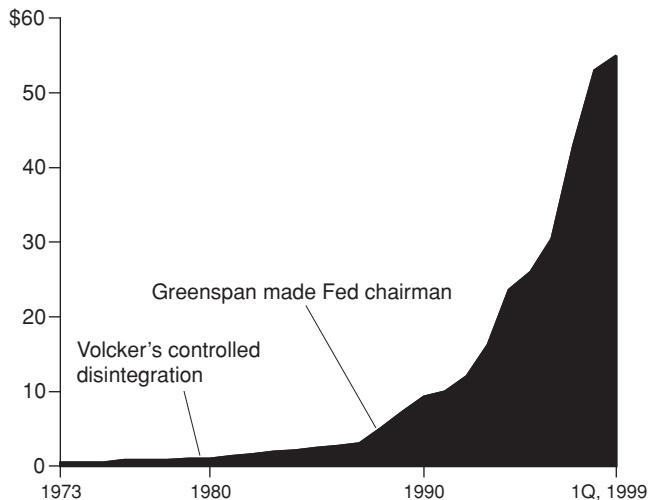
Figure 1 shows the capitalization of all stocks in the U.S. stock market. Two time periods are marked: 1979, when Volcker applied his policy of controlled disintegration, and 1987, when Greenspan became Federal Reserve Board chairman. The rate of growth of the stock market is stupendous. The capitalization value (the value of all stocks) in the U.S. stock market reached \$1 trillion in 1968. Between 1968 and 1975, it reached that level only one more time. In 1979, when Volcker began to apply his policy of controlled disintegration, the capitalization value of the stock market was \$1.16 trillion. By 1987, at the point that Volcker left office, that level had shot up to \$2.76 trillion, i.e., more than doubling during Volcker's tenure.

But under Greenspan's direction, between 1987 and the first quarter of 1999, the capitalization of the stock market jumped from \$2.76 trillion to \$15.97 trillion, more than a sevenfold increase.

Greenspan has never veered from implementing the policies that have created the bloated stock market, despite occasional comments such as his Dec. 5, 1996 statement about "irrational exuberance." (In fact, he has made a far larger number of statements during the past three years that the stock market is *not* overvalued.) Greenspan has maintained the poli-

FIGURE 2
U.S. derivatives outstanding, the Volcker-Greenspan bubble

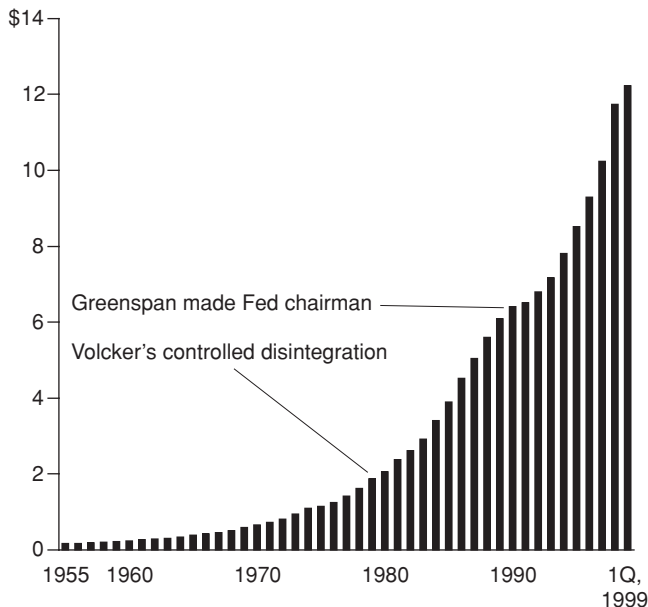
(trillions \$)



Sources: U.S. Federal Deposit Insurance Corp.; U.S. Comptroller of the Currency; Bank for International Settlements; *EIR*.

FIGURE 3
U.S. business debt, the Volcker-Greenspan bubble

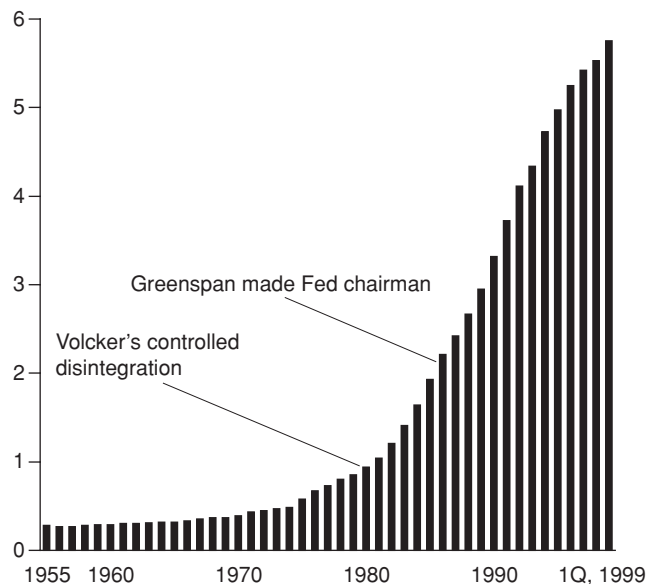
(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

FIGURE 4
U.S. government debt, the Volcker-Greenspan bubble

(trillions \$)



Sources: Office of Management and Budget, "Budget of the United States, Fiscal Year 2000"; Federal Reserve Board of Governors, "Flow of Funds Accounts."

cies, on an economy-wide basis, that feed the market.

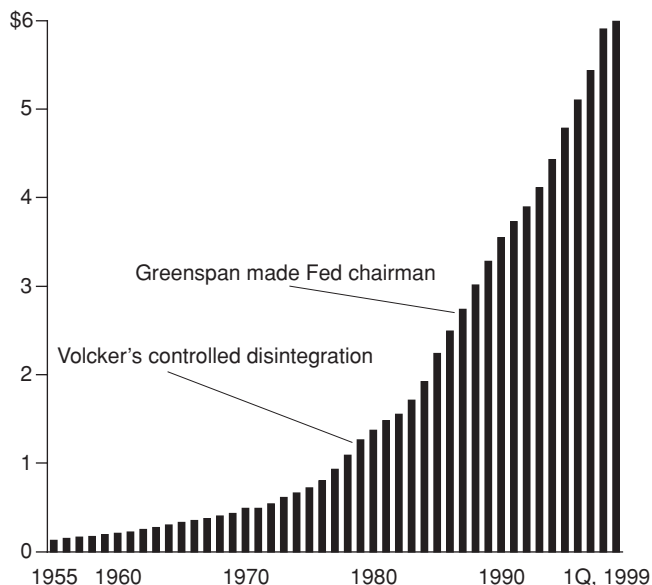
Figure 2 shows the hyperbolic growth of the level of derivatives outstanding held by U.S. commercial banks, investment banks, and corporations. During 1979-87 (from the point that Volcker started the policy of controlled disintegration), the U.S. derivatives outstanding tripled, from \$1 trillion to \$3 trillion. But, under Greenspan, the level has risen to approximately \$55 trillion, by the end of the first quarter of 1999, a greater than 18-fold increase in only 12 years. Greenspan's defense of derivatives has built a pyramid of such paper.

Figure 3 depicts the growth of U.S. business (including both financial and non-financial) debt. In 1979, when Volcker started applying the policy of controlled disintegration, U.S. business debt rested at \$1.87 trillion. It rose to \$5.04 trillion in 1987, and \$12.23 trillion in the first quarter of 1999.

Figure 4 shows the level of U.S. government debt outstanding (including that held privately and that held by U.S. government institutions). What is notable is the sharp growth following the 1979 Volcker controlled disintegration measures and the application, starting in 1982, of the Kemp-Roth Tax Recovery Act, which had passed in 1981. Much of the increase occurred during the Robert Mundell-Robert Bartley-driven Reagan administration years, and the four years of the incompetence of George Bush. Between 1981, when Reagan took office, and 1993, when Bush left office, the U.S. govern-

FIGURE 5
U.S. household debt, the Volcker-Greenspan bubble

(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

ment debt outstanding shot up from \$1.04 trillion to \$4.34 trillion (it is \$5.75 trillion today).

Figure 5 shows the trajectory of U.S. household debt, which broadly follows the path of business debt. **Figure 6** depicts total U.S. indebtedness, including Federal, state, and local government debt, business debt, and household debt. Today, it is \$26 trillion.

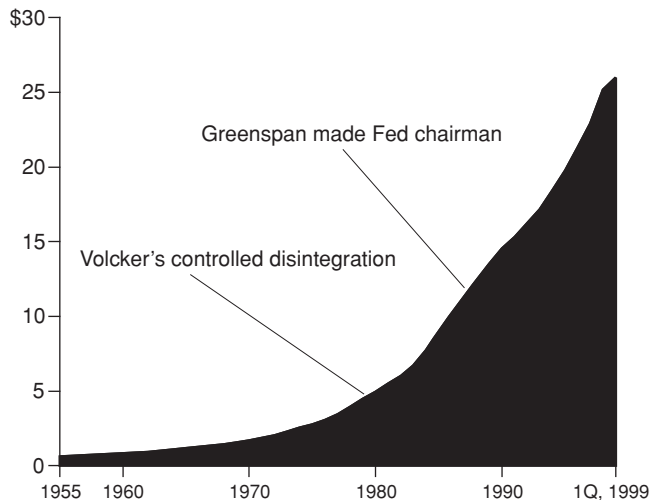
As a result principally of the Volcker-Greenspan measures, the total volume of U.S. financial instruments, which includes stock capitalization, derivatives, and indebtedness, has swelled to \$97 trillion. Consider that each financial instrument has some rate of return, in the form of a dividend, a yield, an expected rate of return. The total rates of return on these financial instruments could not possibly be met out of the profit of the physical economy, were that economy to also continue to produce to sustain human existence.

The devastation of the economy

The growth of this financial bubble has sucked the life out of the physical economy. **Figure 7** shows the transformation of the U.S. labor force, where non-productive overhead, the result of the post-industrial society policy, has grown. Since 1947, the size of the labor force employed in productive and infrastructure has stayed relatively the same. But the portion of the labor force in non-productive employment has swelled

FIGURE 6
Total U.S. debt, the Volcker-Greenspan bubble

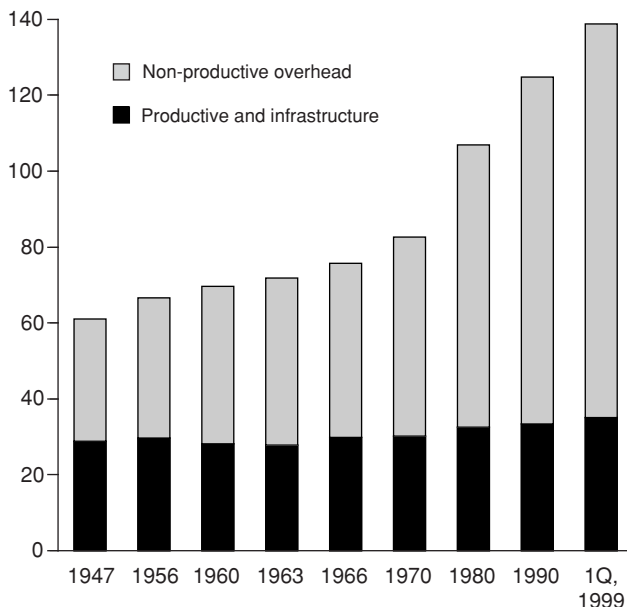
(trillions \$)



Sources: Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States, Fiscal Year 2000."

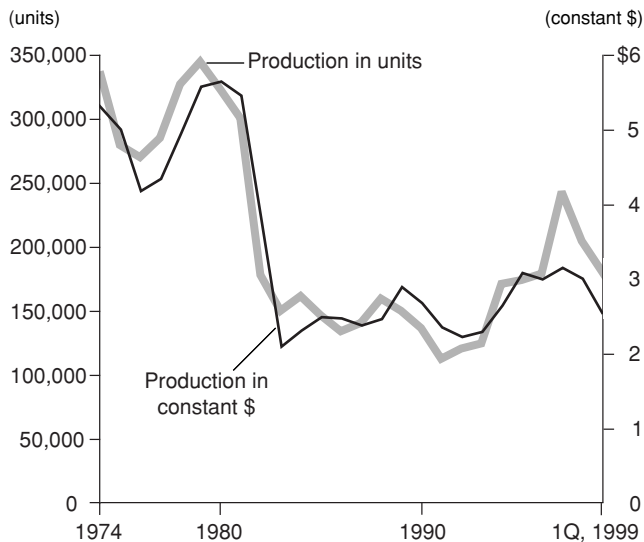
FIGURE 7
U.S. labor force, 1947-99: Non-productive overhead grows

(millions of workers)



Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Education; American Medical Association; American Nurses Association.

FIGURE 8
U.S. machine-tool production, in units and 1982 constant dollars



Sources: Association for Manufacturing Technology; U.S. Department of Commerce, Bureau of the Census; *EIR*.

FIGURE 9
Shipments of four-wheel drive tractors and combines, 1980-98

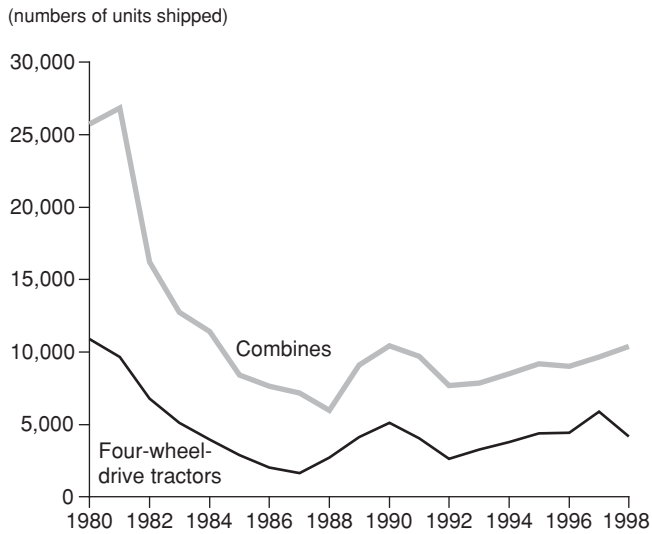
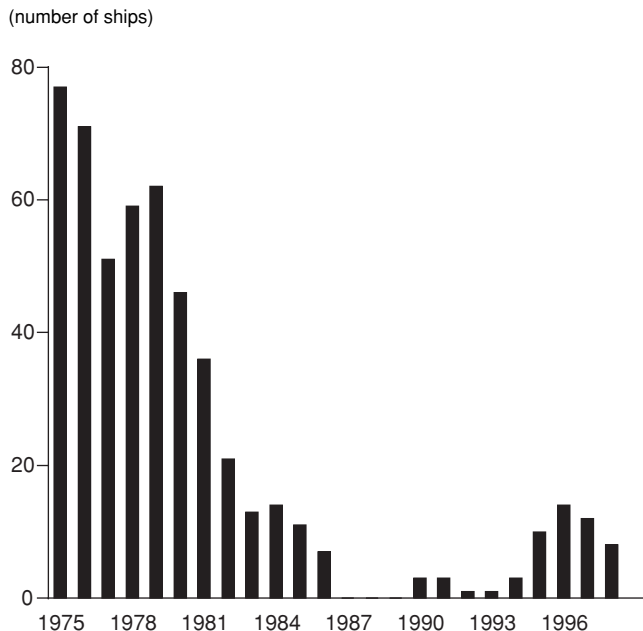


FIGURE 10
U.S. commercial shipbuilding orderbook, 1975-98



Sources: U.S. Department of Commerce and McGraw-Hill Companies, "U.S. Industry & Trade Outlook '99"; *EIR*.

from 32.2 million workers to 103.7 million workers, a growth of 71.5 million workers. This accounts for nearly the entirety of the U.S. labor force's growth since 1947. Basically, all that is growing in America, is non-productive activity.

Figure 8 shows that once Volcker applied his policy of controlled disintegration in 1979, U.S. machine-tool output tumbled, with a lag of 18 months. Since 1979, the U.S. machine-tool industry's output has collapsed by more than 50%.

Figures 9 and 10 demonstrate that since 1979-80, the critical sectors of farm equipment production and commercial shipbuilding also experienced collapses of more than 50%.

Figure 11 shows that the per-household industrial consumption of energy sharply dropped. Some of that is due to energy conservation, but much of it is due to the fact that many U.S. manufacturing plants shut down, thus reducing industrial energy consumption.

Carter's deregulation of the rail system, and Volcker's measures destroying the physical economy, collapsed the U.S. rail system (**Figure 12**).

The Volcker-Greenspan speculative bubble pulverized the physical economy, and dropped American living standards 1-2% per annum (see *EIR*, May 21, 1999 "America's Economic Recovery Is a Myth").

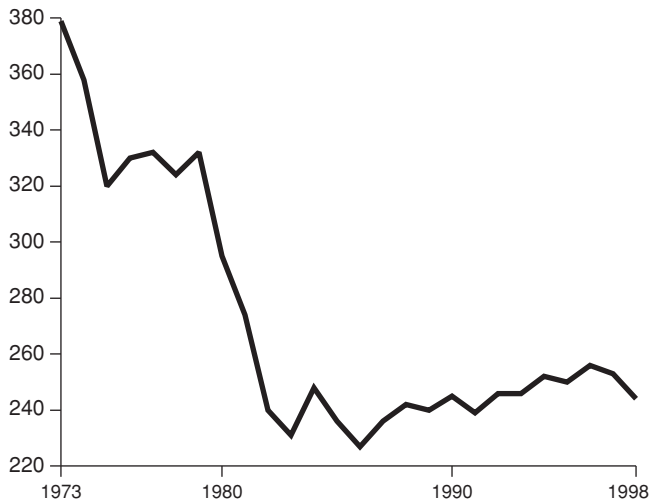
Greenspan's austerity

In Greenspan's drive to support the bubble, he has attacked the most vulnerable and least well-off members of the society. During his Jan. 25, 1999 testimony before the House Ways and Means Committee, Greenspan, who helped make people who do nothing into millionaires on Wall Street, sin-

FIGURE 11

Industrial energy consumption per household

(millions of BTUs)

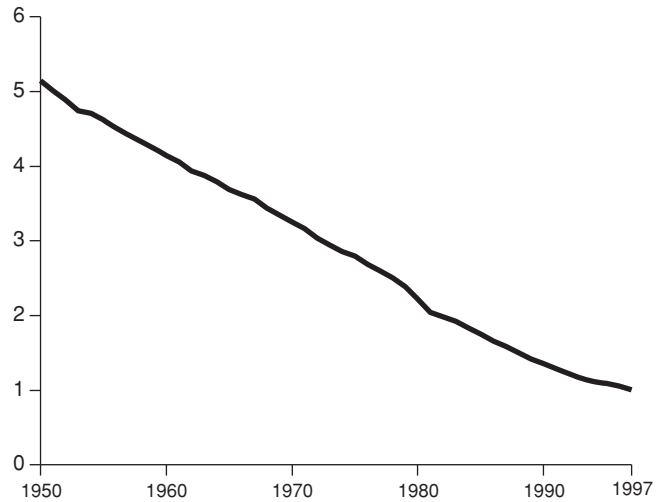


Sources: U.S. Department of Energy, *Monthly Energy Review*; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

FIGURE 12

Railroad mileage

(miles per 1,000 households)



Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

gled out the lowest paid of America's workers, who cannot support a family on their income. "My major concern would be . . . that we be careful not to raise the minimum wage," he said.

In Oct. 8, 1997 testimony to the House Budget Committee, Greenspan sounded a long-standing theme, that the U.S. Social Security system should be privatized. This is a scam that would transfer funds out of the current system, to invest it in accounts in the stock market bubble, thus propping up the market's bloated values. This would threaten the loss of income of tens of millions of retired persons living on Social Security when the market crashes.

Finally, on moving the world out of the floating-exchange-rate geometry, and back to a fixed-exchange-rate system, Greenspan has said no. Lyndon LaRouche has proposed a New Bretton Woods fixed-exchange-rate system, vectored around the great development projects of the Eurasian Land-Bridge. While not addressing LaRouche directly, Greenspan spoke about currency target zones (and by extension, the fixed-exchange-rate system), via satellite at a banking conference in Frankfurt, Germany on Nov. 20, 1998. That "might have been feasible 30 years ago," he said, but now, "I think that the world has changed to the point at which it is quite unrealistic."

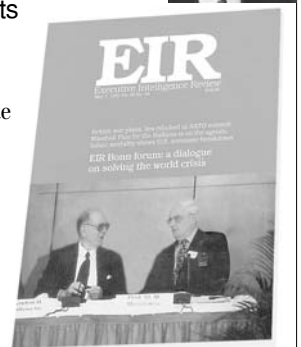
Greenspan's directed policy of the past 12 years has produced a bubble that is unsustainable and will burst. But Greenspan's insanity makes him constitutionally incapable of any real solution to this crisis.

The Way Out of The Crisis



A 90-minute video of highlights from *EIR*'s April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



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