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## We Told You So

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# The LaRouche Record of Economic Forecasts, Fall 1999-Election 2000

The greatest scandal of the U.S.A.'s Year 2000 Presidential campaigns, is not only that only the statements of candidate Lyndon LaRouche have any correspondence to the present post-election realities of the world's economic situation. The scandal is, that, even today, none of the opposing candidates, or the leading U.S. news media, have admitted the awful incompetence of everything they said on U.S. economic policy over the entire campaign period, even still today!

Look at the period between the Fall of 1999 and the election. Consider what candidate LaRouche said, either as a candidate or as a contributor to *EIR*, with what the opposing candidates and their spokesman said, and compare both with what has actually happened. Look at these developments blow by blow. Ask yourself, "How should we connect those dots?"

### Fourth Quarter 1999

#### What LaRouche Said:

Oct. 17, 1999: "Nothing can save this financial and monetary system. Nothing. It is systematically doomed. . . . We've gone through a long period of hyperinflation in so-called asset values, typified by the celebrated boom on the New York Stock Exchange. We're now getting to a point . . . where commodity prices in general will begin to turn upward, in a direction which is potentially hyperinflationary, which is what happened in Germany under the conditions of 1921-23."

Dec. 22, 1999, international webcast with journalists: "Now, actually three things are likely. We're on three tracks right now, so that you cannot predict what's going to happen at a particular time. . . . One way, you can have a chain-reaction collapse of the stock market, and other financial markets. . . . The other alternative, which is also very much on the way, is that if Alan Greenspan and other central bankers continue to print money at the unprecedented and growing rates that they're printing, the whole system would blow out in a hyperinflationary blowout, like that which happened to Germany in 1923. The third thing, is getting new wars."

#### How Popular Opinion Was Misinformed:

**Austrian Central Bank head Liebscher,** [Sept. 2, 1999: "There is no reason, in my opinion, to fret about the escalating global crisis . . . in view of the stability of the financial markets and banking systems of the European Union."

**Federal Reserve Board Chairman Alan Greenspan,** Washington, D.C., Oct. 14, 1999: "The rising share of finance

in the business output of the United States and other countries is a measure of the economic value added from its ability to enhance the process of wealth creation. . . . There can be little doubt that the dramatic improvements in information technology in recent years have altered our approach to risk. Some analysts perceive that information technology has permanently lowered equity premiums [i.e., permanently increased price-earnings ratios] and, hence, permanently raised the prices of the collateral that underlies all financial assets. . . . The marked increase over this decade in the projected slope of technology advance, of course, has also augmented expectations of earnings growth, as evidenced by the dramatic increase since 1995 in security analysts projections of long-term earnings."

**Greenspan,** Nov. 3, 1999, to American bankers' meeting, in praise of the "wealth effect" of inflation of the price of existing housing: "The trend has important implications for economic activity beyond its impact on home building, because . . . the purchasing power released through converting home equity to unencumbered cash can affect overall consumer demand and the economy, just as the stock market gains of recent years have boosted consumption."

**George W. Bush,** Nov. 8, 1999, in an interview with the *New York Post*: "I think Alan Greenspan has done a good job, and I think the President ought to reappoint him."

**What Actually Happened:** See **Figures 1 and 2.**

### First Quarter, 2000

#### What LaRouche Said:

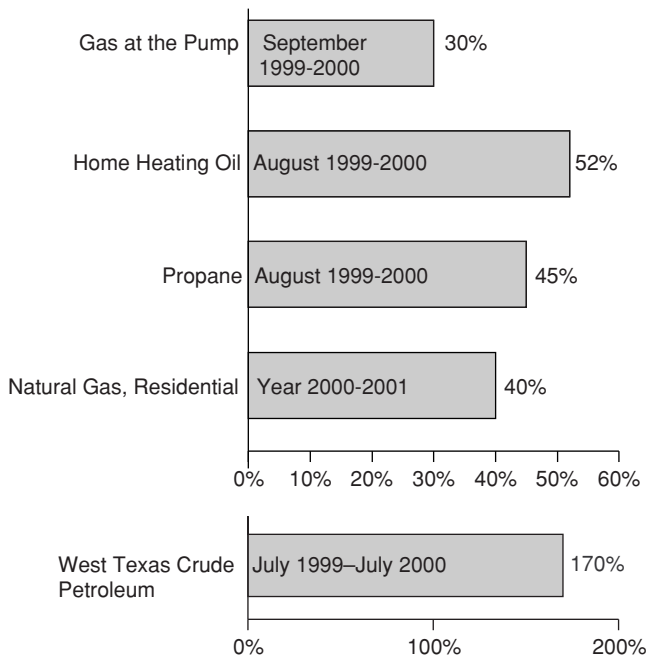
Jan. 11, 2000, campaign webcast from Boston: "Contrary to the kinds of statement you're getting as propaganda—and I say lying propaganda—the United States economy is not growing at the fastest rate in its history, or anything of the sort. . . . What will happen when this market collapses, as it will soon?"

Jan. 14, 2000 webcast from Massachusetts: "The United States has no growth, really no net growth. You take the hot air out of our financial system, we are contracting, as manifest by the fact that we can no longer afford the health care we used to have. They tell us we can no longer afford the pensions we used to have, we can no longer have the educational system we used to have. . . . So, obviously, we've become much poorer. And anybody who's telling us that things have be-

# What Actually Happened: Fourth Quarter 1999

FIGURE 1

## Energy Hyperinflation

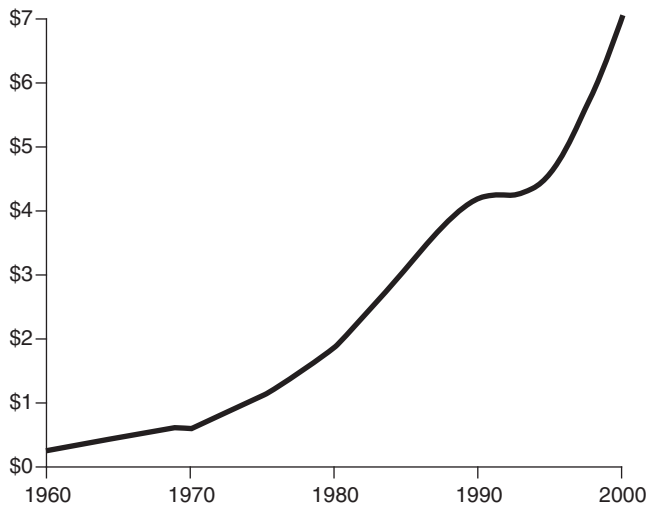


Energy prices began to take off in the last months of 1999.

FIGURE 2

## Chairman Greenspan's Money Supply

(M3 Money Supply, Monthly, Trillions \$)



Under the guise of preparing for the Y2K hoax, Federal Reserve Chairman Alan Greenspan turned on the money pumps during the last quarter of 1999.

come better is kidding themselves, or blowing hot air, blowing bubbles, as they're doing on Wall Street. . . .

"You will have people who are now in the upper 20% of income brackets, working as middle management at \$60,000, \$70,000 a year, with stock option bonanzas, which they're using to buy \$300-400,000 shacks, tar-paper shacks with Hollywood frontages on them. . . . And when they lose their jobs, when the Internet bubble collapses . . ."

March 4, 2000 webcast: We're in a "phase shift. The only thing that is uncertain in this respect, is exactly when, and in exactly what form, will the blowout occur?"

### How Popular Opinion Was Misinformed:

Feb. 1, 2000: **The National Bureau of Economic Research** proclaimed that the American economy was in its longest continuous expansion in history.

Feb. 3, 2000: **Alan Greenspan** confirmed, within four votes of unanimously, by Congress, for another term as Federal Reserve Chairman.

Feb. 11-13, 2000: At the **World Economic Forum**, an annual economic extravaganza at Davos, Switzerland, lead speakers proclaimed that the United States economy, with its surpluses, low inflation, and high productivity and employment, was the model for Europe and for the world.

March 7, 2000: The **Nasdaq stock index** reaches all-time high of more than 5,000, with forecasts for 10,000, and the Dow Jones to go to 20-30,000.

**What Actually Happened:** See **Figures 3 and 4.**

## Second Quarter, 2000

### What Lyndon LaRouche Said:

April 3, 2000: An *EIR Special Report*, entitled "Why the New Economy Is Doomed," commissioned by LaRouche, is released at a seminar in Berlin. LaRouche's introduction is entitled, "On the Crash of the Nasdaq, Information Society: A Doomed Empire of Evil." He said, "In any crisis expressing the collapse of a long and deeply held delusion, there are always people in the relatively highest positions, who will cling desperately to a sinking ship."

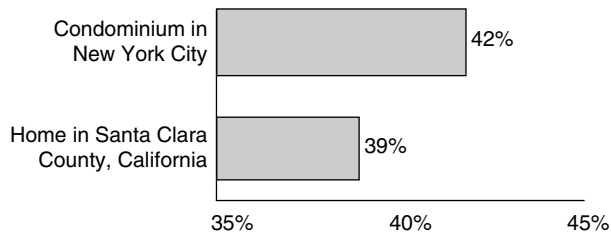
May 2000: In a half-hour TV show prepared for the Michigan primary, LaRouche said, "Some people think, on the Democratic Party side, that they can — by hook or crook, especially crook — postpone the crash until *after* the November elections, in which case they believe that Al Gore might beat Bush in the general election by taking California and New York State. It's not impossible. Al Gore is intrinsically unelectable, but George W. Bush is no great shakes either. That would mean, that with the crash coming on anyway — which everyone knows who knows anything about the world today: this system is *gone* — it's just a question of *when*. That would mean, that if either a Bush or a Gore were elected in the Fall, that you would have the equivalent, or worse, than a Herbert Hoover as President, as in 1929."

June 3, 2000, LaRouche released a statement on "Regional Organization Under a New Bretton Woods System": "The world's present financial system is already in the last

## What Actually Happened: First Quarter 2000

FIGURE 3

### U.S. Hyperinflation, 2000

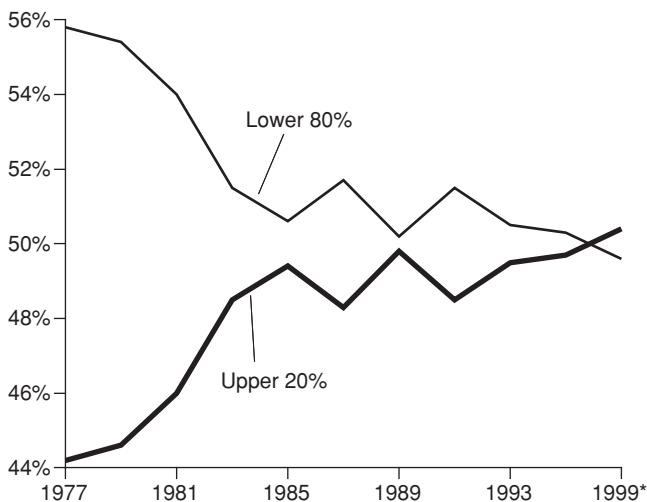


*Hyperinflation began to show up big time in the housing sector during the beginning of 2000, as these figures show.*

FIGURE 4

### America's Richest 20% Now Make More than the Other 80%

(Percent)



\*Projected  
Sources: Congressional Budget Office; *EIR*.

*The impoverishment of the 80% of the U.S. population in the lower family-income brackets accelerated in this period.*

phase of a terminal collapse. Only lunatics, and other desperate fools, such as U.S. Treasury Secretary Larry Summers, are still hoping to keep that system from collapse. All of the world's intelligent and well-informed government officials, leading bankers, and economists, are preparing for the kind of world which will come into existence, very soon, after the present IMF [International Monetary Fund] system has been wiped out."

### How Popular Opinion Was Misinformed:

**George W. Bush**, presenting a "New Prosperity Initiative" in Cleveland on April 11, 2000: "Ours is an age of unmeasured prosperity. Despite corrections and setbacks, the stock market continues its rise, and more Americans than ever own a share in its success. From the millionaire next door to the increasing affluence of the middle class, America is wealthier than it has ever been."

**Alan Greenspan**, speaking at the White House Conference on the New Economy, April 5, 2000: "It has become increasingly difficult to deny that something profoundly different from the typical postwar business cycle has emerged in recent years. Not only has the expansion reached record length, but it has done so with far-stronger-than-expected economic growth. Most remarkably, inflation has remained subdued in the face of labor markets tighter than any we have experienced in a generation. While there are various competing explanations for an economy that is in many respects without precedent in our annals, the most compelling appears to be the extraordinary surge in technological innovation that developed through the latter decades of the last [20th] Century."

**Vice President Al Gore**, May 3, 2000: "You will find no greater supporter and admirer of the Federal Reserve and its chairman, Alan Greenspan . . . [than myself]."

**What Actually Happened:** See Figure 5.

## What Actually Happened: Second Quarter 2000

FIGURE 5

### Nasdaq Composite Index, 1997–2001



Source: Nasdaq.

*The Nasdaq "new economy" stocks hit their high on March 9, and then began to crash, as this figure, taken from Nasdaq statistics, shows.*

# What Actually Happened: Third Quarter 2000

FIGURE 6

## Why the Fuse to War Was Lit in the Middle East



The cover of EIR's Oct. 13, 2000 issue, reflects the shift toward war provocations in the Middle East, which had taken off in the late Summer, after Camp David negotiations failed.

## Third Quarter, 2000

### What Lyndon LaRouche Said:

LaRouche, "Wherein Clinton Failed," *EIR*, Aug. 6, 2000, on the Mideast peace negotiations under President Clinton's sponsorship at Camp David, Maryland: LaRouche stated that Clinton's failure to base either the Syrian-Israeli or the Palestinian-Israeli talks on economic development projects for the Mideast, particularly water development projects along the lines of LaRouche's "Oasis Plan," would doom the talks and was setting the stage for a new war in the Mideast.

Sept. 2, 2000, speech at a conference in Washington, D.C.: "We're now in a situation similar [to the 1920s-30s period in Weimar Germany], in which the total amount of monetary aggregate which must be poured into the United States, to bail out Wall Street, is of the same nature. Thus, any attempt to maintain the present policies of the United States, even for the next two months, the period of the election campaign, would be sufficient to destroy the U.S. economy flat."

LaRouche, "The Lost Art of Management," *EIR*, Sept. 8, 2000: "As of mid-August, the world's ongoing financial crisis has reached the terminal phase, at which there can be no reasonable doubt of this fact among leading circles. The U.S. economy is lurching at the brink of the worst systemic, global financial collapse which European culture has experienced during recent centuries."

### How Popular Opinion Was Misinformed:

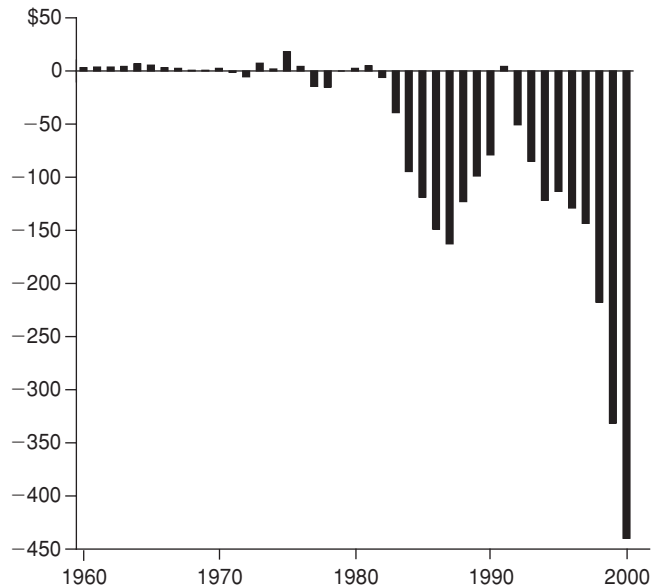
Alan Greenspan, in testimony to Congress on July 20, 2000, "Made the Case for Believing in a Soft Landing," according to headlines around the country.

Aug. 12, 2000, the **Republican Party national platform** released at the party's national convention: "Inspired by Presidents Reagan and Bush, Republicans hammered into place

FIGURE 7

## U.S. Current Account, 1960-2000

(\$ Billions)



\*first nine months of 2000 annualized

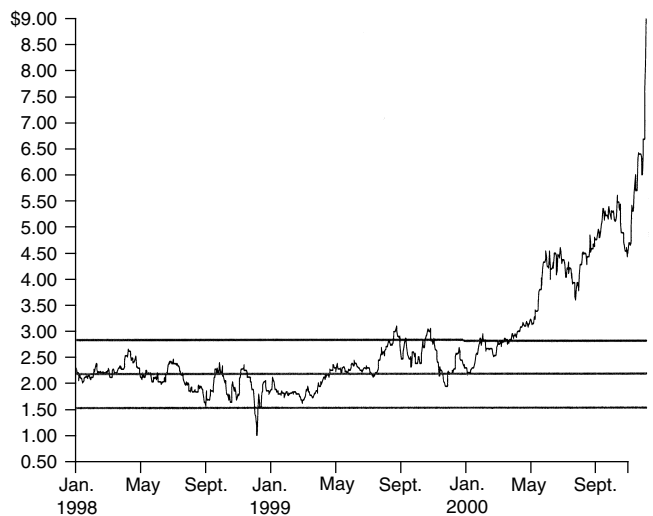
Source: U.S. Department of Commerce; *EIR*.

Every quarter in 2000 showed a dramatic increase in the U.S. Current Account Deficit, as money was drawn into the United States to support the bankrupt system.

FIGURE 8

## Henry Hub Daily Spot Prices for Natural Gas Compared to Typical Range for 1998-99

Dollars per Million BTU



Source: *Gas Daily*.

Hyperinflation in energy prices took off even more dramatically in the third quarter of 2000.

the framework for today's prosperity and surpluses [and] the origin of what is now called the New Economy: the longest economic boom in the 20th Century."

**Al Gore**, at a Boston Presidential debate, Sept. 30, 2000: "I think that the American people deserve credit for the great economy that we have. . . . Look, we have gone from the biggest deficits to the biggest surpluses; we've gone from a triple-dip recession during the previous 12 years to a tripling of the stock market."

**What Actually Happened:** See Figures 6, 7, and 8.

### Fourth Quarter, 2000

#### What Lyndon LaRouche Said:

LaRouche, in "Jesus Christ and Civilization," *EIR*, Oct. 6, 2000, writes that the failures of policy have already "brought the U.S.A. into the final phase of an already onrushing, global financial collapse. Worse, that onrushing, global financial collapse, threatens now to plunge global civilization into a *threatened* new dark age for all humanity."

In a statement issued on Nov. 4, entitled "Al Gore Might Elect George Bush," LaRouche said: "Whether or not either of these two clowns makes it through the delayed counting of the mail-in ballots, and survives what may turn out to be an electoral-college impasse, there is no certainty yet, as to who will actually be inaugurated as the next President. Even the fellow who seems to have won on Nov. 7, might not actually become the next President. Many seemingly strange things not only could happen, but are likely to happen, between Election Day and the next inauguration. So far, on this count, absolutely nothing is in the cards. . . ."

"There are two leading subjects on which I can give you some definite answers, and, otherwise, some hints at what you should be worrying about. First, peek at the economic situation, and then the rapidly deteriorating political situation of the United States, at home and also abroad.

"First, the entire global financial system is now overripe for the biggest collapse in three centuries, and the collapse of the value of the U.S. dollar on the world market, will be the event which officially pushes the world as a whole into that new great depression."

#### How Popular Opinion Was Misinformed:

**Al Gore**, in his Oct. 3 debate with George W. Bush, said, "I think this is a very important moment for our country. We have achieved extraordinary prosperity, and in this election America has to make an important choice: Will we use our prosperity to enrich not just the few, but all of our families?"

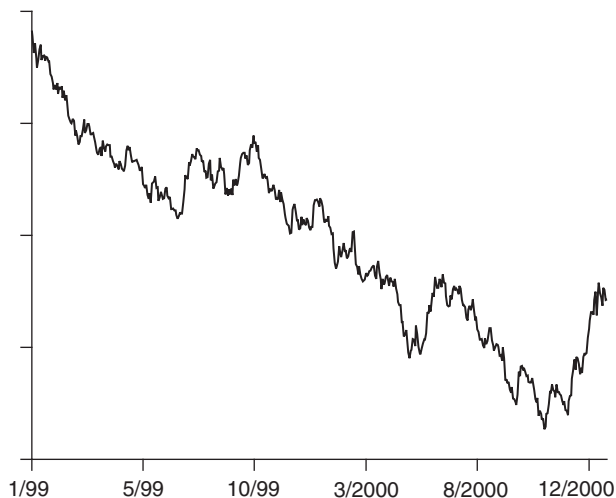
**George W. Bush** didn't disagree, in a campaign speech in Michigan that month. He said, "Some people in Washington, D.C. have been taking credit for the strong economy. . . . The real credit for our prosperity goes to American workers and American entrepreneurs."

On Oct. 19, **Alan Greenspan** announced that the Federal Reserve "has squeezed out an inflationary excess of liquidity."

**What Actually Happened:** See Figures 9 and 10.

## What Actually Happened: Fourth Quarter 2000

FIGURE 9  
Euros per Dollar

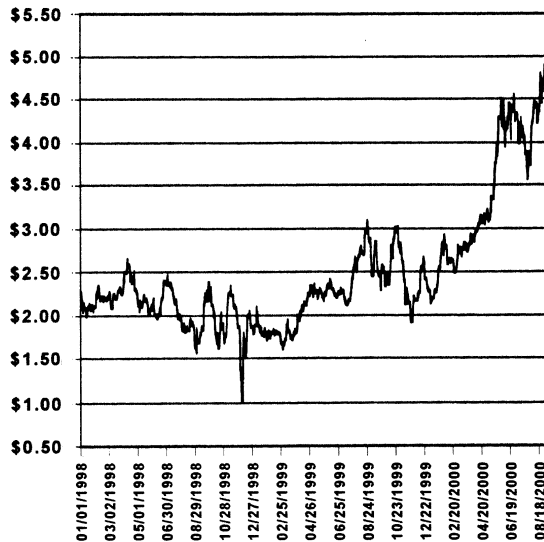


Source: Wall Street Journal.

*A reversal in the value of the euro against the dollar began to show itself definitively in the fourth quarter, threatening a dollar collapse.*

FIGURE 10  
Natural Gas Prices

Henry Hub Daily Spot Prices, \$ per Million BTU



Source: Energy Information Administration, from *Gas Daily*.

*Natural gas hyperinflation skyrocketed even more dramatically in the fourth quarter.*