

## Editorial

# *Strategic Bankruptcy Revisited*

It was almost six months ago that economist and statesman Lyndon LaRouche first issued a memorandum to the U.S. Senate on the catastrophe shaping up in the automobile sector, a catastrophe which he insisted must be dealt with immediately by a Congress committed to restoring the general welfare of the nation. Under the title “Emergency Action by the Senate,” LaRouche put forward a cogent argument:

“Any liquidation of the present structure of the physical productive capabilities of that industry, especially its vital machine-tool sector, would mean both the end of the U.S.A. as a leading physical economic power, and related kinds of chain-reaction damage to the world economy as a whole. Emergency action to avert that outcome must be taken now.”

One month later, the crisis of General Motors and Ford, not to mention the airline industry, had gotten much, much worse—but the Congress had done exactly nothing. LaRouche delivered a second memorandum to the Senate, entitled “On the Subject of Strategic Bankruptcy.”

Once again, LaRouche laid out very clearly the Constitutional aegis under which emergency action could be taken to save the vital industry, and the consequences which would ensue if that action was not taken. We quote:

“A series of bankruptcies which virtually wiped out several categories of the republic’s essential industry, would have to be classified by a term of no less impact than ‘a state of strategic bankruptcy.’ The threatened collapse of most of the U.S. domestic production capacity of principal manufacturers Ford and General Motors, would mean not only the loss of the production of automobiles, but the loss of a crucial, major portion of the essential machine-tool capacity on which the viability of the U.S. economy as a whole, not only automobile manufacturing, depends. That would be implicitly a more severe long-term defeat for the U.S. economy than Germany’s industrial potential actually suffered after the close of World War II.

“The present plight of the passenger airlines is also a strategic issue. . . .

“The combined effect of the chain-reaction financial collapse of the national automobile manufacturing and air-transport sectors, is the presently accelerating threat of dumping of pension obligations of both the airlines and automobile industries, suddenly, on the Federal Pension Benefit Guaranty Corporation. Without novel measures of government intervention, this presently threatened development would mean a wrecking of the present, non-private system of private pensions, leaving the completely Federal Social Security System as virtually the only pension system for the lower eighty percentile, or more, of the population as a whole. The implication of such a set of combined and related developments would also have to be classed as a case of ‘strategic bankruptcy.’ ”

What, then, must be done? LaRouche wrote:

“If we decide on the re-industrialization, re-regulation route to national survival, the task of the Congress is to create the authorization for special agencies dedicated to managing the transition for otherwise doomed entities fallen into bankruptcy. In general, this creation of such agencies should be limited to cases which, firstly, have the character of vital strategic institutions, and, secondly, for which a clear option for a successful, medium- to long-term recovery is foreseeable.

“The essential authority for this kind of remedy lies in a central provision of the Preamble of our Federal Constitution, the promotion of the general welfare.”

Is there anything LaRouche said that’s hard to understand? The U.S. Congress, especially the Senate, has the authority to create a special agency to manage the transition of these bankrupt, but vital industries out of disaster, into rebuilding the infrastructure of the United States. Unpayable, and illegal, debts can be set aside. Long-term cheap credit can be issued to put people to work. It’s only heretical if you take as gospel the insane system of usury, deregulation, and deindustrialization of the last 40 years.

The good news is that, now that the auto crisis has again come to the fore, the Senate already has LaRouche’s proposals on the table. All they have to do is take them up—now!