

How to solve the collapse of the U.S. economy

by Lyndon H. LaRouche, Jr.

Economist Lyndon LaRouche, an independent Democratic candidate for Congress from Virginia's 10th C.D., issued the following statement in early September for the fall campaign period. "It is necessary at this time," he said, "to set forth . . . a clear and relatively concise positive picture of what can be done to solve our problems as a nation, and the problems of the world." The following version has been slightly abridged. Although several weeks have passed since he made these remarks, the reasons for his diagnosis have only become more evident, and the urgency of the kind of measures he proposes more pressing.

September defines a new phase in the ongoing collapse of the U.S. economy and of the Anglo-American monetary and financial system. There can be no recovery from already worsening depression conditions in the United States and elsewhere, as long as the United States continues the financial, monetary, and economic policies which have prevailed as a trend over the past 25 years since the beginning of President Johnson's Great Society.

Over the past 25 years, we have, in short, turned away from the parameters and constraints of policymaking which prevailed during the Kennedy administration, away from capital-intensive, energy-intensive investment in scientific and technological progress, away from a balanced development and expansion of basic economic infrastructure, agriculture, and manufacturing, and toward what is called a "post-industrial society"—a society based upon administration and services in the parasitical extreme—while constricting or even shutting down the flow of investment into infrastructure especially, into agriculture, and into manufacturing. We have, in effect, been increasingly looting these productive sectors of the economy, shutting down, increasingly, scientific research, in order to create a purely parasitical paper administrative and services society. We have compounded that, especially since 1971, by a turn away from investment in

production of physical wealth into investment for purely speculative or usurious services.

People seem to think that the right way to earn a living is to have a dollar, and to invest it at the highest interest-rate yield or equivalent yield possible, and that the right to that technically earned but physically unearned income, in the form of interest and so forth, is the primary form of generation of wealth.

The combination of the collapse of the physical economy as a matter of policy, and the shift to emphasis on administration, services, and usury instead, has resulted in an erosion, collapse, and looting of the economic base of the United States to the point that the Anglo-American sector of the world economy and the suppressed developing sector are now at a point of irremediable economic collapse as long as the present policymaking structure persists.

At this point we are collapsing as an economy, and no genuine recovery is possible under a continuation of the kind of economic, monetary, tax, and financial policies we associate with the Carter, Reagan, and Bush administrations thus far. We are in a depression, and it is going to become only worse, until appropriately fundamental policy changes occur of the type which I have been demanding for more than the past 20 years.

Steps to economic recovery

The following steps, however, can, although not by themselves, lead to a genuine accelerating recovery of the U.S. economy. First, let's deal with the purely economic policy matters, internal to the United States; then look at the global areas; and finally, let's look at some other measures which must be taken to make the economic program for a recovery succeed.

1) There must be a return to a policy of capital-intensive, energy-intensive investment in rapid rates of scientific and technological progress, through balanced development and

rapid expansion at the same time, of net physical output per capita and per square kilometer in basic economic infrastructure, in independent entrepreneurial agriculture, and in manufacturing.

2) There must be a restoration of federal regulation of the economy according to Article I of the U.S. Constitution, as the Constitution defines these powers and responsibilities to be those of the legislative work of the Congress.

3) There must be the restoration of the concept of parity under constitutionally defined legislative regulation of foreign and interstate commerce.

4) The nation must scrap the central banking form of the Federal Reserve System and return to what is called Hamiltonian national banking, as the way of generating credit. At the same time, we must outlaw all forms of usury, by aid of putting ceilings on interest rates and kindred charges.

5) We must emphasize the use of national credit, as a matter of priority, in targeted areas of increase of physical output. This will be a preferential flow of credit to areas such as basic economic infrastructure and to entrepreneurial, family-owned high-technology farms, and into manufacturing. We must restore the use of investment tax credits, which means a fairly high rate of taxation on upper income brackets, offset by investment tax credit earnings possibilities, so that if people spend large incomes in a manner which is frivolous relative to the benefit to the economy, they pay the maximum tax rate on their upper bracket income, whereas if they invest that same income in beneficial ways, then they receive the benefit of the investment tax credit.

6) We must have a policy of investment in national goals. For example: The Kennedy administration's success in fostering an economic recovery, which lasted through most of the 1960s, depended upon the crash program commitment to place a man on the Moon by the end of the decade. That crash program fostered the technological and related progress which made possible the highest rate of growth of productivity during the postwar period, at least into the middle of the 1960s. Today, the substitute for Kennedy's program—a more ambitious, broader one—is, instead of a 10-year crash program to put a man on the Moon, a 40-year crash program to the initial establishment of a permanent manned scientific and technological base on Mars. This crash program, which will cover all aspects of the technologies required to establish a viable, permanent colonization of Mars, would ensure that our nation and this planet would have available as needed every variety of new technology which we on this planet would require. The space program should be seen both as a necessary exploration program, to make scientific discoveries in space which are extremely relevant to conditions of life on Earth, and also to generate—or force the generation of—new technologies which are directly beneficial in increasing the productive powers of labor and conditions of life and the environmental conditions on this planet.

Therefore, government must consider, apart from basic economic infrastructure, that its primary commitment to investment should be in these areas of national, scientific, crash program missions, such as the Kennedy Moon-landing program or the 40-year Moon-Mars colonization program, as the science-driver programs to stimulate our educational system, our laboratories, our industries, our machine-tool industry, and thus to ensure the highest possible rate of technological progress and increases of productivity for the economy in general.

International component of recovery

The second thing to consider after defining a sound economic program, is to look at the international requirements of a national recovery program.

The problem has been that today, we've reached the point where if you scratch the belly of almost anything we use, anything useful is usually either imported whole from other countries or is composed of major components which are imported from other countries. That is not because other countries have cheated us, but because we have ourselves destroyed our capacity to produce many essential categories of goods. Therefore, as we try to get out of this depression which we have brought upon ourselves with the bad policies of the Carter, Reagan, and Bush administrations, we are going to have to turn to our friends abroad for assistance in building the machine-tool and other industries needed to establish an actual physical recovery.

The center of this will not be Japan, although Japan will play a very important part. The center will be Europe. The successful reunification of Germany—establishing, in the center of an area from France to Vienna to Berlin, a triangular area approximately, involving 92 million people—will be crucial for that. This area, this so-called Productive Triangle, is the center of the world economy in terms of concentration of productive power. It is by linking the United States to the successful expansion of that center that we can obtain the materials, the machine tools, and so forth, that are necessary to rebuild our shattered economy.

Therefore, what we must do is not only have a program of economic recovery of the United States at home, but we must see the United States as participating in a qualitative way in an international program of general economic recovery throughout the planet.

Education reform is vital

Thirdly, these measures will not work with a population which is as badly uneducated and miseducated as has been the case with the past two generations in particular. Those who have left high schools and colleges since the 1968-72 period, are, in general, incompetent and unable to compete with the standard of those in the same categories graduating prior to 1958 or even prior to 1968. Unless we have a program of rebuilding our educational system, to get back to basic

science and humanities as the emphasis and away from the saturation with useless sociology and sociology by-products, we are not going to have a population which is capable of assimilating technological progress. If we do not make these changes, the United States population will be so useless, so underproductive, so primitive, that the United States will be simply a dumping place of cheap labor employed in assembly of products bought from the better-educated, and therefore wealthier, nations abroad.

We must change the school system and get away from the so-called left radical reforms associated, for example, with the leadership of the National Education Association, with the ecologists, the environmentalists, and the "New Age" people generally. But that's not enough. We must also recognize that the New Age counterculture in our society is destroying the morals and the minds of our citizens. If we wish to survive, we're going to have to recognize that the old ways of looking at the world, the traditions of Judeo-Christian standards of morality, are essential to successful, durable survival of our nation, and we must return to those standards with an educational system and cultural program which match that. Otherwise, we shall not survive.

These three basic sets of actions, if taken, with all the mistakes and all the failures which we must expect with any such program, would ensure that this nation will survive and that we will come out of this depression. And the sooner we get at it, the better.

Census Bureau writes off U.S. population

by Janet West

From New York City to Brownsville, Texas to San Francisco, California, mayors and other city officials are expressing alarm regarding the preliminary counts of their populations that was conducted and recently released by the U.S. Census Bureau.

Some undercount is always expected, but this year the Census Bureau outdid itself. It admits that up to three million people were not counted. Nationally, this translates into a potential loss of \$45 billion in federal funds to population-sensitive programs over the next 10 years, and a change in many of the districts for the U.S. Congress—either in the number of districts per state or their size.

Many seasoned political observers suspect that the Bush administration, besieged by an increasingly worsening economic crisis, is using the undercount as a politically more palatable enforcement mechanism to impose economic austerity measures. The ultimate decision of the final population count lies with the Secretary of Commerce, Robert Mosbacher.

Cities try to force a recount

Out of 39,000 jurisdictions taking part in the census, more than 4,300 cities, including 40 of the nation's 50 largest, have challenged the census in hopes for a recount.

In the 1980 census, New York City was undercounted by an estimated 450,000 people, costing the city an estimated \$675 million in population-based grants—\$150 per person per year. The mayor's office estimates that had there not been the undercount, the city would have had:

- 50% more Head Start slots for economically disadvantaged children;
 - 1,562 more entry-level policemen;
 - 12,500 more people in job training programs;
 - 2,857 more registered nurses;
- and additionally would have been able to feed all senior citizens in senior programs for two years; rehabilitated nearly 3,000 more units of housing, and repaved 38 major avenues. New York challenged the count, but it was never fully adjusted to the satisfaction of the city.

Now, after the preliminary count of the 1990 census,

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