

## Reagan press conference flops; paralysis reigns

by Lyndon H. LaRouche, Jr.

“The new Herbert Hoover” is the judgment Oct. 23 on President Ronald Reagan’s televised press conference on the evening of Oct. 22. Four days after the shock of Black Monday, President Reagan, like the leaders of the Congress, is stunned, shaken, but still clinging desperately and blindly to the battered remains of the same discredited, ritual ideological rhetoric we have heard from that source for six and a half years.

The press conference confirmed the fears of informed people around the world; both the administration and the leadership of the Congress have fled from reality, into an Alice in Wonderland of ideological fantasies.

Over the first half of October, more than \$2 trillion of the Western world’s financial paper was erased from existence, with an additional \$6 trillion or more due to be wiped out in a similar way during the weeks and months just ahead. Already approximately \$100 billion of this fiscal year’s federal tax-revenues were wiped out by the close of Black Monday’s trading, with perhaps an additional \$300 billion to be washed away by developments of the next few months. The vast real-estate bubble is tottering on the brink of a collapse which threatens to wash away the U.S. banking system.

The world was waiting for the President to announce something which showed that the U.S. government had recognized the reality of the situation, and was announcing its commitment to take charge in some way which would prevent the deepening financial crisis from plunging the world economy into chaos.

If the President had done something such as declare a national economic emergency, or, at least, announce the resignation of Treasury Secretary James Baker III, most of the world would have breathed a sigh of relief, whether they liked the President’s emergency measures or not. “At least, he is doing something.”

Inevitably, Mr. Reagan is being made the scapegoat for the crash by some influential European and congressional leaders whose blunders contributed much more to the crisis than anything actually done by the President. It may be consoling to these critics to hear themselves say, “See, we were right about the need for deeper budget-cuts and tax-increases.” What is being proposed along these lines is either dangerously wrong, or is so irrelevant to the monstrous problems at hand as to be a nearly suicidal diversion of energies from the real issues which must be addressed.

Black Monday’s crash, and the much, much bigger crash still to come, have been caused by the entire Western world’s complicity in pushing a “post-industrial” utopia for 20 years, combined with 16 years of building up the most gigantic financial bubble in history, on the basis of the ill-conceived “floating exchange-rate system.” It is the combination of those two policies which has created this crisis, and this crisis can not be controlled until those two policies are effectively reversed.

The facts must be faced. The financial bubble has been popped, and there is no way to prevent its collapsing all the way down except by resorting to the printing presses in a way which leads to something like the Weimar hyperinflation of 1923. At the same time, the present world monetary system, as defined by the present policies of the International Monetary Fund, is as dead as the Dodo; there is no way it can be rescued. All efforts to patch up the system, with debt-for-equity schemes, jiggery-pokery with exchange-rates of national currencies, budget-balancing trained-seal acts, cheese-paring contests in tax reforms, or selective rigging of some financial markets, will only make matters very much worse.

The only things which can be saved from this mess are the value of the U.S. dollar, the value of U.S. government



Stuart Lewis

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bonds, the continued regular business functioning of distressed local banks, and the par value of principal amounts of savings by bank-depositors. The collapse in private financial markets, and the collapse of the most highly-leveraged parts of the real-estate markets, can not be prevented; government can do no more than the ensure that these inevitable drops in prices do not radiate chaos into the economy as a whole.

The only weapons available to the federal government for preventing chaos are heavy use of the regulatory powers of the government, combined with the issuance of several trillions of dollars of new Treasury currency-notes for lending for capital improvements in expansion of production and repairs to basic economic infrastructure. Anything contrary approach, or simply trying to sit out the crisis, means assured and incalculable disaster. Talking about any other response to the crisis, is much worse than wasted hot air.

The critics of the President in the U.S. Congress's leadership and among leading Europeans, are even more to blame for this crisis than Mr. Reagan. They are the ones who, back during the 1967-1975 period, created the policies causing this crisis. West Germany's former Chancellor Helmut Schmidt and France's former President Valéry Giscard d'Estaing did far more to cause this crisis, back in 1975, than Ronald Reagan has done. It was the British under Prime Minister Harold Wilson, who began the mess long before Presidents Johnson and Nixon made their major blunders.

I think I am one of the few who has the right to criticize Mr. Reagan on this issue. Back during the spring and summer of 1982, I warned the Reagan administration of a third-quarter debt-bomb explosion, and presented them the actions needed to deal with that crisis in great detail. I admitted then, that they could postpone the day of reckoning some years beyond 1982, by the methods which they did, in fact, adopt. I warned that by postponing the day of reckoning in that way, there would merely exchange an immediate major crisis for

the biggest crash in history a few years down the road. Exactly that has happened.

Black Monday has happened; that was just a minor shock, compared to what is now coming up fast. Unless the President comes to his senses about this matter soon, he might wish that the history books would remember his presidency as charitably as they do President Herbert Hoover.

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## Documentation

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*At his televised Oct. 22 press conference, President Reagan was asked by a reporter, "How serious is the threat of a recession or something worse?" This was his reply.*

Well, first of all, the indices, the index that is used for judging whether we're sound economically and so forth, has been up and increasing 10 of the last 11 months. And with the great employment that we have, with the fact that we have reduced that double-digit inflation and the prosperity that is ours out there, the one thing out of such a happening as the stock market that could possibly bring about a recession would be if enough people without understanding the situation, panicked and decided to put off buying things that normally they would be buying, postponing purchases and so forth.

That could bring on something of a recession. It's happened before. But I don't think that there's any real reason for that. The—I think that this was a long overdue correction and what factors led to its kind of getting into the panic stage I don't know, but we'll be watching it very closely. I approve very much of what the exchange is going to do with regard to the next three days. That the market is—trading is going on, in quitting two hours early to give them a chance to catch up with their paperwork, which is the reason for that. But, this is, I think, purely a stock market thing and there are no indicators out there of recession or hard times at all.