Deepening Depression Forces LaRouche's Super-TVA on Agenda

by EIR Staff

By its January 15 report, even the U.S. Federal Reserve had to acknowledge that large job losses, sinking consumer spending, record corporate bankruptcies, and disastrous blowouts of state and Federal budgets, show that the U.S. economy is not recovering, but still falling. Some 200,000 American jobs disappeared over November-December, and some economists are estimating a zero-growth fourth quarter even as measured by grossly inflated GDP. The Fed did not even mention the accelerating slide of the U.S. dollar against gold and other major currencies, the surest sign of the deepening collapse ahead.

It appears that it is over the budget meltdowns—simultaneous collapses in state and Federal revenues on the order of 10% and more are unprecedented since the depths of the Great Depression—that the pressure is getting most intense for a "paradigm-shift" rejection of the axioms of deregulation and free trade, and adoption of "FDR-styled" recovery measures. Michigan's Gov. Jennifer Granholm, for example, is talking about a kind of "emergency rule," only months after taking office, because the state's budget is plunging so fast. Connecticut, Washington, and many other states are in the same situation. Federally, more than a million people are being newly cut off from Medicaid health insurance. The Federal budget deficit is on a $500 billion trajectory, and President Bush's new tax cuts are already written off.

'If You Cut . . . People Won't Survive'

Presidential pre-candidate Lyndon LaRouche's "Super-TVA" solution is needed; and while state officials and legislators are still far short of it, the first calls for "FDR" solutions are arising—not surprisingly, from California.

As the California Legislature convened in the second week of January, it became clear that the state's leaders are not yet prepared to take the actions necessary to save the state from complete economic and social devolution. Despite some statements from Gov. Gray Davis (D) and other officials indicating that they are aware of the urgent necessity for Federal action, the remedies offered, thus far, come out of the same discredited formulas of "Economics 101" which created the crisis in the first place—a mélange of budget cuts, with deadly consequences for the poor, the elderly, and the disabled, and tax hikes, the results of which will be to contract further already declining revenues.

Facing an estimated budget deficit of nearly $35 billion, Governor Davis presented, in his State of the State address on Jan. 8, what he described as "one of the toughest budgets ever presented to the Legislature." He called on legislators to pass his proposal for $10 billion in immediate cuts, which includes $3.1 billion in cuts in public education, as well as significant cuts in health care. Another $10 billion in cuts will follow, with the Medi-Cal health-care plan—which is already underfunded—slated for approximately $3.6 billion in reductions.

The effects of cuts in Medi-Cal, which is a state and Federal program for those who cannot afford medical coverage, demonstrate how disastrous this slash-and-burn approach to the budget crisis is. In testimony presented to lawmakers, Sylvia Drew Ivie, executive director of To Help Everyone Clinic, a non-profit health-care facility in Los Angeles, stated that the proposed cuts in Medi-Cal "will cripple those of us who are trying to hang on by the skin of our teeth. The network of care, the specialty care, the

The LaRouche Youth Movement hits the California State Legislature in Sacramento for his "Super-TVA" policy. As their lobbying continued the week of Jan. 12, echoes began to be heard in the state capital.

primary care that's provided at clinics like ours make it possible for people to survive. But if you cut it out, people won't survive . . . it's a question of living and dying."

Similar remarks from health-care professionals have been presented at hearings throughout the state.

Glimmer of Reality

In his State of the State address, Davis accurately pointed out that the budgetary problems facing California are not specific to the state, but part of a national pattern. They are the result of the "national recession," which "has forced nearly every state in America into the red." The state's well-being is "threatened by a struggling national economy and declining stock market . . . personal income is down. Employment is down. Retail sales and manufacturing are down."

To solve this problem, he continued, "It's not enough to simply pass a budget that balances the books." There must be new jobs created, especially in infrastructure and manufacturing. This goes beyond the ability of state government. The "Federal government," he specified, "can do more than any state to promote economic growth.

"Washington needs to step up and pass a real economic plan. One that puts Americans back to work this year," he concluded.

State Treasurer Phil Angelides (D) was even more specific in his inaugural address, invoking the Golden Gate Bridge and other public works projects to get out of the Great Depression, as an example. "There is a long history in this country, from the Works Progress Administration"—an anti-Depression, jobs-creation program of Franklin D. Roosevelt—"onward, of using public infrastructure investments as an economic tool," he added, echoing the concept in Lyndon LaRouche's proposal for a Super-TVA.

LaRouche's Solutions

Despite these well-intentioned remarks, neither Davis nor Angelides, nor any of the legislators facing this crisis, has been courageous enough to address the real problem. As Lyndon LaRouche—the most successful economic forecaster of our times—has emphasized repeatedly, the global financial system has reached the point of a systemic breakdown, one that threatens to destroy nations, such as Argentina and Brazil, as well as states, such as California and Texas.

This systemic breakdown is the result of the adoption, over the last 35 years, of post-industrial economic policy, with the following components taken from the neo-liberal economic handbook: rejection of manufacturing, replaced by a "high-tech" computer/New Economy bubble, which has now popped; under-investment in infrastructure, such as the water, power, and transportation projects that built the state of California; deregulation, privatization, and free trade, with an emphasis on "shareholder values," propped up by gouging wages and the destroying the capacity of governments to act to defend the general welfare.

On Dec. 7, 2002, Lyndon LaRouche addressed a town meeting in Los Angeles, outlining his "Super-TVA" proposal. Central to this program is the repeal of the deregulation and related statutes; and the generation of Federal credit, to be directed, by the states, into necessary infrastructure projects which will provide jobs and increase revenues to the states and to the private sector—the whole project modelled on the successful anti-Depression programs, such as the Tennessee Valley Authority (TVA) initiated by President Franklin Roosevelt.

This approach got the United States out of the last Depression. It is the only approach which will work today. LaRouche's "light cavalry," his Youth Movement, has made repeated forays into the state capital, Sacramento, to bring this message to the elected officials, who have the power to reverse this crisis, telling them they must overcome their fears and give up their denial; there is no option but LaRouche's solution.

Brazil's Lula Tries To Live in Two Worlds

by Silvia Palacios and Lorenzo Carrasco

Forming President Luiz Inácio Lula da Silva's government, by trying to please Greeks and Trojans alike, has led to what might be dubbed a "tutti fruti Cabinet," with representation of every political flavor imaginable. Here, just as in his inaugural address, can be seen the different universes in which the new Brazilian government seeks to simultaneously exist, above all in the astonishing omission of any reference to the world systemic crisis, thus conveying the absurd fantasy that it were possible to resolve Brazil's grave social and economic problems *without* altering its relationship of servitude to the disintegrating International Monetary Fund (IMF) financial system.

The make-up of Lula's Cabinet has received great international attention, because it was considered a key indicator of what Brazil intends to do with regard to its astronomical foreign debt, the largest in the developing sector (*EIR*'s estimate places the real foreign debt at $500 billion).

Lula's overwhelming election victory in October 2002 was an undeniable rejection by the voters of the neo-liberal policies of globalization imposed by President Fernando Henrique Cardoso during his eight years of government. This tragic period could be summed up by the fact that public assets, physical and financial, and national income, both public and private, were totally enslaved to the world financial oligarchy. The state became a mere tax collector for that oligarchy.

The 'Tutti Fruti Cabinet'

The Lula government continues to be trapped in this world of globalization, trying to satisfy its two great underlying tendencies. On the one hand, the government reaffirmed its commitment to the austerity policies of the International Monetary Fund, naming as Finance Minister the former Trotskyist Antonio Palocci, who now shows a neo-liberal bent; and as president of the Central Bank Henrique Meirelles, the former president of the Bank of Boston internationally.

On the other hand, obeisance is also given to the forces of the World Social Forum, an amalgam of non-governmental organizations (NGOs) which, despite their Jacobinism and anti-globalization rhetoric, nonetheless respect the anti-sovereignty rules imposed by globalization against the nation-state, merely attaching the label "globalization with solidarity." These are the same forces that come together in the São Paulo Forum, created in 1990 by Lula's Workers Party (PT) and by the Cuban Communist Party, to assemble the diverse forces of the left after the fall of the Berlin Wall, and to prevent the isolation of the Castro regime. This latter sector is represented in the new Cabinet by Sen. Marina da Silva, champion of the international NGOs, named to head the Environment Ministry; by Miguel Rosetto, a close ally of the radical Landless Workers Movement (MST) and leader of the international organization Via Campesina ("Peasants Way", named Minister of Agrarian Development; and former Rio Grande do Sul Gov. Olivio Dutra, leader of the most radical factions of the PT, named to head the Ministry of Urban Affairs.

Another set of nominations falls between these two extremes. This is the case, for example, with the former Mayor of Pôrto Alegre, Tasso Genro, who will head a new government agency, the Ministry of Economic and Social Development.

This governmental set-up is being handled by President Lula's domestic Cabinet, primarily centered in the all-powerful José Dirceu, who heads the Civil Cabinet of the Presidency, which is a Cabinet post, and José Genoino, president of the PT. It is also worth taking note of the importance of the leading figure of Liberation Theology in Brazil, Frei Betto—spiritual adviser to President Lula—who was officially named a part of the President's advisory team.

The central paradox faced by the new government derives from the fact that a change of economic policy which responds to the enormous expectations created by Lula's election, presupposes an interruption of usurious financial flows; a confrontation with the policies of globalization; a return to protectionism; at the same time that it will be imperative to control the mass of Jacobins of various ideological shades who are in much of the structure Lula's own political party.