

dent to undertake immediate consultations with the Fed in four principal areas: First, easing reserve requirements on member institutions to make more funds available to capital-hungry markets. Second, changing [Federal Reserve] Open Market Committee practices which cause unwarranted reductions in the money supply, driving the interest rates up. Third, modifying the criteria for setting the discount rate. Fourth, prevention of the diversion and reservation of substantial amounts of available credit and capital for financing corporate mergers and acquisitions to ensure that borrowers from the productive sector have sufficient financing for needed expansion and productivity-growth improvements.

Finally, the resolution calls for effecting substantial reductions in interest rates within 90 days and directs the President to report the results of the consultations to the Congress within 30 days after adoption. . . .

From a Sept. 11 statement on the floor of the Senate by Russell Long, Democrat of Louisiana:

The ability to protect the economy from further high interest rates is in the power of the Congress. It is in the law-making process, which is Congress and the President. Previous Congresses created the Federal Reserve Board. That is an act of the Congress. It is not a part of the Constitution. That act can be amended or repealed entirely. . . . If anybody is going to do anything about high interest rates it should be this government acting on behalf of the people of the country. . . . I do not believe we are going to solve this problem merely by making conditions attractive for the Wall Street bankers and big-money interests. . . . In my judgment, to bring down interest rates, you will have to look at the kinds of things Presidents Franklin D. Roosevelt and Harry Truman did when they used the powers that were given the federal government by the Constitution to create money and regulate the value of it. . . . Many things were done to lower interest rates under Presidents who had the will to act. . . .

We may have to recreate the Reconstruction Finance Corporation to make some of these loans that money-lenders do not want to make, except at 25 percent. . . .

One of the principal reasons we do not have a balanced budget and have no hope of having one is high interest rates. . . . The federal books will never balance with interest rates so high. . . .

[Economic conditions] are serious enough that emergency measures of some kind are warranted. [My concern is with] a serious inadequacy of our financial system. . . . If we continue to fight inflation with recessions induced by high interest rates, the greatest loss to the economy will be the loss of confidence of the American people in the economic system and in their government.

'This administration must wake up'

by Lyndon H. LaRouche, Jr., EIR Founder

The following statement was issued by Mr. LaRouche in his capacity as chairman of the advisory board of the National Democratic Policy Committee.

In a time of food shortages, a farmer may increase his income by selling his seed-corn to millers and his entire herd to the slaughterhouse. What, then, will the nation—and the farmer himself—eat next year?

That describes the sheer idiocy of the British "free enterprise" economic policy now misguiding the Reagan administration.

My associates and I have warned constantly, since October 1979, that the usurious policies of Federal Reserve Chairman Paul A. Volcker and the Carter administration would increase the rate of inflation up to the point that the contraction of the economy brought the United States into a slide towards a new Hoover collapse.

From the beginning of the Reagan administration, we have warned repeatedly that the Kemp-Roth tax bill was idiocy, and that the toleration of Volckerism meant an annual federal deficit increase in the order of between \$100 and \$150 billion.

On both points, we have been correct, and all of those who opposed our warnings are now proven to have been totally wrong, disastrously wrong. The evidence of the proposed new, more savage round of budget cuts is irrefutable on this point.

The test of wisdom of an administration and a Congress is its ability to learn quickly from evidence of its own major policy blunders. Have the administration and the Congress the courage, honesty and sanity to admit that the Reagan administration's continuation of the Carter-Volcker monetarist policies has led us to a disaster potentially greater than that caused by the Coolidge and Hoover administrations of the 1920s? Have the citizens of this nation the intelligence, courage, and instinct for self-preservation to compel the administration and Congress to force through the rejection of the British "free enterprise" lunacy now pushing us toward incalculable calamities?

The military danger

To those of us old enough to remember World War

II, the present direction of Washington's military policy reminds us of the pattern of Nazi Propaganda Minister Josef Goebel's trumpeting of Nazi "miracle weapons," trumpeting which increased to a point of frenzy during the years following the Nazi defeat at Stalingrad.

The administration and Congress have continued James R. Schlesinger's and Carter's policies, of turning our nation's, and our allies' agro-industrial strategic potentials into bankrupted wreckage, while at the same time seeking to bluff Moscow into back-tracking through aggressive shows of force based on an increasingly hollowed-out in-depth strategic capability.

The administration and Congress must now face reality, they must recognize that the Kemp-Heritage Foundation-Friedman-Volcker doctrine of "free enterprise" gimmickry is the enemy of the welfare of our economy and people. As long as we cling to this silly resurrection of the corpse of Adam Smith, we shall not and cannot provide for an adequate means of national defense. The attempt by forces of the administration and Congress to embrace at the same time Milton Friedman and the cause of national defense is a travesty bordering upon sheer lunacy. It has the makings of a new Shakespearean tragedy, a nation bent upon destroying itself because of impassioned irrational commitment to an absurd policy.

The solution

This nation must return immediately to those policies of American industrial-capitalist development which made us formerly great. We must return to the American System policies of banking, credit, currency and economics set forth by the administration of President George Washington, the American System of Treasury Secretary Alexander Hamilton.

The following actions must be taken immediately, to prevent the new Hoover depression some evil fellows are planning for as early as October of this year.

The powerful gold reserves of the United States must be immediately reactivated. We must not repeat the insanity of the 19th-century British "gold-exchange" system, being proposed by some among President Reagan's Gold Commission advisers. We must establish the U.S. dollar internationally on a gold-reserve basis, at a gold price of approximately \$500 a troy ounce.

The President and the Congress must create an issue of several hundred billions of dollars of a new, special issue of gold reserve-denominated U.S. currency (Treasury) notes. These notes are not to be spent by the government. They are to be loaned at not more than 4 percent annual interest for agro-industrial goods production and technologically progressive energy production, water projects and transportation, through the private banking system. That is, the U.S. Treasury must direct the Federal Reserve System to take a percentage

of the loans by private banks for investments in technologically progressive forms of agro-industrial production of goods, energy production, transportation improvements, and water projects.

To control monetary inflation, the federal government must slam down the gates against the influx of phony "book money" loans from foreign, unregulated banking systems such as those of Hong Kong, Singapore, the British West Indies, and Canada. The power of the Congress, awarded by the Constitution, to regulate currency, credit, and banking, must be used to enforce complete transparency by all financial institutions doing business within or with the United States.

There must be a new tax-reform action. All capital-gains incentives on all categories except paid-in equity in goods-producing, transportation, and research and development items must be eliminated, and investment tax-credit incentives provided instead. We must direct the flows of credit and liquidity away from non-productive channels of investment, and into those channels of investment which increase employment in goods production of agriculture and industry by advanced productive technologies.

The only proper reductions in individual federal taxation rates are the following: (1) increase the per-capita exemption for each dependent, starting at \$2,500 per dependent; (2) provide duplicate investment tax credits to savers, on the basis of paid-in purchases of equity in goods-producing entities and unpaid balances of loans employing depositors' savings.

The social objective of these measures must be to increase the percentile of the total labor force employed in high-technology modes of production of goods to 40 percent or more of the total labor force by a target date four to five years ahead. The increase in average national productivity effected by such means will solve all of the most pressing problems of domestic policy, including establishing an adequate economic and tax-revenue base for proper national defense.

Some people argue that such an abrupt shift in policy is not "practical." Such people are behaving like fools. Whatever must be done is the only action which is practical. If we as a nation are unable to make such a turnaround, away from Milton Friedman's evil lunacies, then we have become indeed the United States of Sodomy, a nation, riddled with drugs and pornography, which, like Sodom before it, has lost the moral fitness to survive.

If you, as a citizen, find yourself unable to commit yourself in practice to doing your part in bringing such a change about, then your inability to do just that is a moral weakness, is the way you are participating in permitting our nation to become one which is losing the moral fitness to survive.

The time is very, very short.