
Commentary by Lyndon LaRouche

U.S. seeks to impose its follies on Europe

“Contrary to what cult fanatic [Trade Negotiator] Carla Hills may argue, the present economic miseries of the United States are not due to the unfairness of Japan and West Germany, but rather, to the stupidity of the United States. It is therefore particularly obscene when the United States intervenes in the affairs of more successful managers of economies, those of Western Europe, and proposes to impose upon the bank project the same follies which have led to the ruin of the U.S. economy,” jailed American political economist Lyndon LaRouche declared on March 12.

Mr. LaRouche, who was speaking from the Rochester Federal Medical Facility, in Minnesota, went on to explain his reference. “Some time ago, France’s President François Mitterrand proposed the establishment of a new European bank. It was understood that this bank would steer its efforts toward financing some of the crucial elements of economic development, of the newly liberated, formerly Soviet Captive Nations of Eastern Europe.

“This was heralded by everyone except some fellows in London, and, unfortunately, Washington.

“From Washington, from the Bush administration, came recently the demand that this bank should be forbidden from making infrastructure loans in Eastern Europe, that the business of infrastructure loans should be left to the respon-

sible international supervisory agency, the World Bank.

“The result of this is that Washington did not have its way, respecting the founding of the bank, but that it did manage to drag its feet to the point of crippling the bank, relative to what it might have been. France’s Jacques Attali, the apparent preferred choice of sponsoring President François Mitterrand, has been appointed head of the bank. The bank will unfortunately be headquartered, apparently, in London, and there will be undoubtedly some restriction on its lending practices—though the Europeans will predominate, nonetheless the United States, and, presumably, some fellows in Britain, have succeeded in significantly sabotaging the bank, relative to what it might have become.”

What’s wrong with the World Bank

LaRouche, who has been a political prisoner in the United States since January 1989, for the “crime” of having spoken out too bluntly against the powerful financial interests who run the U.S. justice system—went on to underscore why the U.S. meddling will have nefarious effects. “The World Bank, especially since the days of the rather kookish McNamara, Robert S. McNamara—Robert Strange McNamara to be specific—has been a malthusian organization, dedicated to devolution of economies, and has promoted the cessation of infrastructural development as a way of preventing economies from developing,” he pointed out. “In other words, forcing economies to cut their population through the same kind of mechanism ultimately used by Adolf Hitler to reduce the population through his concentration camp slave-labor system, the use of the pencil, or the red-line, as a way of imposing a high rate of death or increased death rate, in affected countries.”

“The same kind of practice has occurred in the United States, also under malthusian influences,” said LaRouche, who is running for Congress from Virginia’s 10th C.D. from imprisonment, and is leading a nationwide slate of candidates

significant suppliers include Thailand, the Philippines, Indonesia, Malaysia, and Communist China. Sixty-nine percent of VCRs came from Japan (down from 75% in 1988), while 21% came from Korea. Taiwan supplied 6%, and Thailand emerged as a new supplier, with 4%. Ninety-eight percent of camcorders were from Japan, which also supplied 75% of CD players (down from 86% in 1988), with Korea and Taiwan being the two other most significant suppliers.

While 60% of color televisions sold in the United States are produced domestically, the level of U.S. ownership of that production capability has fallen to only 11% in 1989, from 43% in 1979. The only significant U.S. television manufacturer left is Zenith, which has 12.0% of the U.S. market, placing it second after RCA (owned by Thomson S.A. of France). For years, Zenith has been seeking to sell its con-

sumer electronics operations, since they have not been profitable since 1984. But with the domestic market squeezed by the collapse of discretionary personal income, no one could be found willing to compete with the cheap labor in the developing countries. The largest exporter of televisions to the United States in 1988 and 1989 was Mexico, while Japan was only the eighth-largest exporter. In December, Zenith sold its profitable computer business to Groupe Bull of France (**Figure 7**).

About 22% of U.S. consumer electronics exports went to Mexico, mostly parts that were then imported after assembly into final products.

The impoverishment of the American workforce was the result. Labor costs in Mexico are about \$3 an hour, compared to an average hourly wage of \$9.50, plus another 35% in

committed to reversing the malthusian bias of so many elected officials. "Go back to the 1960s," he urged. "During the early part of the 1960s, under Kennedy, we began to achieve the highest rate of economic growth we'd known in the 20th century.

"This was a result of several things. First of all, Kennedy's sponsorship of the crash program approach to the Moon landing, the crash program approach to the aerospace task. It was also due to the Kennedy investment tax credit policy, which the Reagan and Bush administrations, especially the Bush administration, stoutly opposed. It was contributed to by lower interest rates." He added that it was "promoted by the Kennedy administration's continuation of a high rate of investment in basic economic infrastructure, water systems, development of the generation and distribution of power, transportation systems, and so forth.

"This gave the United States the highest rate of annual growth of physical productivity per capita, which continued, until the Johnson administration went into a malthusian phase, with about the 1966-67 budget."

The beginning of the end

Around 1970, LaRouche continued, large numbers of the infrastructure projects that had been under way were terminated, "to the effect that after 1970 the net growth of infrastructure in the United States, was negative. We have been going downhill in infrastructure ever since 1970. Some estimates would say that we would have to spend \$4 trillion in order to put our basic economic infrastructure into the state of repair it was in 1970.

"It is this collapse of infrastructure, combined with the malthusian approach to agriculture and to manufacturing, together with a deregulation of finance and related matters, which has turned the United States into now almost a Third World condition. The United States economy is a Third World nation, in terms of the unstable character of its foreign debt."

LaRouche made some obvious points, which are further

documented in the *Feature* in this issue: "We do not produce enough to meet our own needs, that is, in terms of net, after all of trading is considered. We depend upon the largesse of not only Japan and West Germany, we depend upon donations, albeit forced donations, which we steal from some of the hungriest nations of the world, including the food that we take from nations such as Brazil, Mexico, and so forth. We steal it, by rigging the terms of trade and exchange rates and that sort of thing. This is all in the name of deregulation and free trade.

"So, what they proposed to do in Washington, under the Bush administration, was to force Europe to repeat that which has caused our destruction."

German unity more crucial than ever

What this means, he concluded, is that "to the extent that the Bush administration has sabotaged what should have been the fully effective functioning of the bank proposed by France's President Mitterrand, Europe now depends absolutely upon the success of the German unification program, that is, its early completion, and its most unhindered and rapid implementation. Because the only agency left with the partial crippling of the new European bank, which can meet the needs of Eastern Europe, that can accelerate the process of integration of Eastern European economies into Western continental European prosperity, is a united Germany.

"So, anyone who's repeating or continuing the policies which the Bush administration advanced recently, in respect to the proposal to use the World Bank as the supervising agency, for loans to Eastern Europe, has to be insane.

"What we need to do is insist less that Japan and Western Europe listen to the economics advice of the United States, and we ought to insist more that for a change Japan and West Germany ought to come to Washington and give the Bush administration a lesson in at least the ABCs of sound economic policies and practice."

benefit costs, in the United States. A representative of the Communications Workers of America told the *Journal of Commerce*, "We approached the company to ask, 'What can we do to keep the plant in the United States?' The response was, 'Nothing. . . . Even if you agreed to the minimum wage, there's nothing we can do. There's no way you can compete with the Mexicans.'"

In the area of electronic office equipment, a picture similar to autos and footwear emerges. Unit shipments of photocopiers slowed in 1987 and turned down in 1988. Imports of photocopiers first took half of the U.S. market in 1980, and now control almost three-quarters of the market (**Figure 8**). Imports control about 95% of the facsimile machine market. Of the 583,800 facsimile machines sold in 1986 in the United States, 554,661 were imported. Sales are now slowing, sup-

posedly because the market has become saturated.

Services put out the warning flag

In a repudiation of the post-industrial policy that has destroyed the U.S. economy, the U.S. trade balance in services has itself shown the first quarterly deficits ever (**Figure 9**). This is truly ironic, since the concept of a post-industrial economy was based upon the shift to a "services" economy. The Department of Commerce, the Federal Reserve, and other government agencies, are now studying changes in statistical analysis of economic activity designed to reflect the greater importance of services in the economy. If the first merchandise trade deficits in the 1970s were warnings, these new service trade deficits should mark the beginning of the end of the "post-industrial" fantasy.