

LaRouche calls for exchange controls

Almost daily, Lyndon LaRouche is being covered as *the news* in some part of the world—with the notable exception of the United States—because of the accuracy of his economic forecasts over the past 40 years. In June, he warned of the likelihood of a “Black October” on the financial markets; and on Nov. 15, he forewarned of crisis in Japan and South Korea, which we now see.

For example, *El Mexicano* of Baja California, wrote in November, that today’s global financial breakdown, “confirms the accuracy of the forecast of economist Lyndon H. LaRouche, whose prestige grew enormously after the punctual arrival of the October crash, of which he had warned long in advance.” (*El Mexicano* is a newspaper of the Mexican Labor Federation.)

Interviewed on “EIR Talks” radio program on Dec. 3, LaRouche stressed that we’re facing the “death of the system,” and indicated the kind of emergency actions required.

“We’re talking about a *global* crisis,” he said. “And, the amount of money that would come crashing down, the amount of debt that would come crashing down on the world economy, in case of a chain reaction like this, would be, for starters, at a minimum, over \$100 trillion; current obligations, outstanding this year, of which \$30 trillion outstanding, at minimum, would rebound against the U.S. economy.

“We’re talking about about the death of the system.

“Now, the only way to get out of this, is to kill the system. How do you do that normally? You take a bank which is hopelessly insolvent, but might be reorganized, and you put it into government-supervised bankruptcy reorganization. And that must be done; that must be done, *soon*. Otherwise, you’ll get this collapse where everything disintegrates: chaos. And that’s the worst thing. You must avoid chaos, which means you’ve got to go back *away* from deregulation, *away* from globalization, back to *nationalist-protectionist* programs.

“For example, in the case of Korea, in the case of Japan and other countries, we must immediately reestablish what we established in the postwar period, and continued through 1958: We must return to exchange controls. We must use *capital* controls. We must use other regulatory measures of governments, and cooperation among governments (as the old Bretton Woods system did), to create a system in which this kind of speculation doesn’t go on. The speculator tries to get his money, it’s against the law. He can’t get his money. He cannot. Capital controls prevent money from racing around the globe from one place to the other, on an instant

basis, wrecking one economy after another. Speculators like George Soros couldn’t exist. They’d have to go into retirement. And, that has to be done. . . .

“We’ve come to the point where we have the opportunity to fight a very dangerous battle, against a dangerous opposition; that is, to junk the globalist system, which is killing us. Kill the present system, and reestablish the kind of system which worked for us before, which is the kind of Bretton Woods system we had back in the 1950s. The system that we used to get *out from under* the world economic depression, which, outside the United States, characterized most of the postwar world, the post-World War II world. And we’re going to have to do that again.”

Camdessus fingers South Korea

by William Engdahl

“South Korea stands within ten days of a gigantic financial catastrophe,” International Monetary Fund Managing Director Michel Camdessus announced nine days before the largest country bailout in history was signed in Seoul on Dec. 3. The \$55 billion emergency package for South Korea is intended to prevent a collapse of the world’s 11th-largest industrial economy. Korea owes well over \$130 billion to foreign creditors, much of it coming due in December. Had the deal with the IMF not gone through by Dec. 3, a gigantic debt default, orders of magnitude worse than the threatened 1982 Mexico default, would have taken place. By informed estimates, given the fragility of the current international financial and debt structures, the shock from such a default would likely have been sufficient to detonate a global systemic meltdown.

The Korean agreement, for which Camdessus made an unprecedented personal appearance in Seoul to sign with the Korean government, includes \$21 billion from the International Monetary Fund (IMF), another \$10 billion from the World Bank, and \$4 billion from the Asia Development Bank. To boost “confidence” in the package, Japan will kick in an additional \$10 billion; the United States Treasury’s Exchange Stabilization Fund, \$5 billion; and another \$5 billion combined from Group of Seven (G-7) members U.K., Germany, France, and Canada, plus Australia.

The previous record for an international bailout had been the U.S.-led \$50 billion Mexico rescue package of February 1995. Already this year, however, as the financial crises of former high-growth economies across Asia exploded, Thailand has gotten \$17 billion in an IMF rescue package, Indonesia \$40 billion, and, before the ink has even dried on South Korea’s IMF bailout deal, rumors are flying that Malaysia may