

Leading Economist LaRouche Proposes



Emergency Action Against U.S. Banking Collapse

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Leading Economist LaRouche Proposes Emergency Action Against U.S. Banking Collapse

by Lyndon Hermyle LaRouche, Jr.

- Introductory Remarks** 3
1. **The U.S. Banking System Is Collapsing** 4
 2. **The Soviet Military Threat** 10
 3. **Two Horsemen of the Apocalypse** 16
 4. **What the President Must Do** 18
 5. **In Summation** 28

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Introductory Remarks

May 18, 1985

The banks of the United States are falling like ten-pins. They began falling left and right during the Spring of 1984. It began with a few isolated bank failures, here and there, mostly in the farm sector. Then, it was Continental Illinois. Then, banks began falling left and right. By March of 1985, beginning with the Ohio crisis, whole chunks of statewide banking-systems began to collapse. From Ohio, the collapse spread. It nearly broke out in New Jersey. Then, the chain-reaction effects of the near-collapse in New Jersey, spread to Maryland. Fear surges around the United States: which state's banking-system will go next?

Already, the rate at which banks are nosediving is the greatest since the beginning of the Great Depression, during 1931–1933. As long as the U.S. government continues what are called the “Volcker policies,” as long as the U.S. government continues to support the IMF's policies, the tidal wave of banking-collapse can not be stopped—except by putting the U.S. banking system into bankruptcy. If President Reagan does not immediately dump the policies of Paul Volcker, Don Regan, David Stockman, and James Baker III, the United States will be plunged into a deep, deep economic depression, far worse than that of the 1930s.

If there is one thing which President Ronald Reagan does not wish, it is to go down in history as the “last President of the United States.” But, unless he throws out the current policies of Paul A. Volcker, Donald Regan, David Stockman, and James Baker III, President Reagan will probably become “the last President of the United States.”

Already, throughout this republic, more and more people are asking themselves, “Is President Reagan a new Herbert Hoover?” He is preaching “recovery just around the corner,” at a time that the industries, farms, and banks of the nation are beginning to fall like ten-pins, as they did back during 1931–1933. But, the President may not be so lucky as to go down in history as a “second Herbert Hoover.” The danger is much greater than that. By the time of the January 1989 Presidential inauguration, the United States as we have known it, may no longer exist. Unless the President uses his emergency powers for sweeping and profound changes in his monetary and economic policies, and unless he does this very, very soon, he will probably be known to future history, as “the last President of the United States.”

Personally, I believe that President Reagan is not only a good man, but the best President we have had in twenty years. He has made some serious mistakes, as well as the numerous minor errors any President would make. Yet, I have seen him make hard and brilliant decisions; he has shown some of the essential personal qualities of a great statesman on several notable occasions.

So far, since he was first inaugurated, in 1981, he has

made two kinds of major mistakes, repeatedly. First, his worst mistakes on national policy have been in the area of economy. Second, he has come closing to ruining his Presidency, by piling up compromises with the Liberal Establishment, and by accepting bad advice and misleading information from his Eastern Establishment enemies, such as Henry A. Kissinger. The present situation is, that all the good things he has done—and those good things he might have done—are being destroyed by the collapse of the U.S. economy.

Blunders in economic policy, have threatened to doom the Reagan Administration, ever since the President capitulated to Paul Volcker, beginning late Spring and Summer of 1981. It has been said around the world, and rightly so, that the President's major blind spot, the Achilles Heel of his administration, is his economic policy.

I like the President personally. Many of you do not. Even many who like him personally, are justly enraged by the effects of his economic policies. Like the President, or don't like him; that is your privilege. Like him or not, any of you who gloat over his defeat by the liberals on the defense budget, are acting like blind fools. Any of you who hope that the banking crisis will ruin him, are behaving like idiots. If the United States is defeated by a vast margin of Soviet military superiority, or if the United States continues to plunge toward the depths of a new depression, it is upon your head, the heads of your children and grandchildren, that the misery will fall.

When I say, that Ronald Reagan might be “the last President of the United States,” I am not exaggerating in the slightest degree. There are three, combined, reasons, why this is no exaggeration:

- First, we are presently plunging into a new Great Depression, which, if it is not stopped, will be far, far worse than the Great Depression of the 1930s.
- Second, the rulers of the Soviet Empire, at present rates of build-up of their military superiority over us, will be in a position to crush the United States in war by somewhere during the years 1987–1989.
- Third, as a result of the policies of the International Monetary Fund, which the President's Administration has supported so far, pandemics of killer diseases are erupting around the world, while the number of cases of AIDS in the United States is now doubling every six months!

In this report, I describe each of the three problems, step by step, and conclude the report with outline of the emergency actions which the President must take, if he is not to become “the last President of the United States.”

Lyndon Hermyle LaRouche, Jr.
Leesburg, Virginia

The U.S. Banking System Is Collapsing

It is absolutely necessary that I start out here, by delivering a very personal challenge to each of you who rejected my repeated forewarnings of exactly what is happening now. The catastrophes which most Americans are suffering today, include nothing I did not warn you would occur, unless certain changes were made in U.S. national policy. During the Democratic presidential primary campaigns of 1980 and 1984, many intelligent citizens realized I was right on these issues, and that all the opposing candidates, Democratic and Republican, were mistaken. Unfortunately, most rejected my warnings. Now, the entire nation is paying the price for the mistakes of those citizens who rejected my warnings.

People generally, do not like a fellow who runs around, shouting at them: "I told you so!" Sometimes, a fellow has no morally acceptable alternative, except to do just that. I must do that right now. I must do it for your sake. Otherwise,



Frustrated depositors gather outside Maryland's Old Court Savings & Loan in May 1985. Less than 24 hours after the state's governor announced that "only a few" problem banks like Old Court were facing insolvency, he shut down more than 1,000 banks and sharply restricted withdrawals.

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it is impossible for you to understand what has been happening around Washington, D.C. the past six years. If I do not say to you now, "I told you so," you would not be able to discover how you can defend yourself, your families, and this nation of ours, from the economic catastrophe now falling upon our heads.

It is a plain and simple fact. Since President Jimmy Carter and Federal Reserve Chairman Paul Volcker, began the "Volcker measures," back during October 1979, I have been consistently right in everything I have said about the U.S. and world economy. I have been proven right on every warning I made to nationwide television audiences during the presidential election-campaigns of 1980 and 1984. On these economic issues, consistently over nearly six years, I have been proven consistently right, and every one who opposed me is proven thoroughly wrong.

I report to you not only as one twice a candidate for the Democratic Party's Presidential nomination. I report to you, not only as a former candidate for the Democratic presidential nomination; I am also a leading professional economist. On these economic issues, since October 1979, I have now been proven consistently right; while every so-called leading economist who opposed me, is now exposed as "off the wall."

The purpose of saying, "I told you so," is not to prove to you what a smart fellow I am. The purpose is to awaken you to the fact, that for six years, consistently, every other leading economist in the United States, has been lying to you. My purpose is to remind you that the White House, the leadership of both major parties, and the majority of the Congress, have been consistently wrong on economic policies, for six years.

My forecasts have been proven right, and "everyone else's" proven wrong, consistently over six years; but, that's not the main point. What is important for you, for your family, and for this nation, is "Why?" Why have I been right, when these other fellows have been consistently wrong? In other words, what consistent blunders in our government's policy-making, have brought us down the road to the disaster falling upon our heads right now? What must be changed in Washington, right now, to prevent the waves of bank-collapses from shutting down our nation's economy?

During 1982 and 1983, and throughout the 1984 Presidential campaign, I have repeatedly warned that a collapse of the U.S. monetary system could not be delayed beyond the end of the first quarter of 1985. During the 1984 campaign, I warned network television audiences of this, repeatedly. I said, that the U.S. dollar would begin to collapse in value on international markets, by approximately March of 1985.

During March of this year, the dollar began to drop on international markets. So far, it has dropped from a high of about 3.40 West Germany marks to the dollar, down by about 10%, to about 3 marks to the dollar. Just as I warned

network television audiences, repeatedly, during 1984, the collapse of the dollar, which began this March, has been the signal for a tidal wave of bankruptcy among the nation's savings institutions.

All of this has happened, almost exactly how and when I said it would happen. In 1980 and 1984, I was right, and every other presidential candidate was wrong. As an economist, I have been right, and every other visible U.S. economist, excepting my collaborators, has been consistently wrong. The practical question, today, is the four questions I now put to you:

1. On economic policy: Which Democratic presidential candidate did you support in the past? If it were not LaRouche, what have you learned from your mistake?
2. On economic policy: What authorities did you accept as "expert" economics opinion in the past? If it were not LaRouche, what have you learned from your mistake?
3. On economic policy: Were you one of the people who believed that the United States went through an economic recovery during 1983 and 1984? If so, what have you learned from your mistake?
4. On getting out of the present depression: To which political leaders and economists, do you turn your attention, to discover how to change our nation's monetary and economic policies? Are you a rational person, who is capable of learning from past mistakes? If you are a rational person, there is a second list of questions. These are questions you should ask yourself now. These are questions a rational person wishes to address to me; what are my answers to these questions?

Questions & Answers:

1. QUESTION: "Does the fact that LaRouche's predictions have been the only accurate predictions published by any presidential candidate or economist, during the past six years, mean that we must follow his line of advice on what to do?"

ANSWER: I have no "crystal ball." I am a scientist, not an astrologer; I have no "magical powers" of prophecy. My economic forecasting is based strictly on scientific principles of cause and effect. What the experience of the past six years shows, is that my understanding of cause-and-effect in economics is sound, and that the economic theories of the other economists are incompetent.

When you are sick, don't ask the doctor if he can absolutely guarantee a cure. Find out whether he is a competent physician. Today, you have massive proof that those economists who disagree with me are "quacks." I am an imperfect person, and an imperfect economist; but, unlike those so-called experts who have disagreed with my analysis, I am competent.

2. QUESTION: "Yes, but isn't it a fact, that no leading economic authorities in the United States accept your views? Are you asking me to believe that nothing but 'nonsense' is taught in the economics departments of every one of our universities?"

ANSWER: Yes, in every case known to me, what is taught as "economics" in our universities is a fraud. Anyone who paid for an education in economics, should be able to sue that college for "consumer fraud."

3. QUESTION: "The trouble is, I can't figure this LaRouche out; I hear all kinds of rumors about him. The left-wingers say, he's linked to the CIA, and that he's a Nazi. The right-wingers say, he's linked to the Soviet KGB."

ANSWER: I have made powerful enemies among the financial and drug-running interests which control most of the major news-media of the United States, and I have been on the list of targets of the Soviet government for a long time.

There are many governments around the world which, either in the past or today, agreed with my recommendations for changing the present policies of the International Monetary Fund. Therefore, the bankers who are looting the world through IMF policies regard me as a dangerous influence, to be eliminated. Since 1978, I have been active in exposing the laundering of hundreds of billions of dollars of drug-money through major British, Swiss, and other banks. Those banks have deployed the Anti-Defamation League, an organized-crime-linked creation of the Morgan financial interests, against me since May 1978. At the same time, in May 1978, the international bankers' club, the Mont Pelerin Society, unleashed its Heritage Foundation against me. Also, as we have seen in the case of the state of Ohio recently, whole chunks of the Democratic Party are controlled, top-down, by financial interests which have been proven, officially, to be part of the international drug-trafficking networks. Since this faction of international banking controls most of the major news-media of the United States and Europe, all sorts of lies are circulated against me.

There has never been anything "mysterious" about my philosophy, my policies, my activities. There is no international public figure today, whose beliefs and activities are as much an "open book" as mine are. Every policy, every analysis, with which I have been associated during my entire public life, is available in detail, in published documents which I have either written myself, or which have been written and reported by persons associated with me. Get the facts for yourself, and don't worry about the lying gossip spread around.

4. QUESTION: "But, it has been explained to me, that what LaRouche proposes, is to turn the United States into what they call a 'command economy.' Isn't a 'command economy' like what they have in Russia?"

ANSWER: The name, "command economy," is strictly gobbledygook. What I teach and practice as economic science, was the policy of the Founding Fathers of the United States.

My economic policy is the policy laid down as law in the U.S. Federal Constitution, which President George Washington's Treasury Secretary, Alexander Hamilton, first named "the American System of political-economy." This was the policy of Benjamin Franklin, and of Presidents including James Monroe, John Quincy Adams, and Abraham Lincoln. It was the policy of that famous U.S. Speaker of the House, Henry Clay.

The problem today, is that many citizens have been deceived into adopting Adam Smith's doctrine of "free trade" as gospel. The leading economic issue of the American Revolution, was our Founding Fathers' refusal to allow the American economy to continue to be ruined, by the British imposition of the policies defended in Adam Smith's "Wealth of Nations."

Every major depression which the United States has suffered, since 1815-1818, has been caused by the temporary success of the Boston-New York Eastern Liberal Establishment, in forcing the U.S. government to follow the policies of Adam Smith. What President Franklin Roosevelt did, during World War II, was to return the United States to the American System of the Founding Fathers; he didn't go quite far enough in doing this, but we have to give him credit for the fact that we ever got out of the Great Depression of the 1930s.

The problem today, is that Jimmy Carter's policies were Adam Smith's, and that President Reagan's softness on Adam Smith, has resulted in Mr. Reagan's continuing, so far, the same bankrupt economic policies—the Volcker policies—which he inherited from the Carter Administration.

The fact our citizens must understand, is that there never was a 1983-1984 "U.S. economic recovery." The full statistical proof of this fact is published in the 109-page March 1985 Quarterly Report of, the international newsweekly, the *Executive Intelligence Review (EIR)*.* The complete statistical proof could not be presented in anything shorter than the EIR Quarterly. All the same, the citizen who looks about him, can find massive evidence in everyday life.

For example:

1. The farm sector has continued to collapse since Volcker's measures were introduced by Jimmy Carter, in October 1979. During the 1983-1985 period, the rate of collapse has accelerated. During 1985, the U.S. will produce less

* I apologize that the annual subscription-price for the EIR newsweekly, in the United States, is about \$400 a year, and that the EIR Quarterly Report service starts from a minimum of an additional \$1,000 a year. Considering the effort and cost of producing the contents of these publications, the prices are "dirt cheap," but, unfortunately, beyond the means of most citizens.

food than is needed for bare nutrition of all our citizens; we now depend upon growing volumes of imported food, a large part of the increase in the zooming U.S. foreign-trade deficit. The only category in which we still produce an apparent surplus, is in grains exported at bargain prices to subsidize the massive military build-up inside the Soviet empire.

2. Basic industry has continued to collapse.

For example, our steel industry's ability to produce new steel, has collapsed from about 150 million tons a year, a short time back, to about 40 million tons maximum capacity today. We consume now slightly less than 90 million tons of steel a year. The nearly 50 million tons shortage is made up partly by remelting old scrap, and by the zooming steel imports, which increase our foreign-trade deficit. If we compare both the value-content of U.S. automobiles, between 1979 and today, and also deduct for increases in foreign-made parts, net U.S. auto production, at the height of the so-called 1983-1984 recovery, dropped to a net equivalent of about 4 million autos, down from more than 10 million capacity during the 1970s. Across the industrial belt, from Iowa to Boston, the United States' economy is being turned into an industrial desert.

3. Measured in dollar-value, the biggest collapse of the U.S. economy is in the area of basic economic infrastructure: production and distribution of energy, water-management, general transportation, and urban repair. To restore the United States to 1970 levels in these categories, would require us to spend not less than \$3 trillion!

It is true that some categories of income have increased. These categories include:

- Interest-income on zooming governmental, farm, industrial, and consumer indebtedness. Almost the entirety of the Federal budget deficit today, represents debt-service paid to bankers, because of Volcker's high-interest policies. Since October 1979, when the Volcker measures were put into effect under Jimmy Carter, the Federal Debt has been increased from about \$800 billion, to about \$1.8 trillion, an increase due entirely to Volcker's high-interest-rate policies.
- Reemployment of formerly skilled industrial operatives, at nearly minimum-wage levels, in fast-food operations. This is like hiring skilled, unemployed machinists, to come into your kitchen at maid's wages, to do the family's food-shopping and cooking. It doesn't add a dime's worth of value to the total output of the national economy.
- Wasteful "services," including legalized gambling and other immoral forms of "recreation."
- Much, much more than \$100 billion a year, paid to the international drug-traffickers, probably as high as we spend for national defense!

Look at this another way. The percentage of our nation's

labor-force employed in all forms of production of goods, other than agriculture, has dropped to about 20%. Only one person in about five, in our labor-force, is actually employed in producing goods. The other four are either unemployed, or are employed in various kinds of "overhead" activities. After World War II, into the 1957-1959 recession, as high as 55-60% of the labor-force was employed in production of goods.

When Washington says that "we have beaten back inflation," don't believe them for a minute. Today, the U.S. dollar is officially priced at about 3 West German marks. However, in a German supermarket, 1 d-mark will buy as much as \$1 does in a U.S. supermarket. The government's official figures on the rate of inflation, are faked!

Worse, the present level of production of goods in the United States is not high enough to continue rolling over the skyrocketing levels of combined public and private debt. In other words, the total debt-service which the average American must pay, exceeds the per capita real (goods) income of the United States!

We, as a nation, are now bankrupt. That is why there is a tidal wave of bankruptcy of savings and other banking institutions around the United States. We do not have enough income to cover the obligations of our banking-system. This is what Jimmy Carter and Paul Volcker have done to us, this is what President Reagan has, so far, failed to reverse.

What has kept parts of our banking-system operating, is the laundering of income of the international drug-trafficking through major banking and other credit-institutions. When we look at the Bank of Boston scandal, or the case of Marvin Warner's top-down influence over the Ohio Democratic Party machine, we are only scratching the surface of drug-money laundering.

The exposure of the drug-money laundering by Bank of Boston, looks at only one side of the operation: the drug-money going out of the United States to Swiss banks, such as Credit Suisse. Look at the other side, in the drug-money running through Credit Suisse into the U.S. banking and credit-institutions. We should not have been surprised that Bank of Boston was given only a technical slap on the wrist, for its illegal practices. The U.S. Attorney, Weld, who handled the case is a member of the White, Weld family, which merged its interests in a three-way deal among White Weld, Credit Suisse, and former Treasury Secretary Don Regan's old firm, Merrill, Lynch. The Federal judge who permitted this mere "slap on the wrist," Tony Mazzone, is a product of the Dukakis machine, of which Weld himself is also a product.

Not only do hundreds of billions of dollars of drug-money run out of the U.S. economy each year—perhaps as much as our Federal Defense Budget, but a major part of approximately a half-trillion dollars of international revenues of the international drug-traffic, flow back into the United States each year, to buy up real estate and businesses, and

to loot the U.S. government and citizens through Volcker's interest-rates.

During recent years, as a result of the Volcker policies introduced by Jimmy Carter, Americans no longer save. The increasing pattern is, that families which used to save, now operate on credit-card debt! Farms and industries as a whole are no longer net-earners. There is no net savings-base sufficient to roll over the debits of the banking-system. The more powerful parts of the financial system, are kept afloat by the volumes of traffic in funds accumulated in the international drug-traffic, and these more powerful parts are gobbling up the defenseless savings institutions.

When debt pyramids, while goods-production collapses, the financial system is turned into a kind of chain-letter of debt-refinancing. The result is a financial bubble, like the famous 18th-century John Law Bubble. When the bubble is sufficiently stretched, like an overblown balloon, one prick is enough to cause the entire financial structure to collapse. That is the reason for the growing tidal wave of bankruptcy in the U.S. banking-system.

Why The "Recovery" Hoax Was Swallowed

The true story of the "1983-1984 recovery," is this. Donald Regan, and other economic advisors to the President, have lied consistently. The statistics used, to convince the President that an "economic recovery" was in progress, were faked! It appears, that by about April 1983, the President was pretty much taken in by these carnival sideshow tricks with statistics.

After all, the President's life is constantly in danger; he is unable to roam around the country, and see things for himself. He depends upon advisors, who become his eyes and ears on the world. If his trusted "eyes and ears" lie to him consistently, the President can be induced to believe all sorts of things which simply aren't true.

If those lying "trusted advisors" are clever, they tell the President the kinds of falsehoods he wishes to hear. The President was pleased to hear, "Mr. President, your economic program has turned the country around; we are now in a great economic recovery." If the President is convinced that the country is obtaining the result he hoped for from his program, it is not terribly difficult for lying "trusted advisors" to peddle their hogwash to him.

True, people in the upper 40% of income-brackets, including the Yuppies, also believed they were experiencing a recovery during 1983-1984. Many unemployed and poor, whose income was collapsing, wished to believe that this recovery was about to trickle down to them, too. Many in worsening misery hoped, desperately, that someone else in the economy was enjoying a recovery they could soon begin to share.

It is true, that for the upper 40 to 50% of U.S. households, "things felt better," economically, during 1983 and 1984, than they did in 1982. They bought more automobiles, and some other things, during 1983 and 1984, than they had during 1982. So, even if there was a net collapse in total output over 1983-1984, there was enough increase in sales in **some** categories, to help build up the illusion that the economy was recovering. The upper 40 to 50% of households saw what they desperately hoped to see, and turned their eyes away from facts they desperately preferred to ignore. What bankrupted farmers said, what bankrupted businesses said, what the lower half of the income-brackets said, it was convenient to ignore. History is filled with such examples of mass-delusions.

However, the fact that sales of some products increased, was not the main reason that more than 40% of the households believed in the illusion of a "recovery." They concentrated on the fact that they had more to spend during 1983 and 1984, than in 1982. A significant loosening of consumer credit, over 1981-1982, meant that consumers could spend more. They spent more than they earned, on credit, and forgot about the debts they were piling up. What they spent this borrowed money for, was mostly payments on debt, plus more spent on services. Fast-food sales boomed.

It ought to remind us of the collapse of the Roman Empire. When Italy stopped producing, under the Roman Empire, it spent what the Roman Legions stole abroad, on welfare-payments, on cheap services performed by low-paid, unskilled slaves, and on degraded forms of mass-entertainments like the Roman circuses. The Italian birth-rate dropped, while sexual recreation increased, and soon enough the barbarians moved in to take over from the physically and morally depleted population of the Empire.

Since about 1971, the United States has taken the same path toward self-destruction as ancient Rome. During 1980-1984, we produced fewer goods per person. We made up for part of our collapse of production, with cheap imports, creating a zooming foreign-trade deficit. We stopped saving, while we borrowed madly; sales of mind-destroying drugs became second only to usurious lending, as a leading industry, replacing output of agricultural and industrial goods. We watched more soap-opera on TV, and most of us lost the power to sit down and read through a book. Whole sections of our cities looked like bombed-out post-war cities of Germany. Essential basic services collapsed, while rats, cockroaches, and diseases prospered. We spent more on fast foods, gambled more and more, and the sex-recreation boomed, while the birth-rate continued to drop.

Throughout the nation, decent housing's price soars way above what the monthly incomes of households can pay. In much so-called "luxury housing," one person's snores will keep several neighboring families awake through the night. Pet cats, pet dogs, and children, are increasingly a violation

of the lease. Of the decreasing number of children born, a vast and growing mass disappears annually, as the industry of pederasty grows. The second fastest-growing sector of the population, is that occupied in drug-trafficking, burglary, and violent crimes; the fastest-growing sector, is the victims of such crimes. Old-fashioned law-enforcement is disappearing, as radicals and liberals push Federal and local law-enforcement into such activities as peddling parking-tickets as a source of tax-revenue.

Most citizens avoid the evidence of our nation's material and moral collapse, by spending as many hours as possible each day, before the television set: until the drug-using burglar steals the set, and they must go deeper into debt, to buy another.

We have become a nation which acts as if it is convinced that there is no future. We have fewer and fewer children. What's the use of having children? Children belong to the future; and our citizens, increasingly, are concerned only with cheap, passing entertainment, in the here and now. The tradition of adult responsibility is vanishing, as adolescence is extended into the citizen's 40s, when the fear of loss of sexual prowess brings on "mid-life crisis." Fewer and fewer care what will happen in 1988, as a result of what we do today; the man or woman who looks as far as six months ahead, before taking today's decision, is becoming an increasingly rarer eccentric.

Our nation's moral degeneration began back during the early 1950s, then as that small seed of corruption known as the beatniks and *Playboy* magazine's campaigns for pornography and "recreational drugs." Then, toward the end of the 1950s and beginning of the 1960s, the subversive League for Industrial Democracy launched the "New Left," and circles linked to Margaret Mead and Gregory Bateson played a leading part in infecting the "New Left" with the rock-drugs-sex counterculture. A long war in Vietnam, fought to no purpose, nourished the "New Left," and undermined our institutions. During the 1970s, led by the likes of the Ford Foundation's McGeorge Bundy and anti-science James R. Schlesinger, the moral disease called "environmental-

ism," transformed us from a nation committed to scientific and technological progress, into a post-industrial junk-heap.

At first, popular opinion angrily rejected the New Left and "environmentalist" subversion. Then, popular opinion caved in, especially under Jimmy Carter, the ex-nuclear engineer who could not pronounce the word "nuclear," and whose Administration deliberately gave us one of the most murderous dictatorships ever seen, that of Ayatollah Ruhollah Khomeini. The willful self-destruction of the United States, has thus been made "respectable."

Underneath the corruption of most of our citizens, is the great moral flaw which has been creeping over us during most of the 20th century. Most of our people have been transformed from the moral spirit of our forefathers, to become what the sociologist David Riesman named "other-directed" personalities. Most of us have ceased to be independent thinkers; we believe what we think the neighbors believe. We say, not what we believe; we say what we believe it is "smart" to be overheard saying.

"Everyone is saying that there is an economic recovery," people said to one another. How did they reach this curious conclusion? "I heard it on TV," or, "I know what I'm talking about; I read the newspapers!" "Besides, everyone I know agrees with me, there's an economic recovery."

Hans Christian Andersen wrote a famous fairy-story, "The Emperor's New Clothes." In the story, an Emperor was swindled by a pair of confidence-men, into believing he was buying the most beautiful suit of clothes ever designed. The boxes they delivered were empty, but since the Emperor seemed to believe he could see the clothes, his advisors all praised the new clothes as truly magnificent, to the point that the Emperor, who trusted his advisors, was convinced that the clothes actually existed. The word spread from the palace, among the people, who gathered in the streets to admire and praise the Emperor's modeling of his new garments. Then, one small boy shouted out to his father, "But, he has nothing on!"

That is how so many Americans came to believe in the "miraculous economic recovery" of 1983-1984.

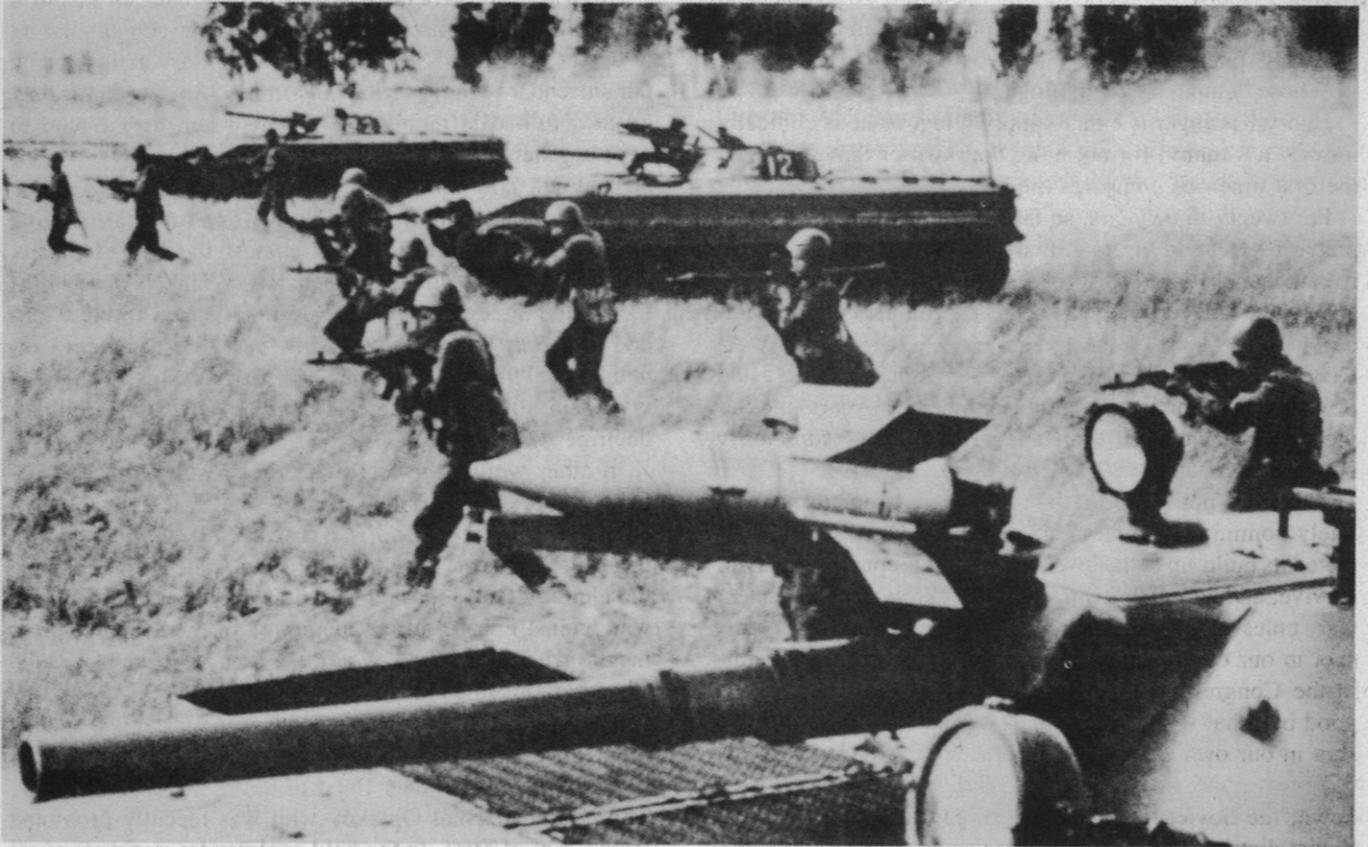
The Soviet Military Threat

Henry A. Kissinger says, repeatedly, "The Soviet empire is crumbling." It's a lie, but the Administration and the Congress have made an agreement: No one is to circulate any facts which might be damaging to Mr. Kissinger's reputation. It's the "Emperor's New Clothes," all over again.

For about two to five minutes, but no longer, Kissinger's lie is actually quite funny. It goes like this.

The facts are pretty simple and clear. Look at Table 1 on the next page.

This is only a few sample figures, but it makes the general point. When U.S. military figures are compared with Soviet figures, the picture is much more disastrous—for the U.S.A. Challenge a Kissinger supporter with such simple and plain facts. What is the answer? Usually, the answer is that the United States is superior, because we are becoming, successfully a "post-industrial" junk-heap; whereas the pitiful



Soviet tank troops sweep across an open field. Warsaw Pact tanks in the European theatre outnumber NATO's by more than 2 to 1. Moscow means to rule worldwide by 1988.

Table 1: U.S.A. vs U.S.S.R.

Production	1972		1982	
	U.S.A.	U.S.S.R.	U.S.A.	U.S.S.R.
Raw Steel	120,875	117,739	67,656	147,165
Agri Combines	21,104	95,699	32,877	111,551
Tractors	218,213	447,822	66,873	555,159
Bulldozers	16,748	40,174	8,278	42,983
Cement	74,930	104,299	58,369	123,681

Source EIR

Soviet economy is still producing industrial goods! The answer is, that the U.S.A. is much more powerful, because it is leading the Soviet economy in becoming a "post-industrial" junk-heap!

The Soviet military already vastly outnumbers us in missiles, in warheads, in artillery, in tanks, in major and minor naval vessels, in aircraft, and about everything else. It is taking over Scandinavia, has already taken over Greece, is about to take over Turkey, outguns us in Asia, just recently brought China back into friendship with Moscow, and if Chancellor Helmut Kohl's government falls, and Willy Brandt's Social-Democrats come back into government in West Germany, all of Europe will fall rapidly into the Soviet empire's sphere of strategic influence.

Whose "empire is crumbling"?

Henry Kissinger is either simply lying, or he is clinically insane. It's funny, for not more than two or three minutes, the first time one compares the facts.

For twenty-three years, so far, the Soviet Union has been preparing to build up its military superiority, to the degree it can launch, survive, and win total thermonuclear war against the United States. It has nearly completed that build-up, with the help of the treaties negotiated by Henry A. Kissinger, beginning 1972. If present trends in U.S. and Soviet military budgets continue another two years, the Soviets will reach their desired level of military superiority between 1987 and 1989.

This does not mean that the Soviet dictatorship is absolutely committed to thermonuclear war. Once it has completed its build-up to the level it would be prepared to launch, survive, and win such a war, it will go to total thermonuclear war, unless we back down to its demands without firing a shot in our own defense. With the present pack of liberals in the Congress and around the State Department, it is a good bet, that we would actually surrender without firing a shot in our own defense.

However, if we are inferior, and if we refuse to back down, the Soviets are prepared to launch what the present Soviet dictator, Gorbachov, has recently declared publicly, on May 8, 1985, will be a "Holy War" against the United States.

In fact, the Soviet dictatorship has already declared war against the United States. I explain.

According to current Soviet military doctrine, there are only two mobilization levels in military spending. One is the Soviet economy operating on a full-scale war-footing: a total military mobilization. The other is a peace-time footing, a large degree of military demobilization, below war-time readiness-levels. The Soviet argument is, that it is so costly to maintain a war-time level of mobilization of the economy, that if one adversary mobilizes, and the other does not, and no war occurs, the weakening of the civilian economy by full-scale mobilization would mean that the nation which did not mobilize, would come out of that period stronger than the nation which did mobilize.

This part of Soviet doctrine is economically mistaken, as we showed during World War II. Our national economy emerged from World War II's full-scale mobilization, much stronger and richer than it had been at the beginning of the mobilization. However, Soviet culture is such that its people tend to resist high rates of technological progress in the civilian sector, whereas our superior culture causes military technologies to spill over into our civilian economy at very high rates. So, in that sense, there is a bit of truth in the Soviet doctrine.

Anyway, the Soviets believe that they can not afford a full-scale war-mobilization unless they are actually going to defeat the United States, either by military action, or by our surrender without serious resistance. So, for them, they go to a full-scale mobilization, only when they intend to have a general war.

They are now in a full-scale military mobilization. The Soviet economy is now going rapidly to a full-scale footing for general thermonuclear war against the United States. They have made a collective decision, to launch war against the United States at some time during the near future. General Secretary Gorbachov's May 8, 1985 statement, announcing a "Holy War," was in fact an open declaration of war against the United States. That is the way Soviet military doctrine works.

In other words, the fact that Soviet killing of U.S. nationals is presently limited to assassinations and sabotage, does not mean they are not in a state of full-scale war against the United States. They are more in a state of war against the United States today, than Adolf Hitler was in a state of war against Europe during the period of the Munich agreements with Britain's cowardly Prime Minister, Neville Chamberlain, in 1938.

The Soviet military doctrine for thermonuclear war against the United States, is called the "Ogarkov Doctrine," so named for former Soviet Chief of Staff, Marshal Ogarkov. This is the Marshal Ogarkov who was recently promoted from Chief of Staff, to the field commander in charge of all Soviet military forces for World War III, to a higher position than that last held by Marshal Zhukov.

The "Ogarkov Doctrine," is a general staff war-plan, modeled on the principles of war-planning developed by the Prussian general staff under such commanders as von Schlieffen. It is centered upon a maximum capability, for full-scale thermonuclear war against the continental United States and Western Europe, simultaneously; it also includes, lesser capabilities, such as grabbing off northeastern Germany (Schleswig-Holstein), under certain special conditions. I shall describe only major features of the maximum capability under the "Ogarkov Doctrine." The purpose is to show that I do not exaggerate, when I warn, that unless U.S. economic policy is changed very suddenly, President Reagan will probably go down in history as "the last President of the United States."

For the purposes of the "Ogarkov Plan," Soviet military potential is broadly divided into five elements of capability, for launching, surviving, and winning, a general thermonuclear war against the United States and its allies:

- Soviet land, sea, air, and missile assault-forces;
- Soviet anti-ballistic-missile capabilities, the Soviet version of SDI, ready to be completely deployed in first generation, by about 1987-1989;
- Soviet "passive" civilian defense: evacuation, shelters, reserve food-supplies, medical catastrophe capabilities, and so forth, of which the United States presently has virtually zero capability deployable, and which only Sweden and Switzerland, in Europe, possess in serious degrees;
- The industrial war-mobilization capability of the Soviet and captive-nations economies;
- Sabotage and assassination forces deployed massively into the interior of the United States and Europe.

Presently, the level of Soviet strategic capabilities in all five categories is either at a war-level footing, or nearly so. The massive purges in Soviet industrial management, launched with the timely death of Chernenko, are completing the industrial war-mobilization phase. The deployment of the Soviet version of SDI, which is now being pushed toward completion, is the most limiting factor in, briefly, delaying Soviet readiness to launch full-scale thermonuclear war.

The most critical feature of the Ogarkov Plan, is the neutralization of more than 40%-to-50% of total U.S. thermonuclear capability. This depends chiefly upon two of the five elements: full-scale surprise attack with all classes of Soviet thermonuclear missiles, to either destroy or pin down U.S. ground and naval missile-capabilities within 25 minutes of the launching of war; and Soviet SDI to reduce significantly those missiles which the U.S. might launch against Soviet territory. In other words, unless the United States launches its full missile arsenal against Soviet territory and forces, at the moment the Soviet missiles are first launched, the Soviets survive and win World War III, essentially, within 30 minutes, leaving only mopping-up operations. If

a significant Soviet SDI is deployed, this result is almost guaranteed, even before war is launched.

In order to achieve this degree of surprise, the Ogarkov Plan requires that Soviet forces be able to launch World War III "from the barracks." That is, there is to be no pre-war movement of forces, which might forewarn the United States of impending attack. All recent Soviet military exercises have been aimed at creating the tightly coordinated command and control, needed for such surprise attack.

Under the old Soviet doctrine, special Soviet sabotage units were to be deployed for sabotage and assassinations within a period of 48 hours preceding Soviet launching of war. These were called Spetsnaz units. Under the Ogarkov Plan, this has been changed. Under the Ogarkov Plan, the systematic sabotage, and assassinations of key U.S.A. and Western figures, is conducted over many months preceding the Soviet general assault. Instead of deploying Soviet Spetsnaz units, surrogates, such as Libya's Qaddafi, are being used to deploy and launch the major part of sabotage and assassinations, inside the NATO countries, beginning now. So, the internal United States will be engulfed with escalating terrorism conducted by Qaddafi-backed and other "surrogate" forces over many months prior to the Soviet general attack. They will kill targeted military and political figures inside the United States, for example, gradually, rather than doing this suddenly, on the eve of the general attack. This operation has already begun, inside the United States, as well as in the case of Major Nicholson, in Europe. The Reverend Jesse Jackson's ally, Qaddafi-backed Louis Farrakhan, is reportedly receiving approximately \$30 million in "seed money" at the present time, to aid this process. (He has openly bragged of \$5 million, but, according to high-level intelligence-sources, the sum being negotiated in Rome, totals \$30 million in "front money.")

For the attack, the entirety of the Soviet command of land-based and naval forces in Europe and the Atlantic, has been placed under the immediate command of Marshal Ogarkov. He is the only Marshal among the four-star Soviet commanders commanding all of the Soviet military regions, and is thus the ranking commander of battle-forces for World War III.

The attack, if it occurs, would probably occur between 1987 and 1989. It would begin with simultaneous launch of all categories of nuclear missile barrages: (1) Land-based and naval-launched thermonuclear barrages against the territorial United States; (2) Intermediate thermonuclear missile assault against all key "strategic" objectives in the NATO European theater; (3) Short-range bombardment of the eastern front of NATO in Europe, preparing the combined naval, armored, and air assault by Soviet invasion forces. Within about 25 minutes of the assault, all worldwide targets of the Soviet missile-capability would be hit.

The included U.S. targets include the port-cities of the Atlantic coast, including New York, Philadelphia, Balti-

more, the vicinity of Newport News, and New Orleans: to ensure no logistical support for NATO forces in Europe from the United States. Marshal Ogarkov personally, would arrive in Bristol, England, within about 10 to 12 days, completing all essential features of the conquest of NATO territory in Europe.

In addition, the Soviets have a capability for chemical and biological warfare. What degree of use they might make of this, is not predetermined, to our present knowledge: a large capability exists. The Soviet CBW potential is increased, by three facts: (1) The Soviets have a massive inoculation program for their populations, and the United States, through aid of the energies of the ACLU, now has no consistent inoculation program; (2) The NATO countries have been tearing down medical capabilities since the middle 1970s, while the Soviets have been building theirs up; (3) The substandard nutrition of one-quarter or more of the U.S. population, the proliferation of rat populations in our cities, and other breakdowns of basic economic infrastructure, render the entire U.S. population highly vulnerable to pandemics.

In any case, biological warfare is the indicated weapon of choice for the Soviet dictatorship, in checking the future potentials of China's population. Whether they intend to use it in World War III, or hold it in reserve for controlling China, we do not presently know. We must, therefore, take measures, to defend our population on this account.

Soviet use of new types of nerve-gases, and of sophisticated sorts of anti-personnel beams and enhanced-radiation devices with effects akin to those of nerve gases, is more or less guaranteed. Only the scale of usage is not yet determined.

There are only two developments which would cause the Soviet dictatorship to call off the planned thermonuclear war, or at least to postpone it for a decade or more. The first, of course, is the abject surrender of the United States. The second, is a sudden enhancement of NATO defensive-warfare capabilities, centered around strategic and tactical applications of SDI technologies. Unless the Soviets are assured of winning and surviving World War III, they will not launch it—unless directly attacked.

The Soviet Dictatorship

Forget all the liberal delusions about Russia being a "peace-loving, socialist" country.

The closest approximation of what the Soviet empire is today, is the "socialist" version of the Roman empire under the Emperor Diocletian. The Soviet ruling class is a group of dominant families, including the Mikoyan family, which dominate the Soviet Nomenklatura, the latter the approximately 2,500,000 persons who are the Soviet dictatorship. This "socialist ruling class," is an echo of the ruling bureaucracy which emerged in Byzantium after Constantine.

Under this system, the Soviet President (and head of the Communist Party) is a "Czar (Caesar) for life," as were the Roman and Byzantine emperors. Since Stalin, only one Soviet Czar has been openly overthrown, Nikita Khrushchev; others have been kept alive, and terminated, by more discreet, medical procedures.

Since 1967, when Andropov became head of the Soviet KGB, the Soviet ruling-class has undergone two stages of reorganization. The first occurred during 1966–1967, the "detente" phase of preparation for World War III. The second occurred during the Spring of 1982, when Andropov was elected to succeed Brezhnev. The Soviet dictatorship is now ruled by what is most accurately described as "the Andropov dynasty": Aliyev, Ogarkov, Gorbachov, Romanov, and so forth, are all representatives of the "Andropov dynasty," and each and all share essentially the same strategic and other policies.

The "Andropov dynasty," is composed of men who were raised through childhood and adolescence under Stalin's rule. Most of them were either officers during World War II, or reached ranks above those of junior officers or comparable grades by the beginning of the 1950s. The revival of Stalin's official reputation during the past year, has the double significance, both of asserting the ideology of the "Andropov dynasty," and of establishing Stalin as the patron saint of the new "Holy War" now being mobilized.

Like Stalin, during and after World War II, this stratum of the Soviet dictatorship, is governed by a mystical obsession with establishing Moscow as the world-capital of a third, and final, version of the Roman Empire (Rome, Constantinople, Moscow). This was the mystical doctrine enunciated by Philotheos of Pskov in A.D. 1510, and adopted by Ivan the Terrible when he crowned himself Czar (Caesar). They are committed to establishment of world-rule by the Great Russian people during the closing decade of the present century, and are committed to the proposition that this empire shall rule the world forever.

Like the Russian "Friedrich Nietzsche," Fyodor Dostoevsky, whose mystical ideology pervades the "Andropov men" today, the Soviet dictators are a curious blend of wildly irrational pagan mysticism, and a surface imitation of Prussian rationality. In military matters, they seek to copy the Prussian military tradition to perfection; in this respect that are rational. By Clausewitz's textbook standards, Marshal Ogarkov may be the most dangerous military commander of the 20th century, a commander with exceptional "Entschlossenheit," as Clausewitz describes this quality of command. Behind this military rationality, there lurks the raving, mystical beast-man.

It is not exactly a joke, to propose, that if U.S. negotiator Paul Nitze, were to propose to Soviet negotiators, the establishment of a "rape-free zone" west of the river Elbe, the Soviets would reject this angrily, as "an imperialist attempt to interfere with Russian culture." Once the Soviet individual

is whipped up into a "Holy War" mentality, the most brutal acts of rape and capricious murder, are his nature, as we witnessed in both the war-time propaganda of Ilya Ehrenburg and the practice of Soviet troops at the close of World War II.

This mystical irrationality, this paganist religious worship of the mystical collective will of the "Holy Blood and Soil of Holy Mother Russia," is the motivation which energizes the purposes to which the Soviet mind applies Prussian-like military rationality. Soviet films, literature, and present Soviet-government propaganda, drip with this savage and bloody mysticism.

It is this two-fold, Jekyll-and-Hyde, character of the Soviet dictatorship, on which all competent U.S. intelligence bases its proposals for NATO strategic policy. When one considers the plain and simple facts of the matter, the kindest words we can have for our Congressional Liberals, and State Department and other desk-jockeys from Harvard, Princeton, and so forth, are "puling," "disgusting."

Peace with the Soviets is possible, but only if U.S. policy is based on an entirely unsentimental and realistic comprehension of Soviet culture, policy-outlooks, and military capabilities. If the Soviet mind grasps, that we are as tough and strong as they, but that we prefer peace, the Soviet mind will postpone war for at least a generation or two. Anyone but the sort of puling liberal—Republican or Democrat—who insists that the Soviets are "peace-loving socialists," or a "crumbling empire beset with internal troubles and indecisions," must recognize these simple facts, and act accordingly. The key word in the Soviet vocabulary, is "will." They are awed by a powerful will, and are incited to rape by pacifism of the puling liberals.

Oh, they will scream. They will unleash the ugliest depths of the Soviet vocabulary. This sort of homicidal epithet-slitting, the Soviets call "harsh dialogue." Unless a Soviet diplomat pours out threats so vile they are untranslatable even in American waterfront dialogue, that diplomat is lying. Such outpourings of hatred against an adversary, are the only mode in which the Soviets muster something with distant resemblance to truth. It is when that diplomat is bestowing epithets viler than seen in previous history, that he is serious about negotiations. The epithets reflect an intent to test the opponent's "will." A powerful will, guided entirely by cold-blooded reason, is the only agency with which Moscow will negotiate seriously.

Personally, I would enjoy negotiating with them, because I know that I understand them.

Soviet Peace Options

Those among us old enough to have been adults or adolescents during the 1930s, recall how much Adolf Hitler, and Hitler's apologists, repeated that Hitler desired nothing but "peace." Those of us who remember, can not prevent

ourselves from comparing that Hitler to the "peace-loving socialists" of Moscow today. We can not prevent ourselves from comparing those congressional liberals, who insist we must not annoy Moscow today, with those, like the Neville Chamberlains of the 1930s, who said, then, that we must understand Hitler's fears and frustrations.

Up to a limit, Hitler sought as much as he could get without war. France and Britain gave Hitler remilitarization of the Rhineland. They gave him Austria. They gave him Czechoslovakia. The Hitler-Stalin Pact divided Poland between Moscow and Hitler, and gave Hitler an easy victory over France. Then, Hitler became insatiable. Stalin tried to buy Hitler with massive material concessions in 1941, and refused to believe his own intelligence service, when Hitler was prepared to launch Barbarossa.

Up to a limit, the Soviets will prefer cowardly concessions to war. Then, at some point, their psychological mobilization for war will reach the point that no concessions would prevent them from launching the war. If the year 1988 were reached, without breaking the Soviet will for war, it is probable that the now-scheduled orgy of mysticism planned for Moscow that year, would put the Soviet population and institutions into a frenzied state of mind, like that of Hitler on the eve of Barbarossa. In short, the Soviets must become discouraged with the idea of continuing their war-mobilization significantly before 1988, significantly before their preparations near a peak. Once the mobilization reaches a peak, not even the Soviets could prevent themselves from launching some degree of general warfare.

Short of NATO mustering the wilful action to discourage the continued Soviet mobilization, within the months ahead, the Soviet commitment to some degree of general warfare will probably become irreversible. Within that next period of up to a year, the only thing which would halt the Soviet mobilization, short of a reversal of present U.S. defense-budget and economic policies, would be Willy Brandt's coming to power in Germany. If Richard Burt were confirmed as U.S. Ambassador to Germany, Soviet world-victory, without firing a shot, would be almost guaranteed, by early toppling of the Kohl government.

First, Burt. Burt is a hide-bound State Department liberal, very close to Willy Brandt and Czechoslovakia-linked Horst Ehmke. Burt's known policies are such, that the mere fact of his appointment would demoralize the forces upon which the Kohl government's precarious stability depends, and would unleash the overthrow of that government by such means as a Genscher pull-out of the Christian-Liberal coalition. That brings the pro-Soviet Brandt's Social-Democrats to power, together with the neo-Nazi, Soviet-backed Green Party. Brandt is committed to decoupling West Germany from the U.S. alliance, and orienting Germany to closer relations with Moscow.

If that occurs, all of Europe will fall very quickly into the Soviet sphere of strategic influence. The result will be,

that the industrial-export potential of Western Europe, which exceeds that of the United States, will be placed at the disposal of the Soviet economy. If that occurs, the United States could be defeated irreparably by late in 1985 or early 1986! So, if Burt were appointed, prepare to kiss something very dear goodbye, and waste little time about doing it.

In that case, the Soviets would have very little continued incentive for maintaining the commitment for general warfare. They would be positioned to pick up the rest of the world at their leisure. That means the gradual extermination of 2,000 years of Judeo-Christian civilization, in a world under Soviet domination.

Except for the incurable Liberals, Fascists, and Bolsheviks in the Congress and State Department, among other locations, we have no choice, but to muster quickly the material capabilities and the political will, needed to discourage the Soviet dictators from continuing their present war-mobilization. We must do this before their mobilization begins to peak.

I do not exaggerate, when I warn, that unless we reverse our present support of the policies of Volcker and the IMF, and unless we reverse the almost-treasonous folly of recent Defense-budget cuts, President Reagan could become "the last President of the United States."

Two Horsemen Of The Apocalypse

There are some people who believe, that thermonuclear war is the worst catastrophe imaginable. Those people obviously know almost nothing about biology. Those people are obviously ignoring what is happening in Africa right now. They are also ignoring the existence and spread of conditions for massive eruptions of pandemic diseases, such as bubonic plague, in the United States.

Whenever large portions of the human population are subjected to famine conditions, such as exist throughout most of black Africa today, the lowering of immunological potential associated with famine, transforms the sickened and dying population into a breeding-culture for old and new forms of global pandemics. Wherever the lack of sanitation and of immunological potential exists, among even a large minority of the populations in other parts of the world, the eruption of pandemics in Africa today, means



UN
Refugee camp in Korem, Ethiopia. These African death camps of the 1980s, centers of disease and malnutrition, mark the beginning of a process that could produce biological holocaust devastating the populations of every continent on earth.

the destruction of large portions of populations in other continents of the world, very soon.

The United States itself is highly vulnerable to the same kind of waves of pandemics which killed an estimated third of the population of Europe during about three years, during the middle of the 14th century. Let's take a hypothetical scenario.

Bubonic plague is endemic in rural areas of California, Arizona, and New Mexico. Suppose several cases erupt among illegal immigrants in rural California, and that these cases are not detected and isolated in time. Infected rats crawl into food-shipments into a produce-market near Los Angeles. The plague spreads among rats and people there. By the time the new cases are detected, infected rats are moving in food-shipments across the nation.

Since the inauguration of the pace-setting "Big MAC," in New York City, during the middle of the 1970s, health and sanitation services in states and localities around the nation have broken down. We have epidemics of rats, concentrated in but not confined to those slum-ghetto areas which resemble bombed-out cities in post-war Germany.

Among the slum-poor and large portions of senior citizens, the standard of the U.S. Agriculture Department's so-called Thrift Diet prevails. This diet is at the same level as the Nazi diet for slave-labor during World War II. The immunological potential of most persons on such a diet is reduced to marginal. Once pandemic disease hits such vulnerable portions of the population, the entire population is exposed to the pandemic. The lack of compulsory inoculation, over recent years, has left our population vulnerable to varieties of pandemic diseases, including types we had almost eradicated during the post-war period, or earlier.

Your family is a sitting duck for both old and new types of such pandemics. If skillful Soviet agencies wished to exploit this potential, we are almost helpless. It is our lack of sanitation, of medical capacity, our reduced nutrition, and our lack of inoculation programs, which has created this vulnerability.

This deadly potential has been created almost entirely by the same mentality which created "Big MAC" in New York City: budget-balancing, debt-collection, and the policy of shift to a "post-industrial society." On a global scale, the principal culprits are the International Monetary Fund, the World Bank, and the Swiss banks. Don't behave like some silly, "other-directed," TV-soap-opera addict on this issue; the IMF is committing mass-murder on a far greater scale than Adolf Hitler did; whoever supports the present policies of the IMF is guilty of complicity in that mass-murder. Henry Kissinger, whose Kissinger Associates, Inc. is a leading figure in proposing and enforcing these IMF policies, is already a bigger mass-murderer than Adolf Hitler; his, and President Jimmy Carter's, policies will have killed more people than Adolf Hitler's policies succeeded in murdering.

Under these conditions, all efforts to base economic policies on balancing budgets, is equal to criminal insanity. I am all for operating governments on a balanced budget, but this must be done by increasing the quantity of agricultural and industrial goods produced, to the level that we can balance budgets without mass-murdering people through famine and epidemic disease.

If the present IMF and Volcker policies are continued, even without a general thermonuclear war, more people will die than would die in a total thermonuclear war. Unless, we immediately act to junk all legislation, and all banking and economic policies, responsible for the past twenty years' post-industrial drift in the United States and Europe, this biological holocaust, far worse than thermonuclear war, will be the dominant feature of the world during the remainder of the 20th century. It will almost certainly get you and your family.

If famine and pandemics replace thermonuclear war, then President Reagan might not be the last President of the United States, but it would make no difference. In the next century, there might be no history books to report that he had ever been President.

What The President Must Do

Let us assume, as I am certain this is true, that President Reagan would do anything necessary to save the United States and 2,000 years of Judeo-Christian civilization. What must he do now? Will is needed, but will without the material means to back it up, is futile howling against the skies. To defeat the strategic threat, to stop the biological holocaust already erupting, and to save the U.S. economy from the new deep depression now breaking out, the President must suddenly, and ruthlessly, change his economic policies. He must return the United States, away from Adam Smith, and back to the American System of political-economy.

Were I President, I know exactly what to do, and I am absolutely certain what I would do would succeed. The only reason I ever thought of becoming President, was my justified fear that this present crisis would come, and there would be no one in the White House with the combined



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Your life, your family's life, your grandchildren's lives, depend upon President Reagan's ability to act on the right advice, his ability to dump his present economic advisors and their policies.

knowledge and will to save this nation, this civilization. I am not the President—unfortunately for most of you. President Reagan is. If this nation is to be saved, he will have to make the decisions I would have to make were I President, and he must do it very, very soon. If he does not, then kiss the United States goodbye. Your life, your family's life, your grandchildren's lives, depend upon President Reagan's ability to act on the right advice, his ability to dump his present economic advisors and their policies.

That's a cruel fact, but it's a fact. If most of our people continue to reject this fact, then I can only say, "God pity you! What is about to happen, you have brought down upon yourselves."

There are three sets of facts, which you must know, to understand what the President and Congress must do, if the existence of the United States is to continue into the 1990s.

- First, you must recognize that there is a strong element of insanity, in what most economists and government officials believe about economies. One example of this popular insanity, is the case of the person who believes that balancing the Federal budget is like balancing a family's household budget. The more general example of this insanity, is popular superstitions about money, the delusion that either paper money, or metallic cash, or gold bullion, has some natural value.
- Second, you must know, in a general way, how an economic recovery from a depression, such as President Roosevelt's 1939-1943 recovery, can be organized.
- Third, you must know what policies you must push and support for action, by the President and the Congress.

The list of measures which the President and Congress must take, the third point, is presented in the book-length report, "The Independent Democrats' 1984 Platform." I need only identify those measures. It is the first two points, above, on which we must concentrate in this report.

The Pagan Worship of Money

It used to be said, before the empire of the plastic credit-card, that "Money is the root of all evil." Like most popular sayings, that one was mostly silly; but, there was more than a grain of truth underneath the nonsense.

The most evil thing known in history, is the spread of superstitious beliefs, like astrology and "gambler's luck," the belief in magic. "Money" is not the root of all evil, but the belief that money either has, or ought to have, some magical power, is just another disguise for the same kind of evil superstition as astrology. In other words, people who have a pagan belief in some "natural" power of money, are people who are worshipping such wicked pagan gods as Mammon and Moloch, whether they themselves know it or not.

That's the grain of truth in the old saying.

Paper money has less "natural value," than the paper it's printed on; "naturally," money is just spoiled paper. Its most "natural" value is to carry diseases from the buyer to the seller, or to be used for such things as sniffing cocaine. A lot of people would naturally agree with us on this point, if they sat down to think about it long enough. Unfortunately, those same people would usually believe, that gold and silver coins are "real money," with some "real value." Except for the fact that gold and silver are usually worth more than waste paper, they're wrong.

Some fellows, who are pretty discouraged by the inflation of paper money, naturally wish they had gold or silver, instead. Since the rate of inflation—the devaluation of paper money—is more than twice as much as the U.S. government admits it to be, and since paper-money bank-accounts are dying left and right these days, sensible folk simply don't trust paper money the way they used to.

These days, a sensible fellow wants to trade most of his paper-money bank account for something more substantial, like gold or real-estate. A smart fellow figures: as long as I have enough paper money to pay my bills, let me get the main part of my savings out of paper-money deposits, and stocks and bonds, and into something that will still have some value, in case the paper money, the stocks, the bonds, and the insurance companies go flat.

He's pretty sensible, this fellow—up to a point.

Suppose a fellow has 3 million dollars. We know, right off, that this is really worth about \$1 million, not \$3 million, if you calculate the over-pricing of the dollar on international markets, these days. So, right away, a sensible fellow is willing to face having \$2 million of his \$1 million wiped out, as the big collapse of the dollar takes hold over the coming months. So, if he could buy something substantial with his \$3 million today, and that lost about \$2 million of its market-value over the next year or two, he would rightly consider himself as making a smart investment. At least, he'd have something; if he kept it in paper, he might lose it all. He just needs enough paper money, to pay the taxes on his property over the next few years, and to keep that property in decent condition.

Up to a point, that's sensible and logical. It's sensible, as long as he can assume that the economy will bounce back sooner or later, the way it did after the Great Depression of the 1930s. In that case, the sensible investor's problem is to turn his money into something which will have value in the future, while keeping enough cash on hand during the hard times ahead, to pay the taxes and maintenance. He's looking to better times in the future.

Suppose the better times never come? That's where the sensible fellow's investment-schemes break down. What if better times never come?

Take gold and silver first, for example.

Gold and silver are worth no more than the cost of producing and distributing them. As technology improves, the

amount of labor a society must spend, to produce a ton of silver or gold, drops. Gold and silver become worth less. Both are worth something as an industrial raw material; gold is desirable as a form of money, because it's cheaper than platinum, and because it doesn't spoil or fluctuate as wildly in price as easily as silver, to say nothing of copper or aluminum. Yet, even gold doesn't have any natural value, which remains the same over all time.

Right now, if the United States and a number of other countries were using gold bullion as monetary reserves, for settling imbalances in payments between countries, the amount of gold production we would require would drive the price of gold up above \$750 an ounce. Right now, gold is skating between \$300 and \$400 an ounce, because a few smart speculators in Switzerland and elsewhere are holding the price down, while they quietly buy up most of the world's available gold supplies. The point is, that even the price of gold does not have anything to do, necessarily, with what the price of gold should be, if it were being used as monetary reserves.

Fellows who overlook those simple facts, sometimes argue, that for every paper dollar issued, there must be one dollar's worth of gold backing that dollar, sitting in the U.S. Treasury, or in the banks issuing that paper money. On that point, such folk dive over their heads into a quicksand of suicidal superstitions about the nature of money.

Long before most officials in England could spell the word, "economics," Boston's Cotton Mather, and Benjamin Franklin, knew better than any "gold bugs" or Milton Friedman's of today.

A fellow who isn't thinking very clearly, might tell you: "If I have enough money, I can buy what I choose." These fellows forget one little point: before you can buy it, it must exist. The fellow off on a superstitious kick about the natural value of money, brushes that fact aside; "Look," he says, "there's always something to buy, and if I have enough money, I can buy it." That's where he really dives off the deep end: he forgot about putting water into the swimming pool.

If that superstitious fellow were correct in his argument, the first cave-man could have driven around in a Cadillac, if he had just whopped up enough gold or silver. Professor Milton Friedman could explain how that would work; so could Professor John von Neumann, the patron saint of econometrics, if he were still alive today. Naturally, Friedman's or v. Neumann's explanation would be absurd, but that never stopped either from finding many "true believers," so far.

The world doesn't run on money. It could never run on the "buying power" of either paper money or gold bullion. The world runs on production of food, manufactured goods, and improvements in energy production, water-management, transportation, and sanitation. Production runs on technological progress; man would have never gotten out

of the caves, to a modern standard of living, without a lot of technological progress.

Over the past twenty years, the degree of disorientation and superstition in matters of economics, among officials and ordinary people, alike, has skyrocketed.

Officially, the slide downward toward insanity began with President Johnson's "Great Society."

Remember? That President was the first to change the policy of the U.S. government, from "productionism," to "consumerism." The point is not to blame President Johnson, especially since he did not dream up such a policy. He was only one of the many Federal officials and congressmen, who pushed through that fundamental change in national economic policy. It was his misfortune that that change in policy, like the Vietnam War, took off under his administration. It was McGeorge Bundy's and Henry Kissinger's Eastern Liberal Establishment, together with the Tavistock section of British intelligence, which rammed that change in policy through the White House and the Congress.

For the moment, drop the issue, of who shares what part of the blame, for this disastrous change in policy; it should never have happened, but it did.

With the spread of the form of insanity called "consumerism," duped people were convinced, more and more, that every penny spent for national defense, for space exploration, for capital investment, and so on, was so many beans and pretzels jerked right out of the mouth of the hungry "consumer." The name of the "consumerism" game, became the war of the consumers against the producers. The farmer, the industrial operative, and the industrial entrepreneur, became the "bad guys."

How absurd! Who are the consumers, if they are not members of the households of producers? Let us draw up a list of the kinds of producers whom the consumerists classify as the "enemy":

- Farmers
- Industrial Operatives
- Manufacturing Supervision
- Engineers and skilled Technicians
- Scientists
- Teachers
- Physicians and other medical personnel

Essential administrative and selling personnel, required for the above activities

Let us deduct from the total population of consumers, all of the households whose wage-earners are employed in one of the classifications listed above. What is left? Mostly, editors, politicians, government bureaucrats, unemployed and parasites! After we have deducted the editors, the politicians, government bureaucrats, and unemployed, what we have left as "consumers" are social parasites. There are many too many parasites, of course: drug-traffickers, pimps, prostitutes, pornographers, sociologists, casino operatives, bur-

glars, loan sharks, liberal journalists, and so on and so forth. After deducting the producers from the total, the remaining consumers scarcely qualify as a "class of the pure and noble victims of oppression."

Yet, the political landscape is speckled with the species self-described as "consumer advocate." Wherever farmers, labor, entrepreneurs, scientists, public utilities, still muster the old passion to supply the population's needs, up pop noisy rabbles of such "consumer advocates," to attack the "evil producers." There is no fair term to describe our toleration of this disgusting "consumerism" cult, but national mass-lunacy.

It will help to make the point clearer, for many, if we concentrate for a moment on the idea of "money-earnings."

Money never worked a day in its life, and never produced anything useful. Obviously, it's silly to think of money itself actually producing (earning) anything.

Putting aside the kinds of things you can do with spoiled paper, such as wall-papering a room, or recycling it to make new paper: money is not real wealth. Money is only magic: rub a salesman with enough money, and you have a brand-new automobile, or a loaf of bread, etc. The difference between paper money and gold and silver coin, is that you're less likely to be considered insane by your neighbors, if you wear valuable coins as jewelry, than hanging dirty dollar bills from your ear-lobes, nose, and fingers.

What is meant by the "earnings of money"—money as such—is profit, interest, and rent. "Capital gains" on paper holdings, is a form of rent. This sort of "earning" is called "usury." The Christian Church has classed "usury" as a deadly sin, and societies which hung people for practising usury were perhaps a little over-zealous, but not far off the mark otherwise. In any sane society, usury is either classed as a violation of the law, or is taxed at a punitive rate.

Let's compare money-profit, money-interest, and money-rent, with real profit, real interest, and real rent.

In the case of real profit, real wealth is invested in production and distribution of goods, or in production of services such as science, education, and health. As a result of this investment, labor is able to produce more wealth than it could without that investment. Let's make this more exact.

In elementary thermodynamics, we divide the total amount of usable energy-throughput between what are usually called "energy of the system" and "free energy." The "energy of the system" is the amount of energy used-up in maintaining the system at the same level of performance; what is left over, for other uses, after meeting "energy of the system" costs, is called the "free energy." Without going into the details, we say that the total of labor and goods flowing through production is functionally equivalent to energy-throughput. In other words, the labor, essential materials, machinery, plant, and equipment, which must be replaced, to keep the process at its current level of productivity, are the "energy of the system." If the process of production

produces more goods-output than is required to replace the "energy of the system" costs, that is the "free energy" of production.

Let us use the symbol, "S," to represent "energy of the system," and the symbol, "E," to represent the "free energy." Then, the productivity of labor in production, per capita, is approximately the per capita value of ratio E/S. If we can increase this ratio,

$$\text{Productivity (per capita)} = E/S,$$

by adding the right mixtures of improved technologies, those investments in improved technologies have "earned profit." The effect is to increase the quality and quantity of useful goods a society possesses per capita. That per capita increase is "real profit."

The same notion of "real profit" applies to improvements in land. If the farmer improves the land for his own use, the benefit is called the farmer's "real profit" from those invested improvements. If the improved land is rented to a farmer, an industrialist, or as residential or commercial real-estate, it is called "rent"—"real rent."

"Interest" is only slightly more complicated.

The American System of political-economy based its ideas of money on the proposals of Cotton Mather, Benjamin Franklin, and others, for issuance of paper currency by the government. This paper-currency, is issued as a medium of exchange, to assist buyers of goods to purchase increased volumes of goods from sellers. The government guarantees the value of the money issued. The value of the money put into circulation is protected, by lending it only for the kinds of purposes which increase the real profit of the society: for improvements in technology of agriculture, manufacturing, and basic economic infrastructure, for producer's purchases of this kind, not for consumer purchases.

There is a cost, including a factor of risk, incurred by those banking institutions which make the initial loan of these governmental issues of paper money. Therefore, to keep the government and the banking institutions in this useful business, a charge must be added to the loan of the money. The charge must be high enough, and also low enough, that lending institutions which make wise loans become stronger, and those which make poor lending judgments do not spread their influence in the banking system.

This cost of lending governmental issues of paper-money through the banking system, is what we call properly "real interest." Any higher interest-rate is "usury."

If individuals deposit private savings with the same banking system, they, too, earn "real interest," since they are assisting the process which issues of paper money by governments are intended to serve.

Now, this interest-rate must be less than the average rate of profit on industrial and agricultural investments: otherwise, entrepreneurs can not afford to borrow for purposes of production. In other words, the average rate of borrowing

cost, must be significantly less than the average rate of industrial and agricultural profit. If the borrowing-cost is higher than the rate of profit, then the economy will be collapsed. If the rate of profit is significantly higher than the borrowing-costs to farmers and manufacturing entrepreneurs, the economy will grow.

This is key to the "Volcker measures," introduced by President Jimmy Carter, in October 1979. Volcker set the prime borrowing-costs way above the level of the average profits of agriculture and industry: the economy collapsed, beginning February 1980, and has continued to collapse ever since. During his Spring 1979 campaign for appointment as Federal Reserve Chairman, Volcker described this policy, publicly, as "controlled disintegration of the economy." That name was not only an accurate description; it was the name given to this policy by a 1975-1976 study conducted by the New York Council on Foreign Relations.

As a result of Volcker's policies, capital was sucked out of agriculture and industry, and into areas of investment which could afford interest-rates as high as 20% per year: high-gain financial speculation. As a result, employment in production of goods collapsed, while combined unemployment and employment in service occupations related to high-gain financial speculation, increased. This increased the price of everything produced in the United States, by increasing the expense for overhead (administration, services, financial charges, unemployment), while decreasing the percentage of the labor-force employed in production of goods.

Instead of halting inflation, as Volcker's supporters insisted, Volcker's high-interest rates did the following:

- Increased the average price of production, by increasing savagely the overhead costs of every average product produced;
- Increased unemployment costs, and related social-services costs, to Federal, state, and local governments, and to employers;
- Decreased the tax-revenue base of Federal, state, and local governments;
- Increased savagely the costs of rolling over the indebtedness of Federal, state, and local governments;
- Plunged the United States into a growing, and permanent foreign-trade deficit, by collapsing entire categories of U.S. production;
- Increased the Federal debt, from about \$800 billion in 1979, to about \$2 trillion, by the end of 1985.

I have said, several times here, that the post-1982 figures on the rate of inflation have been faked in official reports. The actual annual rate of inflation is about three times the reported rate. As I have indicated, the real inflation-rate is concealed by the fact that the U.S. dollar is priced at three times its true value, relative to West Germany's mark. During the Carter years, the U.S. dollar fell to about two d-marks to the dollar, and the dollar was underpriced. Today

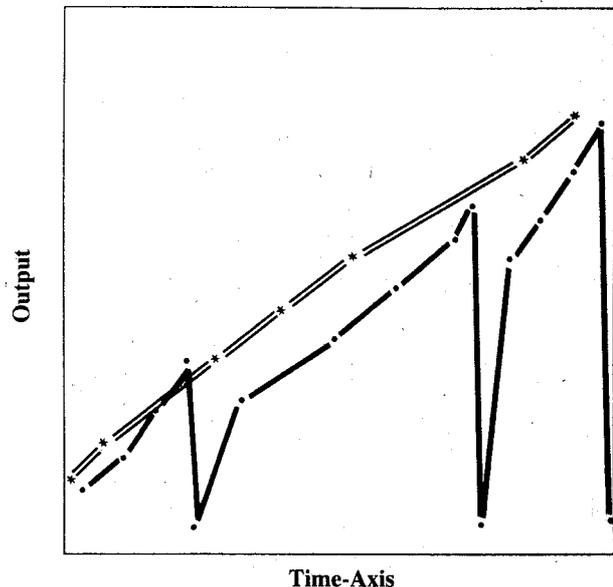
the dollar is about three d-marks to the dollar, and the dollar is about three times overpriced. The key reason for this difference, is that the lower West Germany interest-rates have caused a lower rate of inflation in Germany than the higher, Volcker, rates, have caused in the U.S.A. During 1983-1984, the real rate of U.S. inflation was about 15% per year.

In economic-thermodynamic terms, what has happened, is that, beginning February 1980, the U.S. E/S ratio turned negative. In real terms, "S" shrunk, while "E" increased in money-terms. Meanwhile "E" itself turned negative:

$$\text{Productivity (per capita)} = (-E)/S.$$

When an agro-industrial economy is expanding, through technological advances in an energy-intensive, capital-intensive mode, the plotting of the growth rate of the economy looks somewhat like this:

Figure 1: Hyperbolic Growth



Whereas, when the function turns negative ($= F(-E/S)$), the opposite pattern prevails.*

* Figure 1 is a rough Cartesian projection of a hyperbolic hyperspherical function. This is related to the class of mathematically discontinuous, but physically continuous functions, to which belongs Bernhard Riemann's function for generation of shockwaves by supersonic flight, his 1859 "On The Propagation of Plane Air Waves of Finite Magnitude." These are so-called non-linear functions which "jump" to a new scale of action at critical values. This is the cause for the periodic characteristics of economic growth and also of collapse. The average growth, and average rates of collapse, are echoes of underlying "jumps," upward or downward. This is the reason that the post-1979 collapse of the U.S. economy is dominated by roller-coaster-like ups and downs, rather than being a smooth ride downward. The dots in the graph, above, approximate the normal points of the underlying function for growth;

the asterisks in the growth approximate roughly the average effect in terms of cumulative net growth.

The simplest explanation for the roller-coaster-like succession of recessions and partial recoveries, since 1979, is that the cumulative effect of upward or downward shifts in average level of technology, impacts the economic process in jumps. These jumps correspond to cumulative effects of investment or disinvestment in productive technologies.

On the downward slide, industries and farms are weakened. Then, at critical points, sectors of agriculture and industry are shut down. Up to the critical points, the economy describes a gradual, but accelerating descent. At the critical point, the economy appears to fall down a step. After the critical step downward, the surviving portion of the economy enjoys a temporary recovery, never reaching the high point of the previous interval, and then it too begins to slide downward to the next critical step. This is the downward, roller-coaster-like, movement of the economy. This continues, until a super-critical value is reached, at which the economy more or less collapses entirely.

The Great Depression of the 1930s, actually began with the depression of the early 1920s. The next step toward the Great Depression, began during the middle of the 1920s, with the agricultural crisis. The depression built up steam during the great financial boom of the late 1920s, under Coolidge, until the collapse of the Young Plan in Germany, set off the chain-reaction leading into the 1929 Stock-Market Crash. The next step downward occurred over the period, May-September 1931: the international financial crash. During 1931-1933, the U.S. banking system and economy went into a deep trough, like the banking-crash sweeping across the U.S. today. An apparent, slight recovery began in 1935, followed by the 1938 recession. In other words, even after the 1931-1934 trough, the economy went through roller-coaster like ups and downs, during the remainder of the Great Depression, until Roosevelt's 1939-1943 build-up actually reversed the direction of developments, until the beginning of the present downslide, in 1966-1968.

How Recovery Is Organized

The factors which determine profitability, include, chiefly, the following:

- The percentage of the total labor-force employed as agricultural and industrial operatives, combined;
- The rate of per capita investment in technological improvements in agricultural and industrial production;
- The rate of per capita investment in basic economic infrastructure (production and distribution of electrical energy, transportation, water-management, and basic urban-industrial infrastructure).

This requires drastic shift of financial flows, away from all overhead categories excepting:

- Science & Engineering,
- Teaching of classics and technology,
- Medical Services,
- Production Management.

Financial flows must be directed, by banking policies and by preferential rates of taxation, into technologically progressive capital-formation in agriculture, industry, and indicated as preferred, categories of overhead expenditures. The lowest borrowing-costs, and lowest rates of taxation, must be allotted to preferred categories of productive and overhead investment, and compensating increases of borrowing-costs and taxation-rates must be applied to other categories of monetary flow.

This is accomplished very simply. Establish a National Economic Mobilization Authority. This Authority certifies certain classes of investments to be preferred. This certification authorizes the national-banking system to issue low-borrowing-cost loans to qualified enterprises of this certification (like War Production lending in World War II). The certified classifications are subjected to investment-tax-credit benefits, while graduated-income-taxation rates are increased for not-certified classifications. Issues of U.S. Treasury currency-notes, issued for lending to private entrepreneurs and to Federal, state, and local governments, through the national-banking system, "prime the pump" of the economy's productive sectors. The recovery then begins to take off.

These actions, and the supplementary measures required, are entirely consistent with the U.S. Constitution. The American System of political-economy, for which we fought our 1776-1783 War of Independence from Adam Smith's "free trade" policies, is summarized in both Article 1 of the U.S. Federal Constitution, and actions of the first two administrations of President George Washington. The actions taken by President Roosevelt, during 1939-1943, like the actions we propose now, are full within the mandate of the original, constitutional, American System of political-economy.

It is true, that "free trade" policies were introduced to U.S. policy under Presidents Jefferson, Madison, Jackson, and Van Buren, each time with ruinous effects. They were also introduced by a corrupted Congress, with enactment of the U.S. Specie Resumption Act during the late 1870s, and by President Woodrow Wilson's creation of the Federal Reserve System.

Under Jefferson and Madison, the architect of "free trade" policies was a Swiss-born British intelligence operative, Albert Gallatin, the former leader of Jacobin insurrections against the United States in western Pennsylvania. After the ruinous economic depression of 1815-1818, Presidents Monroe and John Quincy Adams returned the United States to the American System. Jackson and Van Buren, like Polk later, destroyed the American System, leading into the Panic of 1837, and the crises of the 1850s. Lincoln restored the

American System, which Morgan-led forces in the Congress tore down during the 1870s.

After the 1870s, aspects of the American System were reactivated only as adjuncts of military mobilizations, as during both World Wars of this century, and in connection with the NASA and related aerospace programs. Except for these military and related undertakings, the American System has been constantly eroded, both in respect to the constitutional institutions which upheld it, and in popular conviction. It exists today, chiefly in the letter of Article 1 of our Constitution, and in the continuing, if waning, cultural disposition of large portions of our citizens for scientifically-directed technological progress.

Unless the American System is revived, we are soon doomed as a nation.

In opposition to those practices of the British East India Company, which Adam Smith defends, and against which the American Revolution was fought, the American System charges the state with regulating certain aspects of our national economy:

- money and banking
- foreign trade tariffs
- interstate commerce

In addition, government assumes responsibility for public works in the areas of basic economic infrastructure. Otherwise, agriculture, manufacturing and related industrial production, and trade in commodities, are left to private entrepreneurship. Among the principal motives energizing the 1787 Constitutional Convention, was the inability of the quasi-anarchic Confederation of the Thirteen States, to provide necessary regulation and infrastructure-building in these areas.

On these accounts, the accounts of areas of Federal regulation and basic economic infrastructure, the American System requires what some misguided citizens condemn as a "command economy": under our system, the Federal government, most emphatically, is charged with running certain major aspects of our national economy, leaving agriculture, industry, and trade to private entrepreneurship. The most contested features of such a policy today, include:

- Federal government monopoly over issuance of currency and national-banking regulation, as opposed to the present design of the Federal Reserve System;
- Federal protection of domestic industries and agriculture, in respect to both foreign trade and interstate commerce;
- Federal responsibility, in collaboration with the states, for public utilities generally.

From the vantage-point of economics as such, these areas of the economy, in which Federal, state, and local government are privileged, under our constitutional system, echo two leading facts about an agro-industrial economy:

1. The prices paid to farmers and industrialists must not be

reduced by international competition, to levels below which agriculture and industries grow and progress technologically through retained earnings—a rejection of "free trade" dogmas;

2. Adequate provision for basic economic infrastructure, the largest single component of a modern economy (energy, infrastructure of transportation, water-management, general communications), can be ensured by no agency but the Federal, state, and local governments.

This price protection afforded to domestic agriculture and industry, against foreign dumping of cheap goods, and the provision of those elements of basic economic infrastructure which are beyond private means to provide adequately, must be the responsibility of government. Thus, national banking, infrastructure, interstate commerce, and foreign trade, are the areas restricted to the responsibilities of the Federal government, a monopoly of the Federal government under law; whereas, all else is left to the states, or to private agriculture, industry, and trade. This division of labor between government and private entrepreneurship, all premised upon a commitment to scientific and technological progress, is the essence of the American System of political-economy.

Our republic was founded upon these principles, as affirmed by the Constitution of 1787–1789. Whenever we have departed from the American System of political economy—as we did under Jefferson, Madison, Jackson, Van Buren, et al.—we have paid dearly for that violation of our Constitution's intent. During most of this century, it is said, we have enjoyed recovery from slide into new depressions, only through either mobilization for warfare, or as a lingering benefit of such mobilization. It is not war-mobilization as such which has caused all our recoveries from depressions during this century; the simple truth is, that whenever we have mobilized for war, we have obliged ourselves, to a greater or lesser degree, to return to a large part of the principles of the American System of political-economy.

Thus, our mobilizations for and during wars, and large-scale military preparations otherwise, appear to have been the preconditions for domestic prosperity and growth. It is not military spending which causes such renewed growth; the simple fact of the matter is, that in order to cause the economy to grow sufficiently to provide both civilian and military needs, we are obliged to return, to a significant degree, to the principles of the American System. If we came back to our senses, and followed the precepts of the American System **all of the time**, we would not require war-mobilizations as the means to renew our prosperity.

For better or worse, we are presently confronted with the alternatives: either a major defense mobilization, centered around the SDI, or sign a surrender document before the 1990s. Either learn to speak subservient styles in Russian, or mobilize. Those who are against mobilization, are for

becoming a vassal of the Soviet empire; any other alternative exists only in pitiable delusions.

Go back to the American System, die, or become a Soviet vassal. We—you—have no other alternative. Go back to the American System, in both our domestic and our foreign relations, or face dangers greater than even those of total thermonuclear warfare: global pandemics more extensive and more savage than the results of thermonuclear warfare.

In 1985 dollars, the kind of mobilization we require, centered around SDI technologies, will probably cost us between \$400 billion and \$500 billion a year. We can more than afford that amount. Over a period of several years, every family in the United States will benefit materially from spending that amount.

"We don't have that much money!" Give up your drugs; that alone would provide more than \$150 billion a year. If you give up your drugs, that alone will pay for national defense increases needed, without lowering the income of a single American citizen.

Better still, as long as we allow the new technologies required for the SDI, to spill over into improvements of civilian-goods production, during the next fifteen years or so, we will increase the productivity of our economy by two or three times. So, on the average, over the next ten years or more, the defense budget won't cost the taxpayer a net cent; the increase in income will be greater than the taxes spent for defense. You, the taxpayer, will end up with much more buying power each year, than if we spent nothing for defense.

Early last year (1984), I wrote a short textbook, on the ABCs of the kind of mathematical economics which is consistent with the American System of political-economy. It is entitled, "So, You Wish To Learn All About Economics?" It is only an introduction to the subject of economic science, which any intelligent high-school graduate ought to be able to follow, but it contains all of the essential principles of economic science. All the basic mathematics is explained in terms of simple geometrical constructions. I also produced a two-hour television educational film, "The Power of Labor," which covers most of the areas included in the textbook. Those who have mastered that introductory textbook know more about economic science than any graduate of Harvard, Princeton, or Yale. That book explains everything a citizen needs to know, to understand how we can organize a U.S. economic recovery now.

What The President Must Do

The following are the only choices presently available to the President. That does not mean that he must act exactly in the way I describe the necessary measures here. It does mean that he must do something consistent with what I outline here. If he does not, "Pray that God give us all a miracle. All else is beyond the power of man."

1.0 The President must declare a national economic and strategic emergency.

2.0 The President must enact emergency measures of reform of currency and banking.

2.1 Under his emergency powers, according to statute and the Constitution, he must "nationalize" the Federal Reserve System.

He must suspend the Federal Reserve System's powers, to:

- (a) Issue its own currency, or to exercise any discretion over policies pertaining to the issue of currency;
- (b) Set interest-rates at its own discretion;
- (c) Set banking reserve-ratios at its own discretion;
- (d) Operate a "Keynesian multiplier" in the banking system.

2.2 Excepting Federal Reserve Notes remaining in circulation from old issues, the only lawful issue of currency shall be U.S. Treasury Currency Notes.

These notes shall be issued by Act of Congress, according to Article 1 of the U.S. Constitution;

These notes shall not be issued in payment of government operating expenditures, but shall be issued only for lending to approved categories of borrowers, through the national banking-system, on terms, and at interest-rates determined by the President according to such powers as shall be assigned to him for this purpose by Act of Congress.

The lending of these issues shall be restricted to:

- (a) Purchase of machinery, tools, equipment, for research or production of goods in industry, agriculture, and development and maintenance of basic economic infrastructure;
- (b) Purchase of materials, semi-finished goods, and labor, for production and maintenance of goods-production of industry and agriculture, and of basic economic infrastructure;
- (c) Loans to the Federal government for National Defense or for purposes of governmental capital improvements of basic economic infrastructure of Federal, State, and Local government agencies;
- (d) For approved export-credit, of U.S. exporters of capital goods, agricultural goods, and engineering services.

The new issues of U.S. Treasury Currency Notes, shall have a gold-reserve value, under agreements of reciprocity negotiated with other governments entering into a gold-reserve system with the United States.

2.3 The United States must institute foreign-exchange controls for the duration of the emergency.

Opponents of the emergency action, will otherwise col-

laborate with foreign interests, to organize attempted "runs against the dollar."

Under such arrangements, amounts needed for personal foreign travel should be allowed, and business remittances for imports of goods and other regular conduct of business, not in excess of slightly more than annual rates during the preceding twelve months, should also be allowed. Larger remittances must be licensed, for the duration of the emergency.

2.4 Emergency action must be taken to halt collapse of banks.

Our national banking system has a twofold nature. On the one side, it is a collection of privately-owned institutions. On the other side, it is an indispensable institution of our national economy. On account of the banks' first aspect, if they were bankrupted, we would permit them to fall into bankruptcy, as any other private enterprise in similar straits. On account of the banks' second aspect, the vital public interest, and national-security interest, we can not permit more than a small minority of our banks to cease functioning.

Who **shall not** assume the burden of banks' losses? Two interests must be protected. The depositors must be protected, at 100% of parity. The banks' continuation of customary banking services, to those aspects of the community which are defined as having high national priority, must be assured.

The interests which must be protected, as a matter of overriding national-security interest, include:

- Individual members of households, as depositors;
- Individual farms, as depositors;
- Individual goods-producing enterprises, as depositors
- Obligations to the Federal, State, and Local governments;
- Such continued banking services to local customers as are necessary for continued operations of most essential categories of business:
 - firms producing agricultural or industrial goods, or engineering services;
 - resellers of essential goods, as suppliers to agriculture, industry, and food-stuffs for private households;
 - public utilities;
 - selected categories of service enterprises, such as scientific, engineering, medical, public and personal sanitation, and education.

Then, who **shall** assume the burden of the banks' losses?

- The usurious portion of interest-rates charged to banks and to the banks' borrowers, must be nullified.
- Owners' and shareholders' equity.
- Temporary freezing of repayments to non-deposit lenders, under terms of bank financial reorganization.
- Recovery of "flight capital" out of savings institutions and commercial banking institutions.

In general terms, those individual banks which have not

acted as prime factors in international financial operations have no fault in the present wave of banking crises. The chief causes of this crisis are failures of commission and omission by the U.S. government and Federal Reserve System, especially:

- The October 1979–1985 "Volcker measures": "controlled disintegration of the economy;"
- Statutory and Federal Reserve administrative orders which opened the banking system to invasion by unregulated foreign financial institutions;
- The post-1966 "environmentalist" and other measures fostering the drift into a "post-industrial society;"
- Policies of the U.S. Department of Agriculture, set into motion by Secretary Orville Freeman; and designed to serve the corrupt purpose of looting agriculture and food distribution to the advantage of foreign-based food-carrels.

Therefore, it is the vital interest and responsibility of the Federal government, to provide adequate remedies for consequences of errors of commission and omission of that government.

On the assumption of an economic recovery to be accomplished under emergency measures, under the terms of emergency banking reorganization of threatened banks:

- The assets of depositors must be fixed at par value, and scheduled rates of withdrawals by depositors stipulated;
- The usurious portion of unpaid balance of borrowing-costs shall be nullified under terms of reorganization;
- Net losses, after these deductions, and after deductions for obligations to government, shall be deducted from the assets of owners and shareholders, and the remaining portion of the indebtedness shall be frozen, pending completion of reorganization.

Under the terms of authorization and priorities for lending of issues of U.S. Treasury currency-notes, a sufficient portion of such issues shall be loaned to approved classes of borrowers to supply local needs for maintenance of goods-producing firms.

3.0 The United States must disassociate itself from, and oppose so-called 'IMF conditionalities' and kindred policies and measures by supranational agencies.

The U.S.A.'s Declaration of Independence and Federal Constitution, together with other treaty law and other law of the republic, establish it as a principle that the sovereignty of republics may not be nullified, in entirety or in part, except as an act of war. On this account, to place the internal financial and economic life of the United States under supervision by some foreign nation or supranational agency, is an action tantamount to highest rank, short of treason itself, of high crimes and misdemeanors by a member or body of any branch of government. It is, similarly, tanta-

mount to an act of war, by the United States, if the government of the United States should aid in such invasions of the sovereignty of other sovereign states. Support for IMF "conditionalities" or for kindred actions, can be in no way condoned. Such actions are outlaw, by whomever they are perpetrated or assisted, and policies to such effect should be viewed by individual citizens as null and void.

Additionally, the effect of IMF "conditionalities" has been, and continues to be, the clear and knowable cause of increase of death-rates among populations of nations harshly subjected to IMF "conditionalities" and kindred measures. These actions by the IMF and other supranational bodies are clearly and knowably violations of the Nuremberg decisions respecting "crimes against humanity." Under the terms of decisions rendered by that court's proceedings, any official of government or other significant institutions, who either knew or should have known, that his support for policies or actions would contribute to crimes against humanity, is guilty of crimes against humanity to the degree of his or her official or professional rank, in public or in private life.

Moreover, according to literal reading of official Soviet doctrine, and repeated statements and actions by the Soviet dictatorship, the Soviet empire has avowed itself to be currently in a state of "Holy War" against the United States. In such circumstance, to lend such aid and comfort to the Soviet dictatorship's policies as may further its military aims

and related strategic interests, constitutes treason against the United States. The chief effect of the United States' support for IMF "conditionalities" and kindred measures, is to drive the desperate populations of affected nations into a state of insurrection against such governments as continue to be complicit with those "conditionalities," or to drive governments of such nations into seeking support of the Soviet empire for their own resistance to such "conditionalities." Officials who know or who should have known such causal relationships, are acting to effects tantamount to treason.

Therefore, on grounds of those principles of republican international law which govern the sovereignty of states, the United States is obliged to oppose, and to act to nullify IMF "conditionalities" and kindred measures.

The efficient means by which the United States may accomplish this, are chiefly two:

- Monetary and economic reforms of the domestic life and foreign trade of the United States;
- Treaty-agreements with governments of other nations, establishing the kernel of a new international monetary system which is consistent with those principles of international law upon which the United States was founded.

These and supplementary measures are elaborated in several published sources, including "The Independent Democrats' 1984 Platform."

In Summation

There are, principally, three powerful human forces afoot on this planet today:

1. The republican tradition, traced from Solon's constitutional reforms at Athens, for which the creation of the constitutional federal republic in the United States is the highest achievement to date.
2. The Soviet empire.
3. An international consort of combined, feudalistic aristocratic families, and rentier-financier family-interests, identical to those interests against which the United States fought the wars of 1776-1783 and 1812-1815.

The obvious and principal physical threat to the existence of the United States, originates with the de facto declaration



NSIPS/Stuart Lewis

Tony Esposito of the National Democratic Policy Committee (with clipboard) leads a citizen-lobbyist delegation confronting an aide to Senator Arlen Specter.

of war against us by the Soviet empire. This empire has secured the relative superiority in military strength needed to promote its military aims, because of internal erosion of the economies and military strength of the OECD and developing nations, an erosion caused chiefly by the influence of the feudalistic financier interests, and the great influence those interests have exerted on policies and actions of governments.

In this emergency, there is no remedy which is not based upon asserting two fundamental principles of modern republican law: the principle of the sacredness of life and implicit political equality of persons, and the principle of sovereignty of nation-state republics. Wherever the feudalistic interest explicitly or implicitly opposes republican law, the republican interest must prevail absolutely on the issues of such conflict. This principle must be freshly asserted inside the United States, and must also be asserted in every respect the actions of the United States may tilt the balance of power, in the conflict of republican interests against both feudalistic and Soviet imperial interests.

The feudalistic families' interest, like the dictatorial, barbaric interests of the Soviet ruling class (Soviet Nomenklatura), is of a type famously associated with the mythical gods of Olympus. If we substitute for the names of such gods, groups of feudalistic and Soviet families, the analogy is an accurate and efficient one. Like the gods of Olympus, these wicked families become so powerful in their rule over nations and persons, that those families come to imagine themselves gods, and acquire such insolence in this self-

esteemed gods-likeness, that they repudiate and challenge the Creator and His Law.

Whenever insolent power, and nations, continue to affront so the Laws of the Creator, such families, such nations, will be surely destroyed by action of the Creator's Law. If we, not members of such self-esteeming gods-families, are complicit in tolerating the steering of practice of our nations in defiance of the Creator's Law, we, too, render ourselves unfit to continue to survive, and will be destroyed by action of the Creator's Law as surely as the wicked families themselves.

We have come to the point, at which the weakening of the United States in face of the warfare mobilizations of the Soviet empire, now threatens the imminent destruction of our nation sometime during the years immediately ahead. We are now at the point in history, at which we pass the judgment of the Creator's Law upon ourselves. If we continue those policies which have brought us to the ruined condition, we shall surely be destroyed. If we do not change our ways abruptly, and return to those principles for which we fought two wars against Britain, we shall surely be destroyed. If so, your grandchildren will not live to regret your foolishness; but only the Soviet empire will finally gloat over our nation's grave, as Nikita Khrushchev avowed Soviet imperial objectives during his reign as Red Czar of the Russias.

If you continue to think and act as you have for twenty years, up to the present time, our nation, and probably your family as well, will be soon either enslaved or destroyed.