
Interview: Lyndon LaRouche

Why Washington can't seem to solve the economic crisis

The following is an edited excerpt from the radio program "Executive Intelligence Review's Talks With Lyndon LaRouche." LaRouche, the political prisoner, economist, and former presidential candidate, was interviewed by telephone by Mel Klenetsky on Feb. 1.

EIR: Mr. LaRouche, the biggest problem facing the Clinton administration of course is the U.S. economy, and despite the fact that some people are saying that there was a little bit of a recovery, we are looking at Sears laying off 50,000 people, the aerospace sector laying off 31,000 workers, and Westinghouse and other major corporations dumping their top executives.

What can Mr. Clinton do? What does Mr. Clinton have to do, to get on top of this situation?

LaRouche: It's getting worse and worse by the week, by the day. Clinton plunged into this social agenda, so-called, that is, the issues of abortion and homosexuals in the military, and related things, really by default, because he had nothing on the economy. The health care issue in the advertised form is not going to fly. It will end up in a crisis.

Essentially, two things have to be considered. First of all, there never was a recovery. There hasn't been a recovery really since the Volcker recession of 1982. There have been expansions in certain sections of the economy, while the rest goes down.

For example. Let's take unemployment. *Actual unemployment in the United States, by the standards we used to measure unemployment in the 1930s, is today about 17%.* That is, using U.S. government official figures, from which they derive the reported official rate of unemployment. If we were to take the same figures as those used back in the 1930s, we would come up with 17%.

The United States *has been and is in a continuing depression.* There is a collapse of employment, there is a collapse of industry, there is a collapse of agriculture. We are really a net agricultural importing nation, if you take the whole spectrum of agricultural consumption. Our industry is collapsing, our infrastructure is collapsing. We are in a depression which is actually *worse* than that of the 1930s. The illusion in this matter, is fostered by focusing upon Wall Street. People are waiting for the great financial crash, something worse than October 1987, and until they see that, many

people will continue to harbor the delusion that there is not a depression ongoing. Once that crash hits, of course, then all bets are off, and they will recognize the depression.

President Clinton's only chance to get this economy and his administration under control was, from the outset, to admit that there is a general economic crisis, globally as well as nationally, and to announce a series of measures which would include, of course, taking on the Federal Reserve. Until that is done, until that reality is faced, this administration will not "muddle through," but muddle downward, in a downward spiral. There is no hope for it, until that reality of the economy is faced.

EIR: You have indicated some of the measures that are necessary should you be in some kind of position to aid Mr. Clinton. You have also indicated that the only way that Clinton would be able to deal with this recovery, would be to apply your program and to give you your political freedom. What are some of the measures that you would implement, were you to go at it?

LaRouche: Very simply, what I have said repeatedly. We have to have an industrial recovery, which means credit expansion, not by the present Federal Reserve central banking measures.

We *cannot* have a recovery if getting the monetary aggregates expanded, means New York bankers and others, borrowing from the Fed at 3% or at about that rate, using fiat money created by the Fed, and turning around and loaning that money at between 4.5 and 8% to the federal government for federal paper.

So we cannot have the federal government going into debt to the commercial banking system, i.e., the Fed, as a way of expanding. If you try to do that in that way, since the New York and related financial markets will skim off most of what you generate, you will generate a very dangerous inflation. The only way to expand—and we must expand by approximately a trillion dollars minimum in our throughput—we must expand in the industry/agriculture/infrastructure sector, not the financial sector. And in order to get that in there at low interest rates, we have to bypass the Fed mechanism, we have to go back to the Constitution and issue the money directly, place it with the banking system only as a depository instrument, and loan this at, say, 2% per

President Clinton's only chance to get this economy under control is to admit that there is a general economic crisis, and to announce a series of measures which would include taking on the Federal Reserve. Until that is done, this administration will not "muddle through," but muddle downward.

annum for loans which have a maturity, say, of 10 to 20 years. And restrict it, of course, to infrastructure, agriculture, and key industries for this kind of lending. That will get us out of the troubles. Without that, the United States has no domestic policy worth mentioning, and without a decent domestic policy, we really don't have a foreign policy.

EIR: You mentioned \$1 trillion in investment. Recently the U.S. Conference of Mayors talked about 7,000 public works projects that needed to be done, worth about \$28 billion and 400,000 jobs. Is this the kind of direction that you're talking about?

LaRouche: No, it is not. Some of that would be subsumed, of course. The mayors are just putting things together without thinking about *how* this problem is to be addressed, and they come up with numbers based on programs and needs they have. But they don't see the larger picture.

You have to remember that the entire political process of which these mayors are a part, that is, the national political parties, really are no longer an efficient mechanism for leading this nation. They have decayed. The merger of the two parties at the top into the Project Democracy apparatus, which was done about 1982, was the death knell of the political parties as they used to exist in the 1940s, 1950s, 1960s and so forth; they are gone.

And the mayors are like a leaderless group which comes together, like the famous case of the blind men discussing the elephant, each putting on the table their own part of the elephant—the leg in New York, or the tail in San Francisco, or whatever—each from their own point of view, and saying, "This is what the nation needs." This is what they see would make them comfortable, make their people comfortable, or relieve the pain in their local area. They are not looking at the thing from a national standpoint, except to realize that Washington is not doing anything.

They are not addressing one question: What would Clinton have to do, with the support of the Congress, to deliver a result which would give any of the kinds of relief around the nation as a whole which the mayors are collectively suggesting? And that is what they refuse to look at, in general. If we do not recognize that we're in a depression, the reason we are in a depression is because we have had the wrong policy drift for 30 years, that is, the post-Kennedy policy drift, and if we do not reverse the causes of the depression,

the depression is not going to go away.

The cause of the depression is the *policy drift* of the past 30 years. And you have to reverse that policy drift, otherwise you don't remove the causes of the depression; if you don't remove the causes, you continue to have the depression. It is like an alcoholic saying he is going to become sober tomorrow. Yes, sobriety would be a beautiful state, but you have to think about how to realize it, and you have to get off this hooch of policy drift. Particularly, you have to get away from the idea of the "Now Generation" thinking. You have to think about long-term investment. You have to think about investment in production, not simply consumerism. And that sort of thing. And until they are willing to address that, what they have to say may be useful as input to a policy-shaper, but what they are saying does not represent in any sense a policy that the administration can run with.

The administration needs to take on this Fed question. And if they don't take on the Fed question, you can forget all these mayors' programs—they are just not going to fly.

EIR: Can you be more specific in terms of what that policy drift is, what causes it, and why our country has gone in that direction?

LaRouche: Part of the problem is this. We have people who are underprivileged; that is, they are forced to go to college, and when they go to a college today like Stanford, which used to be a respectable university but which has now gone the other way, they study things like macro-economics and micro-economics and what-not, and if they pass all those courses, they become totally incompetent, fanatically incompetent, in economics.

You have to recognize, as Hamilton and others did, the founders of this nation, that what we call profit—that is, not profit from swindling or profit from horse trading, but profit from national production—comes from increasing the productive powers of labor through scientific and technological progress, and through investment in a capital-intensive and energy-intensive mode.

There is no other way in the archaeological as well as recorded history of mankind, that any civilization has ever developed a profit as a growth factor, as a factor of improvement in conditions of life and stability, except by those means.

What happened is, in 1964 approximately, right after the assassination of President Kennedy, there was a rash of



Lyndon LaRouche (left) with Professor Yamanake, during a visit to Osaka University's Institute for Laser Engineering in 1984. Japan is developing vital industries that we in the United States have shut down; then we blame them for being "unfair," for not being as stupid as we are.

proposals for several things which destroyed the assumptions of policy upon which this nation had built itself up to that point. One, they went to a "post-industrial" society. You had the Fund for the Republic out there in Santa Barbara, California, which produced the so-called Triple Revolution report. They were all over the place.

The "New Left" of that period was anti-production. Then you had the counterculture in general. We had the rise of the post-industrial ideology. Zbigniew Brzezinski, for example, was an exponent of that in 1967. We had the population policy introduced in the State Department in 1966. Then we had the wild environmentalism, and most of this stuff that is called ecologism today is pure ideological quackery which, although most people don't know it, originated with the Nazis in the 1920s and 1930s.

These things have destroyed the very foundation, the very set of assumptions, upon which society can generate a profit. So what we have been doing is to live off our past, long-term investments in the form of improvements in land for agriculture, infrastructure, cities and so forth—we have been burning them up. And we have been refusing to account for these things we have been using up as part of the costs of production. So we draw up a balance sheet and we say, "Well, let's consider only the very short-term paid-out costs and paid-in income." And they come up with a calculation, "Oh, we're doing all right." Then the bridge falls. "Oh, we didn't set money aside for the bridge. We can't afford to build a new bridge. That bridge has to go." The water system collapses. "Oh, we don't have money for a new water system." They write that off.

So the society collapses into a physical depression, because of the way these people think. And this is generally accepted thinking. When you hear these talk-show discussions on radio or television or read the newspapers, this kind of nonsense, which was introduced as a kind of mass brainwashing, beginning about 1964—this has taken over and is becoming the prevailing way of thinking about policy. And that is the thing that has allowed us to drift deeper and deeper into this muck of depression—confusion, fear, anxiety, and so forth.

We are now talking about killing off our old people through "health-care efficiency," that is, cut off the heavy extra costs that old people sometimes require if you're going to keep them alive, in order to save the money for band-aides to be distributed to the survivors. Unless you change this kind of thinking, there is no hope for this nation.

EIR: Many people believe that there is a moderate population policy and a moderate environmental policy that can be followed. Is there, and how did these policies originate with the Nazis, as you just mentioned?

LaRouche: There is no such thing as "moderate" ecologism, there is no such thing as a "moderate" population policy. It is all nonsense. You can't have it.

I think Walter Reuther once said there is no such thing as "a little pregnancy"—either you are pregnant, or you are not.

There have been movements throughout history which are against what the United States represented, movements such as the 1815-16 conferences at Vienna and Paris which established the Holy Alliance. The policy of Castlereagh was

part of that in England, and the continuation of that by people like Palmerston. You had the attempt to drive the United States, under British direction, from the kind of republic that Alexander Hamilton and George Washington and so forth conceived, into a Confederate-style slave society, in which the poor whites and even the planters were culturally little more elevated in their cultural conditions of life than the chattel slaves. We overcame that and saved the nation; but those tendencies were still there—this kind of feudalist mentality, as it sometimes might be called, of going back to nature, the ideas of that idiot Jean-Jacques Rousseau, and so forth; going back to the “simple life,” that technology is bad for you—all these kinds of things.

As long as a population believes that, that population represents a nation which is not going to long survive. And that is where we are now. We cannot compromise on this issue; we have to face the truth. There is a difference between truth and falsehood. If we do not face the truth, that the human species has risen above the level of the baboon only by means of what we call cultural progress associated with, inclusively, scientific and technological progress, and if we do not recognize that if we drop that policy of progress, we go back to the level of the baboon or worse, then there is no way of shaping a policy.

EIR: Your associates have said that you have to have your political freedom and be part of implementing your economic policy. Why do you have to be part of that economic policy, why can it not be implemented today by President Clinton?

LaRouche: Because he has no idea of what to do.

You cannot walk in with a blueprint to a man who has no training in construction and say, “Build this.”

The problem is even worse. Only someone of about my age or slightly older would be capable of understanding what needs to be done—in principle, that is. Because what I represent, from the standpoint of these new young radicals, these yuppies—I am a dinosaur. I represent the kind of thinking which was the ruling and commonplace way of thinking in our nation, back to Alexander Hamilton and back up through the Kennedy years. I am the kind of guy who cheered for space exploration from a pro-scientific standpoint and understood something about what that meant for us here on Earth and here in this nation.

Only people who *think that way* are capable of responding moment to moment with the policy responses to breaking developments which are needed to get a policy through. You cannot ship a blueprint into the White House and think that that policy is going to work as some kind of a master plan. The Brookings Institution and others hold these conferences where they come up with these master plans, policy structures—they don’t work. You can have the right policy and you can have the wrong policy, but it does not work simply because you have the right general or wrong general policy. It works because you have people on the scene who are

sufficiently philosophically and otherwise trained to respond to unexpected breaking developments in the appropriate way, to make the policy work. And to make that response, you have to be steeped in, shall we say, the axioms and postulates of the kind of thinking which underlies the policy.

Clinton and company could recognize the validity of my policy, particularly as they recognize the *invalidity* of the policy they are following, and which they have inherited. But they *do not know what to do*. And you have to have someone on the scene who is engaged in the matter, who is engaged in the discussions, who is giving them constantly inputs of how to respond appropriately to unexpected breaking developments. And most of history consists of unexpected breaking developments. And if you don’t deal with unexpected breaking developments in the appropriate way, no matter how fine your policy seems in general terms, it is not going to fly.

EIR: You have called for a policy which protects native industries; what is the difference between that policy and the kind of policy that, say, Congressman Richard Gephardt is talking about, Super 301, which involves bashing our trading partners?

LaRouche: First of all, Gephardt understands *nothing* about economics, really. We have had it out with him again and again, and we just cannot seem to get it through his head, as to what economics is all about. Maybe he has talents in some other directions, and should switch his efforts to those places where he has better qualifications.

Let’s take an example: We had a report out of the Senate Energy Committee by Bennett Johnston and [Robert] Krueger, which caused a little flip in the international petroleum market the day after it was announced. The committee has recommended a piece of legislation which I designed back in 1988, as you may recall, when I proposed that we set a trigger-price tariff on imported petroleum, based on calculating a domestic price which covered not only the direct short-term cost of producing petroleum from existing wells, but which took into account, like a parity price, the average cost of continuing to develop and maintain petroleum resources in the United States.

We were talking then, in 1987-88, about between \$22 and \$25 a barrel. So what the committee has come up with, is proposing that \$25 a barrel be a trigger price, and that petroleum approaching our shores which is priced at less than \$25 have a tariff put on it, which is equal to the difference between that import price and \$25, thus to promote the domestic petroleum industry and prevent us from losing a whole industry, essentially.

Now that is protectionism. That does not hurt anybody. That simply protects us, and forces us to keep an industry which is vital to us, which we need.

In the case of Japan or Europe: We do not have any more entire categories of essential parts of a modern industrial

society. Japan and western Europe still do have many of these elements which we lack. The reason we do not have them, has nothing to do with anything done by Japan or Germany, for example. We do not have these companies, because of our environmentalist, our free trade, our Volcker policies of 1979 through 1982 and on—those domestic policies. We have been idiots. We have shut down our industries; then we import from another country that which we no longer produce ourselves; then we blame the foreign country for being unfair for not being as stupid as we are.

That is the import of Super 301. We do not want that kind of thinking any more. It is destructive.

What we wish to do, is to have arrangements, under which we have, shall we say, mutual protection among partner-nations, whereby we set fair prices and we base a tariff system on fair prices, which allows each nation to do what it should do to protect its own native industries, particularly those industries which are vital to us.

For example, if Japan develops certain industries, those industries are vital to us. That is the only place from which we are going to get capital goods to revive our economy. If we want to shut down the only foreign supplier who can supply us a good, like a piece of capital equipment, which is indispensable to our national interest, and which we cannot produce or obtain from any place else but that nation—if we go over and bomb that plant out of existence by military or economic means, we are lunatics. And unfortunately, what [Trade Representative] Carla Hills and company were doing, in line with the Gephardt policy under the Bush administration, was *absolute lunacy!* And this policy of bashing our competitors, is lunacy. It reflects again the thinking of people who do not understand the ABCs of economics, or people who, unfortunately, may have studied economics all too recently at Harvard or Yale or MIT or Stanford, or someplace else, who believe in this stuff. They believe in this cult idiocy called free-market theories.

EIR: What has been the result of the free-market policy as it is applied to eastern Europe, for example, the Jeffrey Sachs and Gaidar plans in the former Soviet Union?

LaRouche: We are faced with the threat of World War III, which is something that I think that even the NATO leadership and some people around Clinton are trying to avoid. We got into this danger of World War III for many reasons, but the main reason we were pushed in that direction, instead of toward peaceful development, was that in 1989-90, when the Iron Curtain collapsed, when the Berlin Wall collapsed, instead of using the admittedly somewhat obsolete industrial productive capacity in the former Soviet empire to continue to produce goods for modernization of the entire region and also for Third World development, we said, “Shut it down, because it is not competitive,” and we looted it.

The result was, that we collapsed these economies in eastern Europe and the former Soviet Union to a lower level

by far than they had ever been under communism. And we convinced a lot of people in eastern Europe, that the Anglo-American plan of capitalism was a bigger failure than communism, from their own experience. So what happened is, that there is a tendency to regress, not toward communism, but toward leadership of these countries by a combination which is the same group which was the controlling interest-in-chief under communist dictatorship.

In this connection, we are developing an adversarial conflict between Russia, which really is still a superpower, apart from all the troubles it is having, and the Anglo-American powers. This entails a lot of other things around the planet which are blowing up; it also entails the fact, as we hear from England, that they don't have a military capability anymore of any significance, and the United States neither. So we are collapsing economically and militarily; the Russians have collapsed, but they haven't collapsed as far as we seem to be about to do; and therefore, on a lower level globally, a lower level of technology capability, we are back in a superpower conflict, shaping up rapidly for the next couple of years ahead, unless we reverse this idiocy.

EIR: The Ukrainian Parliament recently denounced the economic reforms, and after one year in Russia, we are seeing that the economic policy has resulted in 1,300% inflation, and an 18% collapse in production. Is there any direction, in terms of the East bloc, which would go toward the kind of policy approach that you have?

LaRouche: Well, not necessarily. You cannot talk in those terms, because they are in pretty bad shape now.

When the Berlin Wall was coming down, I summarized what needed to be done in line with the policy outlines I had given in the 1985-88 period, in connection with my campaign for the presidential nomination then. It was called the Productive Triangle policy.

What I did, was to focus upon the center of the world which had the highest per capita and per square kilometer productivity of any part of this planet, which is a roughly spherical triangular region from about Paris, moving a little bit also to the west of there, down to Vienna, up across Bohemia into Berlin and back to Paris. This region, which has an area about the size of Japan's total area, which has a population of about 110 million people, is the concentration of the greatest productive power on this planet. And if you wish to get technology moving, you have to go into the tool and related sectors of this part of the planet, this Productive Triangle; and by building up transportation and related networks, to connect the spinning off of this economic technology-driver in this area, to spin it off to every part of the world. That would mean doing that in part with southeastern and eastern Europe and the former Soviet Union.

That was my proposal. That would work. *That is still possible.* But nothing else will work. There has to be a global policy, it cannot be simply a regional tactic. . . .