

Editorial

When will the bubble pop?

The anomalous situation of the world economy puts us on a collision course toward financial collapse in the relatively near term. The anomaly consists of the widening gap between physical-economic reality, and the ballooning volume of financial paper.

The U.S. economy has been collapsing since about 1970. We have been living on using up our previous improvements in infrastructure: water systems, such as the levees which weren't there for the recent floods; power capacity, which is running down; urban centers, which have been decaying for over 20 years. In Europe, the breakdown came a little more slowly, except in Britain, where the collapse probably started in the middle of the 1960s.

Since about 1978-79, with deregulation and the so-called Volcker high-interest rate measures, the U.S. has essentially destroyed the basic underpinning of the economy, not only in infrastructure, but also agriculture and manufacturing. As Lyndon LaRouche put it in a recent interview, "It's hard to find a legitimate manufacturing company these days. They have all been taken over by corporate raiders who are simply looting them. Like some grasshopper caught in the spider's web, and the spider comes and sucks its juices every now and then until it dies, our industries are being bled by the big raiders and hostile takeovers."

Meanwhile, on the purely financial side, we have the biggest bubble in history, based on options and mutual funds and the like. In the past three years, our banking system in the United States has mainly become a sucked-out husk used to conduit Federal Reserve printing press money through such places as Citibank, to feed this big derivatives-based financial bubble.

The financial bubble is the main cause of our federal indebtedness, contrary to those idiots in Washington who think that firing federal employees is going to help balance the budget. With the juice almost gone out of the real economy, there is nothing for the parasite to suck on, and the financial bubble is about to pop. It takes a big prick to cause a bubble to pop. But we're coming up to that point of extreme instability, in which any slight disturbance could burst this bubble.

We're talking about a collapse of a better part of \$10-12 trillion, which is tied up in purely financial speculation, which has a turnover of \$300-350 trillion a year. For example, two-thirds of the U.S. currency in circulation, is circulating outside the United States. Wall Street will go, and all of the crazy Yuppie dreams, which have seduced this nation for the past 10 years or so, will be gone.

When the Swiss gnomes' newspaper *Neue Zürcher Zeitung* warns that September could be a month of financial collapse, no one with any brains could argue with their general point. The only question is on what day the bubble will burst. Our financial system in its present form—the present International Monetary Fund system—will be as hopelessly shattered as Humpty Dumpty.

At the same time, the collapse of infrastructure, of agriculture, and of high-skilled employment, in the United States, means that within one or two more cycles of budget-cutting nonsense led by fools like Phil Gramm in Washington, the state and local government, and parts of the federal government programs, are going to simply be shut down, because there's no tax revenue base to support them. If you raise taxes, you'll simply collapse the economy. If you don't raise taxes, you'll collapse the economy.

Phil Gramm's policy of neglect and folly, and resistance to any stimulus program to get the economy moving again or to get more skilled jobs created, goes along with the collapse of education under the influence of outcome-based education or Core Curriculum, which means the school system will produce unemployables.

The accepted wisdom of the past 10-15 years in Washington, no longer works; if we continue to try to apply these budget-balancing reforms, as LaRouche points out, then about three years from now, at least in a worst-case scenario, the government of the United States will start to disintegrate, on the local, state and federal level.

We have, this fall, the last chance to begin to turn this around, to save our nation—and to save much of the world.