

LaRouche warns Clinton on economic policy bungling

by Edward Spannaus

President Clinton is falling into a trap, and is undermining his own administration, by failing to acknowledge the depth of the current economic and financial crisis, and by instead proclaiming that the U.S. economy is doing better and better, warned Lyndon H. LaRouche, Jr., during a radio interview with “EIR Talks” on Dec. 17.

LaRouche began by saying that we are now in the worst crisis since World War II. Following the dramatic events of the first half of December, he said, “we are now in what appears to be, to foolish people, a lull period, on the way to a much worse crisis,” which could include an explosion in Brazil, and an explosion in Russia this year or early next year. “So we’re now in the worst situation, by far, since World War II, or since the only event during the post-World War II period which is even comparable to what’s happening now . . . the [Cuba] missile crisis of 1962.”

“We’re in that kind of crisis,” LaRouche continued. “And so far, virtually all of the world’s leaders, including the government of the United States, including the Clinton administration, are goofing this badly. The worst thing Clinton has done, is not his policy. The worst thing he’s done is to say, essentially, there are only a few ‘glitches’ in a good economy; the U.S. economy has become better over the years — which is not true — and these kinds of things, which, in the long term, undermine popular confidence in him, by his saying these foolish, untrue things.”

Clinton’s ‘glitch’ statement

LaRouche was referring to President Clinton’s Nov. 23 statement at the Asia Pacific Economic Cooperation (APEC) summit in Vancouver, where Clinton referred to the ongoing Asian financial crisis as a “glitch in the road.” This was immediately interpreted as meaning that the President was not tak-

ing the magnitude of the crisis seriously enough, and the President and White House aides spent the rest of the summit trying to repair the damage, by stressing that the President did indeed take the economic crisis seriously.

In his year-end press conference on Dec. 16, the President once again declared that the United States is experiencing “the strongest economy in a generation.” In the very first question, a reporter brought up Clinton’s “glitch” statement, and, noting that the currency turmoil in Asia is continuing, the questioner asked, “How serious is this crisis for Americans?”

President Clinton responded to the question by first commenting that “the American economy is strong,” but he also stressed that “a significant part of our growth comes from our ability to sell to others around the world, including in Asia,” and that it is therefore “very much in our interest to do what we can to support the Asian economies as they work to weather this crisis.”

But, Clinton pointed to the so-called “Manila framework,” as the best way to help Asia, which he said means 1) “strong economic policies on the part of these countries”; 2) that the International Monetary Fund (IMF) should play the leading role; and 3) that the United States should be there, along with Japan and other countries, in a supporting capacity, when necessary. Clinton said that he was “very encouraged” by the steps that South Korea is taking to implement the IMF program, “to rebuild the South Korean confidence of the markets.”

The reality

LaRouche, on the contrary, said in his Dec. 17 interview that the current U.S. policy with respect to East Asia is “absolute folly,” and that the U.S. government is moving into a trap.

As *EIR* readers know, the world economy is now domi-



President Bill Clinton, with Vice President Al Gore. The worst thing Clinton has done, is to say that there are only a few “glitches” in an otherwise healthy economy. Nothing could be further from the truth.

nated by a \$125-135 trillion derivatives bubble—which, like any parasite, demands more and more blood to sustain its growing appetite. The IMF bailout schemes have one overriding purpose: to feed this bubble, by bailing out the banks and financial institutions which are the foreign creditors of countries such as South Korea. The populations of South Korea and other victims of IMF “conditionalities” are only going to suffer more pain, as a result of austerity, rising taxes, and the effects of currency devaluations on their living standards.

Already in Korea and other locations in Asia, enormous resentment against the United States is building up, based on the belief that it is Washington which is forcing IMF programs down the throats of Asian governments. And, at this moment, the Clinton administration is doing nothing which would dissuade Asians from that belief, or which could quell the growing backlash against the IMF and against the United States.

And, at home, few Americans believe the President’s continued declarations that the U.S. economy is the strongest it has been for a generation. *EIR* has documented that actual living standards, as measured by a “market basket” of consumption, are about one-half of what they were in the 1960s. Our infrastructure is crumbling; witness, for example, the stocks of grain now sitting, and rotting, on the ground on rail sidings in farm states, because of the gridlock and “missing-in-action” railcars in the Union Pacific freight system (see article, p. 19).

Ironically, the day before the President’s press conference, the U.S. Conference of Mayors had released its annual

survey of hunger and homelessness in American cities, which reported that requests for emergency food and shelter have increased for the 13th year in a row. Of the causes of hunger listed by city officials, “low-paying jobs” was on top of the list, with other causes listed as: unemployment and other employment-related problems, food stamp cuts, high housing costs, poverty or lack of income, and low benefits in public assistance programs.

And, recently, the Children’s Defense Fund released a report documenting that median income for young families with children had fallen by 33% between 1973 and 1994, and that the poverty rate for children in young families has more than doubled since 1973. Forty-one percent of children in young families are living below the poverty line.

Crisis management

The real problem with the administration, LaRouche emphasized in his interview, is that the U.S. government is not telling the truth, even though, “behind the scenes, they know that this is a global systemic crisis, that is, the entire system is doomed, and the system must be replaced.

“However, what the U.S. government is doing, which accounts for why the President is not telling the truth when he talks about the economy publicly, is, they’re saying, for the short term, we’re going to stick with the system, and try to manage the crisis in the terms of the system.” That is famous last words, LaRouche said, just like: ‘Hey, good, don’t worry about that iceberg! This ship is unsinkable.’ ”

LaRouche explained that the worldwide bailout process,

exemplified by what just happened in South Korea, and what is being pushed in Japan, “is the same piece of stupidity that was conducted by the government of Germany, Weimar Germany, between the end of 1921, until the complete explosion of the currency and the famous hyperinflation of 1923.”

“If,” LaRouche explained, “you realize that the Weimar hyperinflation spiral was a series of decisions, each one a short-term crisis management decision, made presumably in response to a short-term crisis, according to a certain set of axioms, assumptions about how to conduct policy,” then, “what the Clinton administration is doing in particular, among other governments, is doing an exact repetition of the same thing that blew out the German Reichsmark in the period into 1923. We’re making the same mistake now.”

“Clinton’s public addresses, which are pooh-poohing the idea that there’s anything wrong with the economy,” are playing into precisely this kind of situation, LaRouche said, adding parenthetically, with respect to the President, “I know why he’s doing it, I don’t think he believes it, but I know why he’s doing it.”

LaRouche concluded his warning to the administration by referencing the mistakes now being made in East Asia, with the U.S. government’s encouragement. “If that policy continues, if the Mexican bailout policy is applied to this situation, and that continues in Asia, then we’re only a few

steps away from detonating a hyperinflationary explosion, which could come to an explosion point within a matter of weeks — months, even weeks. It’s that bad.”

This, LaRouche affirmed, is the great crisis of this year: that “the Clinton administration, by, in a sense, *rejecting* what I’ve publicly warned they *must* do, and must perceive, and going on to a course of action which rejects my approach, the Clinton administration is committing, publicly, international U.S. financial-monetary suicide.”

Although this is an extremely dangerous situation, LaRouche stated, “the only good side in it, is that I’m around, still, and I’ve been the one world figure, international figure, who is now increasingly recognized as having been right, when every government on this planet, and virtually the entirety of the economics profession, has been wrong, consistently, actually, over virtually all of the past thirty years, and actually longer.”

The Clinton administration is bungling on this international financial crisis, LaRouche cautioned, by rejecting what he has published in many locations (see, for example, LaRouche’s speech in Germany, in this issue). “They know all about this,” LaRouche said. “They know what has to be done. They’ve been informed.” But, by going in a different direction, “they are dooming the administration, and dooming the United States dollar.”

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