

Editorial

LaRouche's Ninth Forecast

The International Monetary Fund and related agencies have insisted for years that the world financial system was sound, and that the warnings of Lyndon LaRouche and a handful of other economists, that the system was headed for collapse, were nonsense. It simply can't happen, we are in control, the officials prattled. Thus it is quite ironic to hear those same agencies suddenly warning of looming crisis.

"A banking crisis is an accident waiting to happen," International Monetary Fund Managing Director Michel Camdessus told the IMF's board of directors at their annual meeting on Oct. 1. Camdessus warned that "urgent care" is needed to prevent "the Achilles' heel of the global economy today, the fragility of national banking systems," from erupting into a "systemic" crisis.

What the IMF fears, is that their efforts to contain the crisis by throwing trillions of dollars into the speculative financial bubble, is breaking down, and that the bubble is going to burst.

Those fears are justified. They should have listened to LaRouche, who told them what would happen. As LaRouche noted Oct. 5, "This train came crashing into the terminal on schedule."

"The presently existing global financial and monetary system will disintegrate in the near term," LaRouche warned in his Ninth Forecast, published in *EIR* on June 24, 1994. "The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly come during President William Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization."

That disintegration is inevitable, LaRouche warned, because the very existence of the speculative bubble depends upon the looting of the underlying physical economy. As with a cancer, the growth of the bubble comes at the expense of its host; the larger the bubble, the weaker the host. Therefore, any attempt to prolong

the existence of the bubble by pumping it up further, actually hastens its collapse.

Thus far, the financial collapse has taken the form of what LaRouche described in his Eighth Forecast in November 1991, as a "mudslide." Huge chunks of the global economy have simply disappeared, taking with them some of the most prestigious names in the financial world.

The accuracy of LaRouche's economic forecasts is based upon his understanding of the science of physical economy. Economic growth depends on increases in the productive powers of human labor. Policies which increase that productive power through the development of infrastructure and higher levels of science and technology, lead to economic growth and the growth of relative potential population density, in per-capita, per-household, and per-square-kilometer terms. Policies which decrease that productive power—such as the looting of the economic base to feed a financial bubble—lead inexorably to economic collapse.

While beginning to admit that a problem exists, the IMF and its cohorts are unable to break with the axiomatic flaws in their thinking that brought about the present disaster, and are instead foolishly determined to press ahead with more of the same policies which have brought the world to the brink of ruin. They see their system failing, but have learned nothing of why it has, and must, fail.

The solution to this crisis begins with recognizing the disease, the decay and inevitable disintegration of the existing central-bank monetary system, LaRouche has said. Nothing can be done, and nothing should be done, to save the system. You have to tell the patient to give up the diseased organ; otherwise the patient will die. "What we have to do, very simply," LaRouche said, "is to seize the U.S. Federal Constitution, and the work of Treasury Secretary Alexander Hamilton, the work of Henry Carey, of Friedrich List, and Abraham Lincoln, with both hands, and say, 'This was good; let us eliminate that which replaced it, which is now dying, and let us bring it back into operation.'"