

# An unparalleled record: LaRouche's economic forecasts

A senior Russian strategist, speaking with *EIR*'s Mark Burdman on Oct. 25, remarked that the new phase of the global financial crisis, particularly what is unfolding in the United States, is dramatic proof that Lyndon LaRouche's forecasts have been absolutely on the mark. This individual, while familiar for years with LaRouche's forecasts, had, until recently, been denying the magnitude of the global crisis, and belittling the dangers in the United States.

The source added that he has been monitoring a growing array of articles from different parts of the world, "saying what Mr. LaRouche was saying years ago. It is clear, now, that the American financial system is not sane. Already years ago, Mr. LaRouche's forecasts developed this point. It is very important, that a dossier be compiled by *EIR*, to show that Mr. LaRouche was the first to say what many are now realizing. He started this, many years ago. It is clear that we are in a big financial crisis. But only recently, we were hearing that the United States was in a splendid situation. People were laughing at LaRouche, insisting that things were blossoming. Now, things are going suddenly down and down, there is crisis after crisis. There was Mexico, there was Southeast Asia, then Russia. Now, a major crisis in America starts. It is very important to show that Mr. LaRouche was the first to forecast this."

Accordingly, *EIR* is publishing the following dossier of LaRouche's forecasts.

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## 'LaRouche's Ninth Forecast'

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*The following is excerpted from Lyndon H. LaRouche, Jr., "The Coming Disintegration of Financial Markets," EIR, June 24, 1994. It was also published as a pamphlet, under the headline "LaRouche's Ninth Forecast." In it, he describes his previous eight economic forecasts; we provide excerpts from some of these below.*

It comes as no surprise that the name of the Bank of England's Eddie George is added to the list of which it must be said that "whom the gods would destroy, they first make mad." During the course of the current London meeting of the International Monetary Conference, Eddie joined the ranks of those greed-maddened public fools of finance who insist that the danger from the now metastatically cancerous financial bubble in derivatives speculation is being exaggerated by some critics.

It is a matter of some urgency that responsible governments subject all incumbent and prospective economics and central banking officials to the sanity test which Eddie George would have flunked gloriously. Among the probable benefits of this, the least would be creating suddenly many encouraging vacancies for the sane unemployed. The test consists of but one crucial question: *Prove conclusively that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization.*

Those officials about to be examined so could look up the answer in the back of the book, so to speak. We supply it here and now. Would that be cheating on their part? Not at all; it would be becoming sane.

### LaRouche as a forecaster

About my qualifications: I have introduced relatively few forecasts of critical events during my 40-odd years as an economist (not counting my repetitions of some of those warnings). To date, every forecast which I have made on the basis of my LaRouche-Riemann method has been confirmed by timely developments. I now present a summary listing of those forecasts, for the purpose of identifying my authority for designing the indicated test of economic sanity.

1. During late autumn 1956, in connection with a marketing study, I forecast the imminence of a major U.S. economic recession, triggered by the over-stretching of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods. This recession broke out in February 1957 statistics, and was generally, if reluctantly acknowledged to have occurred several months later. The recession-spiral lasted into mid-1958, and was followed by a prolonged stagnation until an upturn appeared under the Kennedy administration.

2. During 1959-60, I made my first long-range forecast: that near or shortly after the middle of the 1960s, we would see the first of a series of major monetary disturbances, leading toward a collapse of the existing Bretton Woods agreements. I forecast that this collapse would see increased looting of what were then termed developing sector nations, and that the breakup of the Bretton Woods agreements would lead rapidly to austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

All of my economics forecasting and related activities of



*Not the result of a terrorist bombing, but rather a deliberately demolished steel plant in McKeesport, Pennsylvania, 1985—a casualty of the disastrous policy shift toward a “post-industrial society.” This policy, LaRouche warned as early as 1959-60, would ultimately lead to a collapse of the world financial and monetary system, destroying the physical economy of nations.*

the 1960s, through spring 1971, were premised upon that same judgment. The first of the series of major monetary disturbances of the period occurred with the collapse of the British pound during November 1967, followed by the dollar crisis of January-March 1968. The break-up of the Bretton Woods agreements occurred beginning Aug. 15, 1971, and was consolidated by the Azores monetary conference of 1972. In immediate response to the August 1971 development, the U.S. government instituted the radical austerity measures known as Phase I and Phase II.

3. In November 1979, during my campaign for the Democratic Party’s presidential nomination, I warned that the measures which the Carter administration and Federal Reserve had just taken, at the urging of newly appointed Federal Reserve Chairman Paul A. Volcker, would lead to the outbreak of a devastating recession, beginning early 1980. Every detailing of that forecast by *EIR* magazine’s quarterly projections through 1983 was the most accurate forecast issued publicly by any agency; in fact, most, including Chase, Wharton, Evans, and Data Resources, were absurd in their sensing of the direction of the trends.

4. In February 1983, in the course of an exploratory back-channel discussion I was conducting with Moscow in coordination with the Reagan administration, I informed the Soviet government, that if it were to reject what later became known as the Strategic Defense Initiative of March 23, 1983, the strains on the Comecon economy would lead to a collapse of that economic system in about five years. This forecast was repeated in an *EIR* Special Report, *Global Showdown*, issued

July 1985. The collapse occurred during the second half of 1989.

5. In spring 1984, in my renewed campaign for the Democratic Party’s presidential nomination, I warned, in a nationwide half-hour TV address, and elsewhere, of the outbreak of a collapse in a large section of the U.S. banking system: the savings and loan and related sectors.

6. In May 1987, I forecast, as published in *EIR* magazine and elsewhere, the outbreak of a major collapse in the stock market beginning approximately Oct. 10, 1987. This was my first and only stock-market forecast.

7. During my renewed Democratic candidacy of 1988, in a nationwide half-hour TV address, I described the “bouncing ball” phenomenon as the key to following the continuing collapse of the U.S. economy through the course of apparent, short-term fluctuations relatively up or down. That has continued to the present day.

8. During my renewed Democratic candidacy of 1992, I warned that we were already gripped by a global financial mudslide, “down, down, down.”

This is a record of nearly 40 years, a record which cannot be even approached on the public record by any currently living economist, even by France’s (and *Le Figaro*’s) eminently sane Nobel Prize-winning Maurice Allais.

Out of that same unequalled competence, I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur 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 is LaRouche forecast No. 9—the addition to the list of eight, above.

### **The rational standard of belief**

What has been summarily reported on the first eight forecasts shows that something is missing in the intelligence or morals of anyone who refuses to take the ninth forecast very seriously. Yet, that being said, although the public record shows that I am probably the world’s best forecaster living during the past 40 years, does that unmatched record in fore-

casting guarantee that my ninth forecast is right? Any responsible government says, "He may be the world's best economist, but, even in his case, I still need the proof that his ninth forecast is right."

Think of an economist advising a government as morally in a position like the physician advising a patient. Would it be consistent with medical ethics to prescribe a medicine on the basis of "I happen to find the labels on the pharmaceutical company's products attractive"? How should the physician judge? He is morally responsible for using scientific method, and for working in concert with those other members of the profession whom he knows to be governed in their utterances by obedience to scientific method (rather than some official of an insurance company controlled by investment trusts, for example). What is the comparable ethical requirement in connection with economic prescriptions?

Contrary to what most scientific illiterates among U.S. college graduates believe today, *science is not statistics. Science is the method by which a series of successful fundamental, and other crucial discoveries have been generated. Science is not mathematics; it is the delimiting conditions which the successively successful method of physical science, over nearly 2,500 years since Plato's Academy at Athens, imposes upon mathematics today.*

Any responsible government today is asking the following three questions about the ninth forecast in that series: 1) Is the method which I employed to develop the first eight of these forecasts consistent with the method upon which the ninth depends? 2) Is the method which opponents of this forecast employ identical to the failed method which their circles used in failing to meet the standard of each and all of the first eight forecasts in my series? 3) If the answer to the preceding questions is "Yes," then show the additional, crucial proof that my method conforms to the actual principles by which physical growth in economic processes is sustained.

That is what any responsible government will demand of me, once it recognizes that it would be terribly, morally reckless to continue its disastrous former blind faith in my failed "Brand X" competitors of the post-World War II period, such as John Von Neumann, Abba Lerner, Milton Friedman, Friedrich von Hayek, Karl Popper, Arthur Burns, Paul Samuelson, George Shultz, Paul Volcker, Margaret Thatcher, Wharton, Evans, Chase, Data Resources, and, at the bottom of the barrel, that notoriously poisonous academic imp from Harvard, Jeffrey Sachs.

The future will judge the governments and the electorates of the present by the way in which they respond, or fail to respond to their obligation to pose those policy questions respecting that ninth forecast. The future will demand: 1) If you had asked those questions, you might have foreseen the mass-murderous disaster which was about to hit your nation and the rest of the world besides. Did you ask those questions? 2) If you did ask those questions, did you receive an answer? 3) What would have been the result had you accepted that

answer? *This moral accountability applies to government; it may determine whether or not certain economists deserve to sit in Hell; it is also a measure of the morality of the voting-age population in general.*

The reader will find all the crucial features of the method employed in all nine of the list of past and present forecasts identified adequately in many published locations, including two most recent editions of the quarterly journal *Fidelio*. "On LaRouche's Discovery," (Spring 1994) is an account of the original work, over the years 1948-52, which produced my original fundamental discovery in the science of physical economy. This, including footnotes (pp. 37-55), is a concise report of the discovery. The second, longer treatment of the significance of economic policy in history, is found in "The Truth About Temporal Eternity," in the Summer 1994 issue.

If the reader has advanced competence in mathematical physics, including the issues associated with such matters as Bertrand Russell's fraudulent attacks upon Bernhard Riemann and Georg Cantor, or the related matter of Kurt Gödel's shattering proof of a crucial blunder by John von Neumann, those two articles report enough to constitute rigorous scientific proof. If the reader lacks that advanced training, the contents of the two articles will be nonetheless highly informative and relevant.

It is my intent, that any literate person, whether one with adequate scientific training or merely good moral sense in such matters, will be suitably informed by the following description of the proof for my ninth forecast. . . .

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### Forecast 3: The Volcker measures

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*This statement was issued by LaRouche on Oct. 16, 1979:*

I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve Chairman Paul Volcker.

Yesterday, appearing before a committee of the United States Senate, Volcker either lied or manifested gross incompetence in the course of a reply to Senator Paul Sarbanes, Democrat of Maryland. He stated, falsely, in his response, that the Federal Reserve System could not channel the flow of constricted liquidity in such a way as to ensure adequate credit for maintaining the operating capital of business employers.

In fact, the Federal Reserve System has the capability, with the consent of the Executive Branch and Congress, to conduct precisely the sort of anti-depression measures which Senator Sarbanes proposed.

Mr. Volcker either knows this, in which case he committed perjury in sworn testimony before the Senate, or he does not know this, in which case he is impeachable for incompetence.

In earlier public statements, Mr. Volcker has stated himself to be a supporter of a doctrine of "controlled disintegrated



*Federal Reserve Board Chairman Paul Volcker, 1981. His doctrine of “controlled disintegration” of the economy led to a deliberate shutdown of U.S. industry and agriculture.*

tion” for both the United States and the world economy. Now, under the semantic pretext of “anti-inflation” “fiscal austerity,” Volcker has abused his powers as Federal Reserve chairman to implement measures which constitute an efficient effort to plunge the U.S. economy into misery, chaos, and confusion of the sort ultimately worse than the conditions experienced during the Great Depression of the 1930s. In light of the evidence of a conscious intent behind Mr. Volcker’s attempts to ruin the U.S. economy, his conduct in office must be regarded as no better than treasonous in character, if not formally treason by the strict language of the U.S. Constitution.

As one of the world’s leading economists, I have caused my staff to conduct a computer-based analysis of the near-term consequences of Volcker’s measures. Those results, coinciding with the estimates of other analysts reporting independently, indicate that the measures already enacted by Volcker will cause a 15% recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974. . . .

Furthermore, the argument that Volcker’s “fiscal austerity” will hinder inflation is a hoax. Although there might be some temporary leveling off of inflation-rates during the weeks just ahead, by about January 1980, Volcker’s measures would begin to send inflation-rates spiraling upward again. This new spurt of inflation would be caused by the effort to offset higher borrowing costs for operating capital plus efforts to bring total income-volumes of firms back above break-even levels under conditions of a substantially shrunken market.

There are two immediate measures which would ameliorate the present crisis. First, the U.S. gold reserves must be

valued at an adjusted current world market value, a value to be negotiated with both the European Monetary System member-nations and the OPEC the “petrodollar” holders. This would stabilize the value of the dollar and take the worst pressures off dollar liquidity. Second, the Federal Reserve must immediately implement the kind of selective credit-flow controls which Senator Sarbanes proposed. This would not solve our nation’s problems, but would give us breathing-room for developing a comprehensive, long-term set of monetary and investment-incentive measures.

A depression is not necessary. Any official who adopts a policy of “controlled disintegration” of the United States economy is engaged in a treasonous undermining of our nation’s overall security at this juncture.

It is time to cease playing political theater with the election campaign. It is

time for the citizens to cease treating politics as a matter of attaching oneself to popular political actors in an electoral beauty-pageant, and to pay attention to the fundamental interests of our nation, especially to those vital interests which determine the condition of individual life and the kind of world and nation we work to leave to our posterity. It is time to force the impeachment of treasonous forces such as Paul Volcker.

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## Forecast 4: The Soviet economic crisis

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*The following is excerpted from EIR’s Special Report Global Showdown, July 24, 1985, pp. 3, 12-13.*

At present, the Soviet Union is in a full-scale pre-war mobilization, with the objective of acquiring all capabilities needed to survive and win a full-scale thermonuclear-led assault against the United States, according to the Ogarkov Doctrinal War-Plan, by approximately 1988. The economic mobilization in progress is best characterized as an overlay of two complementary general policies. These two, overlain, policies we have designated as *Plan A* and *Plan B*, respectively.

*Plan A*, signifies the aspect of the current economic mobilization governed by a Soviet version of “systems analysis,” the portion of the mobilization based on mobilization policies of practice in place prior to 1983.

*Plan B*, signifies a new dimension of Soviet mobilization policy, which was made visible in Soviet war-planning during

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## GLOBAL SHOWDOWN



### The Russian Imperial War Plan for 1988

July 24, 1985

the 1983-84 period, and has been implemented on a massive and accelerating scale immediately following General Secretary Gorbachov's installation in office. Fairly described, *Plan B* represents a virtual revolution in Soviet economic policy of practice. The intent of its addition, is to forestall any U.S.A. move to a "crash program" method of implementation of the Strategic Defense Initiative. It introduces to Soviet practice, "science-driver crash-program" methods of rapid technological upshifting of Soviet production in general. . . .

In previously established Soviet doctrine, *Plan A* doctrine, military production is treated as a drag upon the economy. Therefore, *Plan A* thinking reasons, if one power cranks up to a full-scale war economy mobilization, and a comparable opposing power does not, the weakening of the first power by such war-economy mobilization can be compensated only by either victorious warfare or other capitulation by the opposing power. If *Plan B* follows the LaRouche-Riemann Method on this point, then the power whose war-economy mobilization is at the higher technological level, can sustain such a mobilization indefinitely, constantly gaining in margin of economic advantage over the other. In economic terms, a full-scale war-economy mobilization, is a source of cumulative economic superiority, not weakening, on condition that the principle of a "science-driver" variety of "crash program" is adopted. . . .

In other words, if Soviet policy follows *Plan A*, the likeli-

hood of war is at the greatest during approximately 1988. At that point, the Soviet war-economy mobilization will have peaked, and the religious mobilization leading into the 1988 celebrations will also have peaked. According to a version of Soviet strategic doctrine based on *Plan A*, the Soviet Union must launch a full-scale war against the United States by approximately 1988. After 1988, according to *Plan A* reasoning, the relative advantage to the Soviets will erode at an accelerating rate, unless NATO military capabilities and economies collapse of their own weight. . . .

[Should Moscow shift from *Plan A* to *Plan B*], then 1988 is no longer a maximum point of relative strength for Moscow, but, rather, the date of maximum strength is shifted to a later date, to a critical point during the early to middle 1990s.

That critical point is rather simply defined. Let X, Soviet total capability, be greater than Y, the total capability of the NATO alliance. Let the exponent of growth-rate for X be designated by "a," and let "a" be less than the exponent of growth for Y, "b." The point at which the absolute margin of growth of Soviet capability ceases to be greater than the absolute margin of growth for NATO capability, is a critical value. This is indicated better, by assuming, as is the normal case, that the growth-rate exponents "a" and "b" are not linear, and that "b" increases more rapidly than "a": In other words, a U.S. mobilization "takes off" as did the 1939-43 mobilization. Once NATO's economies reach the critical value corresponding approximately to 1943, the rate of growth of NATO's power will accelerate relative to the rate of growth of the Soviets, on condition that the Soviets do not introduce an effective "cultural paradigm-shift," away from deeply-embedded Eastern cultural matrices during that interval. . . .

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## Forecast 6: The crash of October 1987

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*This statement was issued by LaRouche on May 27, 1987, and was published in EIR on June 5, 1987. The financial blowout forecast by LaRouche began on Oct. 6, when the New York stock market's Dow-Jones index dropped by more than 91 points. The crisis culminated in Wall Street's more than 500-point crash on "Black Monday," Oct. 19. Some \$1.5-2 trillion worth of equity in U.S. markets was wiped out from Aug. 25 to Oct. 19, 1987.*

Leading European financial officials have warned my associates, that we should expect to see the beginning of the world's biggest financial crash by October of this year. My comment on that forecast: It might not occur in just that way, but, if the Reagan administration continues its present policies, it is certain that the world's economic situation will become much worse than it is today over the summer months.



*A worried stock market player in Boston, Oct. 20, 1987, after the “Black Monday” crash.*

I don't welcome this worsening of the situation. It will cause enormous suffering, for one thing. Also, in the defendant's motion which the Soviet government submitted to a Paris court last Friday, Moscow makes implicitly clear that it will react with efforts to assassinate me as soon as possible, for fear that such a crash might bring me at least close to gaining the 1988 Democratic presidential nomination.

Nonetheless, in history, usually, only the eruption of terrible events brings governments and peoples to their senses. It is when the bombs drop on London or Pearl Harbor—or, something like that—that the English-speaking peoples seem to come out of foolish dreaming, and awaken to reality. It is probable that only a growing sense of the reality of the AIDS menace, combined with a financial disaster, combined with awakening to the reality of the Soviet threat, will get the majority of U.S. citizens out of their present wishful stupor before their TV sets.

Whether the great financial crash of 1987 erupts by October, or later, will depend upon what leading governments do at the international monetary “summit” held in Venice on June 12. Those bankers who are expecting a crash by October, make that forecast on the basis of assuming that the U.S. government's role at Venice will be a continuation of the foolish international monetary policy which the Reagan administration has followed over the past five years. In that case, a crash in October would not be absolutely certain, but it would be, at least, a very good guess.

This forecast is based on the observation, that even now, President Reagan is clinging stubbornly to belief in a “Reagan economic recovery” which never actually occurred. The President believes in that non-existent “recovery” for

ideological reasons; he wishes, desperately, to believe that his economic policies have been successful ones. As long as the official line of the administration is to stick to the “successful economic policies” of the past five years, the Reagan administration is likely to stick to those policies. This would turn the Venice “summit” into a disaster, destroying the last bit of confidence in the U.S. dollar in international financial markets. Under those conditions, an October crash would be very probable.

Take, for example, one of the most recent developments on the international financial markets. The way in which a small loan was granted to Egypt by the international bankers' club called the “Club of Paris.”

Egypt was blackmailed into signing what is called an “IMF letter of intent.”

Egypt was told, all credit would be cut off, unless it signed that letter. The letter required the consent of the Egyptian government to devaluing its currency, and shutting off the highly successful land-reclamation projects which are the only hope for a basic solution to the problems of Egypt's economy. Reluctantly, Egypt signed, and was then promptly given new lines of credit. Egypt received, however, much less than it lost by devaluing its currency, the pound.

This has been the pattern of U.S. support for IMF “conditionalities” policy. The key margin of increase of the U.S. trade-deficit, has been the collapse of U.S. exports to, and increasing imports from, developing nations which have submitted to the terms of such “conditionalities.” The “conditionalities” have, in each case, turned a poor debt-repayment possibility by these countries, into an impossible one, in each case.

This affects the internal economy of the U.S. directly. Take for example, the Reagan administration's reaction to the drop in OPEC petroleum prices.

Continued production of U.S. petroleum requires a price of about \$24 a barrel. Without that U.S. petroleum production, we are dependent upon increasingly uncertain flows of cheaper oil from the Persian Gulf's war-zone. Instead of putting a price-triggered import charge on imported petroleum, to defend domestic petroleum production, the U.S. government decided to go with dependency on cheaper Persian Gulf oil. This, combined with the U.S. Agriculture Department's policy of collapsing U.S. agriculture, was the cause of the financial crisis among the regional banks of Texas, Oklahoma, Louisiana, Wyoming, Montana, and so forth.

Our government's follies in international monetary policy

usually come home to cause suffering inside the United States.

A “zero-economic-growth mafia” inside the IMF and World Bank bureaucracies, acting with U.S. government support, has been collapsing the internal economies and world trade of both developing and Western industrialized nations, while piling up the financial obligations of both developing and industrialized nations. We have been increasing nations’ obligations to pay debt, while destroying their means for paying that debt.

Inside the U.S. itself, one of the mechanisms which has been used to prop up apparent consumer purchases, has been a process of increasing average consumer debt, while average consumer income fell. This has been the leading basis for President Reagan’s wishful belief in an economic recovery—consumers going deeper into debt to maintain ordinary levels of consumer spending, while average, after-inflation levels of household income have been falling. Now, the growth of consumer debt has reached approximately a saturation-level.

Meanwhile, the prices on the world’s stock exchanges have zoomed into the financial stratosphere. Present stock prices are way, way above anything justified by the price-earnings ratio. The bond markets have been sliding down for weeks. About 1,500 U.S. banks are in bad trouble, and more than 200 in immediately serious trouble. Any significant rise in interest-rates could sink as much as half of the savings institutions, and could blow out the banking system generally. If this inflated financial structure collapses significantly in any one sector, all sectors could blow. Any collapse would reveal quickly, that most of the values of financial paper depend upon mere “hot air,” such as so-called “junk bonds” or similarly dubious book-keeping accounts.

When the system blows, more than half of the more than \$13 trillion of hard-core debt-obligations could blow, more than half of this inside the United States.

The problem is approximately twenty years of bad monetary and economic policies by all Western industrialized nations excepting Japan. (We sometimes complain that Japan is being “unfair,” because it refuses to be as stupid as the governments of other industrialized nations.)

Now, during recent weeks, many of the world’s leading bankers have awakened to the seriousness of the situation. Except for the governments of Japan and of France’s Prime Minister Jacques Chirac, the governments, and

political party leaderships of the other Western industrialized nations are still as much in dreamland on the economic situation as they are on the subject of the AIDS pandemic.

Technically, on any day that the U.S. government came to its senses, this crisis could be brought under control. The crash of 1987 is not inevitable. However, unless the governments come to their senses, it is inevitable. During the Venice monetary “summit,” and during the weeks following that, we shall see whether the crash occurs as leading European bankers now suspect it will.

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## Forecast 7: The bouncing ball

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*From an April 12, 1988 televised Presidential campaign broadcast by LaRouche, titled “The Test of Fire.”*

... You see here, that last October, the stock market collapsed almost exactly as it did in October 1929. At the beginning of January, the stock market recovered just as it did back during the same period in 1930. The recovery lasted until the middle of March this year, just as it did in 1930. But, then, the last week of March, the markets sagged, just as they did back during the same period in 1930. Today, the majority of leading financial experts in Europe are expecting that the international financial system will go through a drop in dollar values between now and the end of June, just as happened back in 1930. What these experts expect after that, is a temporary levelling off during the Summer months, followed by a new downslide in October. After that, they expect a more or less steady col-



*LaRouche’s April 12, 1988 television broadcast, in which the motion of the stock market in 1929, and again in 1987-88, is shown to mimic a bouncing ball.*

lapse of the economy throughout 1989, leading into the worst economic depression of the century.

I am not making a firm prediction on the date the next major dollar and banking crisis will hit. If I were President now, I could bring this under control very quickly, and begin to turn the economy around slightly over the next several months.

So far, George [Bush's] friends, using almost every trick in the book, have failed to control the financial crisis any better than Hoover did, back in 1930. Let's take a quick look at the reason Bush's friends are doomed to fail in their efforts.

[LaRouche holds up a ball.]

Now, imagine we are back in October 1929. I drop this ball.

[Camera shows path of bouncing ball, superimposed on *Wall Street Journal* graph of stock market in 1929.]

The picture isn't exactly the same, but the general idea is about the same.

Now, come back to the middle of October 1987. The ball I am holding is not the same ball I dropped back in 1929, but it is a similar ball. The same thing happens with this ball in 1986 and 1988 that happened in 1929 and 1930.

Why should an economy act like a bouncing ball, back in Hoover's time, and again today? One reason is that the Reagan-Bush administration has acted almost exactly as the

Coolidge and Hoover administrations acted to create the Great Depression of the 1930s. If our government, in 1988, makes exactly the same mistakes which the Hoover administration made back in 1930, the results will be approximately the same. Times change, but the laws of nature do not. . . .

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## Forecast 8: The great mudslide

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*From a Nov. 23, 1991 Presidential campaign statement by LaRouche, titled "The Great Mudslide Is On."*

Many people have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets, with the Dow-Jones, sometimes called Baby Jones Index crashing 500 or 1,000 points or something like that. What they are seeing is something a bit different. What they are seeing is the great mud-slide of 1991. By mud-slide, I refer by comparison to the eruption of, say, a Hawaiian-style volcano. The mud comes sliding down inch by inch, hour by hour, approaching the villages and the sea. As the mud reaches the sea, a bit flakes off today, a bit flakes off tomorrow, a bit flakes off the next day. But we know what's happening, the mud is going down to the sea, it's going under water with a great deal of steam and pain.

What has happened is, is not that the stock market has collapsed as much as that of the underlying financial system as a whole, the Anglo-American, London-New York-Washington financial system has collapsed. The banks are bankrupt, the life insurance and other insurances companies are in deep trouble, the pension funds have been looted by the junk bond dealers such as Michael Milken and Kohlberg Kravis Roberts with their crazy junk bonds. State governments are bankrupt, municipal governments are bankrupt, the federal government is bankrupt, and the federal government and state governments and corporations are stuck with something on the order of \$24-25 trillion of unpayable combined public and private, on-balance-sheet and off-balance-sheet liabilities. As a result of this, the stock market and other financial markets can no longer sustain the appearance, the illusion of so-called prosperity. . . .

So, down and down and down we go—not all at once, but day by day, hour by hour, inch by inch, the Great Mudslide that carries the United States into a financial collapse and depression far worse than anything in the 1930s, is now on full tilt.

There is only one thing that can be done: Build a new system. But so far, over the past years, the years that I have been warning of this—particularly 1980, 1984, the 1988 Presidential campaigns, I warned of this exactly, I warned what had to be done—none of the other candidates was paying any attention. As a result of your choosing from among those other candidates, you are going to suffer. I regret it, but you're going to suffer. It's your own fault, for not supporting me. . . .

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by Lyndon H. LaRouche, Jr.

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