EIR Economics

LaRouche key to outcome of ongoing financial crisis

by Chris White

It is fast becoming an open secret in political centers across Europe that sometime this fall, President Bill Clinton and his administration have been scheduled to face their biggest test since the disgusting capitulation in May to British and French geopolitical atrocities in Bosnia-Hercegovina.

What is not said is that the key to the outcome of the upcoming tests will be the Clinton administration's attitude toward the jailed political prisoner Lyndon LaRouche.

From his cell in the Federal Medical Center in Rochester, Minnesota, LaRouche holds the keys which, if used, will determine whether the Clinton administration, in its present form, survives or not.

These are matters which are fast coming to a head in the still boiling international financial and economic turmoil which was unleashed again during the month of July. While U.S.- and British-based experts and pundits salivate over the prospects of the loot to be extracted from post-Exchange Rate Mechanism Europe, more sober voices, those heard from the pages of the German financial daily *Handelsblatt* and the Swiss daily *Neue Zürcher Zeitung,* are wondering if the U.S. "bubble economy" is hurtling head-long toward something like a repeat of Black Friday, and Blacker Monday on Oct. 19, 1987 when the Dow Jones average lost 500 points in a morning.

Why does LaRouche hold the key to such matters even as he sits in his jail cell? Because he is the only U.S. public figure, even from jail, with the stature to organize an alternative outcome to the chain of events which seems to lie ahead. He has the proven forecasting record, dating back to the days when he alone correctly warned what the consequences of Paul Volcker's lunatic so-called "anti-inflation," high-interest-rate policy would be, continuing through his efforts in the spring and summer of 1982 to organize an alternative to the then-developing financial bankruptcy of Ibero-American nations, and through his accurate forecasting of the stock market slides of 1987 and 1989.

And, because he also happens to be the public figure who has initiated the proposals upon which, perhaps, the outcome of this developing phase of crisis will depend, namely proposals to impose a one-tenth of 1% transaction tax on the notional value of financial derivative instruments traded. This proposal is now at the core of what is unfolding in Europe, and in France in particular. On its attitude to that proposal the future of the Clinton administration will quite likely rise or fall.

Such proposals are under discussion as one of the possible outcomes to the end of July enforced financial bankruptcy of the French state. French and German political and financial administrators met the week of Aug. 23 in the first of a new round of discussions to decide what to do about that.

Specifically, Germany's central bank, the Bundesbank, resumes its bi-weekly council meetings after the August holiday break. On the political side, German Chancellor Helmut Kohl hosts France's Prime Minister Edouard Balladur in Bonn for discussions on the growing crisis. Officials of other ministries of the two countries are scheduled to meet too.

The explosive backdrop to these meetings is provided by the destruction of France's foreign reserves in the last week of July. Then, a renewed international politically motivated speculative assault against the currency of the fifth largest economy in the world, reduced that country's central bank to being a net debtor with $30 billion in the hole, and flushed the country's currency and credit down the proverbial *cabinet turquois.*

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What's at stake?

The effective bankruptcy of the French state has been largely ignored in the United States, covered over by the insanity of yet another baseless August stock market boom. Idiotically, it is neither reported in print nor televisual media, nor has it become the subject for talking head instant commentary. The silence ought to tell you that something very big is up. Since most opinion is shaped by such sources, if they don't talk, there ain't no opinion at all. People don't know that what is going on is something they should know about.

You can't just push the fifth largest economy in the world over the edge and pretend that life is going to go on as normal. It isn't. Something is going to have to be done, and be done quickly.

On the European side of the Atlantic there are two clear perspectives. They are irreconcilably opposed.

On the one side are proposals to act against speculators and their backers, increasingly identified in public media, such as, for example, *Le Monde* of Aug. 18, as "manipulated by political powers." The paper attributes such to the "thesis of an Anglo-Saxon plot to destroy European construction to speculation." Here LaRouche's transaction tax proposal has resurfaced in Gallic garb.

Actions proposed to rein in such speculation include the imposition of exchange controls, i.e., punitive measures against foreign exchange trading, intended to make that practice impossible without central authorization, and the imposition of taxes on foreign exchange transactions. The latter has been discussed in France, Belgium, and Germany, and was proposed formally on Aug. 18 by the Irish Finance Ministry, which called for such a tax and Group of Ten coordinated action against currency speculators.

The opponent view is that of the free traders, represented by London's Lazard Frères-linked *Financial Times.* Taxing foreign exchange transactions, the paper said on Aug. 17, is "infeasible in practice and questionable in theory." Foreign exchange controls are dismissed as "perverse." Quite. The *Financial Times* is supported by an anonymous group of French civil service bureaucrats organized under the cover name of "Clovis" (after the founder of the Merovingian dynasty whose ultimate overthrow by Charles Martel, father of Charlemagne, began the political and economic evolution of modern Europe). In this case, *nomen est omen.* They want to turn back the clock 1,500 years or so.

The free trade agenda presages a massive assault on European labor, intending to initiate the destruction of the social welfare benefits and pension regimes which have flourished, until recent years, in the European Community (EC). Their idea is to eliminate the benefits and pensions and cheapen the money costs of labor, to provide another heap of coolie-style labor to help attract so-called foreign investment funds. The intent is not so different from what was done in the United States in the name of the "Reagan Recovery" after 1982.

In France, unemployment is around 11%; in Spain, nearer 20%; and in Germany, heading toward 6 million by the end of the year.

The outlines of this assault are already beginning with demands for the abandonment of France's minimum wage and elements of its social welfare system, and in Daimler-Benz's just-announced latest wave of layoffs—featuring layoffs for the first time, not early retirement and attrition—and loss of benefits and bonuses for remaining workers.

On the European side, the issue is whether the Europe of the sovereign nation-state will survive the few brief weeks of the fall.

And for the United States?

For the United States it ought to be stressed that the proposal to tax such transactions as the speculative currency trades identified by the Irish Finance Ministry, and others, originates with Lyndon LaRouche, the still-jailed political prisoner of George Bush and his cultist freemasonic confederates.

The LaRouche tax proposal was designed to bring under control the explosive growth of the financial instruments known as "derivatives" to permit governments and financial authorities to retake proper, sovereign control over their credit and financial systems. Such actions would permit credit flows within the economy to be re-allocated, using, for example, the traditional American methods associated with Alexander Hamilton, the first secretary of the treasury, and President Abraham Lincoln, into infrastructure improvements and the creation of productive, not Reagan recovery-type make-work, employment.

A United States committed to the type of approach that LaRouche stands for is essential to ensuring that what is now being fought out in Europe has a positive outcome, one that human beings can live with.

Otherwise you'd better be prepared to hold on to your hat, and anything else that's movable. If the Clinton administration is content to leave its policy toward Europe in the hands of Britain's Foreign Office, while using exchange rate manipulations to bludgeon Japan into submission to its so-called trade agenda, then this fall is set for bigger financial storms than the stock market crashes of October 1929 and 1987, and the banking crash of 1932-33, combined.

That outlook is already being discussed publicly in Europe, in the Swiss financial daily *Neue Zürcher Zeitung,* and the German business paper *Handelsblatt.* The latter warned on Aug. 20 that a "cocktail of peculiar explosiveness" is being cooked up.

And, if Clinton and company leave LaRouche in the jail where they have so far left him sitting, you can be pretty sure that nothing is going to be done from the U.S. side of the Atlantic to reverse what the wreckage of French credit has set in motion. Those who sow the wind, will reap the whirlwind.