LaRouche warns: Under Current Axioms, There Is No Recovery!

Coinciding with each ever-sharper downturn in the world's economy, the financial oligarchy and their media prostitutes invariably trumpet the prospect of a "recovery", which is always promised to be "just around the corner." Well, folks, they're lying. Under the globalist, free-trade system, there ain't gonna be no recovery, ever, and the Triple Curve graph developed as a pedagogical device by physical economist Lyndon H. LaRouche tells you why.

In December 1995, LaRouche introduced his now-famous "Triple Curve" function (Fig. 1), to help people understand the process of the unfolding economic collapse. The top two curves are financial aggregates (stocks, bonds, derivatives, etc.), and monetary aggregates (money supply), while the bottom one represents the actual physical economy. The curves of this graph do not represent actual numbers, but tendencies of growth, or of devolution.

In the early phases of a financial bubble, central bankers pour money into the system to sustain the value of the speculative financial aggregates, such as the "New Economy" share market boom of 1996-2000. But, after years or decades of frantic money-pumping of the sort which has been happening in Japan, the United States and elsewhere, at a certain point more money must be printed than the value of the financial aggregates themselves. This is where the two top curves cross, where the economy has entered a hyper-inflationary bubble like that of Weimar Germany in 1923; this process has now started worldwide.(Fig.2).

The soaring expansion of paper titles is temporarily sustained both by money-pumping, and by looting the physical economy, sucking out payments which otherwise should have gone to health care, education, living standards, etc. Figures 3, 4, 5, 6 and 7 illustrate how the two upper curves of the Triple Curve soar, while the lower one, representing the physical economy, plunges downwards. Note how the monetary aggregates graph really takes off in the shaded portion of Fig. 6; the shaded part represents 1996, shortly after LaRouche introduced the Triple Curve idea, until the present.

The only way to break this vicious debt-cycle, is to put the International Monetary Fund-centred, private banker-run world financial system into bankruptcy supervised by sovereign nation-states; write off most of the paper and freeze or reorganise the payment schedules of the rest; and create masses of new government credit, which is poured into the physical economy, such as urgently needed infrastructure. *Then*, you'll get a recovery.

Physical economist and 2004 U.S. Presidential pre-candidate Lyndon H. LaRouche, Jr. Through his discoveries in the field of physical economy, which he applied to make a series of uniquely accurate economic forecasts over the last 40 years, LaRouche has emerged as the world's leading economist. His forecasts, from 1956 through today, are listed in the CEC's book, *What Australia Must Do to Survive the Depression*, pp. 4-7.

Balanced budgets, unbalanced minds

In a million years, one will never solve a depression by adopting either of the methods invariably used by central bankers and governments today (often simultaneously): 1) by issuing an undifferentiated massive expansion of Central Bank/Treasury credit, as the Japanese have been doing for the last decade, and as United States Federal Reserve Board chief Alan Greenspan has done in the U.S. over the past few years, in 2001 most notably with his 11 interest rate cuts, or 2) by ruthless budget-cutting in an attempt to "balance the budget" and "live within our means"; such cuts savagely reduce the living standard of the population, as they did to Australia in the 1930s, and often, as is now happening in Germany, cause a greater collapse in tax revenues than the "savings" represented by the cuts.

The only way to re-start the *physical economy* (as opposed to momentarily bailing out some bankers or corporations), is to dirigistically direct new credit into the physical economy, as LaRouche explained near the opening of his international Webcast on Jan. 24, 2002:

"The remedy for a collapse is not to cut, cut, cut. The remedy is to *increase* credit, especially state credit, but to channel it, under strict regulation and conditionalities, to ensure that the credit goes into no place but increase of production, and other useful things—such as more employment in infrastructure, reactivating idle capacity of industry, meeting obligations in health care, meeting pension obligations, meeting other obligations which are essential for the political and social stability of society, as well as the basis for recovery."

FIGURE 1
The Collapse Reaches a Critical Point of Instability

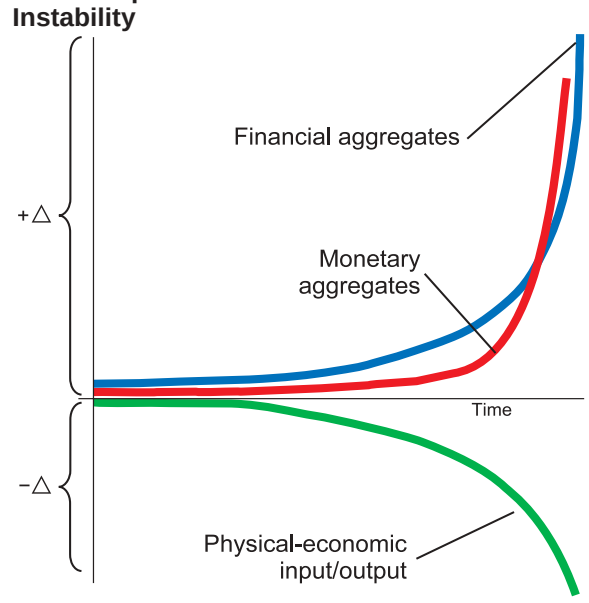


FIGURE 2
Weimar Hyperinflation in 1923: Wholesale Prices (1913 =1)
(logarithmic scale)

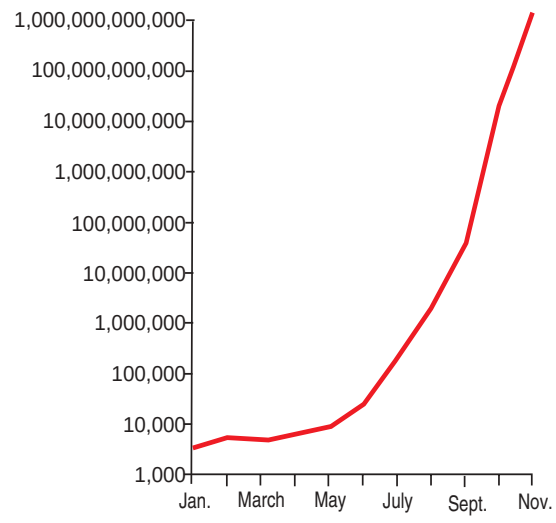
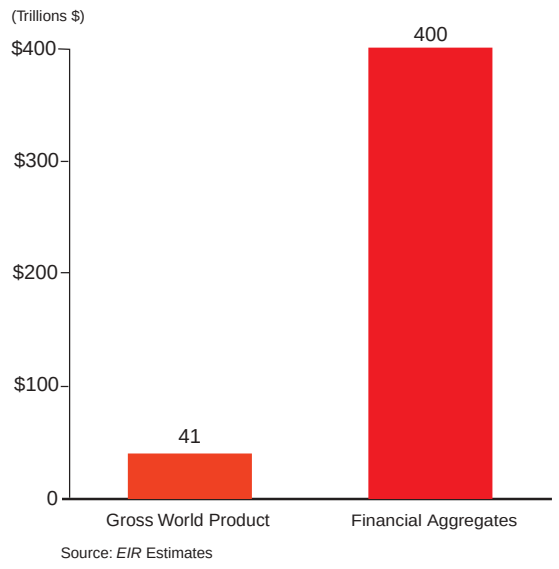
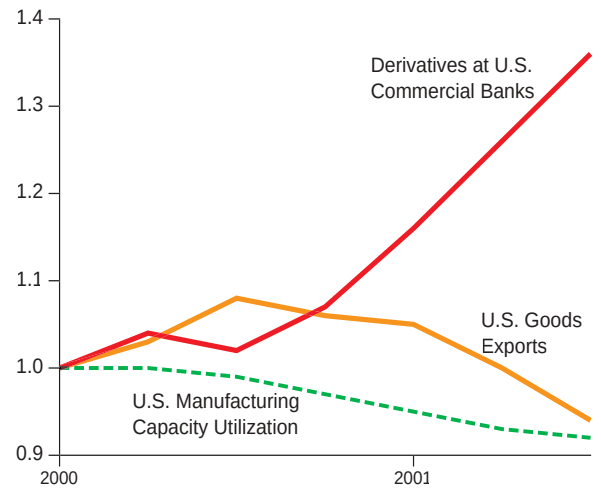


FIGURE 3
Financial Aggregates Are Ten Times the Gross World Product



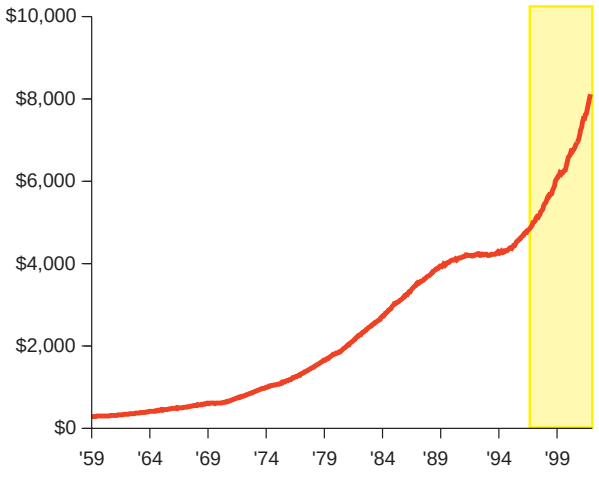
Source: *EIR* Estimates

FIGURE 4
Derivatives Soar, Manufacturing Falls In 2001
(Indexed To 2001/1Q = 1.00)



Sources: FDIC, U.S. Department of Commerce, Federal Reserve.

FIGURE 5
Monetary Aggregates: U.S. Money Supply (M3), 1959-2001
($ Billions)

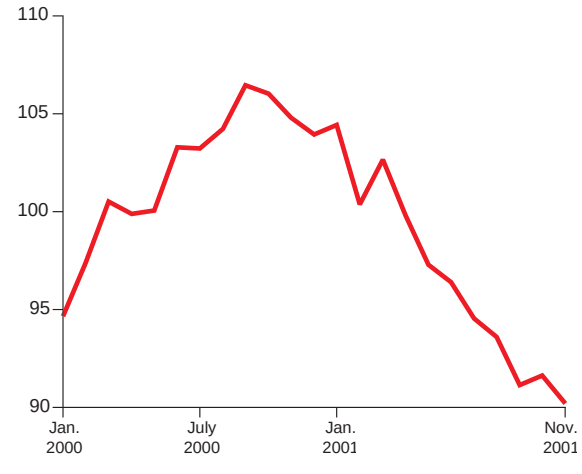


Source: Federal Reserve

FIGURE 6
The Physical Economy: U.S. Manufacturing Worker Employment
(Millions)

Source: U.S. Department of Labor.

FIGURE 7
U.S. Is No Longer Able To Take in the World's Goods: Monthly Level Of U.S. Physical Goods Imports
(Billions Of Dollars)



Source: U.S. Department of Commerce.