

## Choices for the U.S. after the death of Reaganomics

by Chris White

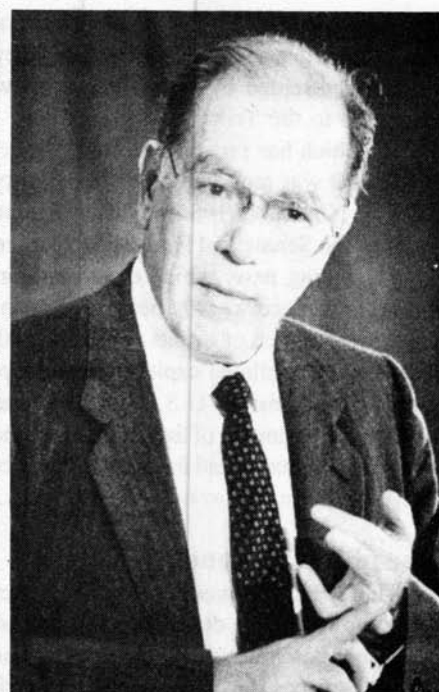
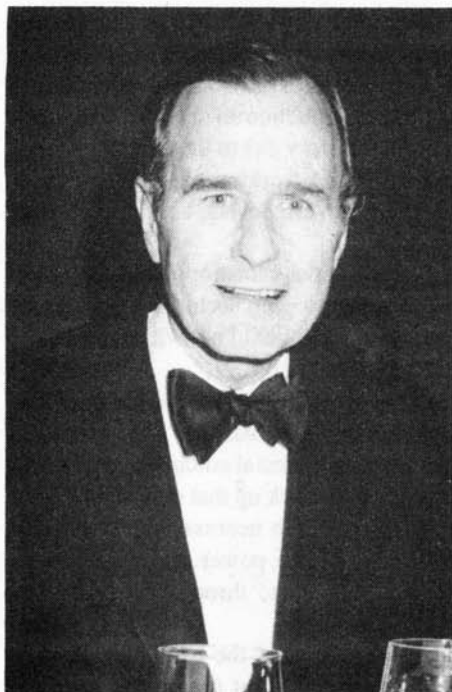
Since Brazil pulled the plug on the bankrupt international financial system on Feb. 20, four tendencies appear to have emerged within the ranks of the present configuration of U.S. policy makers. They are:

- 1) That a financial collapse can be postponed, once again, as it has been before, until after the presidential elections of 1988.
- 2) That collapse is unavoidable, and should be welcomed now, to clear the way for new policies.
- 3) That the New York banks, the only supposedly coherent power in world finance, have the clout to take on the rest of the world and win, provided Paul Volcker prints the money to finance such a war, and that Mikhail Gorbachov agrees to step aside for the duration.
- 4) That a fundamental reorganization of the sort proposed by presidential candidate and economist Lyndon LaRouche must be undertaken now, rather than later.

The first such view is associated with the political aspirations of selected Republican contenders for their party's nomination in 1988, most notably of course, George Bush. It is based on an illusion. Since there is no way anyone associated with the party of Reaganomics, and the depressionary consequences associated with the economic policies covered by that name, will win any election in 1988, never mind the presidency, let's therefore pretend for the interim, these types say, that the real world doesn't exist. This is an attitude which worsens the presently building potentials for financial and economic disaster.

The second is mouthed by political and financial circles typified by the Mellon interests. They no doubt do have utopian racist schemes of what could be done with the world, after \$6-10 trillion of speculative paper and unsecured debt is wiped out. They are still criminally insane.

The third cited view is reported to be that of a faction of the interests associated with the Trilateral Commission. This body held its spring get-together in the AIDS capital of the United States, San Francisco. Henry Kissinger is understood to be the spokesman for the grouping. In this case the New York banks go to war against



Stuart Lewis

*Left: George Bush, the man most associated with the illusion that a financial collapse can be postponed until after the 1988 elections. Center: Henry A. Kissinger, principal spokesman for the view that the New York banks can go to war against the world and win. Right: Lyndon LaRouche, who insists that a fundamental reorganization of the financial system must take place now, not later.*

Ibero-America and the rest of the developing sector, Western Europe, and Japan and drive them into submission to continued genocidal austerity. Gorbachov, it is presumed, is considered free to pick up whatever pieces of the thus-shattered world economy remain after the confrontations are over. But according to reports, there was no agreement among the participants in the conference on whether to adopt the Kissinger proposal or not; rather there were bitter disputes and recriminations.

Support for the fourth point of view within the United States is strengthened by the political repudiation of the administration's existing economic policies from the majorities of both parties in Congress. The economic policies associated with the so-called Reagan recovery collapsed in the period between June and November of 1986, as the reality of depression hit home inside the United States. That depression reality was what defeated the Republicans in the November elections of 1986, and it is what has fueled successive overrides of presidential vetoes in the new Democratic-majority Congress. The veto overrides are the political burial of the corpse of the policies associated with the so-called recovery.

Clearly, the first purported view, of no account except negative, can be dismissed as dangerously lunatic wishful thinking. The second, motivated by the same insane monetarist outlook which fueled Andrew Mellon's activities in the 1920s, prior to Black Friday 1929, can in practice be assimilated into the third. The proposed confrontation with Ibero-America, and the developing sector, and Europe and Japan, is in fact the fastest route to bring down the proverbial works.

Therefore the line-up within the United States boils down

to LaRouche and his reorganization proposals against the alliance of Trilateralists represented by Kissinger.

### Stubborn ignorance

It is to be assumed that the recent provocative stance of the current form of the American administration, is based on a combination of the President's own stubborn ignorance concerning the actual effect of his economic policies, worldwide as well as within the United States, a stubbornness reinforced pathetically by arbitrary assertions of what is supposed to be the power of the presidency, and by the continued influence of the cited grouping of the Trilateral Commission.

This is the political combination which stood behind the failed presidential vetoes of water and highway bills, and which stands behind the confrontationist trade policy reaffirmed against Japan, and simmering within the administration against Western Europe, especially in relation to the question of food production. It is also the faction which stands behind Treasury Secretary Baker's dogged insistence that the United States will not back down one inch in any negotiation with any Third World debtor nation.

It is a faction which asserts that any problem in the real world can be willed out of existence and crushed, by the arbitrary exercise of brutish power, whether by assassination and coup d'état, or by other means including economic warfare. It is a method of statecraft which is self-doomed to extinction, one way or the other, as the successive accelerating eruptions of financial crises since February portend.

Furthermore, if the particular vengeful approach toward Brazil, of banks such as Citibank and Bank of America, two

of the most vulnerable among the largest of the United States banks, is left aside, there is nothing new at all about the policy represented by the Kissinger crowd, and reportedly presented to the Trilateral Commission. It is the same old lunacy which has proven repeatedly to be a failure. It is the policy that was repudiated by the majority of the U.S. electorate in November 1986, and subsequently by the new majority in the Senate and House of Representatives.

Something new, which does function, is obviously required to replace what is being increasingly discredited by the onward march of events. The financial crisis, erupting in London's deregulated capital markets, spilling over against the dollar, against the U.S. stock and bond markets in recent days, is the beginning of the generalized financial crisis warned of by this magazine and its companion publication *EIR Quarterly Economic Report* over the last years.

### **The physical economy**

Those who propose to address that crisis as a financial crisis, however, are doomed to failure and disaster. Physical economic potential, in the form of productive employment and workplaces, has been sacrificed worldwide, in favor of maintaining an increase in the claims of usury and speculation against the declining volume of actual physical wealth produced.

By that rough standard the consequences of the policies insisted on by the opponents of LaRouche will not simply be financial. It has been their intent, openly since the summer of last year, to force Western Europe and Japan to eliminate some portion of their productive capacity that is devoted to United States export markets, and undergo accelerated internal inflation, while increasing what is already in Western Europe, politically intolerable levels of unemployment.

The geniuses who design such schemes no doubt consider that the combination of a self-collapsing United States, together with the threat of Soviet takeover, will be the lever to force the surplus holding nations of Europe and Japan to pile their funds into supporting U.S. government paper, rather than backing production for U.S. export markets. In this scheme the monstrous U.S. trade deficit would be reduced, by the enforced reduction of imports, while the U.S. government deficit could still be financed by inflows of funds from abroad, to prevent the collapse the United States is itself threatening.

Successive efforts were mounted in July and August of 1986, in November, in January of 1987, and again now, as Treasury Secretary Baker repudiated the Paris currency stabilization accords of February, to force especially West Germany and Japan to bow before this approach. The hideous game is played out as the United States encourages its currency to collapse, while Baker, and Volcker over at the Federal Reserve talk about how Germany and Japan have to lower their domestic interest rates, and reflate.

For them, the policy means accelerating internal depression as the export markets, which provide the wealth which

sustains internal economic activity, are shut down. For the United States, it would ensure a rapid rise in unemployment levels, up to the range of 25-30% of the work force, combined with an unparalleled shock reduction of internal consumption, which (government recovery lies to the contrary) is at a level at which one-third of the working-age population, is expected to function below poverty levels, as in the previous depression.

This, on top of the genocidal catastrophe that has been imposed on the so-called developing sector in the name of the same policy. The world order could not withstand such a shock.

LaRouche's solutions were designed, a decade and more ago, to deal precisely with that eventuality.

To reverse the developing financial collapse, new wealth must be generated sufficient to back up that part of the financial system whose survival is both necessary and possible. Only governments dispose of the power and resources to make the required solutions stick, through reversing the downward spiral.

Financially, the indebtedness of the banking system is going to have to be reorganized. That part of the system's liabilities, for example, deposits of individuals, and productive businesses, along with debt which would be performing under conditions of real recovery, must be preserved. Other debts, which would not be viable under any circumstances, will be written off. Better, for obvious reasons of national security, that this be done in an orderly fashion under government control, than by the repellant action of what the fetishists call the "magic of the marketplace." By agreement among governments' international indebtedness can be sorted out according to the same general criteria.

Currency reorganizations, based on pegging the dollar to a gold reserve standard, would accompany such a reorganization of indebtedness.

A reorganized, gold reserve-hardened dollar would permit the extension of credit into the banking system to support bank extensions of credit into prioritized areas of productive economic activity. This will permit idled and unused capacities, both in employment and in terms of plant and equipment, to be put back to use. The objective ought to be to increase productive employment such that the per-capita levels of consumption are doubled, while simultaneously encouraging a flow out of administrative, sales, and parasitical sorts of service employment.

Beyond the implicit backing of prioritized credit, government backing is required in two further areas. The promotion of large-scale infrastructure projects, for the provision of water supplies, transportation grids, and power, projects which are large enough in scope to be beyond the capacities of single corporations or groups of corporations, but on which the healthy growth of a national economy depends. Second, for what LaRouche has called "the science driver" of economic progress.

Since, for the foreseeable future, four principal areas of



**1. Reorganize indebtedness of banking system**



**3. Extend credit to priority areas to re-start production.**



**2. Peg the dollar to a gold reserve standard.**



**4. Back infrastructure projects too large for private corporations.**

1) Wall Street, with Morgan Guaranty Bank in the foreground (NSIPS/Stuart Lewis). 2) Gold bars hauled into New York Federal Reserve vault (N.Y. Federal Reserve). 3) Last cars off the assembly line at a Ford plant closing in New Jersey in 1980 (NSIPS/Carlos Wesley). 4) The Tenn-Tom Waterway at Aliceville, Alabama, one of the last big U.S. water projects (USDA). 5) Artist's concept of first landing on Mars. When this picture was made in 1969, NASA's goal was to land men on Mars in 1981! (NASA)



**5. Make Mars colonization goal "science driver" of economy.**

scientific activity—controlled fusion, plasma regimes, optical biophysics, and development of computers toward true parallel processing in the giga-flop range—will delimit achievable technological progress, LaRouche has proposed that the colonization of Mars, by the year 2027, be adopted as the means to force-march develop the potentials of each.

The combined effect of government backing for both large-scale infrastructure projects, and such science-driven, technology-intensive development of industry, would be to create the environment in which the creative contributions of private business could be brought fully into play as rapidly

as possible.

Under these kind of arrangements, the United States could readily absorb 12-15 million productively employed workers; could aim at exporting into markets primarily in the developing sector about \$500 billion worth of production in 1986 prices, or about half of the current volume of world trade; and could support a defense budget of about \$500 billion per year, again in 1986 dollars.

Only a package on such a scale will work. Otherwise there is really no way of stalling, or otherwise averting, the catastrophe that is now being unleashed.