Editorial

The LaRouche solution or bust

Much as President Reagan and many of the nation's bankers would like to believe it, the U.S. banking crisis did not go away when the Federal Reserve put unlimited resources at the disposal of Continental Illinois Bank May 11. Rather than isolating and solving the problem, the Fed intensified the risk to the entire U.S. banking system. Tremors through the market have begun to take on the scale of earthquakes.

The bankers in London and Switzerland who made the political decision to pull the plug are not reticent about their perspective: The glorious days of the U.S. dollar and U.S. banking system are about to end. Due to the insane policies of the U.S. Treasury and the Federal Reserve system since the early 1960s, the gnomes have it fully within their power to carry out their threat. The only question is what the United States will do about it.

Read the advice of the financial "experts" and you will find two "solutions" on the table. In fact, both "solutions" are tailor-made to follow one another and lead directly into the trough of the worst depression in history. There is only one alternative to their insanity—the financial reorganization proposed by LaRouche.

The first "solution" is a continuation of the one carried out by Fed chairman Volcker over the last two weeks. Turn on the printing presses, and put their product at the disposal of the major banks.

The direction in which this policy will lead the country should be clear: a degree of hyperinflation that will make Weimar Germany look like a mild case. Interest rates can be expected to rise in correspondence with the massive increase in the production of dollar bills, thus ensuring the cut-off of even larger sections of the industrial base of the country. We will be in the classic situation of "hyperinflationary collapse."

Such hyperinflation will actually accelerate the motion toward budget cutting and wage-gouging austerity which is already the clarion call of the Federal Reserve and all the international financial institutions. The banking crisis—the result of the monetarist mismanagement over decades—will be blamed on the federal budget deficit. Milton Friedman-style austerity will be

agement over decades—will be blamed on the federal budget deficit. Milton Friedman-style austerity will be
implemented wholesale—putting the real economy, and the U.S. defense budget, on the chopping block.

There is only one lawful financial outcome for the practice of such hyperinflationary lunacy—and that is deflationary collapse. The Swiss and the British not only realize that, they have it planned.

Once the Federal Reserve has been convinced to take on supporting the bad debts of the major U.S. banks (the smaller ones will be gracefully let go), the next phase will be in place. The dollar itself will go into a major slide; the United States will be ready to be bought up for a nickel on the dollar. Such a process would put the United States entirely at the mercy of its British-Swiss creditors, who have their deal with the Russians, unless the political combination arises to impose a real solution—the LaRouche solution.

With the LaRouche solution, the power of the private international bankers over the U.S. dollar and economy ends with the first executive order. This chiefly occurs by ending the power of the Federal Reserve Board to create money and set interest rates.

Instead, the Treasury will take control over issuing currency, pegging a new issue of currency notes to a gold reserve valued at $750 an ounce. Then the Treasury will proceed to regulate the issuance of currency, so it applies only to those areas of legitimate economic activity which will contribute to the expansion of goods production, nationally vital infrastructure (including military), and hard-commodity aspects of international trade. The hyperinflationary and deflationary dangers will be legislated out of existence. Other international obligations will be frozen as necessary.

The strength of the U.S. dollar will be increased in the only real way such strength can be created—through the expansion of the goods-producing capacity of the U.S. economy. From that standpoint there is no question that agreements for long-term economic growth can be reached with debtor countries in Ibero-America, and any other nations who want to cooperate on the same system.