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ers, Glickman said, "Every farmer in every country is doing terribly. Their prices are in the tank." Senator Harkin agreed that U.S. farmers can't export their way out of the problem. "Other countries want food self-sufficiency," he said.

It's a crash! EIR tells Senate panel

EIR News Service submitted testimony for the record for hearings held on Aug. 3-5, by the U.S. Senate Agriculture, Nutrition, and Forestry Committee, on the U.S. Farm Income Crisis. Edited excerpts appear here. The full testimony, entitled "Nations Must Take a 'Chapter 11 Bankruptcy Reorganization' Approach for Post-Crash Economic Survival," prepared by EIR *Economics Editor Marcia Merry Baker, is available at eirns@larouchepub.com.*

At present, whole communities, counties, and states in the U.S. farm belt are in crisis. The same situation exists in other leading agriculture regions of the world.

But, look again. Not just agriculture, but across the board, trade, production, and consumption are contracting at accelerating rates, here and around the world.

What we face is a world-scale *crash*. This is not a single-sector, nor single-state, nor lone-nation crisis, but a global financial-economic breakdown. Understanding this is the basis for taking the right action.

Look at the basic question of food. As of the late 1990s, world food output is inadequate to the point of malnutrition for 840 million people (the conservative estimate of the United Nations Food and Agriculture Organization, October 1998). Take grains as a marker. The annual world output of grains has declined, per capita, over the 1990s, from 748 pounds a year, to 682 pounds expected in 1999. Total annual world grain output has never gone above 2 billion tons, and is falling year to year (**Tables 1** and **2**).

(The commonly heard line that somehow "overproduction" of grains and food is behind today's low farm commodity prices is just an untruth—either from stupidity, or deliberate lying.)

TABLE 1
Decline in world grain production, 1997-99
(million metric tons)

World output	1997	1998	1999
Wheat	613	595	579
Coarse grains	905	905	891
Rice	387	382	387
Total	1,905	1,882	1,858

Source: UN Food and Agriculture Organization, June 1999.

TABLE 2
Decline in world grain output per capita, 1990s

Year	Total grain (millions metric tons) Produced	Stocks	Population (billions)	Per capita (metric tons)
1990	1,780	352	5.279	0.34
1991	1,711	339	5.423	0.32
1992	1,794	383	5.480	0.33
1993	1,729	346	5.555	0.31
1994	1,781	318	5.610	0.32
1995	1,730	260	5.688	0.31
1996	1,893	303	5.772	0.33
1997	1,906	333	5.847	0.33
1998	1,877	330	5.927	0.32
1999	1,858*	315	6.003**	0.31

* UN FAO estimate, June 1999
** Estimated
Sources: UN Food and Agriculture Organization, U.S. Bureau of the Census.

We start with a few indicative headline developments to make the point of the "crash." Then we address the collapse process behind this, from the vantage point of the "Big Picture," and what to do about it.

It should also be noted from the outset, that the menace of such mega-mergers as Cargill-Continental, is not merely that they are big and bad, but rather that they are blatant power-grabs for commodities and hard assets, for the cartels' *post-crash* control.

We urgently require not just farm "safety-net" action in the United States, but history-making intervention to save nations and peoples.

Current indicators of global economic contraction

United States: During the 18 months since January 1998, the U.S. manufacturing workforce has lost 487,000 jobs. During 1998, some 265,000 manufacturing jobs disappeared. Over just the first six months of this year, 222,000 have gone, with 35,000 lost in June alone.

The machinery and equipment manufacturing sector is contracting drastically. On July 7, the world's biggest mining equipment maker, Harnischfeger Industries, which also makes huge paper-mill machines and earth-moving machines, filed for Chapter 11 bankruptcy.

Caterpillar, the world's largest maker of heavy construction and earth-moving equipment, reported that its orders and sales are down to the extent that profits fell 36.5% from the second-quarter of 1998 to the present, and future prospects are worse still.

Deere & Co., the world's largest farm machinery builder,

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is imposing extended work furloughs, and expects 1999 farm equipment sales to drop at least 18-20% from last year. The New Holland farm machinery factory in Grand Island, Nebraska began laying off nearly all of its 630 employees in the first week in July, because sales are so low.

Europe: In Germany, the workforce involved in machine tools, construction, and other basic sectors is declining at a disastrous rate, as exports and domestic orders plunge.

Eastern Europe: Steel output in the nine countries of eastern Europe fell up to 30% in just the first six months of this year, compared to 1998.

Ibero-America: Defaults and crises are hitting all basic sectors of the economy, to the point of mass shutdown. In **Mexico,** the physical-economic functioning of the nation is breaking down. Consumption of food staples (tortillas, oils, beans, and dairy) fell by 20% from the first quarter of 1998 to 1999. The flagship companies of all sectors are at the brink of going under: Altos Hornos de México S.A., the country's largest steelmaker; Grupo Dina, Mexico's largest bus and truck maker; Bufete Industrial S.A., one of the country's largest construction firms, which specializes in oil rigs and electric power stations; and Grupo Tribasa S.A., Mexico's second-largest construction firm.

Asia: Daewoo, the giant South Korean conglomerate, is on the brink of bankruptcy, and cannot continue without special measures. Employing 140,000 people, this company's condition exemplifies the general situation throughout Asia, with the notable exception of China.

In Japan, orders for Japanese machine tools—the world's biggest supplier—are crashing. According to preliminary figures published by the Japan Machine-Tool Builders Association on June 21, new orders received by Japan's machine-tool industry in June 1999 were down 34.5%, compared to the year before. This directly reflects the plunge in economic activity in Japan and globally. Within Japan, from March 1998 to March 1999, domestic orders for machine tools fell 44% from the electrical engineering sector, fell 31% from the auto building sector, and fell 38% from the machine tool sector itself.

In Indonesia, the fourth most populous nation in the world, there has been a tripling of poverty rates in just 12 months, because of the global financial breakdown, and the austerity approach of the International Monetary Fund (IMF).

Africa: The entire continent is in turmoil, with lack of infrastructure, food production systems, and economic activity on the scale of genocide.

Russia: Over the 1990s, industrial and agriculture activity fell by more than *half* during the years of IMF "shock therapy" and "free (i.e., looting) markets" approach. The country lost 4.5 million people because of higher death rates during this period, falling from over 150 millions down to 147 millions. Then, beginning in October, this devolution process was suspended under the Primakov government, when economic-restoration measures were taken. But now what?

Understanding the collapse process

Figure 1, a graphic of a national economic collapse process, shows what led to today's economic breakdown crisis. (Compare that to **Figure 2,** which shows what the "triple curve" should look like for a healthy economy.) This is the now well-known "Triple Curve, A Typical Collapse Function," first released in late 1995 at a seminar in Rome, by economist Lyndon H. LaRouche, to depict and forewarn of the imminence and inevitability of a crash, if emergency intervention to stop the processes leading in that direction were not taken. No such heading-off actions were taken. As of the late 1990s, we entered the collapse phase that LaRouche had forecast.

As the figure shows, beginning around the 1960s, the disparities in the three curves grew to the blow-out point of today. The "triple curve" relationships illustrate that as financial valuations of all kinds increase (the top curve, referring to ballooning share values, debt pyramids, derivatives, futures, and similar speculative assets), and monetary valuations also increase (the middle curve—currency inflation, and so on), at the same time, and as part of the same process, the conditions of the physical economy *decrease* (bottom curve of falling economic inputs and outputs). Baring a policy intervention to put a stop to this disparity, there will be a shock-wave phase reached of financial blowout and physical collapse.

The bubble pops

Since 1997, and the outbreak of what was wrongly called the "Asian flu," waves of financial disintegration are under way. Bubbles of all kinds of unpayable financial obligations—inflated stock share values, national debts, deriva-

FIGURE 1
A typical collapse function

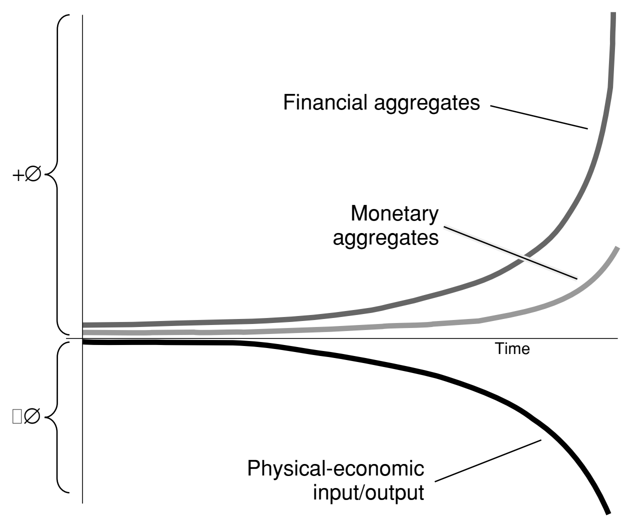
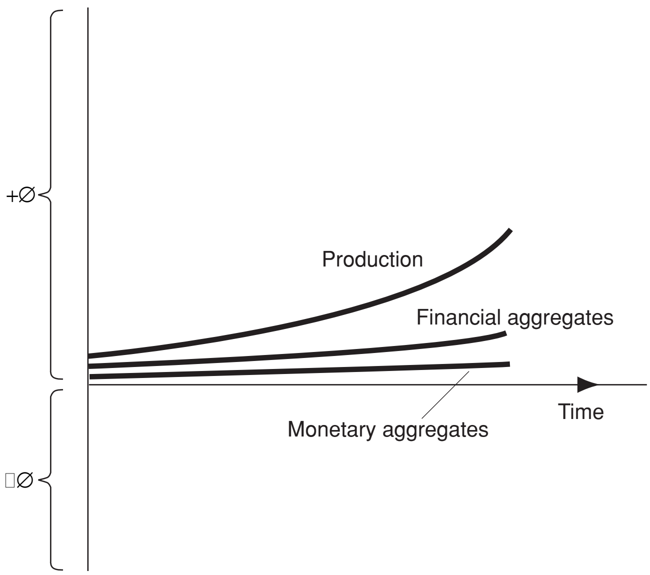


FIGURE 2
Normal triple curve for a healthy economy



tives, and so on, have been bursting. In Asia in 1997, in Russia in 1998, and now Brazil in 1999—and so on.

These bubbles were fostered by the globalization policies imposed during the recent years of the IMF era. It will go down in history as the "*casino mondiale*" period—outclassing even the Tulip Bubble, the Mississippi Bubble, and the other historical examples of mass insanity. In recent years, whole nations and peoples have been bled dry by demands to make good on the escalating unpayable debt claims. Now the financial pyramids are tumbling down.

For some years, what has been required is a cooperative, international "Chapter 11" bankruptcy reorganization approach to freeze or cancel debt, in the interests of saving national economies—instead of saving globalist speculators.

Instead of this, Federal Reserve Chairman Alan Greenspan, and his counterparts abroad, are pursuing a hyperinflation policy that is making way for a cosmic crash. Much of the public is allowing this to happen, because they themselves are caught up in all kinds of gambling fever about making a killing on the markets.

U.S. economy a bust, not a boom

Look at what happened to the United States economy over the past 30 years. Since about the mid-1960s, as more and more investments went into speculative and non-economy building purposes (stock inflation, futures, mergers and acquisitions, real estate speculation, currency speculation, junk bonds, and then post-1987 derivatives), the condition of the U.S. infrastructure, manufacturing, farms, and household consumption and production, has declined—approximately at about the rate of 2% a year, or *by half* since the 1960s.

Under the policies of the past 30 years of "post-industrialism"—deregulation, privatization, speculation, free trade, and globalization—the U.S. economy has been hollowed out to the breakdown point.

Here are some examples related to agriculture:

• In the 1960s, one could still raise a family by farming, with only a part-time off-farm job, if any. Today, farm income has plunged below the point of survival. In Iowa, farm income this year is expected to fall by 30%. In 1997, farm income in North Dakota fell more than 90% in one year. Iowa's Agriculture Secretary Patty Judge estimates that 6,000 farmers will be lost in the state this year. This situation is repeated throughout the farm belt.

• Rail, electricity, and other rural infrastructure was still being kept up as of the 1960s. But after deregulation, the rail density and rolling stock collapsed to the point that Iowa, for example, lost one-third of all its rail grid in the 1980s. Union Pacific and other lines are not able to reliably move grain and other goods.

• The U.S. job profile has deteriorated to where manufacturing and related productive work (infrastructure, construction, and necessary medical and other services) is now under 20% of the workforce, whereas in the 1960s, it was still 45% of the workforce. People are now engaged in multiple part-time jobs in retail, services, and all kinds of non-productive activity, amounting to "overhead" to the economy.

• The United States is now import-dependent for essentials ranging from footwear, to slab steel, to appliances, to fruits and vegetables, etc.

• In the agriculture inputs sectors—for example, U.S. farm equipment—employment, output, and sales of machinery are plunging. From March 1998 to March 1999, U.S. shipments of two-wheel-drive tractors (above 100 horsepower) fell more than 35%; shipments of four-wheel-drive fell more than 40%; and combines fell 49%.

Emergency policies required

What is required are national economy-building measures. In agriculture, specific policies are:

1. Institute traditional parity policy for agriculture and other vital commodities. Call it a "floor price," or "deficiency payment" system, or any other name, but the parity policy needs to be restored.

2. Adopt safety-net measures for the short term, including any and all kinds of appropriate measures to preserve and restore family-farm-based agriculture. This requires moratoria on foreclosures and rescheduling of debts.

3. Dump the 1996 "Freedom to Farm Act," the North American Free Trade Agreement, and all forms of "free markets"-based domestic and foreign policies. Stop the "hedge" and "futures" gimmicks and con games.

4. Increase domestic output again of basic food and fiber

Whom can you trust at Anti-Trust?

At a U.S. Senate Agriculture Committee Hearing on concentration in agriculture on July 27, Assistant Attorney General Joel Klein defended agricultural cartels' commodity control as "efficient." This hearing was one of a series of Congressional hearings and forums held to investigate the crisis in agriculture caused by collapsing prices. The crisis can only be attributed to the ongoing collapse of the world financial bubble, and the cartelization of the markets which accompanies free trade and speculative binges.

The Senate was responding to the growing demand by farmers for anti-trust action. The first anti-trust laws, the Sherman and Clayton Acts, which prohibit the monopolization of markets, were put into effect in 1903. But it was not until Franklin Roosevelt's New Deal in 1933, that a separate, Anti-Trust division was established in the Justice Department. Klein has been the head of the division since 1996.

Klein was questioned in particular about the Justice Department's approval of the recent merger of grain giants Continental and Cargill. Witnesses besides Klein included Michael Dunn, Undersecretary for Compliance with the Grain Inspection and Packers and Stockyard Act division (GIPSA), and Jim Baker, Administrator for GIPSA at the U.S. Department of Agriculture. Sens. Tom Harkin (D-Iowa), Robert Kerrey (D-Neb.), Patrick Leahy (D-Vt.), and Kent Conrad (D-N.D.) demanded enforcement of anti-trust laws in agriculture, citing intensifying consolidation in grain handling and food buying and processing, which is leading to record profits for agri-business, while producer prices collapse. Harkin said that hog producers in his area only have one buyer. Conrad said that four meatpackers now control 80% of slaughter.

In response to demands for more vigorous enforcement, Klein placed himself squarely on the side of the cartels, arguing that concentration was not the only criterion for applying the law, but that whether a merger created more "efficiency" in the marketplace was also relevant.

This novel interpretation of the law was challenged by Harkin. "Do anti-trust laws mandate you have to take efficiency into account?" he asked.

"There are business-driven concerns that may lead to mergers to make us more efficient and competitive," replied Klein. If we lose farmers in the process, he said, that is not a concern related to the enforcement of anti-trust laws, but a "quality of life issue." "Quality of life" is socio-babble that the cartel interests use to dismiss concerns about loss of producers who produce food to feed people.

Conrad presented charts depicting the dramatic producer price collapse since the implementation of the 1996 "Freedom to Farm" bill, which eliminated government price support payments, only to leave farmers at the mercy of the cartels. "We will lose 30% of the farmers in North Dakota in the next 12-24 months," he said. "The corn prices have dropped below the cost of production, so questions of concentration are more urgent." Conrad cited an editorial in the *Bismarck Tribune,* "Justice Department Plays Games with the Grain Trust," which says that anti-trust officials have failed to aggressively deal with concentration, especially in the case of the Continental-Cargill merger.

Klein's reply would have made Goebbels blush. He said that Conrad was wrong, that the price decline in agriculture had nothing to do with concentration. His evidence was a nominalist interpretation of one of the Senator's graphs which showed a producer price peak in 1996, and rapid descent in the ensuing five years. You see, Klein said, the price has gone down, but there has been no increase in mergers since 1996. What Klein ignored, is that the Conservative Revolution's Freedom to Farm bill was enacted in 1996, removing government price supports to farmers, leaving prices at the mercy of the cartel-controlled markets.—*Suzanne Rose*

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supplies, ranging from fruits and vegetables, to cotton to other staples. Extend low-interest credit to farmers. Restore traditional governmental agricultural extension services to further high-tech farming, not peddle low-tech hokum.

5. Launch large-scale infrastructure improvements—repairs and maintenance, and expansion of rail, water, power generation, and other utilities. Use advanced technologies, including nuclear-powered desalination of water, and magnetically levitated trains, and so on. Upgrade and expand the water-borne bulk hauling systems.

6. Break up the commodities cartels, with anti-trust action. Action, not more studies is what is needed.

Strategic foreign policy overall

1. The United States should confer and collaborate with a number of strategic nations—China, Japan, Russia, and other European, South American, Asian, and African nations—on nation-serving measures, including stable, pegged currencies, mutual-interest trade (not free trade), mutual-interest capital flows, not speculation, and so on.

This kind of collaboration is especially called for in light of emergency reconstruction and food needs for the Balkans region, and in Africa and other locations. Many national leaders have signalled that they would welcome this approach.

2. The United States must support collaboration on constructing the priority infrastructure projects around the world, including collaboration on the highest-technology machine tool development, and R&D in energy wave chemistry, biology, and all manner of scientific advances and applications.

Of special strategic priority is the grand Eurasian Land-Bridge (the "New Silk Road") of rail-based development corridors from China and Japan to Europe. Aspects are already under way on this 21st-century effort, which is in the historical tradition of the build-up of the United States itself.

The LaRouche factor

The global crisis points up the need to mobilize the expertise to turn around the collapsing economy here, and worldwide. Among the most qualified to enlist in solving the crisis, is economist Lyndon LaRouche, who is known for accurately predicting the nature and timing of the current collapse process, and for addressing what needs to be done to pull out of this catastrophe. In late 1998, former President of Mexico José López Portillo advised, "It is now necessary for the world to listen to the wise words of Lyndon LaRouche."

LaRouche has called for a "New Bretton Woods" round of nation-to-nation collaboration on a new world financial system to serve national economic interests, not speculation. His 1999 strategic document, *The Road to Recovery,* gives the approach that can work.

Post-crash power grabs

On the enemy side of humanity, there are those who are blatantly moving for controlling positions in the "post-crash" world. The merger of Cargill and Continental Grain typifies the degree of control now exerted over the entire food chain by a small number of international cartels. This is not mere greed and money, this is a power grab.

Knowing full well about the disintegration of the global financial system, financial circles interconnected with the power bloc best described as the "BAC"—for British-American-Commonwealth associations, centered in London—have been positioning themselves for making a killing out of the growing chaos. They have controlling interests in the world supply-chains of food, fuel, and minerals, and the supply of other vital commodities and services.

This is dramatically apparent in the agriculture and food systems here and abroad. Cartels of biotech and commodities concerns are acting to control seeds, breeding stock, and agro-bio-technologies, through sweeping measures protecting "intellectual property rights," which measures they demand to be enforced by the World Trade Organization. More than two-thirds of the top 20 food and agriculture companies of the world are BAC-controlled.

Stop the 'business as usual' thinking

Whatever the disagreements or questions that may exist regarding the "crash" picture here presented, the important point for lawmakers and citizens alike, is to reflect on how we came to this crisis, and reject any fall-back on the wrong-headedness that brought us to this point in the first place.

For example, one continues to hear the argument that more "foreign markets" and "free trade" will save the day for U.S. agriculture. Bunk! This line comes from one of two places: either from the same commodities cartel interests acting to undermine economic activity both here and around the globe, or from people who might mean well, but have note stopped to think lately.

The reality is that, world "markets" are blowing out, as entire nations and economies are being destroyed. The so-called level playing field is impossible, because, look again, the playing field just went vertical! Nation-saving emergency measures are required. Globalization must be stopped, not increased.

The above are the need-to-know essentials for intervening at this crucial time in history.

Correction

In our July 30 issue, "LaRouche's 'Triple Curve Collapse Function' Models Economic Breakdown," Figure 5, p. 25, was graphed incorrectly. We publish here the corrected graph.

FIGURE 4
U.S. money supply (M3)
(trillions $)