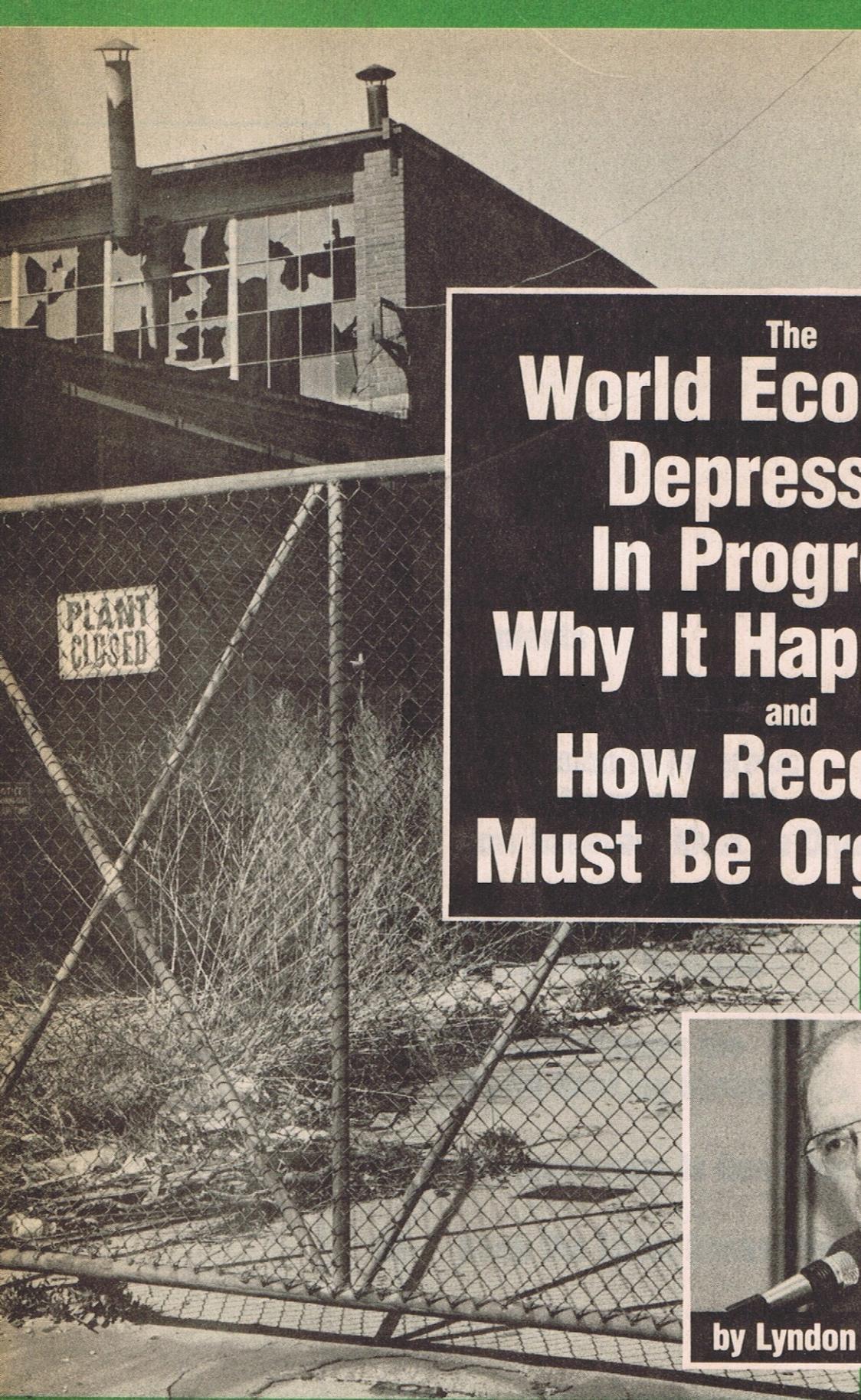
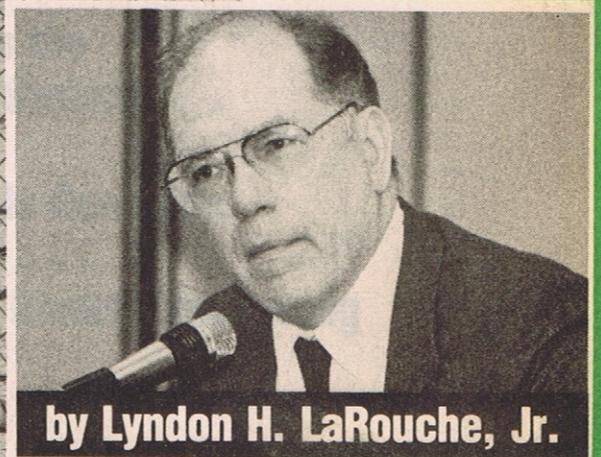


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*Campaign*



**The**  
**World Economic**  
**Depression**  
**In Progress:**  
**Why It Happened,**  
**and**  
**How Recovery**  
**Must Be Organized**



**by Lyndon H. LaRouche, Jr.**

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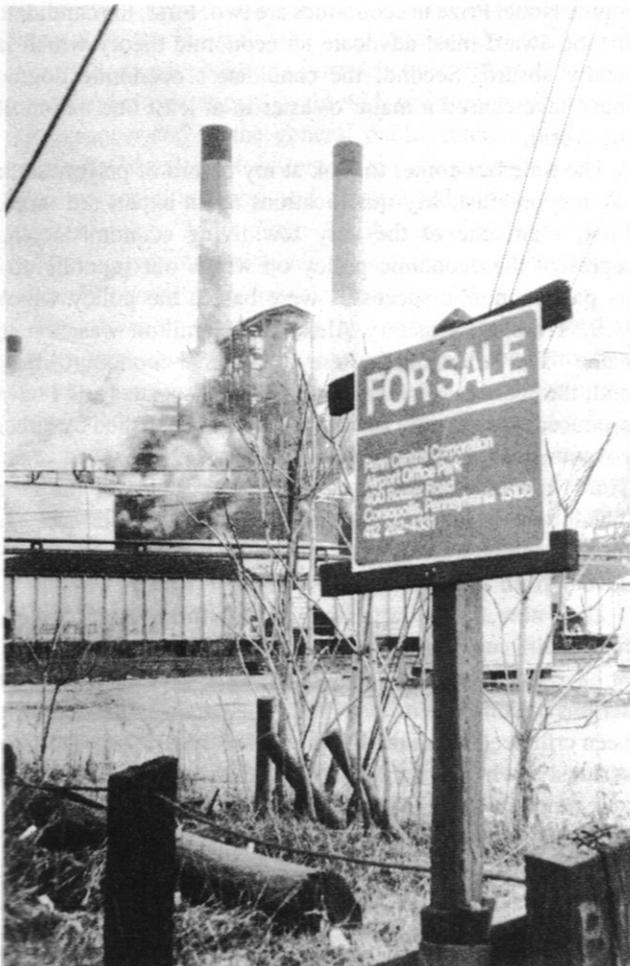
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# The World Economic Depression in Progress: Why It Happened, and How Recovery Must Be Organized

by Lyndon H. LaRouche, Jr.



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**T**he impact of an approximately 15% decline in U.S. physical output, during the first half of 1986, combined with the fact that 31 of our 50 U.S. states are in economic conditions resembling those of the 1930s, resulted in the Republicans' loss of control of the U.S. Senate, during the recent, Nov. 4 elections. Those election results have made it socially acceptable to state openly, that the Reagan "economic upsurge" never occurred, and that under present U.S. monetary, banking, tax, budgetary, and economic policies, the United States is sliding deeper and deeper into a new world depression.

Under these circumstances, I am the only one among the probable contenders for the 1988 presidential elections, whose economic policies are not discredited by the Nov. 4 elections just past. It is therefore urgent, that I make available my views on the current economic situation, with the hope that President Reagan, among others, will adopt the kinds of sweeping changes in monetary, banking, tax, budgetary, and economic policies, needed to reverse the economic collapse now in progress.

The reasons for the Republican defeat are elementary.

There never was a 1983-1985 Reagan economic upsurge. It simply never happened. In the Nov. 4 elections, this simple reality caught up with those Republicans who based their campaigns on an economic upsurge which had not occurred.

Following the steep recession of 1982, there was an annual decline of about 2-3% over the 1983-1985 period, and, during the first six months of 1986, a collapse of about 15% in major goods-producing sectors. The major collapse during the ten months preceding the November elections, alienated away many voters who had supported the President's campaigns during the 1980, 1982, and 1984 elections.

It was not the Democrats' policies which won them control of the new Senate. The election statistics show, that the change in the Senate was not so much a victory for the Democrats, as a massive, self-imposed defeat by the Republicans. There was no significant increase in the number of votes for Democrats; voters who had turned out to support the President in earlier elections simply stayed away from the polls, making the Nov. 4 election the lowest percentage of turn-out of eligible voters in 44 years. The Republicans had lost credibility, but the Democrats had merely held their own, with no significant gains in numbers of votes over previous elections.

The unfortunate fact is, that despite the hard lesson which should have been learned from the election, the President's administration is still sticking desperately to the discredited argument, that the Republicans' "economic agenda" has caused the U.S. to lead the world in setting off a new "economic upsurge." However, beginning with the General Motors' plant-closing announcement, two days after the election, the prevailing sentiment expressed by the business community's leaders, is that the world is locked in a worldwide "crisis of overproduction": in other words, a new world depression.

The lesson which the administration must learn very quickly, if the President is not to become a "lame duck" for the next two years, is the words of a famous Republican leader, Abraham Lincoln, "You can't fool all of the people all of the time." With 31 of the 50 states of the U.S.A. already in conditions like those of the mid-1930s, and the collapse of physical output spreading fast, the voters have told the President, loud and clear: "Either dump your so-called 'economic agenda,' or be turned into a 'lame duck.'"

I do not attack President Reagan; I rebuke him for allowing himself to be duped by advisers such as White House Chief of Staff Donald Regan, Zbigniew Brzezinski, and Henry A. Kissinger. Personally, I like and wish to help our President. We are in the worst combined economic and strategic crisis of the past 40 years. Western civilization can not wait until January 1989, for a new President to put matters right. During the coming months, President Reagan must make most of the major decisions needed to stop the worsening

of these crises. If he would correct his failed economic policies, the last two years of his administration could be a period of his greatest achievements.

Despite the President's continued support of ruinous economic policies, for the moment at least, the fact remains, that if the President does not dump the counsel of his bad economic advisers, the last two years of his term will be one of the worst disasters in the history of the U.S. Presidency. I admit that the President is deeply committed to his Friedmanite "magic of the marketplace" slogan. I know that giving up that slogan will be very painful for him. However, I believe that the President who launched the SDI has within him the qualities needed to abandon an economic policy which has failed both him and our nation.

For the sake of not only our republic, but for the cause of Western civilization, the time is now to highlight the indispensable part I have to contribute in saving this nation from economic disaster.

In the past, I have often described myself as the world's leading economist. If we consider the quality of my competitors, that is not the pretentious claim some news media describe it to be. We live in a time, when the qualifications for the Nobel Prize in economics are two. First, the candidate for the award must advocate an economic theory which is wildly absurd. Second, the candidate's economic dogma must have caused a major disaster in at least one nation of the world.

The time has come, to look at my record of performance as an economist. My qualifications as an expert are three. First, I am one of the very few living economists who represent the economic policy on which our republic and its past economic successes were based: the policy which U.S. Treasury Secretary Alexander Hamilton was first to name "The American System of political-economy." Second, the economic forecasts which my associates and I have produced, are the only accurate forecasts published by either governmental or private agencies during the past seven years. Third, my recommended policies are policies of the type which have been proven, repeatedly, in past experience, as the only effective way to organize a general economic recovery from a depression.

Until now, a very large and growing minority among our fellow-citizens have either supported my economic policies, or have at least thought they ought to be given wider, more serious attention. However, until the recent months, I have been criticized along the lines, "How can we take your ideas seriously, when every leading authority agrees that there is an economic upsurge in process?"

Now, with the results of the Nov. 4 elections, that has changed. The majority of Americans have openly rejected the myth of the "economic upsurge." As a result of the election, people have discovered that their friends and neighbors don't believe in the myth of the "economic upsurge."

It is now considered widely to be acceptable social behavior to state openly that the "economic upsurge" never occurred.

Now, a growing number of the citizens who used to say to me and my friends, "You are wrong about the economy," are saying, "I guess you have been right all along." Now, many who blocked out my warnings on the economy, earlier, are eager to hear my analysis, and to hear what I propose must be done.

## How to Understand the Depression

The easiest way to begin to understand the way in which the world economy has slid into a new depression, is to imagine that the U.S. economy were entirely a single giant corporation, perhaps a "super General Motors." This corporation produced and distributed all agricultural and industrial products, built and maintained fresh-water management systems, general transportation systems, the production and distribution of energy, and provided such essential services as science and engineering, public education, and health-delivery systems, as well as providing pensions and unemployment compensation.

Naturally, that is not the way the economy is politically organized. Under Article I of our Federal Constitution, government on the Federal, state, and local level is responsible to provide basic economic infrastructure, either as government-funded operations, or through privately owned public utilities operated in the general public interest. Our agriculture is based on a system of private entrepreneurship, like our manufacturing and related industries producing physical goods. Most of the distribution of physical output and non-governmental kinds of services, is done through privately owned sales organizations.

This division of authority and responsibility, between government and private entrepreneurship, is our American System of political-economy. This American System was established by the issues of our 1776-1783 War for Independence, our 1776 Declaration of Independence, our Federal Constitution, and through the policies of credit, banking, agriculture, and manufacturing announced by Treasury Secretary Alexander Hamilton during the first administration of President George Washington.

However, to study the performance of our economy, we must compare the results with the hypothetical "super General Motors" case. We must use the same yardsticks for measuring performance that such a "super General Motors" would use.

First, we would divide all employment into two general categories of cost and expense. Start, by counting all U.S. households, and then identifying what percentage of the adult members of those households are members of the labor-force. After deducting unemployed members of the labor-force, analyze the kind of employment of employed members of the labor-force into two general classes. First, note

those employed in producing physical goods of the types needed to fill standard market-baskets of households' goods and producers' goods. This employment, and the costs and expenses directly associated with such productive labor in producing physical output, are called "productive costs." All other expenses, such as administration, sales, and services, are classed as "overhead expense."

We must compare these costs and expenses of employment, with the total amount of goods produced, and with the average productivity of labor in producing those goods. Economics is the study of the way in which changes in policies of governments, private entrepreneurs, and bankers, change the productivity of the national economy per average person.

The basic principle of economics can be identified most simply in the following step-by-step way.

First, compare the world today with the world as it must have appeared to mankind in mankind's most primitive condition.

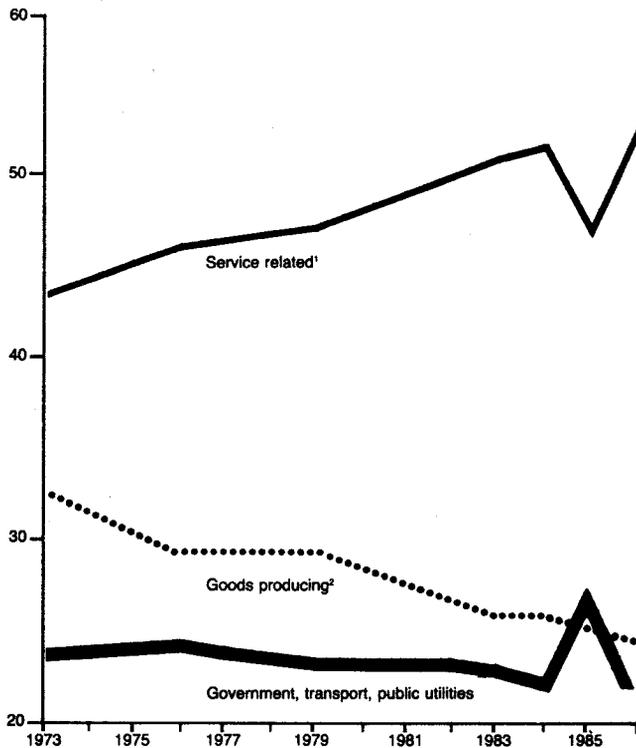
Anthropologists describe that most primitive condition as a "hunting and gathering society," a form of society in which people produce nothing, or almost nothing, but live by hunting wild animals, and gathering wild fruits, grains, and vegetables. In such a society, about ten square kilometers of our planet's land-area would be needed, on the average, to keep an average person alive through hunting and gathering. The maximum population would be about 10 million persons, living in miserable conditions, with a life expectancy below 20 years of age.

Today, the world's population is over 5 billion. With full use of existing levels of technology, many more billions could exist at standards comparable to those in the U.S.A. during the early 1970s. (Also, there are much more powerful technologies appearing on the frontiers of science, some of which can be available within a few years, some ready to be used in production 10 or 20 years ahead.) Most of this increase in population has occurred since the rise of science and technology in 15th-century Europe.

This increase of the human population, above "hunting and gathering" levels of existence, is best named "increase of population-density." It means, the increase of the quality and quantity of average life-expectancy, with less and less land-area required to sustain an average person in such an improved condition of life. "Increase of population-density" is the best yardstick for measuring increases of productivity of the population taken as a whole.

Economics must study the relationship between the increase of population-density of entire populations, and the increase of physical output of the average member of the labor-force employed in production of those useful physical goods essential for filling market-baskets in a properly balanced way. This includes market-baskets of goods required for consumption by households, and also market-baskets of

## Percent of total non-agriculture employees, U.S.A., 1973-1986



1. Wholesale and retail trade, services, finance  
2. Manufacturing, mining, construction

*The United States is producing less, and paying more to do it. This graph shows the past fifteen years' collapse in employment in productive industries, while the overhead expense of nonproductive service industries has zoomed.*

goods required by farmers, manufacturers, and development of basic economic infrastructure.

Roughly, if the percentage of employment in administration, sales, and services rises (while employment in production of physical output declines), the average productivity of the labor-force as a whole falls accordingly. Speaking roughly, this is what will occur, unless the productivity of those employed in producing physical goods increases more rapidly than the percentage of those employed in administration, sales, and services.

Over the past 20 years, since the introduction of "post-industrial society" policies by the Johnson administration, in 1966-1967, the growth of productivity of goods-producing operatives has slowed to a halt, and has declined more recently. Meanwhile, the percentage of employment and expenditure for "overhead expense" has zoomed upward, resulting in a collapse in the level of average productivity of the labor-force as a whole.

Except for Japan, which has so far resisted "post-industrial" policies, every leading non-communist industrialized nation of the world has been sliding into a collapse of average

levels of productivity of the labor-force over the past 20 years, especially the past 10 years.

Karl Marx was absolutely wrong. This collapse into a new depression is not the result of any factor built into capitalist economies. The collapse is entirely the result of bad policies, which should not have been introduced, or tolerated in the first place. By eliminating those bad policies, by returning to the policies of the first George Washington administration, we could stop the present slide into a depression, and a general economic recovery could be started.

### Bad Government Policies as the Cause

The bad policies of governments responsible for this depression are chiefly:

1) The mid-1960s adoption of the cult of "post-industrial society," a shift away from production of physical goods, to sales and employment in services.

While increases in productivity of manufacturing and related production labor leveled off, the percentage of persons employed in administration, sales, and services zoomed upward. As a result, the quantity and quality of the U.S.-produced content of the average market-basket of households' and producers' goods has been falling. The average productivity of the labor-force as a whole has been collapsing at an accelerating rate.

2) The 1968, 1971, 1972, and 1975 international monetary agreements, which destroyed a stable gold-reserve monetary system, and replaced it with an inflationary "floating exchange-rate" system. A catastrophic spiral of collapse in U.S. exports, especially in the critical sector of U.S. capital-goods exports, was the result.

3) A spiral of indebtedness of government, consumers, and businesses has been promoted, to attempt to conceal the depressive effects of bad economic policies, by promoting a wild spree of buying on credit.

4) Bad tax and credit policies have stopped the flow of investment in maintaining and improving production of physical goods, while credit-stimulated expenditures for such formerly illegal activities as gambling, drug-recreation, and pornography have grown to vastly exceed U.S. investment in productive technologies, as well as exceeding total national defense expenditures.

5) Under Presidents Carter and Reagan, the consistent response to every sign of economic crisis and budgetary crisis, has been to gut physical production, while stimulating consumer purchases in areas of services and wild speculation in financial paper.

The Gramm-Rudman bill, and the recent "tax reform" bill, are examples of sheer lunacy in economic policy-shaping.

First, the case of Gramm-Rudman.

Use standard market-baskets for households' goods and producers' goods, from the year 1967, as a yardstick for

measuring inflation. By that standard, total U.S. Federal government expenditures for all categories excepting "entitlements" and debt-service have been falling consistently over the 1980s, defense budgets especially so. The entire margin of growth of the Federal budgetary deficit is more than caused by increase in expenditures for entitlements and debt-service, with debt-service growing to equal almost the total margin of the Federal deficit.

The leading component of increased expenditure for entitlements has been governmental pensions obligations, including Social Security. The principal cause for the growth of Federal debt-service has been the policies of Federal Reserve Chairman Paul A. Volcker, as introduced under Carter, in October 1979.

Growth of entitlements and debt-service are factors in the Federal deficit, but the more general, major cause for the Federal budget deficits, has been a collapse of national taxable income. Using 1967 market-basket standards, the average income of persons, and per capita income of goods-producing firms has been dropping lower each year. So, after adjustments for inflation, the Federal, state, and local tax-revenue base has been shrinking. So, although Federal, state, and local budgets have been cut, again, and again, in all categories excepting debt-service and entitlements, the tax revenues of government have been collapsing more rapidly than budgeted expenditures could be cut back.

Worse, many of the areas of government expenditures which have been cut were kinds of government spending which contributed to supporting the level of the tax-revenue base. This is especially the case for government investment in building basic economic infrastructure, and in defense procurement. Defense procurement represents a critical margin, of about 10% of levels of manufacturing activity! So, overall, cuts in government spending have lowered the tax-revenue base, sometimes more than the amount nominally saved by the cuts.

A glance at the mentality of Texas' Senator Phil Gramm helps us to understand how the lunacy of Gramm-Rudman passed the Congress. Gramm is a fanatical adherent of the same dogmas as Professor Milton Friedman. Rather than face the fact, that it has been Friedman's influence, since as early as 1969 under Nixon, which has been among the chief causes for the slide into a depression, Gramm pushed a bill which assumed that anything but Friedman's simple-minded Hong Kong product could be the leading cause for the Federal deficit. Phil Gramm is among those who would rather destroy the U.S. economy and the U.S. government, than admit that the brand of economics he has been teaching could be mistaken. Gramm-Rudman is an example of the follies of blind fanaticism in the name of economics.

The same kind of lunacy was behind the introduction of the recently passed "tax reform" bill.

The secret of sustained economic growth, is high rates

of investment in improved technologies. Government's job is to promote such basic economic infrastructure as fresh-water management, general transportation, production and distribution of increased supplies of energy, and so forth. With increased energy supplies, and faster, more efficient, and cheaper transportation, the economic climate indispensable for farm and business investments is generated. Beyond that, government must use tax-policy and credit-policy as a way of stimulating investment in farms and industries which produce quality physical-goods output.

President John F. Kennedy's program of investment tax-credits, given its faults, is an example of the kind of tax-policy that increases employment, output, and productivity in the private sector. The principle is elementary. If private citizens, both as individual savers and business entrepreneurs, will invest their retained earnings in technological progress in production of physical goods, those private citizens are helping the entire nation. They are increasing the tax-revenue base at all levels of government, and they are solving many economic problems which would otherwise be a cost of government. So, a wise government says: "The citizen who invests income in increasing productive employment and national wealth, ought not to be taxed at the same rate as the fellow who spends his income on wild parties or other useless consumption."

The recent tax-reform bill was based on the opposite principle. The bill will tend to collapse all job-creating investment in productive enterprises. The effect of the bill is to encourage retailers to sell fewer U.S.-made products, and more imported products. Under this tax-bill industry can not afford to invest to catch up with the productivity of foreign competitors. This bill ought to be called "the investment-disincentive tax-law."

The policy-trend of the Federal government, over the past 20 years, has been designed to shut down U.S. farms, and force domestic industries such as the auto industries into mass layoffs and deep financial trouble, because the United States no longer encourages its entrepreneurs to produce the kinds of goods which Americans need to consume. Naturally, not every individual policy adopted over the past 20 years has had this specific effect; there have been some bills enacted by the Congress, some Supreme Court decisions, and some individual cases of Presidents' policies, which have been explicitly anti-malthusian. However, these pro-growth policies are only exceptions; taking U.S. policy as a whole, the trend has been consistently, and increasingly a commitment to turn the U.S. into a "post-industrial" junk heap.

Already, during the first half of the 1960s, even the putatively pro-business Wall Street Journal was describing a "post-industrial society" as the wave of the immediate and long-term future. In 1964, there appeared the "Triple Revolution" report of rabidly malthusian "New Ager," and fel-

low-conspirator of the anti-American Bertrand Russell, Robert M. Hutchins' Fund for the Republic.

The turning-point came as the U.S. government received the notorious "Rapaport report" on NASA submitted by the London Tavistock Institute. McGeorge Bundy, called "dean of the (eastern liberal) Establishment," left the National Security Council to head up the Ford Foundation, from which Bundy funded numerous leftist and ultra-leftist causes, each and all designed to undermine every public and private institution representing a U.S. traditional commitment to technological progress. A study of the funding grants of the Ford Foundation over the period of Bundy's tenure speaks for itself.

During the period 1967-1968, the malthusian dogmas of Hutchins' "Triple Revolution" and the Tavistock "Rapaport report," became the "Great Society" and "consumerism" policy of the U.S. government. Leftist radicals, led by such as Ford Foundation-funded Mark Rudd's self-styled "Crazies," and the drug-lobby's violence-prone Yuppies, led the charge at the 1968 Chicago Democratic convention, leading the way toward a leftist takeover of the Democratic Party's national organization in 1972. With the dissolution of SDS during 1969, the radicals of the anti-war movement were "re-programmed," some literally "brainwashed" by Tavistock methods of "behavioral modification," into forming what was called a "rainbow coalition" of homosexual and other sorts of "New Age" cults led by the followers of international satanist leader Aleister Crowley. The left-wing component of the U.S. intelligence community, centered around Arnold & Porter's Institute for Policy Studies, became the center of an array of "new constituencies," the violence-prone "constituencies" whose antics were used to promote, first, a destruction of U.S. energy development, and also attacks against every bastion of high technology in the U.S. government and private industry.

### **Defense Policy as Economic Policy**

The collapse of the U.S. economy, is not the result of any single facet of U.S. policy; it is the result of the mutual interaction of the past 20 years' trends in several policy-areas: monetary policy, credit policy, tax policy, and economic policy. In the area of economic policy, the most powerful depressing factor, was a dramatic shift in U.S. defense policy, established under President Johnson, and consolidated under the Nixon, Ford, and Carter administrations.

Defense policy enters the picture in the following way.

Although the Johnson administration launched the neo-malthusian, "technetronic" policy as an official policy-trend of government, the "post-industrial" policy was consolidated by the Nixon administration. Key in this was Henry A. Kissinger's leading role in negotiating arms-control and other treaties with Moscow, treaties which made neo-malthusian-

ism Federal law, spilling over from the military sector into civilian production and the economy generally.

The victorious survivors of the death of President John F. Kennedy—McGeorge Bundy, Averell Harriman, George Ball, Robert McNamara, and so on—started the process of transforming the United States from the most powerful state in world history, into becoming a second-rate power. The initial emphasis, in which McNamara figured prominently, was turning the United States into a second-rate military power.

The means by which the U.S. began to be transformed into a second-rate military power, during McNamara's term and later, was destroying the U.S. position as a leading economic power.

The militarily insane conduct of the U.S. war in Southeast Asia, was an indispensable part of a scheme for discrediting the institutions of national defense, and thus making their destruction possible. More important than the impact of the Vietnam war, was the systematic erosion of the economic basis of U.S. military strength. By destroying U.S. economic power, the liberal establishment enabled the Soviet empire to build up military superiority over the period since the SALT I agreement.

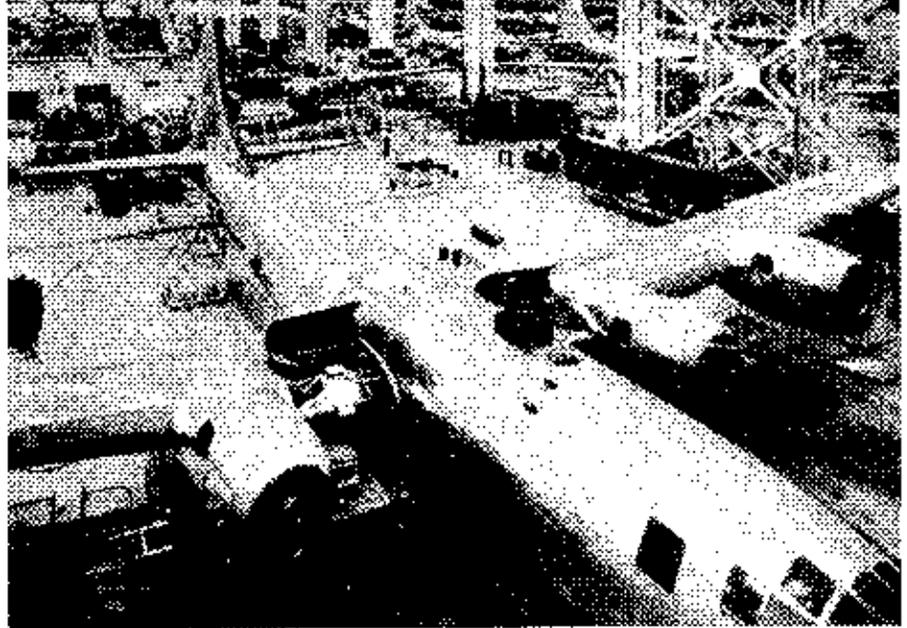
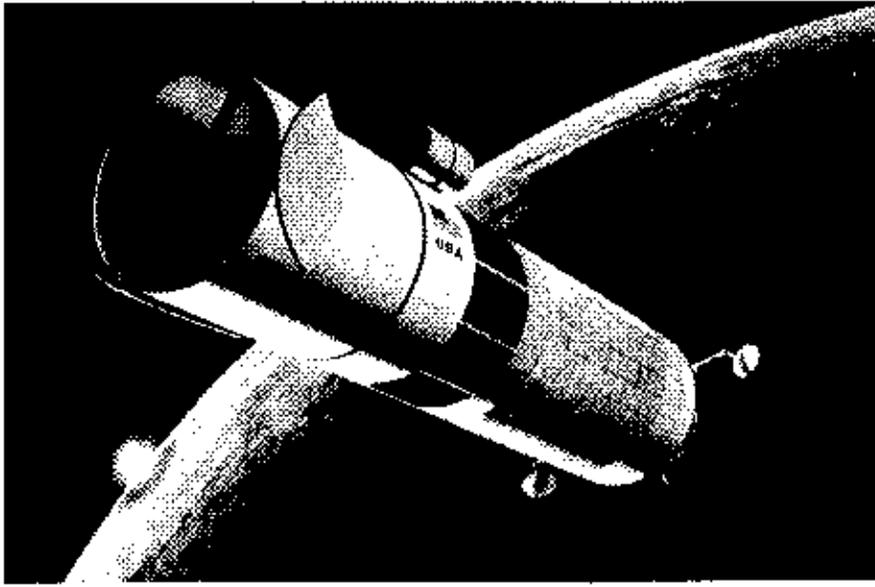
It should be recalled, that during the months of 1963 before his death, President Kennedy was turning away from the policies of the liberal establishment members of his administration.

For example, the President publicly humiliated Robert McNamara, by ordering him to deliver a press conference at the White House (where the President could have him closely watched), announcing a planned U.S. disengagement from war in Southeast Asia.

During his last months, Kennedy was moving away from the weakness he had shown in the 1961 Berlin Wall crisis, to a policy of "peace through strength." According to a recent public declaration by McGeorge Bundy, on the evening of the day he was assassinated, the President was to have delivered a "peace through strength" address in Dallas. Recently, since the Reykjavik meeting of October, the Soviet government has threatened President Reagan several times, by alluding to ominous consequences to those who return to Kennedy's "peace through strength" policy.

Curiously, but not really surprising, the Eastern Establishment's investigation of the President's assassination excluded study of the Soviet government's powerful motives for wishing a President committed to "peace through strength" dead as soon as possible.

Under "normal" conditions, in which the Western nations are committed to continuing a policy of technological progress in both military and civilian production, the total economic strength of the Western alliance is between three and four times as great as the combined resources of the Soviet empire. Therefore, as long as we use that economic supe-



*Defense policy as economic policy: A technology mobilization of the economy, in either war or peace, acts as a "science driver" for economic growth and productivity. Clockwise, from top left: artist's conception of a space-based laser system, capable of destroying ballistic missiles in their boost phase; an Apollo program moon landing; Assembly line production of B-29 bombers during World War II.*

riority to maintain military superiority, we have no reason to seek war with the Soviet empire, and the Soviet forces would not dare to attack us. That is the kernel of a "peace through strength" policy.

As long as the U.S. remained committed to such a "peace through strength" approach to defense of the U.S. and its allies, it was impossible for the advocates of a malthusian "post-industrial society" to sustain any headway in pushing the U.S. government into a "post-industrial" policy. It was impossible for the Soviet empire to threaten launching a nuclear first-strike attack against us. Only if we abandoned a "peace through strength" policy, could there be the danger of an actual thermonuclear conflict. Only if we abandoned

a "peace through strength" policy, could fellows such as Zbigniew Brzezinski succeed in selling their ruinous "technetronic" sort of "post-industrial" policy.

McNamara's doctrine of "systems analysis" started the process of ruining the Defense Department's role in the economy. McNamara's doctrine could not succeed by itself; without Kissinger's actions of the 1969-1976 period, the Soviets could have never built up military superiority, nor could the collapse of the U.S. economy have gone as far as it has gone.

Kissinger's career began as a Pfc. jeep driver in post-war Germany. His sponsors moved him into the left-wing of the British intelligence establishment, John Wheeler-Bennett's

Chatham House. Kissinger's initial posting was to the Harvard University station of Chatham House. After advanced training in psychological warfare, at another part of British intelligence's left-wing, the London Tavistock Institute, Kissinger was appointed to Chatham House's New York City affiliate, the Council on Foreign Relations. It was immediately following his posting to the Council on Foreign Relations, that Kissinger began his life-long specialization in promoting an agreement then being reached between the Soviet government and the circles of McGeorge Bundy. His "Nuclear Weapons and Foreign Policy" is Kissinger's book outlining key features of that agreement between Moscow and Bundy's circle.

After being expelled from the Kennedy administration, Kissinger became a participant in the major Soviet back-channel known as the Pugwash Conference, a position he maintained until joining Nixon's National Security Council. In the National Security Council, and as Secretary of State later, Kissinger's role in the Nixon and Ford administrations was to induce the U.S. government to adopt treaty-agreements based on the earlier private agreements reached through Pugwash Conference channels by Kissinger and his Eastern Establishment sponsors. These treaty-agreements included the SALT I and SALT II packages, the biological-warfare agreement, and the 1972 ABM treaty. These so-called arms control agreements, effectively destroyed U.S. defense potential over the following decade, and made possible a full-scale implementation of a "post-industrial society" policy in the economies of North America and Western Europe.

During the middle of the 1950s, in the circumstances of the 1954 recession, the U.S. government moved to take down much of our high-technology development in defense. Then, in 1957, came the Soviets' successful launch of Sputnik, an accomplishment we were prepared to match two years earlier, but for the virtual mothballing of the work accomplished at the Huntsville center. As a result of the Soviet success, the U.S. launched a broad range of measures in education, in research programs, and in development of both offensive and defensive missile-systems: a package known as the "post-Sputnik" aerospace program of the 1958-1966 period. This program was adopted by President Kennedy, who gave the effort a new spark of motivation in his commitment to the manned Moon landing. Kennedy matched that manned Moon landing with his program of investment tax-credits.

As a result of this package, during the first half of the 1960s, not only did the U.S. recover from that deep recession of 1957-1959 which had defeated the Republicans in the 1960 election. The U.S. achieved the highest rate of growth of productivity since the 1940-1943 period. This growth in productivity resulted chiefly from the spill-over of the new technologies of the aerospace sector into the civilian economy. The investment tax-credit was one of the principal channels fostering this spill-over.

Had this policy been continued, the U.S. would have enjoyed an average annual increase of productivity in manufacturing of more than 5% over the past 20 years, instead of the collapse in net productivity which has dominated every year since 1973. Our annual defense budget would have reached levels of about \$400 billion or more in current dollars, but defense would be a far smaller percentage of national product than today, because the average personal income would have been more than twice what it is today.

It is the characteristic of Western economies, since the 15th century, that military expenditures have been the leading stimulant of growth of economies in both productivity and scale. There are two reasons for this.

First, effective military technology is always based on the most advanced technology. Any technology less than the most advanced is the policy of those determined to lose what are called "regular wars." Thus, military industries tend to develop advanced technologies more rapidly than any other sector of industry, as well as having the highest ratio of investment in research. So, advanced technologies tend to spill over from military production, into improved civilian production by the same and other firms.

Second, the highest rate of technological progress occurs when nations mobilize for such progress. So far, with rare exceptions, no government has had the political will to conduct a high-technology mobilization unless military motives impelled it to conduct such a policy.

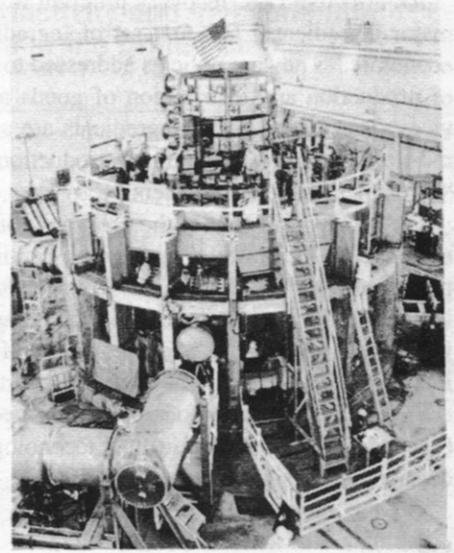
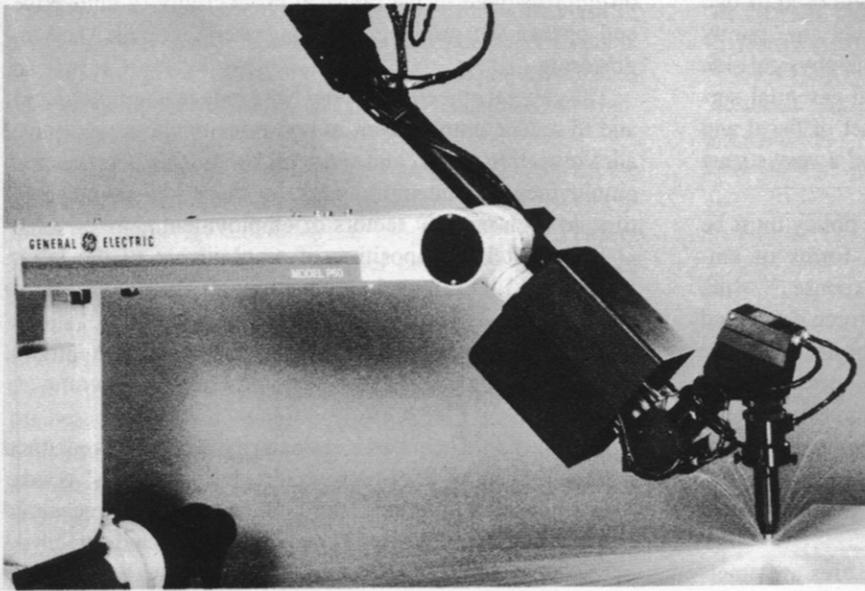
There are two examples of peaceful technology mobilizations which show us how non-military mobilizations might serve as a substitute for military mobilizations of the economy during future times.

One is the German Moon-rocket project of the 1920s, which the German military adopted and promoted as the Peenemuende project. The entirety of the U.S. and Soviet rocket programs of today are based directly on the Peenemuende project. The cruise missile, for example is a third-generation V-1 missile, and the Pershing II is a third-generation V-2. More notably, all the fundamental physics of German rocket science was developed before the Hitler regime. The German rocket program would have succeeded entirely as a peaceful project, had the funding-support been provided.

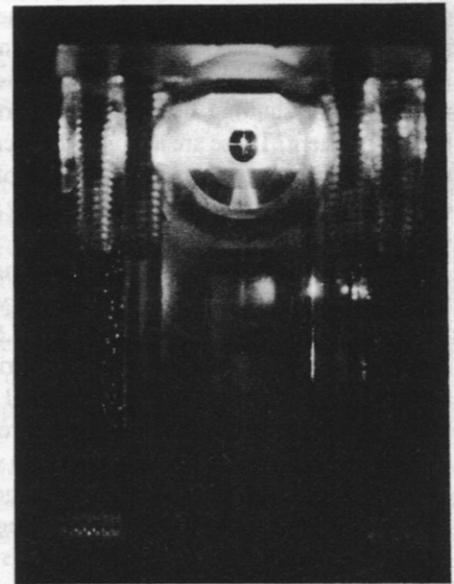
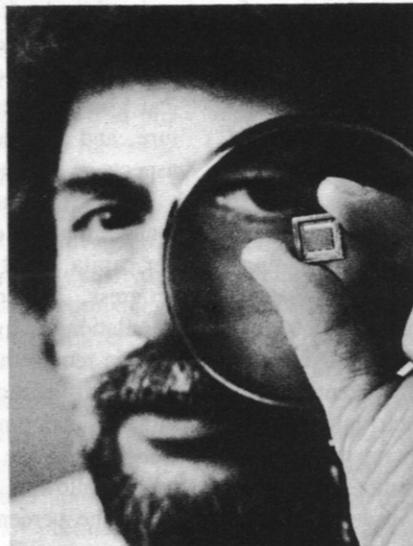
The second example, is the U.S. aerospace program of the 1958-1966 period, a peaceful project, although with military-science overtones.

The U.S. Space Commission's goal, of beginning colonization of Mars by about the year 2025, is an excellent example of a peace-based science-driver project for the world's economy.

It is not necessary to have military mobilization, to sustain high rates of productivity in economies. If we in the United States, decided to steer about 10% of the employment of our labor-force into known areas of advanced scientific develop-



*Progress at the frontiers of science: We must increase the average productivity of America's workers through high rates of investment to improve technologies. The technological frontiers of the next decade, clockwise from top left: a General Electric Company industrial laser; the Tokomak Fusion Test Reactor at Princeton University; Los Alamos National Laboratory's flow cytometer; a computer microcircuit designed by Lockheed Electronics Company.*



ment, for example, the U.S. would automatically achieve the highest rates of growth of productivity in history, and would do so indefinitely. So far, in most cases, most nations have been unwilling to sustain a high rate of technological progress for long, without a military incentive to do so.

That is the way the U.S. economy has been structured politically up to now. So, the decision to de-emphasize technology in defense build-up, served as a very clever way of pulling down the economy as a whole.

### **A Recovery Policy**

We are sliding deeper into a new world depression; but, we could begin to climb out of that depression, and move on to high rates of real growth, beginning about 48 hours from the time the decision were made to do so. The example of the 1958-1966 aerospace program illustrates the way in

which such a recovery would succeed. The 1940-1943 economic mobilization, to build up the U.S. economy to the level needed to win World War II, is another important example.

There were errors in the way the 1940-1943 mobilization was managed. We need not have built up the mass of debt we accumulated, had we accepted a "pay as you go" approach to financing the largest part of military production. Not exactly an error, but a special problem of that period, with about 16 millions of our labor-force in military service, and a vast commitment to production of military goods, the level of military expenditure was inevitably inflationary. We could mobilize a recovery today, which would be just as effective as the 1940-1943 recovery, but without the inflationary penalties we suffered under those war-time conditions.

An effective U.S. recovery program is composed of two major ingredients. The first set of ingredients are "purely economic." They are policies addressed to the physical side of production and distribution of goods and essential services. The second set of ingredients are a set of fiscal and monetary measures, including introduction of a very strong "investment tax-credit" incentive.

On the physical side of the economy, our policy must be to reduce both wasteful and non-essential forms of employment and expenditure in "overhead expense," while increasing the percentage of the total labor-force employed in manufacturing and in development of basic economic infrastructure. At the same time, we must increase the average productivity of goods-producing operatives, through high rates of investment in new technologies of both production and design of products.

On the money side of the economy, we must take a combination of actions.

The first part of this combination of measures are emergency measures, needed to freeze the nominal value of financial assets by law, to prevent a chain-reaction of bankruptcies from shutting down a large part of our national banking system. These are actions which can be taken either under existing emergency laws, or are of a type which a depression-terrified Congress would easily and quickly enact by a substantial majority.

The second set of monetary and fiscal measures, are long-term restructuring measures. 1) A currency reform, creating a new gold-reserve-denominated issue of U.S. Treasury notes, to be issued solely for lending for such priority purposes as agricultural, industrial, and infrastructural investments, and hard-commodity export-credit. 2) A strong incentive for steering savings and retained earnings into such high-priority recovery investments, in the form of a general tax-reform built around an investment tax-credit program.

One general law would be required. This law would repeal the existing "environmentalist" code, in the sense that advanced technologies would be the choice of means for cleaning up the environment, rather than the anti-science bias of existing practice. Projects such as fresh-water management, reforestation and land reclamation, and high-technology programs for efficient disposal of polluting waste, would be among the positive "environmental" actions mandated, in place of the "wilderness" and "wasteland" orientation of current practice. Rapid increases of supply and applications of energy-stocks, with minimal chemical pollution as a by-product, would be the changed direction of practice.

Priorities for increase of employment should be concentrated in: 1) employment of physical-goods producing operatives in agriculture, industry, and development of basic economic infrastructure; 2) improvements in basic social infrastructure, emphasizing general education and public health; 3) employment in technical services bearing directly

on improvement of the physical productivity of enterprises and operatives: production management, science, and engineering.

The general objectives would be to reduce unemployment, and to reduce employment in non-priority classifications of administration, sales, and services, by shifting persons from employment (or unemployment) in these low-priority sectors, to high-priority sectors of employment.

This shift in composition of employment of the labor-force would be effected chiefly through credit and tax incentives.

These measures should be complemented by a simple, but sweeping revision in the system of national-income accounting.

Output should be measured primarily in terms of redefined market-baskets of both households' and producers' goods.

For households' goods, the content should be measured in terms of essential physical goods, plus selected categories of essential services. Essential services include education and public health, as well as other essential elements of basic economic infrastructure.

Producers' goods market-baskets, include required physical goods, enterprise-relevant basic economic infrastructure, and technical services to manufacturing and related aspects of production and physical distribution of goods.

It must be the general principle, in measuring performance, that the quantity and quality of the market-baskets, per capita, must improve as a correlative of technological progress. This measurement must be made for both the population as a whole, and the labor-force as a whole.

This requirement, of improvement of the market-basket in quantity and quality, is one of six preconditions for sustainable economic growth. The additional five preconditions, otherwise called "constraints" of economic growth, are as follows:

1) The percentage of the total labor-force employed in rural production, must decrease, on the condition that the national production of food and fiber per-capita increases. This is "capital-intensity" in the first approximation.

2) The percentage of the total urban labor-force employed in production of capital goods must increase, on condition that the quantity and quality of per capita households' goods market-basket improves. This is "capital-intensity" in the second approximation.

3) The amount of usable energy consumed per capita, in households and production must increase. This is "energy-intensity" in the first approximation.

4) The coherence and effective energy-density cross section of energy supplied must increase. This is "energy-intensity" in the second approximation.

5) The level of technology must increase.

As long as those six conditions are met, the productivity of labor will increase. The wealth produced per member of

the labor-force will increase, and the wealth per member of society will increase. These are merely updated versions of the policy of President George Washington's administration, as described in Hamilton's 1791 "On The Subject of Manufactures."

We know already, that there are four general areas on the frontier of scientific and related research, which will dominate all important technological progress for the coming hundred years, or longer. Three of these four branches of technology involve fundamental breakthroughs in physics:

1) Controlled plasma processes, characterized usually by very high energy-density cross sections, and great coherence, such as the development of controlled thermonuclear fusion as a primary energy-source.

2) Controlled, very-coherent directed energy-pulses, such as high-powered lasers, which have self-focusing properties yielding ultra-high energy-density cross sections on target. The machine tools of the future will be based largely on such technologies, for example.

3) Optical biophysics. This revolution in biology, far more advanced, more fundamental than "genetic engineering," will transform every aspect of applied biology over the decades ahead, with revolutionary medical as well as production applications. The fourth branch does not represent, in itself, any fundamental breakthroughs in physics:

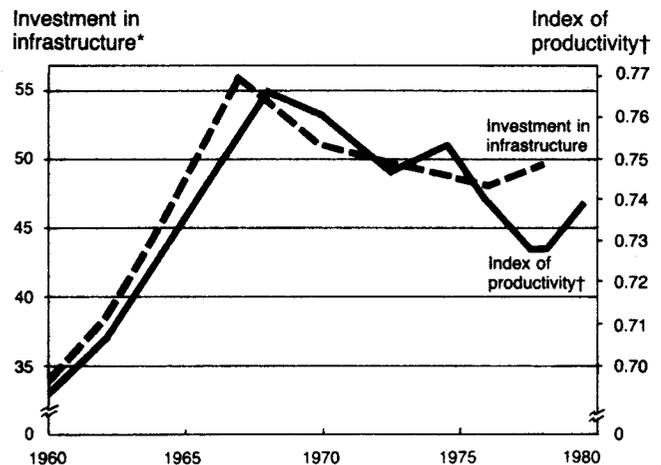
4) Two qualitative improvements in the areas of computer systems: a) True parallel processing of data, in unit-modules of up to gigaflop and higher ranges; b) Analog-digital hybrid computer systems, based upon optical-analog components capable of representing non-linear functions in differential geometry explicitly.

The use of controlled, "electromagnetically confined" plasmas at very high energy-density cross sections, is not only a new kind of primary source of energy-stocks for society's general use. It is also, among other applications, an emerging revolution in the full cycle of production of metals and ceramic materials in general, from reduction of refined ores, all the way through the process, to such end-results as paracrystalline-structure materials of new kinds of properties for use. We are on the way to reaching energy-flux densities equivalent to the temperature at which tungsten ore can be "boiled," to reduce its atomic constituents to the plasma state.

Through the self-focusing "properties" of coherent forms of directed radiation, we will be enabled, relatively soon, to achieve energy-density cross sections on the beam's target equivalent to, or perhaps exceeding the highest temperatures known in astrophysics. Gamma-ray lasers ("grasers"), which focus upon the components of the atomic nucleus, are part of this process of development.

In general, in production, with aid of controlled thermonuclear fusion as a power source, we shall become able to achieve applied energy-density cross sections equal to

## Index of productivity and investment in infrastructure in the United States 1960-1980



\*Billions of 1972 dollars.

†Economic surplus as percentage of capital plus labor costs (definition taken from LaRouche-Riemann econometric model).

more than 1,000 times the highest temperatures currently used in production.

This means several things of fundamental importance to economy. For one thing, it means potential productivities of labor as much as 100 times present levels of productivity. For another, it means no limits to inorganic natural resources for mankind. It means that desalination of sea water will become so cheap, in terms of labor costs, that the great deserts of the world can be transformed into fertile gardens, economically competitive with life in today's fertile inhabited regions. It means that we can produce kinds of materials which have useful properties beyond the wildest dreams of laymen today.

These results can be reached, in large degree, over the coming 40 to 50 years: two generations ahead, and fully realized within about three generations. If we press on with the development of these new technologies, today's production methods will seem, two or three generations from now, almost on the technological level of making mud pies.

I have proposed a Moon-Mars colonization project, including the beginning of permanent colonization of Mars about 40 years from now, as the new sort of "Apollo Project" which will force the development of these technologies, not only as indispensable technologies for space-exploration into the Mars orbit and beyond, but as the driving force of technological progress here on Earth.

By "optical biophysics," we mean a revolution in biology based on the principles of optical activity of living processes first defined by Leonardo da Vinci and his friends at the end of the 15th century, as advanced by the relevant work

of Louis Pasteur during the 19th century. The characteristic distinction of living processes, which distinguishes them from the chemistry of dead organic material, is that living processes not only act as electrochemical wave guides in collecting energy for use, but transform that energy into higher frequencies of coherent electromagnetic radiation, as this is illustrated by the characteristic action of DNA and chlorophyll molecules. The application of the electrodynamic principles of the 19th-century physicist, Bernhard Riemann, to these phenomena, on the level of the molecular activity within living tissue, is sometimes called "non-linear spectroscopy." This "non-linear spectroscopy" is the characteristic event of modern studies of optical biophysics.

We have not yet reached the ultimate limit of usefulness of "genetic engineering," of course. However, the organic chemistry of "genetic engineering" has an axiomatic kind of limit, respecting its ability to guide us into exploration of the most fundamental characteristics of living processes. To exceed that limit, either for medical research such as cancer research, or in the realm of applications of advanced biophysics to production, we must emphasize optical biophysics. This will be indispensable to us, for colonization of space, and long space-voyages. It will also have a revolutionary impact on the Earth's economy.

Advances in the organization of computer systems are a matter of advances in theoretical and applied mathematics, rather than physics. (Although new computer systems will require new kinds of materials made possible by aid of advances in physics and optical biophysics.) The importance of new kinds of organization of computer systems, is chiefly in two areas.

First, as the effective temperatures of production processes rise greatly above present modes, operators will rely increasingly on indirect methods of controlling production, using semi-automatic, computerized forms of process control, such that the operator manipulates the process-control system, rather than putting his hands directly on the productive process itself, and the operator is often placed at a significant distance from the process being controlled.

An analogous problem arises in all branches of physics research, including astrophysics and biophysics. One of the problems today, is that computers can not process the full range of sensed information as rapidly as it is being sensed. For that reason, dedicated-application modules, capable of gigaflop or higher speeds of data-processing, are urgent in all branches of advanced physics work. The challenge of controlling productive processes of the advanced type indicated, demands similar capabilities for control instrumentation of productive processes.

Second, digital computer systems can not deal directly with so-called non-linear processes. No mathematics based on a deductive form of logic, such as axiomatic algebra, can; no computer, such as a digital computer, consistent with

mathematical logic can. There are branches of mathematical analysis, based chiefly on the work of Gauss, Dirichlet, Weierstrass, and Riemann, which permit us to break through that sort of limit of deductive logic. These branches of mathematics are based on constructive geometry, rather than arithmetic logic. We need analog computers, which copy those methods of constructive geometry consistent with the complex domain of the Riemann Surface. Optical-analog methods are the indicated approach to a solution for this problem.

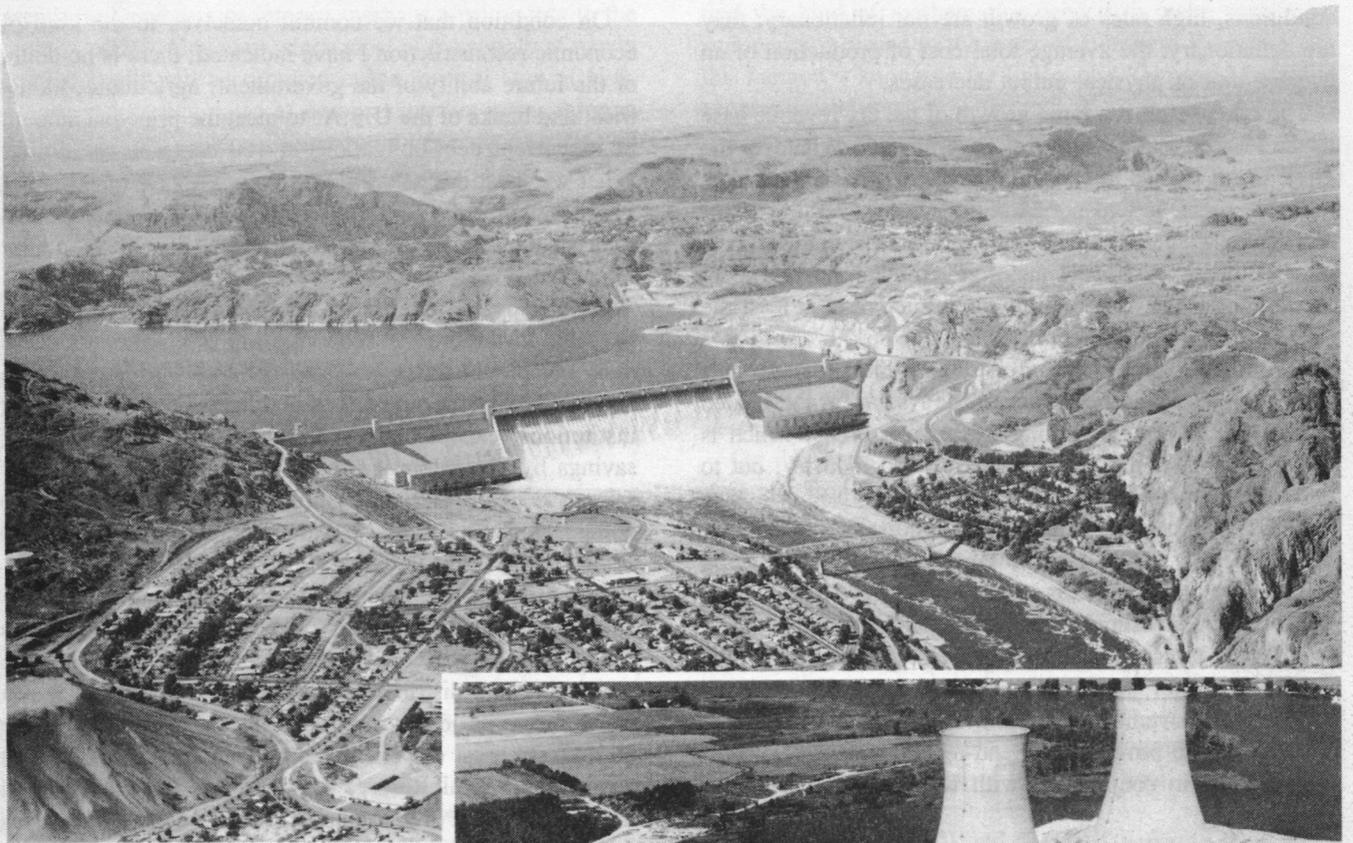
The new kinds of analog-digital hybrids, will combine the implicitly vast data-base-maintenance capabilities of digital computers, with the superior computational power of optical analog elements. Hybrid systems with vastly increasing "parallel processing" power, are the computers of the future.

For example, the American steel business is almost dead, in the sense that the levels of technology represented by existing plants are virtually obsolete ones. To sustain a true economic recovery, we must rebuild our capacity to the equivalent of 150 million tons of steel or higher. (Today, we are consuming about 90 million tons, the majority of which is remelting scrap. Our present capacity for producing new steel has fallen to about one-third the levels of capacity during the 1970s.) Instead of expanding capacity in old styles of steel-making plants, we must invest in new steel-making technologies, including developed methods many times as productive as the old types. We must limit the percentage of the requirement devoted to producing steel by improved methods; we must place increasing emphasis on new kinds of ceramic materials, which have superior properties for a growing range of important uses.

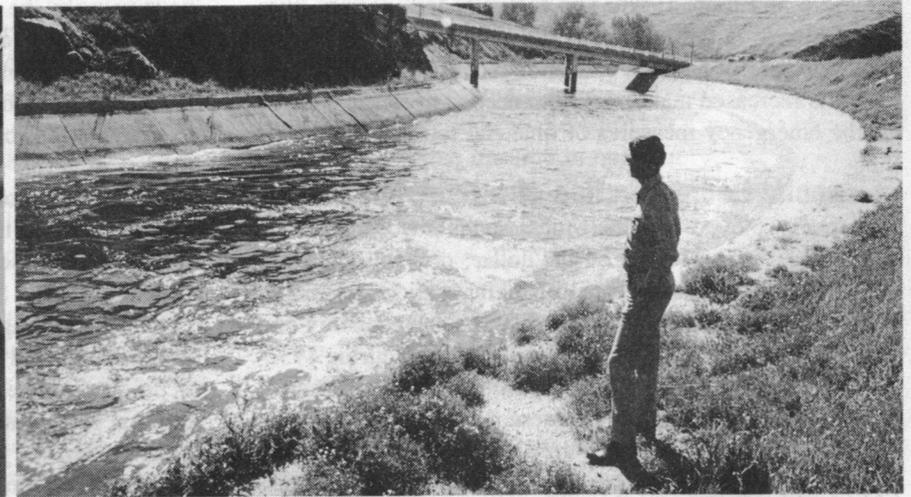
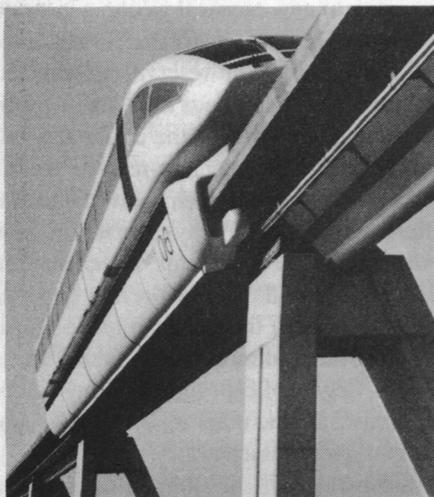
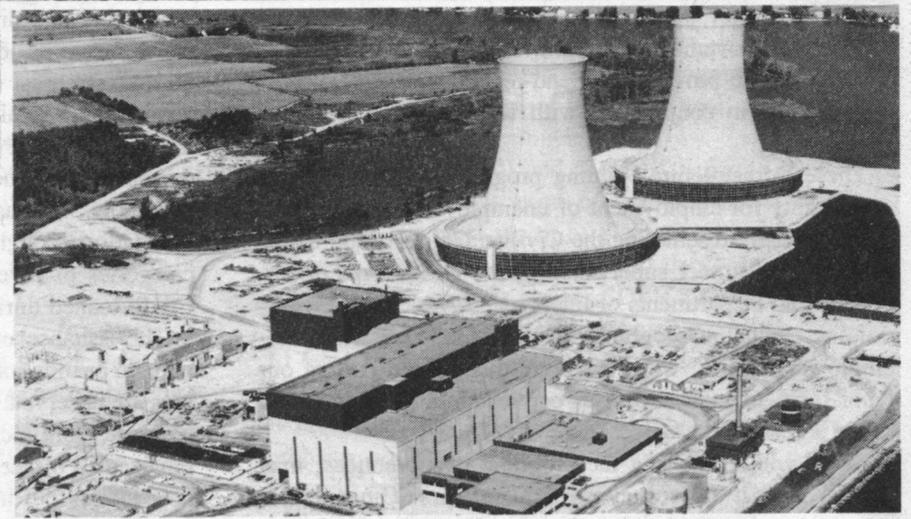
For example, in the field of motor vehicles and aircraft, new materials permit power plants to be operated continuously at higher effective temperatures, much more efficiently, but with less weight per unit-power. Ceramic materials for automotive bodies have many advantages, including greater strength per pound.

To solve all of our economic problems, we must do two things simultaneously. We must increase the percentage of the total labor-force employed as operatives in the production of physical output. Over the coming period, we must bring this up to about 50% of the total labor-force, a percentage significantly lower than at the beginning of the post-war period, four decades ago. At the same time, we must increase the average productivity of operatives, by high rates of investment in improved technologies.

The result is a non-linear rate of increase in the average productivity of the U.S. economy as a whole. By increasing the percentage of the labor-force employed as operatives, we increase the productivity of the entire labor-force. By increasing the point-of-production productivity of operatives, through investment in technological progress, we increase the average productivity still further. Under these



*A national economic reconstruction: We must raise spending back to 1966 per capita levels for basic economic infrastructure, in energy production, fresh-water management, rapid transit, and land reclamation. Clockwise, from top: The Grand Coulee Dam; Detroit Edison's Enrico Fermi II Nuclear Power Plant; a U.S. Bureau of Reclamation canal in California's central valley; West Germany's magnetically levitated passenger train.*



conditions, high rates of growth are not inflationary; they are deflationary: the average total cost of production of an average unit of physical output decreases.

The other result is a rapid growth of the tax-revenue base of the Federal, state, and local governments. Whatever the government spends to cause this growth, will be paid back to government, in expanded tax-revenues, several times or more over. Defense expenditures put in a special category, most of the increased revenue of government must be spent on building up basic economic infrastructure to at least the real per-capita rate last reached about 1966.

Investments in physical infrastructure must feature:

1) A new fresh-water management system for the United States. We have a worsening fresh-water crisis, which is not only a major threat to agriculture and industry, but to the welfare of households.

2) Rapid expansion of produced basic stocks of energy, perhaps about 10,000 gigawatts of new energy-producing capacity by the end of this century or slightly later.

3) Massive investment in rebuilding inter-urban and intra-urban rapid-transit, including super-fast passenger-rail traffic among major population-centers, and more rapid and economical movement of freight.

4) Extensive programs of land-reclamation and reforestation, done in conjunction with water-management programs.

These infrastructure-building programs will be a major opportunity for employment of unemployed youth, in programs vaguely resembling the Civilian Conservation Corps of the 1930s, under supervision of the U.S. Corps of Engineers and Departments of Interior and Agriculture: work-training-education programs, to rehabilitate otherwise unemployable youth, while enabling this wasted part of our labor-force to make a useful contribution, as opposed to being a costly drag on the economy.

Some youth, entering the program as apprentices, may remain with it as journeymen and masters. Others, once educated and trained, will slip naturally into normal lives as operatives in the private sector.

This policy of national economic reconstruction will provide the increased material wealth needed to assure success of the emergency measures of financial reorganization.

### **Financial Reorganization of a Bankrupt U.S.A.**

In bankruptcy, today, the United States is worth probably between 30 and 50 cents on the dollar, probably closer to 30. If present government and banking policies continue, the presently looming collapse will carry the economy to a much lower level of depression, initially, than during 1932-1933. The method for pulling the United States government and banking system out of its present mess is analogous to the methods and procedures used for bringing a bankrupt manufacturing firm back to health, "Chapter 11" methods.

On condition that we commit ourselves to the kind of economic reconstruction I have indicated, there is no doubt of the future ability of the government, agriculture, industries, and banks of the U.S.A. to meet the principal amount of its current debt-obligations at 100 cents on the dollar. What we must do, as we do in a similar case of "Chapter 11" reorganization, is to "freeze" the settling of current debts for a period of time, while we increase the economy's ability to pay.

For example, since local banking institutions are indispensable to the orderly economic life of communities, we must not permit those banks to collapse into default. We act, by freezing the payment of obligations by those banking institutions, except for scheduled rates of withdrawals of savings by depositors. In this way, we hold the value of savings deposits and other obligations at 100 cents on the dollar, protecting the asset-values of persons, farms, and firms.

At the same time, we must supply a large amount of new credit, through the channels of those banks, but limit the use of this new credit to investments which rebuild the production and distribution of physical output, and which foster increases in physical productivity of operatives. To do this, we must use emergency powers under law to shut down the Federal Reserve's money-printing powers, and limit the creation of amounts of credit in excess of savings deposited, to issue of a new type of U.S. currency, gold-reserve U.S. Treasury Notes. This currency will be put into circulation through loans, issued through banks, to approved categories of investments, much like the War Production Credit loaned during World War II.

The issuance of currency through such kinds of loans, will not be inflationary, on condition that the indicated priorities are observed. Every dollar loaned will, on the average, generate more increase of physical goods produced than is represented by the amount of the loans. In other words, the new money put into circulation will be more than backed up in value by the quantity of new physical wealth generated through such investments. On world markets, we shall defend the value of the dollar by gold-reserve agreements, somewhat resembling the Bretton Woods agreements prior to March 1968, but pricing the value of the dollar at a fair market value for newly produced monetary-reserve gold.

Through local banks' participation in such loans, the banks' position will be improved in several ways. First, the new loans will increase the percentage of the bank's total position which is healthy. Second, this will increase the new deposits in banks, building up the level of their deposit base. Third, by restoring idled assets in the community to profitable levels of production, the banks' degree of exposure to falling values of farm, real-estate, industrial, and other assets used as loan security, will be progressively lessened.

As part of this, the banks will be obliged to accept a

greatly reduced rate of interest, perhaps a prime rate in the vicinity of 2%. However, since most of the supply of newly created credit will be supplied in the form of loan of U.S. Treasury currency-notes at nominal interest-rates, through the reorganized Federal Reserve, the lower interest-rate on new loans will be no real hardship to banks. Since banks' obligations on old loan-balances are significantly frozen, they can endure the apparent loss of interest-revenue on those accounts.

Within about five years, our economy should have worked its way out of the worst of the problem, so that final settlement of obligations on the principal value of old accounts should be in sight, and the emergency brought to an end.

### **The Role of National Defense**

As soon as Dr. Teller and some others have a fair chance to suggest corrections in the present draft-form of that article, I shall release for publication a summary account of both my 1977-1983 part in designing the Strategic Defense Initiative (SDI), emphasizing the economic basis for my recommending this change in strategic doctrine to our own and allied governments during 1982 and 1983. Therefore, I need not repeat here in full what will be soon presented in that article.

However, a few points have such important bearing on the economic recovery, that they must be identified here.

Although my February 1982 proposal for an SDI was based on my knowledge of the practical feasibility of the science involved in creating such a defensive system, my essential contribution was that of proving that it was economically feasible for the United States and its allies to undertake such a change in strategic doctrine at this time.

The best figures available to me in 1982, indicated that a first generation defensive system, of the type we could deploy within about five years under an "Apollo-style" crash program, would cost about \$200 billion in 1982 dollars. I also foresaw the need to develop a Mark II, Mark III, and Mark IV type of such system, over the coming 20 years ahead, at an estimated price-tag totaling about \$1 trillion in 1982 dollars. There was no doubt of the physics-feasibility of developing and deploying such a system. The question was, whether the U.S. economy could afford to spend an average of \$40 billion a year, in 1982 dollars, over the next 20 years.

It happens that my special expertise in economic science is the measurement of the cause-effect relationship between new injections of more advanced technologies and resulting rates of increase of economic growth and productivity. This is the result of a discovery I made more than 30 years ago, which I have perfected, not completely, but to a considerable degree, over the subsequent years to date. I discovered that technology, as it occurs in the mind of the inventor, can be measured, and that this permits us to measure the effect of introducing that technology into production. However, to

find the kind of mathematics needed to make such measurements, I turned to the work of Bernhard Riemann. So, this method is known as the LaRouche-Riemann Method of economic analysis.

Through this method, I was able to estimate the increases in U.S. productivity which would result, if the tooling of production for SDI production were also used to produce new machinery and processes for civilian production. This showed, that over a period of about 20 years, an "Apollo-style" program of development and deployment of SDI could double the productivity of U.S. operatives, provided that the U.S. government's credit and tax incentives steered credit and retained earnings into such high-technology investments.

On this basis, the Federal government's increased tax-revenues from rising productivity would exceed the \$1 trillion required to deploy generations of SDI Mark I through Mark IV. In the long run, SDI would not cost the U.S. taxpayers a net penny!

SDI is one of the best job-creating programs in sight today. Not only will it generate many new skilled workplaces, and create entire new high-tech industries. With the right credit and tax incentives, over 15 to 20 years, it won't cost the nation a net cent to implement the program. It's the best investment we've heard of in a long time, apart from the fact that it could stop a nuclear war.

Also, under Mark II and Mark III versions of SDI, we could kill one dollar's worth of deployed Soviet missile for as little as 10 cents' worth of SDI, according to estimates offered by Dr. Lowell Wood, for example. In current Pentagon systems-analysis jargon, SDI is far more "cost-effective" than an equal increased amount spent on nuclear offense. At least, this will be clearly the case as Mark II and Mark III roll off the production lines.

President Reagan is committed to SDI, of course. The problem, so far, is that the government will not permit him to spend enough on developing it. The problem is, that the past year's monetary and economic policies are not only collapsing the Federal tax-revenue base; manufacturing is collapsing for lack of investment. If the President would junk his failed economic policies, and choose the kinds of measures I have indicated instead, SDI would unleash the greatest economic upsurge in our history.

Both the President and I, and a sizable number of others, are already looking far beyond SDI. The President recently signed on to one of my major pet projects, the founding of a permanent colonization of Mars by about the year 2025. There is no budgetary allotment for such a new "Apollo Project" yet. However, I believe the President would have pushed for such an allotment, but for his view of the present budgetary crisis.

For sake of clarity, I should say at this point, that I have never had the idea that I have a vested interest in becoming

President of the U.S.A. I have run for that office only because I thought no other probable candidate was capable of dealing with all of the major issues facing the nation. Otherwise, I would prefer to advise our government, as a private citizen, than be part of it. To plagiarize the 1980 Ronald Reagan, if he would not only agree with me on SDI and the Mars-colonization project, but match this with the right monetary, fiscal, and economic policies, I would be "cautiously ecstatic," hoping that, somehow, the way might be cleared for him to serve out a third term in office. Right now, for the remaining two years of his present term, the issue is less what I might do in January 1989, if I were elected President, than what President Reagan does during 1987 and 1988. This nation of ours is going to economic Hell, or into a genuine recovery, depending upon what President Reagan does during the coming two years.

That said, the Mars-colonization project is the heart of my economic policy. I see the SDI as something done under the umbrella of the Mars-colonization project; by the time we get to a Mark III and Mark IV SDI, all the crucial technologies of SDI are of a kind which could be developed best as by-products of work on the Mars-colonization project.

There is a summary of my general outline of the Moon-Mars colonization project published in the November-December 1986 issue of Fusion magazine. I need not repeat that article here. The space experts of the U.S.A., Western Europe, and Japan, might differ with me on some details of my project design, but, in broad terms, most of us are in agreement on the general outline of the project, its general feasibility, and the time-scale needed to complete it. I shall give just a few examples, to show how this project serves, even better than the SDI alone, as a science-driver for U.S. economic growth over the coming hundred years.

For example, regular flight between Earth and Mars must be continuously powered flight, rather than the ballistic trajectories used between Earth and the Moon in the Apollo series. Although a fission-reactor power-source could be used, the optimal power-source is thermonuclear fusion. On Mars, we shall require massive amounts of power, and at very high energy-density cross sections, as only thermonuclear fusion could provide this. This aspect of the Moon-Mars project alone, would lead to a technological revolution on Earth.

For example, directed-energy tools are the basic tool required for Mars-colonization, and also for industrial processes on the Moon. This technology also means a revolution in production on Earth.

The greatest challenge of extended space-exploration, as well as space-colonization, is the biological challenge. We must create a "greenhouse" biosphere on Mars, and a mini-ecology in large spacecraft used for extended explorations. We must push optical biophysics far ahead, to overcome this challenge. This will foster a revolution in applied ecology and biology generally, on Earth.

In general, every technology we must perfect for space-exploration and colonization of other planets and moons, is a technology of great importance for, and benefit to life on Earth. Like SDI, the Mars-colonization project will not cost our taxpayers a net cent over the longer haul. The improved technologies we force ourselves to develop, for space-exploration, will pay us back many times over in the form of increased productivity here on Earth.

I would almost propose a new amendment to our Federal Constitution, modifying the Preamble to read:

" . . . promote the General Welfare, conquer and colonize space, and secure the blessings of Liberty to ourselves and our posterity . . . "

Under proper policy, for a hundred years and more to come, the commitment to colonization of Mars—and beyond that—will be the technology-driver which contributes most greatly to improvement of the material conditions of individual life on this home planet of ours. If that is accomplished, 100 years from now, the human race will have become humanity in space. Every aspect of our lives will be touched in a deeply personal way, by the general process of exploration and colonization of space. It is time that our constitutional law adjusted itself to this oncoming reality.

We shall discover what work God intends humanity to do in outer space after we get there. In the meantime, we know only that some great purpose awaits us, a purpose our grandchildren will discover in ways we presently living can not.

Let us capture that vision, and use that vision as a beacon in guiding us to rebuild this rotted-out economy of ours.

Let us supply the education and daily work of our children and grandchildren, with a sense of some grand and noble higher purpose than the mere seeking of pleasure and avoidance of pain.

Let us become proud of being human, because we each contribute, according to our talent, to something grand and beautiful to benefit endless generations yet to come.

As to our conflict with the Russian empire's Soviet system, let us contain their impulse for military conquest of this planet, by an efficient policy of peace through strength. Let us look forward to winning that conflict, somewhere down the line, by demonstrating to Russians that our culture is superior to theirs, and inviting them to adopt ours. To win that conflict, and to sustain adequate defense in the meantime, we must be true to the highest principles of that culture we are defending.

Let us hope that our Republicans recognize the error of their recent policy. Saving even a single human being from death or merely protracted misery, can never be "cost-prohibitive." Let us expand our means to meet our obligations, and so reestablish the reality of that law which states that every individual human life is sacred.

# What Reagan Must Do When Brazil Defaults

by Lyndon H. LaRouche, Jr.

*Here are excerpts from a statement of three and one-half years ago in which Lyndon LaRouche instructed President Reagan on the precise actions that must be taken to stabilize the national and international banking system, against the inevitable shock of debt moratorium declarations from developing sector nations. The statement was published in the Oct. 21, 1983 issue of New Solidarity.*

**S**ince the U.S. banking system and many of the nations of Western Europe are already technically bankrupt in fact, any major Ibero-American defaults will threaten to trigger an immediate chain-reaction financial collapse internationally—a bigger collapse than occurred in September 1931—wiping out approximately \$1 trillion to \$2 trillion of paper values in the first round.

“The government of the United States presently has no competent policy for dealing with such a financial collapse. If existing policies are followed, one of two results will occur. In the case that the United States government does nothing but follow present policies, about 80% of the banking institutions of the United States would be wiped out during the near future. Banks such as Manufacturers Hanover, Chemical Bank, Chase Manhattan, and many major regional commercial banks and smaller savings institutions would be wiped out. In the case that the United States adopts the emergency plans of Henry Kissinger and Fed chairman Paul A. Volcker, the U.S. government would move in to bail out the threatened banks, including deep slashes in the U.S. Defense budget, leaving the United States immediately at the mercy of Moscow.

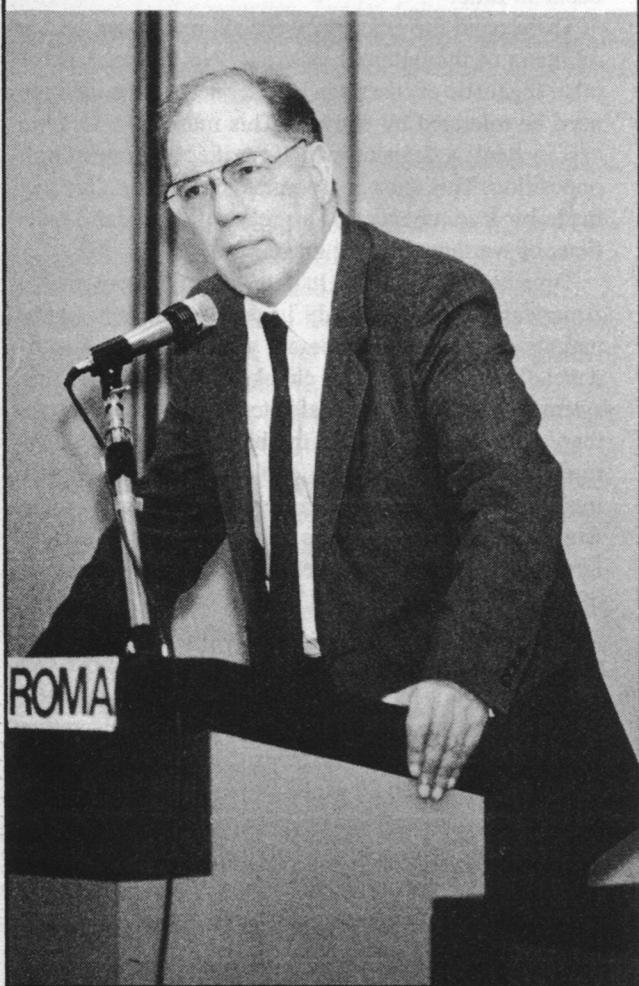
[LaRouche named as responsible for the crisis] a chorus of bunglers which includes Henry A. Kissinger, Secretary of State George Shultz, Federal Reserve Chairman Paul Volcker, and that confused paper-salesman from Merrill Lynch, Treasury Secretary Donald Regan. The misadvisers of the President have U.S. monetary policy caught between wishful delusions of nonexistent economic recovery and the pit of general financial collapse.

This is not a partisan issue. . . .

Since I am the leading economist of the United States, by the standard of successful performance in economic forecasting, it is my duty to state and to publicize the list of measures which our Republican President must enact with support from among a majority of patriotic Democratic Party voters.

At the moment either Brazil or some combination of Ibero-American nations falls into default on its foreign debt, the President of the United States must act within 48 hours or less with the following emergency measures.

1. The President must use his emergency powers to “federalize” the U.S. Federal Reserve System, placing that system under the direct supervision of the President, according to provisions of Article I, Sections 8 and 9 of the U.S. Federal Constitution.



1a. The President must enforce the provisions of Article I, Sections 8 and 9 of the U.S. Federal Constitution to prevent the Federal Reserve System from issuing currency of the United States, except as authorized issues of U.S. Treasury currency-notes, as authorized for issuance by Act of Congress.

1b. The private national-banking system must also be prohibited from issuing new credit in excess of the net of paid-in lawful currency-deposits less required reserves.

2. To prevent a national-banking collapse, the President must impose capital and exchange controls on flows of currency and credit into and out of the United States, and must obtain the support of Congress for emergency action to freeze imperiled assets of the banking system, pending orderly reorganization.

3. To maintain the economy, and to compensate for the constriction of banking-credit cause by the first set of actions above, the President must submit an emergency bill to the U.S. Congress, according to Article I, Sections 8 and 9 of the U.S. Federal Constitution, authorizing the immediate issuance of \$500 billion of gold-reserve denominated U.S. Treasury currency notes. The gold reserve of the United States shall be priced at not less than \$750 per ounce for this purpose. The issue of notes shall be loaned for approved categories of lending through the "federalized" Federal Reserve System, at nominal rediscount-rates for borrowing of not more than between 2% and 4% per annum.

3a. This currency-issue shall be loaned for the following categories of capital investments in production of physical output of the United States.

(1) To national defense contractors and sub-contractors.

(2) For improvements in basic economic infrastructure effected by governmental or private contractors of the United States.

(3) For business-loans to agriculture and industry, on condition that those loans are applied more or less exclusively to long-term investments in improvement of the technology and scale of production of useful physical goods. The included objective must be to cause an early increase of employment of agricultural, industrial, and transportation operations totaling to about 50% if the total U.S. labor-force.

If the rest of the world dislikes such agreements between the United States and its friends in Ibero-America, let the objectors "go hang," whether those objectors be nations or supranational public or private monetary and banking institutions. We will save the United States and the Americas from economic, financial, and strategic catastrophe, as an act of sovereign nation-states; we will tolerate no objections from outside to such necessary measures.

In fact most of the world will quickly adapt itself to the concentration of financial and economic power the Americas will represent under such circumstances. All developing nations not fanatically Soviet puppets will heartily endorse such measures, and our friends in Japan and Western Europe will sooner or later praise the wisdom of our actions.

All of these measures must be implemented within approximately 48 hours of the outbreak of the indicated form of crisis.

First, most of the heads of governments of Ibero-America would immediately welcome invitations to Washington for such purpose, if invited for this purpose by President Ronald Reagan personally.

Second, the Congress will comply immediately with the necessary measures, on condition that a large portion of the citizenry demonstrates to the Congress a disposition to conduct a "political lynching" of legislative recalcitrants. Be prepared for mass demonstrations at congressmen's local offices, at state legislatures, and in Washington, D.C. to ensure that needed actions occur in time.

These rapid-fire emergency actions must occur within 48 hours of the outbreak of crisis. No bureaucratic or other legalistic excuses can be tolerated, and none such need be tolerated by patriots. This must be a decision cast in steel, a decision which terrifies and crushes all opposition. This must be a command-decision, like that made by a commander of a great nation under conditions of warfare or other grave peril.

Time is running out. In fact, nearly every Ibero-American nation is already in default. In fact, entire nations of Western Europe are already as good as financially bankrupt. Major chunks of the U.S. banking system have more actually-defaulted assets on their books than equity investments in the bank. Everything is already overripe for sudden explosions of the biggest international financial collapse in the history of the world. Anyone who argues to the contrary is simply ignorant of the basic statistics, or, if a public or banking official, one of the world's biggest liars.

The time is now. The explosion might be postponed. . . . It could possibly explode on almost any morning of any business day. Don't delude yourself by believing that "It might not happen." This rotten fruit is wiggling on the tree, ready to drop at the slightest breeze. The President must be prepared to act, and you, the ordinary citizen, must be prepared to mobilize yourself and your neighbors for political demonstrations in widespread support of the President's taking these necessary emergency-actions. Better prepared too soon than prepared too late.

(4) Long-term loans shall also be made through the Export-Import bank for promoting capital-goods ex-

**The LaRouche Campaign**



## What Reagan Must Do When Brazil Defaults

by Lyndon LaRouche, Jr.  
*This Candidate for the Democratic Party's 1984 Presidential Nomination*

Before Christmas 1983, it is probable that Brazil will default on its debt. This default will have far-reaching effects on the U.S. banking system and many of the nations of Western Europe.

Chairman Paul A. Volcker, the U.S. government, would never, or to hold out the threatened banks, including any default in the U.S. Jackson, being the United States' responsibility.

Chairman of the Board, Kenneth and Paul Volcker, the U.S. government, would never, or to hold out the threatened banks, including any default in the U.S. Jackson, being the United States' responsibility.

...to maintain the economy, and to support the stability of banking system by the line of action above, the President should submit an emergency bill to the U.S. Congress, according to Article I, Section 8 of the U.S. Federal Constitution, authorizing the immediate issuance of \$50 billion of gold-backed, non-interest-bearing U.S. Government securities. The gold reserves of the United States shall be placed at 20% less than \$20 per ounce for the purpose. The issue of notes shall be based on the amount of gold reserves.

*This is not a political issue. It is a matter of life and death for the United States. The President must act immediately to support the stability of the banking system. The President must act immediately to support the stability of the banking system.*




In October 1983, then a candidate for the Democratic Party's 1984 presidential nomination, Lyndon LaRouche laid out a program for dealing with the inevitable: debt moratoria declarations by developing sector nations, which could cause a chain-reaction collapse of the world banking system.

ports to approved agricultural and industrial projects of investment in developing nations.

The general objective is to foster an economic recovery of the United States on the model of the 1939-1943 economic recovery effected under President Franklin D. Roosevelt. The medium-term targets for this program include (a) raising the level of combined employment of operatives in agriculture, infrastructure-building and industry plus national-defense personnel to between 55% and 60% of the total U.S. labor-force before 1990, (b) increasing the number of persons employed as scientists, engineers, technicians, and operatives to 5% of the total U.S. labor-force before 1990.

4. The President shall convene immediately the heads of state and government of Ibero-American nations concurring with the proposed deliberation. During this meeting, those heads of state and government shall reach agreement to cause the issuance of nationally-guaranteed bonds to replace the principal value of existing, actually or imminently defaulted debts to banking institutions of the United States. These bonds should be issued either by the Treasury or national bank of each nation, and should be denominated in U.S. gold-reserve dollars. On this basis, the U.S. government must guarantee such bonds politically as lawful assets of the banking-system of the United States. Private banks and related institutions which accept these bond issues as re-

placement for outstanding obligations against the debtors will enjoy such political protection; those who refuse will be permitted to suffer the consequences of their free choice of refusal.

4a. To secure this system of financial reorganization, the President of the United States and concurring governments of Ibero-America shall formulate a simple treaty establishing a system of fixed currency-parities within the Americas. Currencies shall be priced according to the value of the market-basket of commodities purchasable with each currency within its country of issue. In other words, currencies shall cease to be valued according to fluctuations in international currency-speculation markets, and shall be priced instead on the basis of their competitive domestic purchasing-power in the country of issue.

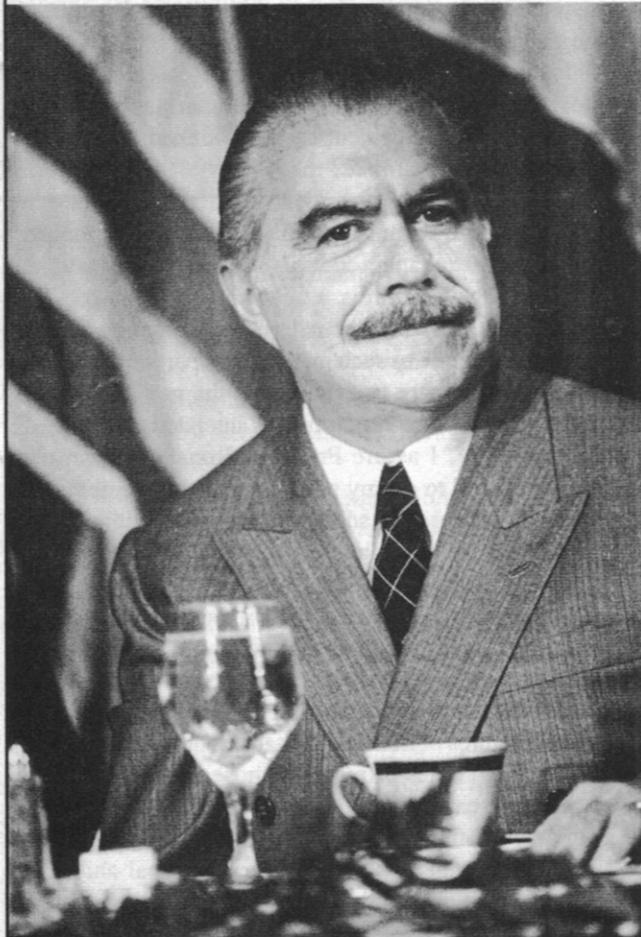
4b. To ensure the future ability of the debtor to pay the newly-contracted form of indebtedness, the concurring governments participating in the agreement shall establish measures of cooperation which enhance international trade among them and which also promote increase of the total and per capita physical output of the debtor nations.

4c. In some or a larger portion of cases, it will be most desirable that an Ibero-American nation participating in such agreement conduct immediately a currency-form not unlike the "heavy franc" reform implemented under President Charles de Gaulle in France, and to complement this by a set of combined capital and exchange controls to defend the national currency against foreign financial speculators. The United States and other nations participating should agree in principle to such measures as part of the simple treaty, and prepare to denominate the new bond-issue in the projected "heavy currency" intended to be issued.

Meanwhile, I assure President Ronald Reagan that I am prepared to do my part to make these emergency actions a success. In addition to my exceptional competence as an economist, I have earned more trust among leading Ibero-American nations' circles than any other political figure of the United States, and those circles generally are familiar with my proposals for action on these matters. I am also more familiar with the world outside the Western Hemisphere than most leading figures of the United States, with friends among the leading circles of many of those nations. I believe that I have earned and deserve such confidence in my competence and intentions from these foreign quarters. I am committed to place these professional and other personal resources at the disposal of our nation to assist our President in mastering the crisis about to explode upon us.

# Brazil Collapses the World Banking System

by Lyndon H. LaRouche, Jr.



Brazilian President Sarney

*This is Lyndon LaRouche's statement on Brazil's announcement suspending interest payments on its foreign debt. The statement was released on February 21, 1987.*

**A**t 2030 hours, on Friday, February 20, 1987, the government of Brazil broke the political power of International Monetary Fund, bringing the hopelessly bankrupt world banking system to the brink of an overdue collapse. This act of patriotic political will by the government of Brazil, closes the curtain on an entire era. A new era has begun.

Addressing a nationwide Brazilian television and radio audience at that time, Brazil's President José Sarney announced, that the government of Brazil is "suspending payment on the interest of its foreign debt." Mr. Sarney stated at the outset, that his decision had been reached by the combined forces of all Brazil's "ministers of state, the president of the Supreme Federal Tribunal, the presidents of the House and Senate," and "the head of the Chiefs of Staff of the Armed Forces."

Anyone who imagines that Brazil is bluffing, is suffering a dangerous delusion. This was a collective decision of Brazil's elites. These elites resolved that this action was taken as a matter of the nation's national security, and that any Brazilian who opposes these measures from the standpoint of General Vernon Walters or Henry A. Kissinger will be judged accordingly. The address announcing the policy contains several other crucial internal features which will send shudders down the spines of wiser circles among the OECD governments and financial markets.

The key policy formulations contained within the address include a number of the same axiomatic points elaborated in my widely-circulated, August 1982 *Operation Juárez*. The announcement also contains a signal reference to recent statements on monetary reform by Pope John Paul II. "We are going to negotiate a solution for amortizing our debts within parameters which do not compromise national development." "Indebtedness must not harm the basic living needs of a people." "Brazil had [in the past] to resort to the Monetary Fund under circumstances that are well known. Today this is not the case." "We will tolerate no treason against the country on the pretext of criticizing the government [on the matter of this decision]."

The historical irony of the international situation triggered by Brazil's decision, is that I am the only leading political figure of Western Europe or North America who understands this crisis, and knows the courses of action which must be taken to overcome it. Unless the U.S. President takes immediately those emergency actions which I prescribed for such a development, during 1982 and 1983, the entirety of the international banking system will be plunged into a chain-reaction collapse far worse than that of 1931-1932. Not even the Swiss banking system could resist the tidal wave of

financial collapse. Either all of the previous monetary and economic policies of the Nixon, Ford, Carter, and Reagan administrations are swept aside, and replaced with the emergency measures I have proposed in such documents as the widely-circulated *Operation Juárez*, or, it is a virtual certainty that 1987 will be the year of the greatest international financial collapse in modern history.

Admittedly, Brazil's foreign debt represents merely an approximate one percent of the total mass of international debt involved. During the 1970s, the financial systems of Europe and North America could have absorbed a shock the size of the Brazil debt moratorium. As a result of policies adopted by the U.S. in October 1979, and the Kissinger policies which President Reagan adopted in response to the debt-crisis of 1982, the international financial markets are now so rotted out, that those markets in their present form can not tolerate the ripple effects sent radiating throughout the world by this new development. The accumulation of "junk bond" paper, and paper linked to "off-balance sheet lending," has transformed the international financial markets into a "pack of cards." A blow of the force of the Brazil action is sufficient to cause the whole deck to collapse.

The relevant gentlemen of North America's and Europe's governments, political parties, and financial institutions, have more than sufficient power to reject my proposed emergency actions. However, should they reject my standing proposals, as democratically or dictatorially as they might choose, they will have chosen the worst financial and economic collapse in modern history.

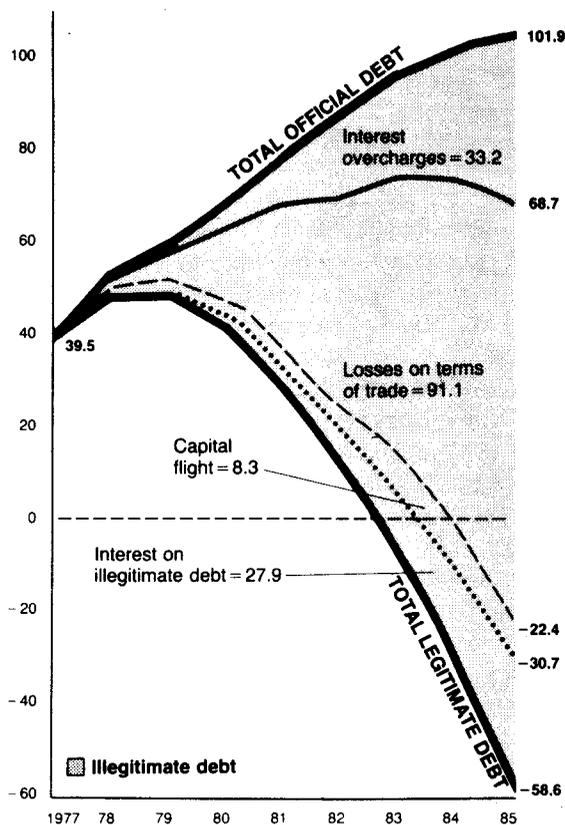
A few years ago, leading executives of a powerful European banking consortium conveyed the following opinion of my *Operation Juárez* to me through a top official of their consortium. "What you propose will work. However, we don't like it much, and therefore we will oppose it." Some financial officials, such as these, are by no means as stupid as the key executives of Citibank have shown themselves. Those who are not stupid will now have to reconsider my policies, as the only available alternative to the chain-reaction collapse of their financial system as a whole.

With Friday's actions by Brazil, an era has come to an end. The U.S. and Western European economic and monetary policies of the past twenty years are finished. Before us, there are only two roads leading into the future. If the actions I have proposed are taken, a new monetary system and a general economic recovery are the future. If those options are rejected, the United States and Western Europe, in particular, are on a steep downhill path to a disaster beyond the imagination of all but a tiny minority of experts.

Whatever happens, each of you is now living in a period of history unlike anything in the experience of any living person. For people like Henry A. Kissinger and his circles, this is "Goetterdaemerung," the fall of the gods of Mount

## Foreign debt of Brazil, 1978-85

(billions of dollars)



Sources: ECLA and authors' estimates.

Five days after Brazil's historic debt moratorium announcement on Feb. 20, 1987, Brazilian Finance Minister Dilson Funaro announced that his government would begin an audit, to determine what portion of Brazil's foreign debt is legitimate. Funaro calculated that, had the U.S. Federal Reserve not jacked up interest rates starting in 1979, the debt would have been \$27 billion less. Authors of the Spanish-language book *Ibero-American Integration: 100 Million Jobs by the Year 2000!*, which was inspired by Lyndon LaRouche's *Operation Juárez* plan for continent-wide debt reorganization, have made an even higher estimate of Brazil's illegitimate debt. In an equitable world economy, Brazil would have no debt at all! Brazil has suffered acutely from shifting terms of trade since 1977, paying \$12.8 billion more for its imports because of higher prices, and receiving \$78.5 billion less for its exports, whose values have declined. Adding to this the savings that Brazil would have accrued from stable interest rates and the elimination of flight capital, would have enabled Brazil to pay off its entire debt.

Olympos. For all of us, the decisions which must be made in these days, weeks, and months, will shape life on Earth for fifty to a hundred years still to come, and probably far beyond that. "Ordinary times" are a thing of the past. So-called "practical experience" of politicians and political parties has now become worse than useless.

Exactly what choice of road will be made, no one can predict. That depends on political decisions of governments, primarily, and, to a lesser but very significant degree, on private decisions of financial and other powerful private institutions. Which road will be chosen, and how fast events will move down the chosen road, are, within outer limits, matters determined largely by such political and kindred policy-making decisions. So, precise predictions, in terms of exact days, weeks, or months, can not be made without knowing in advance what political decisions will be made on choices available at each point in the process.

Even so, some very good, and very necessary estimates can be made. If governments and bankers attempt, stubbornly, to maintain the monetary and economic policies which have failed, the most governments could do would be to slow down the rate of collapse slightly, and for only a short period of time. If we choose the other road, the range of policy-choices we have during the weeks and months just ahead is very limited. The kinds of choices are very limited in number, and the time available to choose them is a matter of days or weeks before a full-scale catastrophe strikes.

The situation should be compared to the case of a man falling from a plane. It is a matter of his "free choice" whether he opens his parachute or not. All of us are forced to make decisions that many of us do not wish to be forced to make. We are forced to decide now, not after the months of debate and compromise most would prefer. If we do not like to be forced to make such clearly defined choices now, we should have thought about that years ago, when we chose to adopt or merely tolerate the monetary and economic policies which have created the present crisis-situation, step-by-step, over approximately the past twenty years.

As President Sarney's address of Friday evening points to this fact, Brazil's moratorium on interest payments was that government's voluntary choice. Yet, it was not a matter of arbitrary choice. They had seen the decision coming for about four and a half years, and had slowly prepared themselves to be ready to make such a decision. Events had reached the point, at which they saw no existing, acceptable choice, but to act on that decision for which they had prepared themselves over the past four years. We have entered a period of crisis, in which the range of policy-choices is very limited, and in which the time allowed to debate such choices is almost nonexistent.

Only leading men and women who have the combined knowledge, concentration-span, and capacity to make earth-shaking sudden decisions, are qualified to lead the world through that long-awaited crisis which erupted this past Friday evening.

# Malthusianism Is Genocide

by Lyndon H. LaRouche, Jr.



Lyndon LaRouche released this statement March 13, 1987.

**A**n editorial in yesterday's *Washington Post* warns Brazil to cut its population, or else.

Didn't we see enough of that in Nazi-occupied Poland? The *Post* evidently fails to grasp the point, that merely because "neo-malthusian population policies" have become fashionable among liberals, does not mean that genocide is anything but genocide.

I suggest that the *Post* get off the airy realm of rhetoric, and get down to Earth.

If you wish to reduce the population of Brazil, please have the honesty to publish a list of the names and addresses of the Brazilians you wish to have eliminated. Have the decency to inform them of your intent to kill them, and at least do them the courtesy of offering to publish their reply in your newspaper.

The *Post* echoes malthusian fanatics such as the Club of Rome and Britain's Prince Philip, in proposing that the economic woes of the developing nations are caused chiefly by an excess population. Very well, let us ask the *Post* to be concrete about this. Let us be fair and objective, as liberals wish to pretend to do. How much population-density is too much? Shall we begin by slashing the nation with the highest-density population, Belgium? If so, the *Post* should publish a list of the names and addresses of those Belgians it proposes to eliminate. Or, perhaps not entire nations, but only the most densely populated portions of those nations, such as the lower half of Manhattan, for example? Perhaps the *Post* might suggest that the improvement of lower Manhattan might begin by killing the homosexuals, whose names and addresses the *Post* might be so thoughtful as to supply to Mayor Koch's public executioner?

Thanks be to the Almighty, the *Post* assures us that it is not an extremist publication! Perhaps, since it bestows its death-wishes upon those parts of the world with darker-skinned populations, the *Post* is not extremist, but merely racist.

Genocide is very respectable liberal policy today, on condition one does not label it Nazism, but merely "population control." Similarly, "euthanasia" is a Nazi tradition very much in the liberals' vogue today, provided one calls it "the right to die." In some places, we have only "passive help with dying." In other places, we have what is called "active assistance in dying," which used to be called murder.

Meyer Lansky's murderous gang once made use of the services of a perverted wretch named Abe Reles. Today, an Abe Reles would put his trusty ice-pick into a stranger's heart, and inform the judge, "He asked me to help him to die." Would the liberal judge perhaps release such a Reles, with congratulations to the liberal impulses of the self-described samaritan?

Liberals are called liberals, it seems, because they inter-

## **What the Post had to say**

**“When Brazil’s President José Sarney declared a moratorium on debt payments three weeks ago, he vehemently defended Brazil’s right to grow. But Brazil’s present troubles arise from too much growth too fast, generating a great surge of overconsumption and inflation. . . .”**

**March 13, 1987**

pret the meaning of words so liberally. “A thing is the name I give it,” says our basic, modern, Alice-in-Wonderland liberal.

So, the *Post*’s appeal for genocide in Brazil is not called “genocide,” since the *Post* liberally prefers to name it “population control.”

To the substance of the matter. Is growth of population a cause of a nation’s poverty? The British East India Company’s Reverend Thomas Malthus, whose ancestor may have reduced the population of England by the measure of one Queen Anne, insisted that that was the case. The fact was, Malthus was a hoaxster, as nineteenth-century improvements in agriculture and industry tossed Malthus into great discredit. Ah, but our liberals of today insist, that Malthus’ only error was in being a bit premature. It is today, they say, that we have finally reached the point of population-expansion, that Malthus’ prophecy is being realized. Britain’s Prince Philip adds that the growth of Africa’s black population is spoiling the continent’s attractions as a wild game preserve.

On what grounds do the *Club of Rome* and the *Post* argue that the population of Brazil is excessive? They merely assert this to be the case.

You must understand, that liberals are never obliged to prove anything, except that their opinions are, or ought to be considered “respectable” among the circles in which liberals travel. Ask for proof, and they will recognize at once that you are some sort of extremist, a man of bad manners, who dares to speak out of turn in the presence of a “respectable opinion” shared among “eminently respectable people.”

In fact, the population-density of Brazil is about half that of the United States. Its natural resources are perhaps greater

than ours. What is the difference, which allowed us to sustain our population more or less comfortably, up to 1967-1971, and a Brazil with half that population-density today? The difference is chiefly a matter of basic economic infrastructure: water management, general transportation, energy production and distribution, and so forth. The size of population which can be maintained comfortably on an average square mile of land-area varies with the amount of development of basic economic infrastructure per average square mile of land-area. To realize the benefits of infrastructure development, one must invest in the improved agriculture and manufacturing whose functioning existence depends upon the degree of development of basic economic infrastructure.

Ah, but the *Post* insists this economic development must not be permitted to occur in Brazil!

So, the *Post* demands that the level of economic development be kept significantly below the level needed to maintain existing levels of the population. That means that the corresponding margin of population must die. In this paradisaical sea of death of “the excess portion of the population,” the *Post* assures Brazil, the international loans will be forthcoming, to make Brazil once again a happy place for foreign tourists. Gee, fellas, that was exactly Adolf Hitler’s policy for occupied Eastern Europe.

It comes back to me, that the fellow who put Adolf Hitler into power was named Hjalmar Schacht, the leader of the liberals’ party in Germany into the beginning of the 1930s. Since Schacht was let off at the Nuremberg Trial, maybe the *Post* thinks it’s just good liberalism to propose genocide in Brazil. I guess that the *Post* thinks it’s all right to propose genocide, as long as the orders are issued liberally.

It’s just the slobs who carry out the orders, who might get into trouble.

# Keep the Local Banks Functioning

by Lyndon H. LaRouche, Jr.

*Lyndon LaRouche released this statement March 18, 1987.*

**T**he Federal government must take new forms of action now, to deal with the rapidly accelerating rate of banking failures.

First, the government must proceed on the basis of the fact, that most of the banking failures are the fault of neither the banks nor their borrowers. This tidal wave of failures is the result of a general, international financial crisis, combined with a deepening economic depression, which threatens to bring down almost the entirety of the banking system and other classes of financial institutions.

Second, the wave of collapse of local banking institutions must be seen as adjunct to liquidation of farms and plant shutdowns. The loss of a large number of these institutions, during the present economic depression, would represent a major loss of essential structure of the U.S. economy, a loss of structure which could make an economic recovery very difficult to mobilize.

Third, under conditions of economic recovery, many of these banks, farms, and industries would be viable economic entities. Since it must be our intent, to make those changes in policy which bring about such an economic recovery, it should also be our policy to save those banks, farms, and industries which would resume economic viability under recovery conditions.

Therefore, our policy should be, to prevent precipitous collapse of banking institutions, and to take measures to maintain operations of those banks which would become viable under recovery conditions.

It should be determined, whether it were better to take the appropriate action under the President's emergency powers, or whether an emergency, clean bill must be enacted by Congress for this purpose. Were the latter deemed feasible, it were to be preferred, for rather obvious reasons.

An emergency action under law must provide for: The orderly and efficient determination of which imperiled banking institutions could be successfully reorganized under conditions of economic recovery, and emergency measures of reorganization to provide for the continued operation of banking institutions falling into the latter category.

The following considerations should be included.

1. Congress should resolve that a condition of threatened international financial crisis and economic depression exists, and that the government is resolved to effect such changes in current monetary, fiscal, and economic policies as may be needed to begin an immediate and durable economic recovery.

2. The general approach to financial reorganization should be to classify non-performing assets as ceasing to accrue debt-service charges according to law.

3. Non-performing loans which might become performing assets, in respect to unpaid principal, under conditions of

economic recovery, should be considered as potentially performing loans, and that amount of value of unpaid principal should be classed as a frozen asset. If the bank is solvent on this basis, then the bank should be kept in operation.

4. If there is no prospect for successful reorganization under conditions of economic recovery, and if greater damage to depositors would result from continuing operations than otherwise, the best mode of liquidation should be adopted.

The same approach should be adopted, on principle, for the case of foreign non-performing debts. Banks holding loans which are non-performing, should carry balances without accruing debt-service charges, unless the bank should elect to write off the entirety or a portion of this unpaid balance, carrying only some residue as a balance.

In the case of currently non-performing debts of foreign governments, except in the case of the so-called "least-developed nations," it should be assumed that a successful

reorganization of payment of either all or a substantial portion of the principal amount of the unpaid balance will occur. In the latter case, the amount of unpaid principal shall be carried as not accruing debt-service earnings, subject to negotiated reduction of this principal.

The greatest danger at the present time, would be a refusal to recognize that the threat to our banking system is part of a combined economic depression and an international financial crisis with many analogies to that of 1929-1932. If we pretend that there is no economic depression and no spiralling financial crisis, and if we continue to employ policies attuned to assumed normal business conditions, we invite an unnecessary, deep catastrophe. If we recognize that such crises are deepening, and also resolve to launch an economic recovery, the correct treatment of temporarily embarrassed banking institutions follows more or less as a matter of applied common sense.