

# The Atlantic Council's economic

*Lyndon H. LaRouche tells how the United States economy can*

*In an NSIPS news release from New York Sept. 21, U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. commented on the Atlantic Council's effort to block U.S. participation in the EMF. LaRouche, a conceptual architect of the new system, is author of the Executive Intelligence Review September supplement, "Facts Behind the New Monetary System." The text of the news release follows.*

Reports from the Atlantic Council meeting at Hamburg, West Germany yesterday indicate the prevalence of a mood of suicidal hysteria associated with the Council's current policy paper, "The Floating Rate System." Some emphasis on the basics of scientific and technological progress would be useful in restoring sanity to the current discussions in those quarters.

Part of the problem in New York City and other financial circles is heavy London pressures on key individuals to repeat downright lies. Exemplary of the litany of outright lies is the assertion that the European Monetary Fund (EMF) is intended to either simply bring down the U.S. dollar or end the dollar's role as a reserve currency. Although *the British have insisted on such attacks on the dollar as their preconditions for British cooperation with the EMF*, everyone around Wall Street knows that the continental European sponsors of the Bremen EEC agreements of July 1978 not only have the exactly opposite policy, but have adopted a most efficient approach to bringing the U.S. dollar back into stable reserve-currency roles and up toward a targeted value of 3.00 deutschemarks. It is only the British financial interests — and their accomplices in such locations as Washington, D.C. and New York's financial community, who do not see the urgency of full U.S. support for the EMF effort. Indeed, one can identify several major New York City commercial banks which would be boosting the EMF currently, but for measures extending to such extremes as direct personal blackmail and ugly threats.

What the Atlantic Council report cited reflects is a large-scale, very ugly operation intended to batter would-be EMF collaborators into swearing loyalty to the International Monetary Fund's current programs of "conditions." This is aided by the short-sighted pure piggishness among some New York bankers, who are looking only at mark-ups on loaning of borrowed London funds, and forgetting the unmanageable overhang they are aggravating over the medium term by such lemming-like rushes toward probable insolvency.

Once the corrupted or terrorized banker accepts the oath of undying loyalty to the IMF, he is caught in the trap of seeking to discover some plausible scheme which suggests workable, patchwork adjustments in IMF and related operations. Inevitably, the IMF being bankrupt (in a strict assessment of the situation), the solutions proposed are all imitations of Nazi Finance Minister Hjalmar Schacht's Mefo-Bill swindle. The IMF version of the Mefo-Bill swindle is termed Special Drawing Rights (SDRs). Although some proponents of the schemes waffle, for one reason or another, on the SDR schemes as such, their own measures amount to the same thing, and would lead to an early Schachtian SDR game in any case.

## The remedies

The essential problem of the monetary order at this moment is that of diverting hundreds of billions of churning liquidity on world markets, chiefly dollar-denominated, into financing of world hard-commodity trade and capital-formation in productive improvements and expansion of industry, agriculture and essential infrastructure. All monkeying-about with the rate of generation of monetary aggregates, including the depression-oriented "fiscal austerity" measures, is utter nonsense which evades the gut issue.

There are two problems to be overcome if that redirection of liquidity-flows from speculation into capital-formation is to occur. One, the basic interest rates must be brought down below 4 percent. Two, existing debt overhangs must be reorganized along lines employed by Secretary of the Treasury Alexander Hamilton. The two measures are interdependent. One cannot generate adequate rates of capital-formation through financing without such measures of debt reorganization. One cannot reorganize the debt unless a future increase in ability to pay by the debtor is established, without large-scale capital-formation in debtor nations.

The key is the use of gold as a way of circumventing the spiraling interest rates caused by trends toward double-digit inflation. We must move *toward* a system of gold-denominated, long-term bonds, issued by new central monetary agencies at prices of between 1 and 3 percent yields. A 3 percent yield on a gold bond is more than fully competitive with a 10 percent yield on an SDR or other floating-market paper.

The problem at the moment is that gold has not leveled off at the dollar price which represents open-market equilibrium (competitive) value for gold pro-

# program is a fiasco

*'turn the corner'*

duction in quantities corresponding to the requirements of a new world monetary system. The values at which equilibrium can be reflected in fixed-parity arrangements is \$240 an ounce for gold in terms of a U.S. dollar at 3.00 deutschemarks. The short-term problem is therefore, how to reach those equilibrium-values.

The 3.00 D-mark value for the dollar represents the price of the dollar in terms of the competitive values of high-technology U.S. capital-goods exports vis-à-vis German or Japanese capital-goods exports. Provided nuclear-energy-centered, high-technology U.S. export-volumes are generated, moving toward an increase of about \$50 billion annually in overall U.S. exports, the 3.00 D-mark price would be reached rather rapidly.

As large volumes of gold purchases by central financial institutions brought rates of gold production up appropriately, gold would proceed toward a \$240 an ounce asymptote in respect to a dollar moving toward 3.00 D-marks.

The practical problem is therefore one of getting things into motion, so that key currencies and gold are moving toward the values required for a system of fixed, gold-denominated parities.

The European Monetary Fund is the key to the getting of things into motion. As the EMF gets into motion, it dovetails with both the Arab Monetary Fund and the Tokyo capital market's yen bonds. As the principal currencies of these institutions, plus dollars, move toward flexible parities, a new, gold-based world monetary system employing the U.S. dollar as its principal reserve currency, comes into being. At that point, the conversion of idle liquidity into long-term, gold-linked debt channels hundreds of billions of dollars into expansion of trade and capital-formation.

The key to the initiation of this process is "threshold" countries such as Mexico, Iran, Saudi Arabia, and so forth, plus certain other nations among the developing countries. The OPEC nations and Mexico have at present a salable surplus export (Mexico's expanding petroleum output and uranium reserves are exemplary), which provides a solid basis for immediate high-technology-project credits through such facilities as the emerging EMF, AMF, and Tokyo capital market. That generates an increase in world trade in appropriate categories, and also rechannels significant volumes of dollars into such activities. These dollars come back, directly or indirectly to the U.S. in the form of demands for U.S. exports either to Europe or Japan or into supply of developing-sector high-technology projects.

The effectiveness of that depends, of course, on cooperation from the White House and Congress, to unstick the current export-license bottlenecks, and to facilitate processing of low-price credit back into the subvendors of U.S. high-technology-exporting firms. It is at this point that the wrecking activities of Kissinger, Schlesinger, Brzezinski and others become the most obvious contributing cause to the U.S. dollar's problems and balance-of-payments difficulties.

The crucial problem in the initial phase is not a matter of exactly how many billions flow into U.S. exports through EMF, AMF, and Tokyo capital operations of the indicated sort. The crucial thing is to turn the corner; we must shift the flow of liquidity marginally (at first), out of speculative, inflation-feeding channels, and into channels of high-technology exports and capital formation.

A few tens of billions overall dedicated to that corner-turning operation will suffice — provided the U.S. acts to defend the dollar through promoting easier conditions and terms for promotion of nuclear-energy and other high-technology exports, and for promoting exports of U.S. agricultural output and U.S. agronomy into high-technology improvements in per capita productivity in the developing sector.

The issue behind the Atlantic Council's efforts to wreck the EMF is that the EMF's measures, if supported in Washington, will not only pull up the U.S. dollar and revive U.S. export levels. Such a measure ends the City of London's control over world financial markets. Hence, the whole business of opposing the EMF — from Jake Garns' and the Heritage Foundation's joint buncombe, to the Atlantic Council version — is pretty close to downright treason: selling the U.S. down the river — one more time — for the sake of the City of London.

## Refinancing the debt

To handle the debt problem we need do nothing much different than Hamilton did in launching this nation into becoming the world's greatest power. On the basis of channeling the flow of credit into high-technology improvements in the productivity and volume of tangible output from industry and agriculture, any nation's debt can be exchanged for new, low-price issues which serve as negotiable (discountable) assets of debt-holders through the central banking system.

The same approach properly applies to entities such as New York City. The City's problem is that its tax-

base has shrunken — for many reasons in all — chiefly because of the loss of manufacturing and port income. By developing the tax-base of the New York City region — along the lines exemplified by the New York Port Authority's chartering, and by developing the New York City region as a center for massive increases of high-technology exports into the developing sector, the environment is created for massive influxes of modern industries into the labor-market. This works on condition that several gigawatt or larger nuclear-energy units are incorporated quickly into the Consolidated Edison system. Under such programs, the New York City debt could be refinanced at nominal interest rates (with aid of appropriate legislation by the Congress), and at long-term, with a clear solvency for the debt in sight. Debt is really not better than the debtor's development of an ability to pay — on condition that the schedule of payments does not kill off the debtor who must do the paying.

### U.S. costs

The net cost of securing massive increases in U.S. exports would be a net zero, even a substantial profit to the government.

The essential approach to be taken to current U.S. taxation levels per capita is to increase the tax base. The problem has been that the emphasis on "social-work" programs in place of expansion of productive employment of manufacturing and other operatives has fostered a pyramiding of costs while the ultimate source of taxable wealth, tangible output, has become a shrinking ratio to gross employment and tangible output a shrinking ratio to what is foolishly — even maliciously — reported as GNP.

The only remedy for this situation is a substantial expansion in the employment of skilled and semi-skilled operatives, which means emphatically manufacturing operatives. The bulk of this increase must occur in high-technology, export-grade industries and forms of employment. Any proposed solution to our tax and other fiscal problems which does not include that feature as its basis is a mere ivory-tower delusion, sheer, worse-than-useless windbaggy.

We must, however, revise our tax policies drastically. The kernel of the change to be made is accelerated depreciation and investment tax-credits for high-technology capital formation in capital-intensive workplace creation in industry and agriculture improvements, and similar credit formulas for essential improvements in infrastructure. Even increases in the basic tax rate on incomes (above tax-exempted lower amounts) are desirable, as means for channeling investments and savings into tax-loophole-incentive areas, such that private funds are encouraged to enjoy the bonanza of serving national purpose.

This should be accompanied, of course, by measures to increase household-income tax-exemption levels to the effect of getting government out of that area of transfer payments to and from individuals. The rate at which this can be done is determined by the need to avoid disruptions in the fiscal order, and the need to eliminate the social-work bureaucracy features of government, to which the basic incomes is tied.

It also requires action to promote increases in scientific and related forms of public school and university education — at the expense of "sensitivity courses," "socially significant basket-weaving," and other useless or downright contraproductive such elements of the curricula today. It means that the government should stress projects modeled on the Manhattan Project and NASA as the government's proper special role in promoting acceleration of general scientific and technological progress. The net cost of such programs is really less than zero, compensated quickly by the rises in per capita social productivity new technology contributes to the taxable output of the private sector.

If the Congress really wished to get through a good piece of tax legislation to this effect, it could do so very quickly as an emergency measure. Repealing the OMB's charter and reestablishing the Federal Bureau of the Budget would facilitate that process. Revising the budget to eliminate a few useless "social work" boondoggles and give NASA a piece of the action on promoting fusion and related research in cooperation with the Department of Energy (minus Schlesinger) would not be a difficult chore, if Congress were in a mood to push it through.

Relatively speaking, the measures which must be taken now at the government level to bring the U.S. into line with the EMF are significantly few and uncomplicated in nature. Pull a few misplaced anglophile toads out of the White House's frog-pond, and the Administration could readily perform the few basic tasks it has to perform in that connection.

In the meantime, Congress should note that the biggest single cause of total U.S. balance-of-payments loss is the "black funds" paid into the illegal international marijuana, heroin, and cocaine traffic. A few tens of millions added to stringent enforcement measures against the sale and use of such drugs, and to aid other nations in cracking the control of this traffic by Canadian, Hong Kong, Singapore, and British West Indies banking interests, and up to twenty billions of lost balance-of-payments shrinkage could be saved in this way. It is, not so incidentally, the same London-centered forces pushing the anti-EMF, pro-IMF programs who are the conscious controllers (and chief beneficiaries) of the illegal drug traffic.