The banking crisis that never had to happen

by Chris White

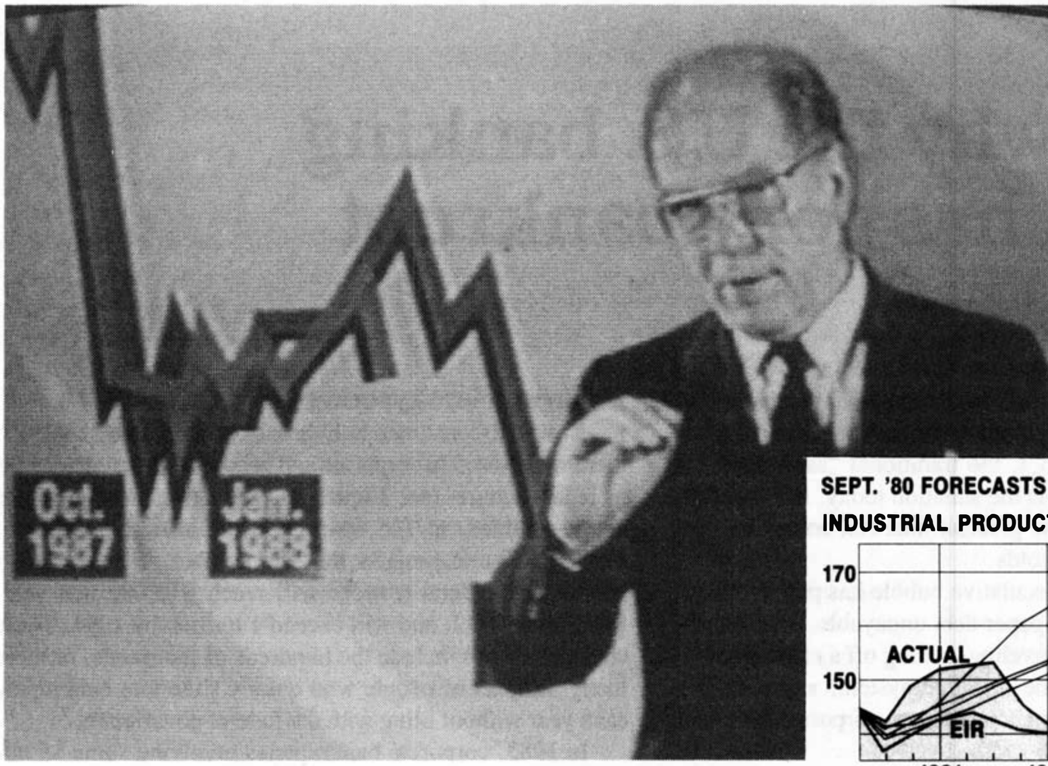
On Jan. 6, the Boston-based Bank of New England was closed and taken over by the federal government. The next day, the holding company filed for Chapter 7 involuntary bankruptcy. The collapse of the Bank of New England ushers in, with the new year, the imminent prospect of a new round of bank failures, as panic-stricken depositors withdraw their funds, as they did in Rhode Island and from offices associated with the Bank of New England.

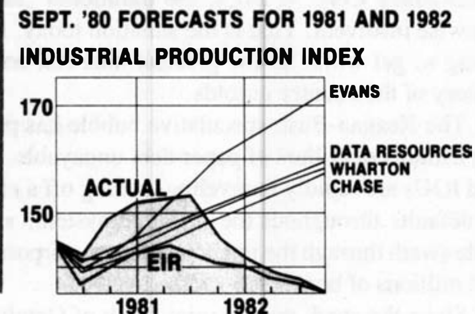
Academic economist Paul Samuelson, one of the 1960s authors of the so-called "built-in stabilizers" which supposedly would ensure that a 1930s-style economic depression and banking collapse would never happen again, complained bitterly that the recent developments in New England were an anachronistic throw-back to earlier days, which ought not to be happening. Unfortunately, they are happening. And, leaving Samuelson and his like aside, there really ought not to be such surprise.

The newly erupting banking crisis is among the leading symptoms of the reality that the economy of the United States is, and has been, in depression. If the lessons of the 1920s, of the administrations of Calvin Coolidge and Herbert Hoover, had been learned and understood, then maybe it wouldn't have happened. But they were not learned.

The proof is provided from the forecasting record of George Bush's jailed political prisoner Lyndon LaRouche. This deepening depression, which has turned the once mighty U.S. economy into a basket-case almost as destroyed as that of Britain, need not have occurred at all, if the principles of a national economic recovery program, as developed by LaRouche, had been adopted as and when, he forecast its necessity.

This does not mean a recovery program whose purpose would be to save the U.S. banks. The banks are bankrupt, and have been so for some time now. Rather, it means a recovery program which would create decent, well-paying, productive jobs, in order to create the new wealth, through rebuilding the destroyed capacity





In April 1988, then Democratic presidential candidate Lyndon LaRouche explained in a nationwide television broadcast that the collapse of the rotting banking system had been postponed—not averted. Inset: The graphic representation of the accuracy of the EIR LaRouche-Riemann economic model in the early 1980s, in contrast to all other forecasting methods.

to produce for the country's needs, which would permit the obscene crisis conditions of unemployment, poverty, homelessness, genocide, through deprivation of the impoverished and the elderly, to be reversed. Under those circumstances, thorough banking reorganization can facilitate that purpose.

This could have been done, beginning 1975, when LaRouche put forward his proposal for the creation of an International Development Bank, which could effect the settlement of crises, such as those of the Middle East, through reorganizing the world monetary system, thereby making possible such development as could secure human survival, under improved conditions for further progress. It could have been done any time between 1979 and 1982, if LaRouche's opposition and alternative to the economic suicide represented by then-Federal Reserve Chairman Paul Volcker's high interest rate policy had been heeded. Subsequently, the 1984, and 1988 presidential election campaigns provided yet another vehicle for the adoption of the necessary policy changes.

It could have been different. Some, such as Ronald Reagan and the advocates of what he used to call the "longest sustained economic recovery" in U.S. history, insisted that LaRouche was a doom-sayer; all that was necessary, they argued, was to let the "magic of the marketplace" do its work. That was Calvin Coolidge's mistakes, repeated as farce. And then there was George Bush and the bankers' crowd who backed him: "George is in control, the policies are working," was their refrain. So, too, was Herbert Hoover, in his day. In December 1988, these circles railroaded LaRouche on trumped-up charges. In January 1989 they jailed him, in order to shut him up.

Now we hear from the economists, with their business cycle theories, that the point in the business cycle has been reached where the economy goes into what they call "recession." Bunk! There is no such thing as what these characters call their business cycles. What there is, is choice of policy which governs human actions.

What is now unfolding, as the world slides into the depths of economic depression, is not the result of some mysterious cycle, but the consequences of choices which were made. It is not new. The policy, defended against LaRouche to the point of throwing him in jail, was adopted in the United States in the aftermath of the assassination of President John F. Kennedy. It was called the post-industrial society, or the counterculture. In Britain, somewhat differently, it was dubbed the permissive society. In both cases, the policies which political and financial establishments, typified by the crowd around McGeorge Bundy, insisted be adopted, proceeded from the revival of the cultist ideas of Parson Malthus, enforced by the genocidal spread of usury and financial speculation. Human population growth, they insisted, would outrun available resources to support further population growth; they therefore cut back on productive activity and employment, so as to enforce the reduction of population growth—and also to protect the historical claims of debt at all costs.

Exactly that was done in the 1920s and 1930s. The Great Depression was the result, and out of that depression, war.