

LaRouche Answers Queries From National Institutions on Rebuilding the Economy

The following are questions to Lyndon LaRouche, and his answers, from eight Washington, D.C. institutions, submitted in response to his April 7 webcast. LaRouche's opening speech to the webcast appeared in EIR on April 15, and a portion of the question period, dealing with questions and answers from Democratic circles, in EIR on April 22.

From the Senate Democratic Leadership

Q: You've referred to financial capital and physical capital, but I think we have to address the issue of political capital. The U.S. is organized around the principle of a strong central government. When the President of the U.S. calls bonds issued by the U.S. Treasury "nothing"—and I know you're aware of the stunt he pulled in West Virginia—that goes to the heart of his thinking. It would seem that the crisis we face in terms of a lack of financial and physical capital is exacerbated by a serious shortage of political capital. How do we get around that?

LaRouche: Since the immediate aftermath of the November general election, the popularity of President Bush and his government has been declining at a presently accelerating rate. Leading factors in this decline have been, foremost, the issue of Social Security, and, second, health-care matters as such. Apart from the issue of the Administration's recently and newly threatened wars, these and related other factors in the decline are, most immediately, reflections of the effects of a continued collapse of the physical economy of the U.S.A. The fact that this collapse in the U.S. economy is a reflection of an onrushing general breakdown of the world's present monetary-financial system as a whole, has not yet been clearly perceived by the U.S. population, but the effects of this process within the U.S. itself are felt and produce what might be best described as "gut-level" responses expressed as increasing anxiety about the Bush Administration itself as much as the economy which that Administration is sensed to be mis-managing.

I had estimated, as in delivering the forecast contained within my Nov. 9, post-election webcast, that, provided the Democratic Party stood up on the issue of massive Administration-orchestrated vote suppression in the preceding general election, that the determining mass political issue would now be the Administration's intention to loot the Social Security system for the purpose of bailing out an imperilled Wall Street. Under such conditions, the ostensibly re-elected President would re-enter office to become, increasingly, a virtual "lame duck" from the beginning of his new incumbency, on-

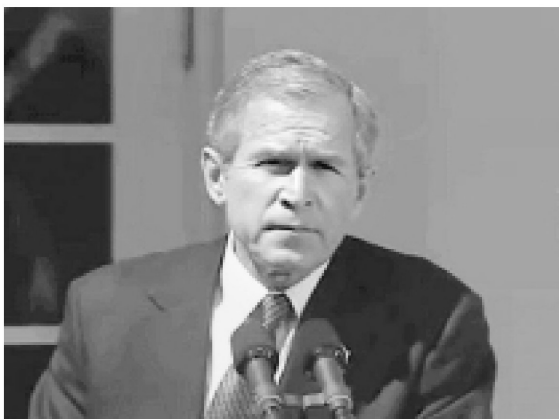
ward. That estimation has proven correct.

This new state of national affairs is to be credited largely to those Democratic Party figures who have rallied to the memory of the successes of the economic-recovery policies of President Franklin Roosevelt. It is also a reflection of the growing uneasiness in the consciences of many Republican Senators and Representatives. More and more, electoral politics today express reflections of the anticipated outcomes of the 2006 mid-term elections. The Executive and Legislature, that is, are influenced by the new Legislatures already in the making. The trend which is being largely determined by the perceived trends in the international and national economic and social situation, may be fairly regarded as the future government already in the making, especially as concern for the near future tends to become more of a political factor than the immediately present situation.

This, I propose, is the underlying reality of the current political situation of the U.S.A. This means, that to the extent that a majority of the members of the Congress react, more and more, across lines of division by party, the Congress comes into a situation in which the moral weight of the Senate's influence over the Executive Branch must become greater than the policy-making impulses from within the Bush Administration itself. I am not speaking of a shift from a Presidential to a parliamentary system of government. The latter alternative we should abhor, especially as we observe the axiomatically embedded systemic impotence of parliamentary systems of Europe today. As experience has shown, our Federal Constitution has been efficiently designed with regard for the need to have that body function, especially when exceptional circumstances require this, as a controlling conscience by the nation over the powers of the Presidency itself. The crisis of our republic today is such that a majority of the Senate must now be called to perform the function of providing a check on the reckless plunge toward ruin being led by the incumbent President of the Republic. The Senate must not assume Executive powers and responsibilities; but, at times like these, it must check impulses toward ruinous forms of morally and intellectually irresponsible action, or lack of action by the Executive Branch itself. We are presently in such a situation.

Therefore, I am crafting a motion to be produced and delivered by me in the course of this week,¹ a motion presented

1. See "From Lyndon H. LaRouche, Jr.: Emergency Action by the Senate," *EIR*, April 22, 2005.



LaRouche pointed out that our Federal Constitution has been designed to have the Senate act, “when exceptional circumstances require this, as a controlling conscience by the nation over the powers of the Presidency itself. . . .” The Senate must now provide a check on “the reckless plunge toward ruin being led by the incumbent President of the Republic.”



to the members of the U.S. Congress, especially to the body of the Senate, in which I bring my proven authority as a long-range economic-forecaster to bear on that threat to our nation’s existence represented by a presently onrushing general breakdown-crisis of the world’s present monetary-financial system, the so-called IMF system.

We have entered a period of global economic and monetary-financial crisis which constitutes a national emergency of the greatest urgency for our Federal government. The failure of the incumbent Presidency even to recognize the reality of this deadly situation, constitutes an immediate threat to the sovereignty, the defense, and the general welfare of our republic. It would be monstrous to allow the prevention of this immediately onrushing global catastrophe from being corrected for as long as some next general election. Therefore, some relevant institution must take action which, in effect, defines the unconstitutional character of the failure of the incumbent President to face the present reality of the situation. His has been, so far, a form of negligence which would be comparable in effect to refusing to muster resistance against an enemy invasion.

In this situation, the Congress, the Senate most clearly, must declare the existence of the emergency, as if it were to proclaim a state of war. The nation must be mobilized to its defense against the immediately existing, growing menace. The lawful means for defeating that menace must also be defined.

Therefore, we require a motion by a body from among the Senators who will craft a proposed bill, declaring the emergency and stating those leading relevant measures which must be taken immediately by the government at this juncture. I am crafting a motion to such effect, by me, which is intended

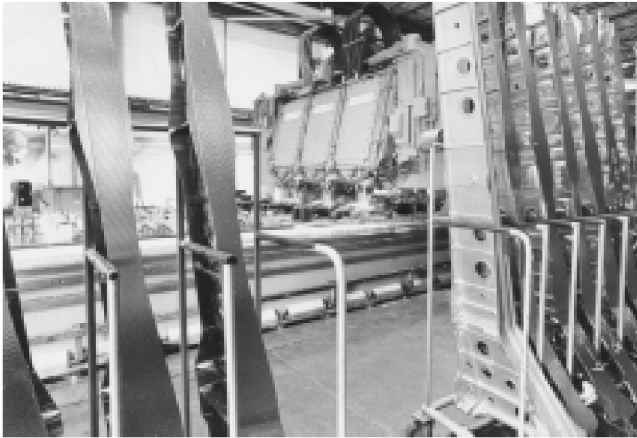
to prompt consideration from among persons including members of the Senate.

The immediate pivot of the physical-economic effects of this crisis is the crisis in the automotive industry’s sector. Were we to lose the physical capacity of that industry, as led by the vital tool-making sector of that industry, the U.S. would suffer virtually irreparable damage as a nation. We can not permit the liquidation of those physical capacities, or of the organization of those productive capacities. Therefore, Federal Emergency Action is required, creating the authority to receive, protect, and manage these precious productive capacities by means which include the use of such productive potential for appropriate other productive missions of major national importance, such as, for example, the creation of a new national railway system, and other work which assures the continued useful employment of a labor-force including one of the world’s greatest high-technology tool-producing capabilities.

Q: I don’t see the Federal Reserve as the institution through which we can run a reconstruction effort—they are far more concerned with the health of the banking industry than the economic health of the nation. Would it be necessary to create the equivalent of a National Reconstruction Bank? If so, could you say a little more about how such an effort would be structured and administered?

LaRouche: I agree with the observations.

The Federal government must act to create transitional corporate forms to hold the vital productive capacities, and provide appropriate employment for their labor force, pending the outcome of the period of receivership of essential productive entities of national importance. It should be envis-



If we were to lose the the physical capacity of the auto industry, LaRouche said, "as led by the vital tool-making sector of that industry, the U.S. would suffer virutally irreparable damage as a nation. We cannot permit the liquidation of those physical capacities." Here a 3-spindle, 5-axis profiling machine is producing aircraft wing spans.

aged, that at a later phase, suitable private incorporations will free the rescued capacities from government management.

This means, the creation of capital in the form of a long-term debt which should become convertible to a private capitalization at some suitable future point. The U.S. government must utter the creation of such debt under its constitutional powers by consent of Congress.

The following additional comment is implicitly required.

The mission orientation of the present management of General Motors, et al., has been an integral part of the philosophy of mismanagement which has played a leading part in creating the present mess of General Motors, et al. It had been a long-standing tendency, since the mid-1950s, in the automotive industry, to foster apparent net revenues from new-car sales by a margin of indebtedness buried in the nation's own used-car stock. This kind of recklessness has been carried to a relevant extreme under the conditions following the 2000 collapse of the "IT" speculative bubble of the 1990s. What is fairly derided as "the philosophy of Enron management" has taken over Wall Street, all aggravated by the post-1987 rise in use of what are known generically as "financial derivatives." The implied philosophy of management which that page of history implies has been a leading factor in the general state of automobile manufacturing and distributing firms in Europe and the U.S.A. for more than a decade.

Therefore, the elimination of that leading factor in creating the present margin of bankruptcy in that and comparable types of cases, is an essential component of any remedial policy now.

From the Congressional Black Caucus

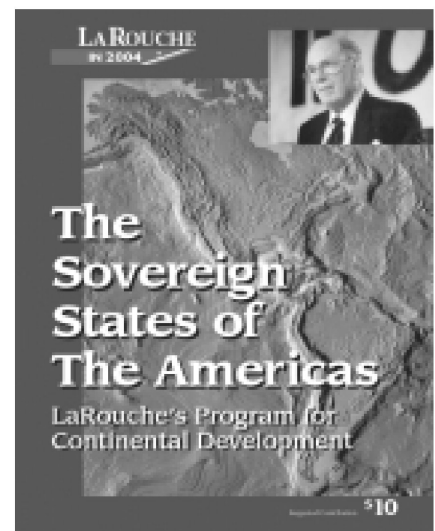
Q: On the question of health care: It is quite true that currently, we lack the facilities to provide adequate health

care to a significant segment of the population, even if we were so inclined. In reviewing some of your past statements on the health-care question, you frequently refer to the post-war Hill-Burton initiative. Would it be correct to say that Hill-Burton was principally an infrastructure measure?

LaRouche: The Hill-Burton legislation and programs launched during the immediate postwar period, are to be seen today as, in large degree, a reflection of World War II and comparable earlier experience in military medical functions. The objective was to avoid the horrors of the triage practiced during World War I, by providing a system which could meet the requirements for health-care and sanitation for all of the population subject to military authority. Since the medical profession inherited from World War II experience had developed relevant habits in all branches of the medical profession, the Hill-Burton law succeeded in mustering a system of cooperation, from the level of county medical systems up, which combined the cooperating forces of governments, private, and voluntary contributions to a total system of health-care and sanitation which worked very well until the contrary trends consequent upon the 1973 launching of the increasingly failed performance of the present system.

The characteristic feature of practice under Hill-Burton which is contrary to the ruinous trends of the HMO system, was that the objective was not management of existing capacities, but creation of the capacities needed to fulfill the care-objectives of the Hill-Burton system. Thus, today, we have the farce of promising what each proponent defines (some-what differently) as guaranteed access to health care, but makes no adequate provision for creating and maintaining the capacity which such legislation is presented as providing.

Health care, and education, potable water supplies, transportation, and so on, are infrastructure by their functional characteristic, whether these requirements are met by public



The only real solution to the problem of illegal aliens is to promote cross-border development projects, as outlined in this LaRouche in 2004 campaign pamphlet.

or private instrumentalities. Public responsibility always remains, however, for both regulation and for supply at last resort.

From the American Progress Institute

Q: You spoke of the need for a clearinghouse of some sort to assess what we need, what we have “on the shelf,” so to speak, and then to define priorities. I recall reading about something that FDR called the Alliance of Producers, but am not sure that it was the same thing. It would seem that the optimal approach would be to pull together a Presidential Advisory Board of some sort, but I don’t think Bush is inclined in that direction. However, there are identifiable individuals of both parties who would be instrumental in such an effort. Would the formation of such a panel outside the institution of the Presidency work?

LaRouche: In Germany, still today, there exists an excellent facility which was designed as a reflection, as by Deutsche Bank’s Hermann Abs, on the success of programs under Franklin Delano Roosevelt, the Kreditanstalt für Wiederaufbau. The idea of Federal (or state) responsibility for missions performed through private, or quasi-private facilities, may be considered a traditional way of doing things under the American System of political-economy.

The creation of such institutions, and of the role of panels of persons assigned to those institutions, would be a normal aspect of the measures taken under the kinds of reconstruction programs which I envisage.

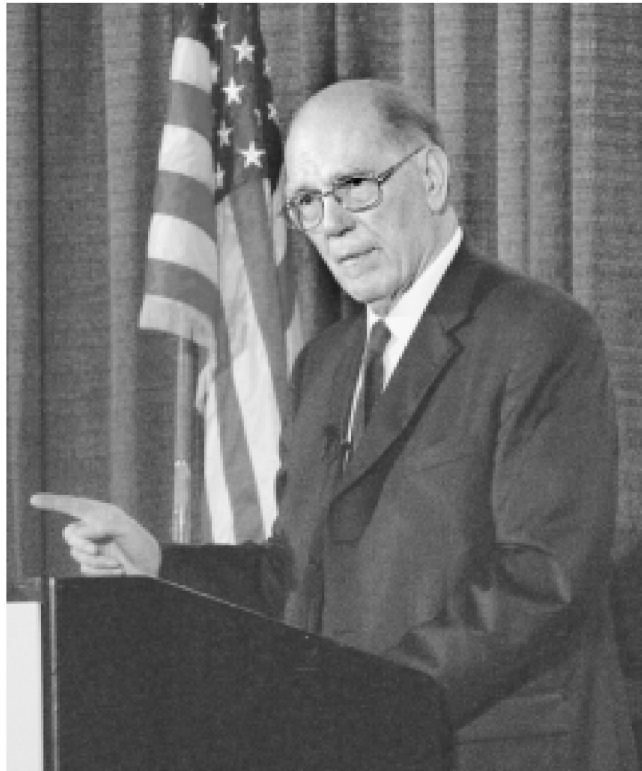
Again From the Senate Democratic Leadership

Q: I’m still having some difficulty conceptualizing how to approach this. You said from “the top down.” Would the formation of Regional Development or Regional Reconstruction boards make sense?

LaRouche: A hierarchy of Federal, state, and local bodies, each suited to the scope of its mission, would be a natural tendency in crafting needed forms of organization of the common effort.

From Harlem

Q: In the past, we’ve been able to think about proposals like the ones you’ve made today in terms of “putting people back to work.” But, over the last 30 or 40 years, a very significant number of production facilities have been taken down. They just don’t exist to “go back to.” I don’t think we can take for granted that we even have the productive capacity to supply the basic material for reconstruction of the type you are proposing. First, do you agree with that assessment? And, if you do, then what? Do we import the material we need? I know that as part of the war build-up under FDR we constructed facilities that didn’t exist before the build-up. I know that that’s particularly the case for the shipbuilding industry. While there isn’t any particular problem in importing what we need, it would seem that our ability to produce ourselves



The United States “has entered a period of global economic and monetary-financial crisis which constitutes a national emergency of the greatest urgency for our Federal government,” LaRouche said. “The idea of Federal (or state) responsibility for missions performed through private, or quasi-private facilities, may be considered a traditional way of doing things under the American System of political-economy.”

is one measure of the health of the economy overall. Please comment.

LaRouche: We must put aside all “one size fits all, fix-it” doctrines. The objective can not be to craft a once-and-for-all system of management. The objective is to unleash a process of rebuilding a ruined economy, an economy which could not do anything approximating a complete job at the start. The immediate objective is to provide enough employment in useful work of the kind which, in the end, creates more value than is spent to produce that result. The first objective is to bring the U.S. economy’s current level of productive employment above break-even, with an initial heavy emphasis on basic economic infrastructure, where our most crippling losses in capacity have occurred during the recent three decades. We must build toward what may be considered as a balanced economy.

Respecting imports, and related matters. Recovery means a rapid shift from a “free trade,” to a “fair trade” system worldwide. That is today, the price of commodities must correspond to the total cost of production of those commodities, when all factors of current and capital costs are considered.



LaRouche credited the growing recognition of President Bush as a "lame duck" "to those Democratic Party figures who have rallied to the memory of the successes of the economic-recovery policies of President Franklin Roosevelt."

This means a global "protectionist" system, but one whose objectives are balanced with progress in internal growth among all national partners of the system.

Take the case of China as an example. China's vital long-term interests cover a period of two generations for the entirety of its territory. The first generation emphasizes capital improvements, including emphasis on developing the potential of presently underdeveloped regions and segments of the population. The second generation emphasizes the realization of growth in productivity and standard of living made possible through the capitalization-rates of the first of the two generations. Our agreements with other nations should place the primary emphasis on long-term benefits for each and all. The conditions of life of my children's and grandchildren's generations are of primary importance. "Protectionism" as a policy of equity among national economies, must be administered accordingly.

For example: We ruined Mexico's economy, beginning August-October 1982. We thus lowered the income of the average Mexican, and looted the capital of the national economy, while using Mexican labor as cheap labor, to replace our own. We then dumped Mexico as a producing nation, for nations where labor was still cheaper: then we brought Mexicans fleeing the effects of the looting of their nation's economy into the U.S. as cheap labor, including a mass of illegal immigrants, the cheapest of them all. Thus, we wrecked the U.S. economy, and the incomes of its people, by looting the Mexicans. Protectionism is the first line of defense of a sound economic policy of practice.

From the Congressional Black Caucus

Q: The question of America's illegal immigrant population is frequently cited as a problem for the U.S. economy—it's argued that their labor is off the books—they don't pay income tax or Social Security, for instance. However, they do

use social services. If we were to launch the kind of effort you are proposing, we would suffer an overall shortage of labor. It would seem that we have a ready pool of untapped labor. Additionally, accepting this population as part of the labor force would also provide a new source of government revenue that, given the fact that you are talking about millions of people, is not insignificant. Would you favor lifting the current restrictions? More importantly, do you think it would begin to address the shortage we would face?

LaRouche: Human justice is a first line of duty. We must build economic policies around justice. This means promoting employment at fair income-levels within Mexico itself, and bringing order and fairness into treatment of the illegal immigrants who have been brought into the U.S. as expendable cheap labor for larcenous, slave-driving employers. At base, a minimum-wage standard for all labor, combined with regularization of the status of illegal immigrants, is the starting point.

However, legalistic reforms are not really solutions to the broader problem. We must promote the cross-border, large-scale infrastructure projects which raise the level of productivity per capita on both sides of the border. Without technological progress effected by inclusion of heavy emphasis on basic economic infrastructure, there are really no solutions for the problem you reference.

From the Senate

Q: Mr. LaRouche, there's a lot of talk about the fact that we are going to need Federal action to bail out General Motors. However, the terms of that bailout might mean saving GM financially, but not necessarily saving the productive capability. Allocating money to pay GM's creditors would make the creditors happy, but it wouldn't save any jobs. But, even if the monies were earmarked to keep production going, much of that corporation's production is already in plants outside the borders of the U.S. How would you approach the question of a GM bailout?

LaRouche: You express my fears. Reorganization must place priority on maintaining the employment of the affected productive labor-force, where they presently live and work. It is the productive capacities which we must protect. Let the corporate managements which supervised the creation of the mess, and the financier interests responsible take the burden, not the productive employee and his or her family. It is the financial ownership which produced the bankruptcy, and thus earned the burden of absorbing the loss. They took the risk, and mismanaged it. It is the ownership and financial management which failed, and it is they who have earned the opportunity to pay the price. That is the "law of free enterprise," is it not?

As for the crucial point of national interest. If we lose those financial managements, we lose less than nothing. If we lose the productive capacity built around a cadre of machine-tool specialists, we cease to be a modern economy.