

## The return of Herbert Hoover

by Chris White

U.S. Federal Reserve Board chairman Alan Greenspan told the presumably bemused members of the congressional Joint Economic Committee on Jan. 30, that what he calls “the current economic slowdown” is only a temporary phenomenon. He added that he sees no danger of the United States slipping into a recession unless there are unforeseen weaknesses in the economy.

For the pagan and superstitious who believe in luck and who bet, Greenspan rated the chances of a recession, sometime in the next six months, at one in five.

The chairman’s remarks also surprised his associates on the Federal Reserve’s Board of Governors. Nine out of the eighteen were interviewed by the *New York Times*, and their consensus was that the odds against a recession had not improved, but that prospects for the future are uncertain and the possibility of a recession, distinct.

Most relevant is Greenspan’s caution of “unforeseen weaknesses,” which one could surely put into the same category of thinking as his colleagues’ “uncertainties” and possibilities.” The remarks ought, finally, to answer the representative of Russia’s exiles who wrote the editors of this magazine a while ago to complain about our characterization of Greenspan as an “ayatollah” and follower of the Russian mystic Ayn Rand. If he should still want to follow Greenspan’s advice, and trust to fortune’s odds of one-in-five, then he were no doubt better advised to play another game where the odds are also about 1-in-5, namely Russian roulette. The results would be about the same.

Where Greenspan is concerned, it is definitely not a matter of “unforeseen weaknesses” which will determine the outcome. It is rather what he, and those like him, whether in government or outside it, refuse to consider to be “weaknesses.” Self-blinded, like any ideological fundamentalist,

Greenspan, and those like him, have ensured that four of the five chambers of the pistol are loaded, and that the one remaining will only be empty if they are able to do what they have always refused to contemplate so far: change.

### LaRouche’s warning

Back in September, U.S. political prisoner and economist Lyndon LaRouche warned from the Rochester, Minnesota federal prison where he is held, that the United States would face a new financial crisis around Oct. 10. LaRouche insisted, then, that it would be better to accept the crisis at that point, than to attempt to delay it again, by the usual methods of crisis management, until the coming spring. He insisted on this, on the grounds that the pain and the costs associated with the deepening collapse into economic depression would be much worse, if the reckoning were again delayed.

LaRouche was right about what would happen in September and October, just as he had been right in the spring of 1987, when he warned of the October stock market blowout which occurred on Oct. 19 of that year; and as he had been right, with the economic forecasts associated with his LaRouche-Riemann economic model between the end of 1979 and the beginning of 1983.

This is all well known to Greenspan and his friends, and has been well known since at least 1979. It happens to be chief among the reasons why LaRouche is currently sitting in jail, while Greenspan has the Federal Reserve chair, and other members of the Bush League occupy other positions of so-called power.

So, when Greenspan tells the Congress about the “unforeseen weaknesses,” it is useful to know that he has known, since the late 1970s, from the man whose forecasting method has produced unique results, what the chief class of expected

developments would be, and that he, like others around Bush's crowd, together with the friends of Henry Kissinger, not only ignored those results in their practice, but violently and brutally opposed LaRouche because of the scientific method by which he came up with them.

There is only one conclusion that can be drawn from this: that the accumulating disasters which are impelling the world toward the abyss, because of the economy's slide into depression, are the desired result for those like Ayatollah Greenspan, who knew what the country's leading expert thought, knew what competent alternatives were available, and yet opposed what reason dictated. Perhaps, where Greenspan and company are concerned, it would be more correct to consider that the contents of the domain of the "unexpected weaknesses" include primarily the people and the policies which could reverse the slide into depression.

### **The real issue: physical economy**

The issue is in the method of physical economy, and in the conception of the universal importance of each human individual, as fundamentally distinct from the lower beasts, from which the method is derived.

LaRouche measures economic progress in terms of increase of potential relative population density. To survive, a human society, and mankind as a whole, must increase the modal level of its technological organization, and thereby its productivity. The successful results are reflected in the upward transformation of per capita and per hectare values for density of energy throughput, and increasing productivity of labor in the production of better quality and greater quantity of standard market baskets of consumption, for production and for households alike.

Thus, unlike any of the lower beasts, mankind has increased his potential population density over the course of his historical existence, from about 10 million baboon-like hominids to 50 billion or so people today—if current technologies were made generally available to the world's population.

Greenspan and company have insisted on doing exactly the opposite, and still so insist. And most of the Americans who have voted in elections over the past generation or so have, with their toleration, supported the effort of such idiots.

So, we hear the echoes of the ghost of Herbert Hoover after the stock market crash of 1929. "The economic fundamentals are sound," they say. Whereas, in terms of the economy's capacity to transmit the impetus for technological progress and increased productivity, to secure the livelihood of future generations, and more crudely, to produce, from its own resources and labor, for the generations alive now, the essentials have been and are being destroyed, in the deepest depression of the century to date. The first of such capacities has been under unreversed attrition since the late 1960s; the second, since the U.S. trade deficit began to take off in 1982. By both standards of measurement of the real economy, the

United States is economically bankrupt.

### **The administration's blunders**

This is one of the matters which Alan Greenspan, like George Bush, knows about, and has decided to ignore. Because of this, anything that Greenspan and his President decide to do will only make things worse. They may appear to disagree on such idiotic questions as whether or not interest rates should go up or down at any given point in time. But where the actual economy is concerned, they are of the same mind: The problem doesn't exist.

Things have indeed gotten worse since the debacle LaRouche projected for last fall. And they will get still worse until the policy is changed.

The 1990s were to be, in the view of Greenspan and company, the decade of "new management methods" brought in by the growth of indebtedness of corporations taken over in leveraged buyouts. The collapse of Robert Campeau's department store empire beginning last Sept. 15, as a consequence of collapsing consumer purchasing power, ended that. Yet we heard about the difference between "quality" junk debt and other junk debt. Now, the "quality" junk has gone, as of Moody's recent downgrading of the \$25 billion associated with RJR-Nabisco.

Last year, the Bush administration was going to solve the crisis in the savings and loan institutions, by closing down the S&Ls bankrupted by former Fed chairman Paul Volcker and by banking deregulation, and kept afloat to protect Bush's election prospects. Now, William Seidman, the official in charge of the process, announces that the U.S. government cannot afford to do it. From \$50 billion, the money costs have skyrocketed to \$250 billion, and then to more than \$500 billion. And the nation's commercial banks, as *EIR* has said for years, are in even worse shape than the thrifts.

The real estate speculation which helped Volcker and the deregulators kill the thrifts, has also finished off the commercial banks. Federal Reserve regions in New England, New York, and the Southwest are right now engaged in the kind of "pump-priming" which was done to the S&Ls between 1985 and 1989.

The foreign funds on which the United States has depended increasingly since 1982, at a level of \$160-180 billion per year, have, since early October, been in the accelerating process of liquidation. Their managers have concluded that under present leadership, the United States is just not viable much longer.

These are all matters which Greenspan knows about, including how they have worsened since the fall of 1989. He must know, because he is the one cast in the role of Holland's national hero, with his finger in the dike. So, when he and his friends talk about the "unforeseen," remember what it means, and that he and his friends, including those in the White House, are treating all of us to their game of Russian roulette.