The LaRouches told you so

*Lyndon LaRouche warned repeatedly throughout the fall and winter of 1998, that all attempts to patch up the world financial system through "crisis management," including such foolishness as the International Monetary Fund-Group of Seven attempted bailout of Brazil, would fail. In his Nov. 23 paper, "When Economics Becomes Science" (*EIR*, Dec. 18, 1998), LaRouche forewarned world leaders of not just the events, but the precise time frame of the likely financial unravelling—as he had for the October 1987 U.S. stock market crash, and the October 1997 Asia financial disintegration. Here are excerpts from that paper:*

Unfortunately, during early October 1998, even after twelve months' consistent proof of my forecast, the G-7 governments had foolishly rejected my warnings. These supposedly leading nations of North America, western Europe, and Japan, had chosen exactly what I had forewarned them against doing. They had launched a hyperinflationary pump-priming operation, a parody of the hyperinflationary spiral which Weimar Germany had unleashed upon itself during the years 1921-1923.

Since this past October, until the day this is written, those governments, central bankers, and most of the mass media of those nations, have been obsessed by their professed delusion, that their hyperinflationary bubble-pumping, led by U.S. Federal Reserve Chairman Alan Greenspan and other doomed ducks of central banking, had brought to an end the financial crises experienced over the year from mid-October 1997 through September 1998. . . .

The central bankers' latest bookkeeping swindle, the attempt to hide the trade-collapse figures for no more than a couple of months, at most, marks the end of the line—the time when, as the giggling kindergarten children once said it, "all fall down, go boom!"

Some relatively few weeks ahead, Federal Reserve Chairman Alan Greenspan's Weimar-hyperinflation style, financial bubble, will burst. Unless the President of the U.S.A., by then, accepts my guidance in dealing with this crisis, the existing nations of western Europe, and the U.S.A., will be plunged suddenly into the worst existential crisis since no less than the past six centuries of modern European history. Then, not much later than some weeks into 1999, today's orgy of desperate delusions will come to an end, buried under history's greatest trashing of paper fool's gold. . . .

Helga Zepp-LaRouche's visit to Brazil

Lyndon LaRouche's warnings were well-known in Brazil. The Brazilian daily Monitor Mercantil*, on Aug. 18, 1998, published an interview with Helga Zepp-LaRouche, during her Aug. 8-14 visit to Brazil, in which she warned that Brazil would be attacked. Here are excerpts from* Monitor Mercantil*'s coverage:*

. . .The outbreak of the crisis didn't surprise German economist Helga Zepp-LaRouche, who was in Brazil last week and told *Monitor Mercantil* that the IMF and G-7 bailout packages barely postponed [Russia's] default. . . .

Zepp-LaRouche . . . underscored that a speculative attack on Brazil's currency hasn't yet occurred, only because of a political decision on the part of the international monetary system to ensure FH's [President Fernando Henrique Cardoso] reelection.

Should FH be reelected, Brazil, according to the economist, will be the target of an attack. The purpose would be to obtain as many concessions as possible: greater opening of the banking system (including privatizing state banks), sale of the remaining state companies, and even the imposition of a currency board. . . .

Helga was in Rio de Janeiro and São Paulo last week to present the book *The Science of Christian Economy,* written by her husband Lyndon LaRouche, the American economist who has harshly criticized the financial system. Helga has no doubt that the world is entering its most serious economic crisis since the 1929 depression, caused by the collapse of the international financial system, and she sees only one alternative—change the entire system:

"Only a new correlation of nations, led by the most populous nations, primarily China and India, can pressure the governments of the United States and the other G-7 countries, to confront the problem, and change the current situation," she affirmed.

Coverage of LaRouche's proposals

The eight-point action plan outlined in Lyndon LaRouche's Sept. 27, 1998 paper, "Emergency World Reorganization: What Each Among All Nations Must Do Now," was published in at least three Brazilian national and regional newspapers in October. In one case, the plan was published in Jornal do Commercio*, a daily with a circulation of 100,000, whose readership is primarily businessmen throughout the country, as an editorial commentary on the existential crisis facing nations around the world. It was signed by Air Force Col. Aldo Alvim. "The American economist Lyndon LaRouche, who has been warning about these deviations in world finances for years, gives the following prescription for how to overcome the crisis," Alvim wrote, before concluding with LaRouche's full eight points.*

In November 1998, as the new IMF conditionalities sent shockwaves through the country, LaRouche's associates in *the Ibero-American Solidarity Movement published 10,000 copies of a pamphlet entitled "People First! Bankers and Speculators Can Wait," which warned that the attempt to impose such measures would provoke a crisis of the federal pact upon which the Constitution is founded. The centerpiece of that pamphlet, copies of which have circulated from hand-to-hand among nationalist networks throughout the country, was LaRouche's "What Each Among All Nations Must Do Now." It warned:*

1. In general, it must be recognized that this is not only the most explosive and dangerous financial and monetary emergency in modern history, but an immediate, and unavoidable threat. Only pre-emptive and immediate actions could prevent the present situation from bringing about the virtually immediate collapse of civilization world-wide. . . .

2. Each nation must assert the principle, that there exists no higher political authority on this planet, than a perfectly sovereign nation-state republic. . . .

4. Under present circumstances, this requires immediate measures of capital controls, exchange controls, international regulation of financial and monetary affairs, and terms of trade, by each and all individual sovereign nation-states. This must include the setting of protected prices for essential commodities of domestic consumption and export-import trade. In many cases, it will be necessary, at least temporarily, to introduce rationing of essentials of household consumption and production, to ensure the protection of the continuity of such essential trade in defiance of price-speculation against actual or perceived scarcities. It is by parallel and cooperative use of these methods, that national economies shall be defended against an already inevitable, early, sudden, and rapid collapse of fictitious financial instruments.

5. Each sovereign state must place its financial, monetary, and economic affairs under general financial reorganization, as in general bankruptcy. . . . The essentials of basic economic infrastructure, agriculture, manufacturing, international hard-commodity trade, and general social welfare, must be defended. Other financial claims are either nullified, or converted into long-term frozen assets at lowest interest-rates. . . .

6. In general, the practice of issuance of international financial loans shall be terminated, "for the duration of the period of the continuing state of crisis." Instead, state-backed credit shall be issued, chiefly long-term credit for basic economic infrastructure, agriculture, manufacturing, and world trade, at low discounts (below 1-2% per annum). This credit shall be issued by methods of national banking, using private "industrial-style" banking as the customary medium for issuance and supervision of state-backed credit issued as long-term and other loans. . . . It is to be acknowledged, that large-scale basic economic infrastructure investments funded largely by state-issued credit, will serve as the principal means for reaching break-even during an initial, medium-term period, and beyond.

EIR warned that IMF bailout couldn't work

In mid-November 1998, EIR *released a video entitled "Economic Shocks: Why the World Needs Lyndon LaRouche as President Clinton's Economic Adviser." In it,* EIR *Ibero-American editor Dennis Small gave the following report on the Brazil debt crisis:*

As you can see from **Figure 1,** Brazil's real foreign debt will be approximately $481 billion by the end of 1998. That is the largest foreign debt of any so-called "emerging nation" in the world. It is two and a half times larger than the Russian real foreign debt.

Now, in addition to that, U.S. banks are far more exposed in Brazil than they are in the situation in Russia. U.S. banks have about $35 billion in direct exposure in Brazil. And that compares to their Russian exposure of about $7.7 billion. So their exposure in Brazil is four times larger (see **Figure 2**).

So, with a real foreign debt two and a half times larger than Russia's, and exposure for the U.S. banks four times larger, when Brazil goes, the shock wave of that debt explosion is going to have about 10 times the direct impact on

FIGURE 1
Brazil: real foreign debt
(billions of $)