

Address to the nation

LaRouche's Democratic strategy to beat Reagan

On Friday night, Aug. 1, Democratic presidential candidate Lyndon H. LaRouche appeared on CBS-TV for the first of four television addresses to American citizens that were broadcast before the Aug. 11 Democratic Party National Convention in New York City. We present an edited transcript of Mr. LaRouche's 30 minute address here.

The United States is presently approaching a Democratic Convention, and at the same time is sliding toward a depression which will be worse than that of the 1930s if we don't stop it now. The Republican Convention has concluded. Ronald Reagan who is personally a decent, humane person, has nonetheless taken on advisers whose foreign policy, is, without exaggeration, dangerous lunacy. Apart from some fine words in the Reagan platform, the Reagan campaign is dedicated to continuing this slide toward the worst depression in our history.

In that situation, we are approaching the Democratic Party Convention. At this point I would say the chances are about 90 to 95 percent that neither Mr. Carter nor Mr. Kennedy will receive the Democratic Party nomination. It's not entirely excluded. Mr. Carter's administration is playing games with the hostages again in an attempt to secure the nomination despite the impact of Billygate.

The problem is that if Mr. Carter or Mr. Kennedy were to get the nomination, the Democratic Party would lose disastrously. It would probably lose control of the House of Representatives. It might lose control of the Senate. In about 30 states where the Democratic Party is very strong, it could possibly lose control of the legislature, the leadership in those states as well.

What's involved is much more than a potential disaster for the Democratic Party should either Mr. Carter, or, more improbably, Mr. Kennedy secure the nomina-

tion. The problem is that with Mr. Reagan's inadequacy in terms of his foreign policy, which is a disaster, and his domestic program, which so far is a disaster, the country will be faced with no choices, no options, but to plunge ahead into a depression, and to plunge ahead possibly into a thermonuclear war or a great strategic humiliation of the United States which might occur as a result of Mr. Reagan's acceptance of the China policy of Mr. Henry Kissinger.

Therefore, the United States, the American people, require a competent Democratic candidate who is an alternative to Mr. Reagan, who has policies and capabilities of getting this country both out of this foreign policy mess and out of this slide into a totally unnecessary new depression.

Those are the two things I want to talk to you about. I am speaking to you as individual citizens; I am also speaking to you as a way of making certain proposal commitments to various influential persons who are still trying to make up their minds about what to do about the Democratic Party Convention.

China card lunacy

The China policy is absolute lunacy. Under no conditions would Communist China represent a military asset for the United States. Communist China has an army of about 4 million people, no logistical capability for deploying those forces against the forces of the Soviet Union. Should, as some have proposed, the United States and its ally Israel continue to supply nuclear and missile technology to Communist China, and should Communist China attempt to put those augmented capabilities into place, it is assured that the Soviet Union will act preemptively to destroy those capabilities before they become a factor in the strategic situation.

Or, if China were to launch a new, large-scale military operation into Southeast Asia which is beyond

the capabilities of the Vietnamese to control, the Soviet Union, under those circumstances, would attack China, not necessarily invade it, but it might invade Sinkiang province, it might deindustrialize Manchuria and destroy China's missile capabilities.

In this circumstance, the United States, which is grossly inferior to the Soviet Union in all areas of military capability except thermonuclear deterrent, would have the option either of sitting back and watching the Soviet Union destroy China as a military power, and doing nothing about it, or going to a thermonuclear war—either a transpacific thermonuclear war, or, if NATO were involved, it might be a global thermonuclear war.

Therefore China is no advantage to us; it has no military potential. Before it could develop military potential, the Soviets would destroy that potential. In the meantime its only significance is to get us into a war—a strategic humiliation or a thermonuclear war.

Mr. Carter's policy—in addition to his China policy, which is essentially no different from that which Mr. Kissinger imposed upon Mr. Reagan—also includes what Mr. Brzezinski and Mr. Carter sometimes refer to as a commitment to Islamic fundamentalism. Islamic fundamentalism is a code-word for a fanatical, evil, immoral cult which is far worse than Nazism, called the Muslim Brotherhood.

This cult has recently performed assassinations inside the United States, as well as in Western Europe. This particular cult controls the Khomeini regime. It is the Khomeini regime's hard core, and it is in control of Libyan policy at this time, as well as elements of the PLO and other forces. It is tied in directly to international terrorism, among other things.

The Carter administration's mishandling of the Iran situation, before the hostages and since the hostage situation developed, flows from a stated commitment by the Carter administration to seek alliance with the Muslim Brotherhood, i.e. Islamic fundamentalism. That is exactly what the unfortunate Billy Carter got himself in the middle of, in connection with the events on which Billygate bears.

The danger is that if this destabilization continues in the Middle East, and on the southern borders of the Soviet Union, that again gets us into a military confrontation with the Soviet Union in the immediate future, for which we have no military capability in the ordinary sense of tactical nuclear, and similar tactical capabilities. We would be forced to rely on our thermonuclear deterrent.

So Mr. Carter's policy commits us to a confrontation with the Soviet Union in the immediate period ahead, confrontation for which we have no ordinary

military capability, and for which we might either have to accept a gross strategic humiliation which might change the course of events to our disadvantage, or the alternative of thermonuclear war.

A policy of stability

This has got to stop. This is my view; it is the view of a great number of concerned citizens in the United States, in the political and military areas as well as the intelligence area. It's the concern of a great number of leading people of Western Europe.

We must abandon the China policy, as the late Lord Mountbatten of Britain proposed. We must go to a policy of stability on the southern borders of the Soviet Union. We must follow the course of action which is being taken by Chancellor Schmidt of West Germany and President Giscard of France, to negotiate stability in the Third World including the southern borders of the Soviet Union, based on a set of agreements covering economic relations, governing political relations, and subsuming new arms agreements within political and economic agreements. The policies adopted by Reagan at present are lunacy; they must be stopped. Mr. Reagan—as I say, I'm not attacking him personally—is a decent, humane individual. But he doesn't understand this problem and his advisers are vastly misguided.

Mr. Carter has the same policy; Mr. Kennedy is deeply attached to the China policy, and therefore he's not acceptable. We must have a candidate and a policy which commits us to an alliance with France and West Germany on this question of creating stability on the southern flank (of the Soviet Union), a secure agreement to that effect; wiping out once and for all this Muslim Brotherhood horror; and negotiating, of course, stability also in the Third World.

The second thing we must do is to stop the depression. Depression is totally unnecessary.

There are two aspects to stopping this depression. The first aspect, which I've mentioned before on a number of occasions, is that we must reach monetary agreement with our Western European allies. This means using the gold reserves of the United States—which are the largest of any nation in the world—in coordination with our allies in Western Europe and Saudi Arabia, in particular, to establish a new international rediscount facility which will issue gold-based bonds to buy up the surplus dollars in the world and then use those surplus dollars for hard commodity loans to open up and expand world trade, through high-technology projects, into what is called the developing sector. That will work, and that will stop monetary inflation cold. That is an absolute precondition for stopping the ongoing depression in the United States.

We must do a number of things domestically, as well. First of all, the United States must organize domestic credit to be loaned by the federal government through the private banking sector to promote a number of things which must be done. These things will, of course, create more employment immediately, but they are also things which are urgent; and I'll come to those in a minute.

A sound tax policy

We must also revise our tax policy. Mr. Reagan has been talking about tax reduction. His tax reduction proposal, that of Arthur Laffer, Jude Wanniski and Congressman Jack Kemp—the Kemp-Roth proposal—is unsound. But the idea of a tax reduction at this time is a perfectly sound proposal, and I don't care how many times Mr. Arthur Burns and Mr. Paul Volcker denounce it and say it's irresponsible—they don't know what they're talking about.

A tax cut is the thing we must have at this time. But we must not have the broad tax cut that Mr. Kemp has proposed, in the Kemp-Roth bill. We must have a different kind of selective tax cut.

We must cut taxes in two areas. Number one, we must reduce taxes on individual households. The way to do that is to increase the per dependent allowance to \$2,500 per dependent now, and bring that up to \$5,000 per dependent over the next two fiscal years following; which would mean that two fiscal years hence after the first reduction, a family of four earning an income of \$20,000 would have no federal income tax liability. This would not only increase the spending power of our families—which must be done now—but would also mean that states and localities would have new sources of tax revenue with which to begin to meet state and local level school and related kinds of service requirements.

We must get the federal government out of that area. The problem at present is that the federal government is taking so much out of the incomes of our people through federal income taxation and social security taxation combined, that states and localities do not have the tax base to meet their own needs. And what we end up with is nonsense in which the states and localities now have to go begging to the federal bureaucracy to get some funds—which are always given on conditions by the federal bureaucracy—to maintain services which they ought to maintain locally.

Tax incentives for productive investment

Another thing which we must do in tax reduction is that we must reduce taxes on productive investment, job-creating productive investment. We must increase

amortization; we must increase depletion allowance—particularly in areas like oil. We've got to go back to petroleum depletion allowances. That will get us a lot more oil, a lot cheaper, and we need that.

We must also have investment tax credit for certain things which are in the national interest. Where private investors are willing to expend their profits to do things the federal government would otherwise have to do, we should give private firms investment tax credits for doing those types of things. We should not decrease taxes on other areas of income, but rather we should eliminate a great number of tax loopholes.

The object is to create more savings in our economy, to build up our savings banks and the commercial savings deposit accounts, so that our banks have more deposits to loan. We must have tax incentives which cause those deposits, those savings, to go into productive job-creating investment, rather than into quick-buck inflationary speculation, which is the present pattern. That is, we must reverse the flow of profit—which has previously been going into quick-buck operations, away from job-creating productive investments—back into basic industrial and high-technology and agricultural job-creating productive investments. That's the basic thing we've got to do.

Low cost credit

The federal government must organize credit at low interest rates on medium and long-term loans to [move toward] a new monetary system of the type which the Europeans are proposing, then the United States will have potential increased exports of about \$100 billion a year from that source, which is about as much as we could possibly produce for export with our shrunken capacity at present.

But there are other things that have to go with that. We must rebuild our ports. We must build modern port facilities to enable us to handle the import and export trade; we don't have that. We must link up our port facilities, which would be a point of intersection of air freight, of trucking, of rail freight. We must build up our rail system, going right back to roadbed and track, and build a modern rail system which is efficient. We must also build up our inland waterway system. Water is the cheapest way for handling bulk freight, and we must improve that. We must rebuild our steel industry entirely, and that's going to require a massive amount of credit, to replace our broken-down, obsolete steel industry with a modern competitive steel industry. We have reorganization to do in our auto industry on the same basis. So, with a few basic areas of government promotion of low-cost credit through local banks to promote large-scale projects which meet urgent national

needs, it would provide adequate security for the loans made. We can absorb our adult unemployed population, and thus get the economy moving again.

Unemployment and the budget deficit

The benefit of that is this: for each 1 percent of our labor force which becomes unemployed, the federal budget moves toward the deficit side by \$20 to \$25 billion. That is the reason that Mr. Carter's so-called budget balancing is actually moving us toward a \$200 billion budget deficit. His efforts to balance the budget are creating the largest budget deficit in our nation's history as a result of unemployment.

It works the other way. If we increase our employment, for each 1 percent of the labor force we put back to work, we put between \$20 and \$25 billion on the asset side of the federal budget. This \$20 to \$25 billion can be shared between government expenditures for balancing the budget, and tax reduction. That is where the people who criticize Mr. Reagan for his tax reduction are absurd. If tax reduction programs, or tax incentive programs, cause the economic base of the economy to expand, thus increasing tax revenues, you can have a tax cut and budget balancing at the same time; no problem in that. Our big problem is not putting back to work the 4 or 5, or maybe 6 or 8 percent—by the time November rolls around—of the adult workforce that has been put out of work by Carter's depression. That we can do fairly easily, simply by doing the kinds of things I've indicated.

Create jobs for youth

Our problem is that in the area of youth, from 16 to 25, we have a very complicated problem of youth unemployment. Not only do we lack the job opportunities for these youth, but because of the collapse of our educational system, because of the drug problem, and because of demoralization which has crept in among these frustrated youth, they are not qualified, or at least a great number of them are not qualified for jobs. Our nation is going down the tube unless we ensure that the coming generation is qualified to work. Therefore we must have federal programs which assure us that we are creating jobs for youth; we must also have remedial education and other programs which aid these youth in fitting themselves to the increased job opportunities. That's where the key to our future lies, in that direction.

What we must do is this. As I have indicated, it's 90 to 95 percent certain at this point that Mr. Carter will not be the nominee of the Democratic Party; that Mr. Kennedy will not be, even though Mr. Kennedy does of course have some strong support among parts of the Democratic Party.

That brings us down to a candidate such as myself. I am the only active third candidate presently for the nomination at the Convention; and then you have options such as Senator Henry Jackson, who might be pushed forward by some people as the dark horse, and who, in those circumstances, might appear to have a much better chance for the nomination than I do.

A President who speaks to the people

We must have a Democratic Party candidate who represents the policies I've indicated, and who approaches the task of government in this time of grave crisis in the same way that President Franklin Delano Roosevelt conceived the presidency. The way the President of the United States should lead the United States is by the method of the fireside chat—in modern form.

The President of the United States must speak directly to the people, must outline in detail the problems we face, must outline the solutions to those problems proposed. And as the people, or a majority of them, agree with the President's analysis of the problem, and his proposals, under those circumstances the Congress will work with the President, the people will support the President, to make the kinds of profound turnabouts in policy which must be made at this time if this nation is going to survive.

We need a presidency which functions like that of Franklin Delano Roosevelt. We've had a succession of weak, inadequate presidents. I believe that Mr. Nixon was a very weak President. Weak, not because they lack arrogance—Mr. Carter certainly has arrogance—but weak because they are weak mentally, weak in their intellectual powers to understand our national and world problems; unable to get out to the American people in give-and-take and explain what the problems are, to explain what the solutions are, again and again and again, until the majority of citizens understand what has to be done. And when the majority of citizens understood what has to be done, the President must then say, we want this program. The Congress in that case will support the President, and when the President says to the executive branch, "I want this thing started within 90 days," the executive branch will know it had better get that thing done within 90 days.

That's the kind of President we must have. I represent that kind of a President. A lot of people don't like me, because I do. But that's what we need. I ask you, and I ask particularly those of you who have influence in this matter, to see to it that the Democratic Party has a candidate who represents this point of view and these policies for the coming period. Under that condition, our nation can survive.

Thank you.