
'The Machine-Tool Principle'

Revive LaRouche's Economic Recovery Act

by Paul Gallagher

The Lyndon LaRouche Political Action Committee (LPAC) has relaunched its mobilization for the Economic Recovery Act (ERA) of 2006, an emergency measure for employing the now devastated machine-tool capacity of the United States in a crash-effort to rebuild the economy.

In contrast to the "save auto jobs" approach now being taken by those who sabotaged LaRouche's 2005 initiative, LaRouche's approach demands the establishment of a new Federal corporation which will salvage the remaining labor and plant capacity, to turn out the machine-tool products required to rebuild the nation's infrastructure. The auto industry cannot and should not be saved, LaRouche has emphasized. Three and a half years later, Congress must recognize its errors and adopt the mission the ERA lays out.

LaRouche's Economic Recovery Act (see below), backed in a mobilization by local union leaders and activists, was blocked by the hold on the Democratic Party leadership by fascist banker Felix Rohatyn, and British financier agents George Soros and Al Gore. Blocked with the help of some of the same auto executives now asking for \$50 billion in Federal "retooling" credits to save their companies.

LaRouche's strategic principle of taking the nation's major machine-tool capability, and reorienting it to the nation's most urgent economic need—new, high-technology infrastructure—is the only workable recovery policy from the depression collapse. Schemes being proposed by the automakers to convert their plants with Federal loans to make more small cars, or electric minicars, are a cross-breed of bailout and bad joke.

Also involved, is the crucial issue of defeating the "PPP policy"—public-private partnerships—the strategy pushed by Rohatyn in the Democratic Party, of selling off public infrastructure to private financial groups, instead of building new infrastructure with Federal

credits, FDR style. If the auto industry is converted into the business of building serious infrastructural-grade components for a nationwide economic recovery, "the fascist PPP program gets crushed," LaRouche emphasized.

Federal Action Urgently Needed

EIR's March 11, 2005 issue first reported LaRouche's prophetic warning, that without broad Federal action, the automakers were doomed to near-term bankruptcy by the immense consumer-debt bubbles they were carrying, in a global banking/financial system headed for a crash. The auto markets were historically oversold and headed nowhere but down (from a 17 million U.S. annual rate when he made the 2005 forecast, to 13-14 million in 2008).

LaRouche did not propose to bail out the generally incompetent automakers' managements. Here is his public description of the machine-tool principle of his Economic Recovery Act, on Nov. 26, 2005:

"If we allow the U.S. auto manufacturing industry to be destroyed, the U.S.A. becomes a virtual "Third World" nation overnight. The nation's machine-tool design capability, most of which is tied up in the U.S. auto-manufacturing firms, is lost.

"The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of employees out of jobs, with no other place to go.

"The loss of auto plants means an economic disaster, approaching ghost-town proportions, for what are already highly vulnerable entire towns, counties, and cities, even states of the union throughout many parts of the country. This could set off a chain-reaction collapse much, much worse than President Herbert Hoover's foolish reaction to the 1929 crash. . .

"Cutting back on automobile manufacturers' plants and payrolls is not a sane alternative. . . . The answer is to diversify the product line. The key to any sane approach is to accept the reduction in the number of automobiles produced by U.S. automakers, but to replace that work immediately with a switch to other categories of technologically very high-grade products which the auto industry's machine-tool capacity is uniquely qualified to design and produce. Members of the U.S. Congress are already focussing attention on urgently needed mass-transit systems, power-generation and distribution systems, and other urgent needs of the nation. These would not be make-work projects, but are the



EIRNS/Brian McAndrews

The LaRouche Youth Movement organizing in Washington, D.C., in May 2005, for emergency legislation to retool the auto industry.

new production needed to prevent the United States from continuing to collapse physically into Third-World conditions throughout most of the nation.

“Action, by the U.S. Federal government and others, is urgently needed, to prevent an across-the-board collapse of not only the U.S. auto industry, but the counties, towns, cities, and states, and their people, which would be pulled under by failing to act now with the reforms needed to save the industry by switching to a new combination of high technology machine-tool-design products.”

That urgently needed action was and is the Economic Recovery Act of 2006. LaRouche proposed to the Congress, unions, and auto managements to “give auto a new mission” by a Federal corporation on the model of the World War II Reconstruction Finance Agency and Defense Plants Corporation which mobilized the “Arsenal of Democracy.” This time, the mission would be rebuilding America’s neglected and collapsed economic infrastructure.

The mission is a large one: trillions of dollars of investment in new high-speed electrified rail corridors; third- and fourth-generation nuclear power plants and transmission systems; high-energy-density water desalination and hydrogen fuel production; water management and treatment; replacing ancient river naviga-

tion systems with modern ones; repairing thousands of upstream dams, and thousands of bridges; building components of NASA launch vehicles and satellites.

Not only unused and underutilized auto/machine-tool capacity, but the capacity of the aerospace industry, partly shut down since 1990, can be expanded by such Federal corporations, in cooperation with the Army Corps of Engineers. Along with production of the factory components of new infrastructure, goes construction-site employment of semi-skilled and unskilled workers on a large scale.

Small-Minded Substitutes

Through Congressional inaction and Administration incompetence in the face of a global financial crash, the U.S. physical economy’s condition is significantly worse than in the Spring of 2005, when LaRouche’s ERA was already urgent. Despite claims of export boom from a fallen dollar, the American skilled manufacturing sector is contracting at the rate of three-quarter million jobs a year. Hurricanes Katrina and Rita exposed the broken-down condition of economic infrastructure; and the much milder hurricane hitting on their third anniversary, showed that electric power infrastructure in the Southeast, for example, is in worse shape now than then. We face, soon, the inability to launch to the International Space Station, much less to the Moon, as we once could.

Some in Congress, and both Presidential candidates, are now backing “mini” caricatures of LaRouche’s plan—Federal loans/guarantees of anywhere from \$6 billion to \$50 billion to convert what auto capacity isn’t shut down, to build small cars. These plans go in the wrong direction. Fuel-efficient mini-cars, even if they could be sold to households with collapsing incomes and unpayable debts, do not substitute for American infrastructural productivity and industrial capacity. Do we need small electric cars or new electric power plants and transmission capacity? Louisianians, after Hurricane Gustav, have cars, but no electric power in wide areas of the state a week after the storm; the regional power company, Entergy, went into bankruptcy after Katrina, when it failed to get a \$1 billion Federal loan to reconstruct its power grid.

Employment, infrastructure, and financial crisis are where the November election will be decided. Expanding and applying machine-tool capability to construction of new infrastructure, is where the survival of the nation’s economy will be decided.