

Voters exploded the 'Reagan recovery' myth, says LaRouche

U.S. Democratic presidential candidate Lyndon LaRouche released on Nov. 8 his summary statement on the defeat of the Republican Party's "Reagan prosperity" tactic in the Nov. 4 elections.

LaRouche states: "The impact of an approximately 15% decline in U.S. physical output, during the first half of 1986, combined with the fact that 31 of our 50 U.S. states are in economic conditions resembling those of the 1930s, resulted in the Republicans' loss of control of the U.S. Senate, during the recent Nov. 4 elections. Those election-results have made it socially acceptable to state openly, that the Reagan "economic upsurge" never occurred.

"The lesson which the administration must learn very quickly, if the President is not to become a 'lame duck' for the next two years, is the words of a famous Republican leader, Abraham Lincoln, 'you can't fool all of the people all of the time.' With 31 of the 50 states of the U.S.A. already in conditions like those of the mid-1930s, and the collapse of physical output spreading fast, the voters have told the President, loud and clear: 'Either dump your so-called economic agenda, or be turned into a 'lame duck.'"

LaRouche states: "We are in the worst combined economic and strategic crisis of the past 40 years. Western civilization can not wait until January 1989, for a new President to put matters right. During the coming months, President Reagan must make major decisions needed to stop the worsening of these crises. If he would correct his failed economic policies, the last two years of his administration could be a period of his greatest achievements."

LaRouche is hopeful, but not certain, that President Reagan would abandon the failed economic policies of his administration. "The fact remains, that if the President does not dump the advice of Donald Regan, Zbigniew Brzezinski, Henry A. Kissinger, and so forth, the last two years of his term will be one of the worst disasters in the history of the U.S. presidency. I know that the President has been committed to the 'magic of the marketplace' slogan. I know that giving up that slogan will be very painful for him. However, I believe that the President who launched the SDI has within

him the qualities needed to abandon an economic policy which has failed him and our nation."

LaRouche's statement is intended "to highlight the indispensable part I have to contribute in saving this nation from economic disaster."

The candidate tweaks the noses of the failed economists: "I have often described myself as the world's leading economist. If we consider the poor quality of my competitors, that is not the pretentious claim some news media describe it to be." With his characteristic kind of humor, LaRouche adds: "We live in a time, when the qualifications for the Nobel Prize in economics are two. First, the candidate for the award must advocate an economic theory which is wildly absurd. Second, the candidate's economic dogma must have caused a major disaster in at least one nation of the world."

Qualifications as an economist

In a more serious tone, he adds: "My qualifications as an economist are three. First, I am one of the very few living economists who represent the economic policy on which our republic and its past economic successes were based: the policy which U.S. Treasury Secretary Alexander Hamilton was first to name 'The American System of political-economy.' Second, the economic forecasts which my associates and I have produced, are the only accurate forecasts published by either governmental or private agencies during the past seven years. Third, my recommended policies are policies of the type which have been proven, repeatedly, in past experience, as the only effective way to organize a general economic recovery from a depression."

LaRouche admits that his policies have had only limited support until now. "Until now, a very large and growing minority among our fellow-citizens have either supported my economic policies, or have at least thought they ought to be given wider, more serious attention. However, until the recent months, I have been criticized along the lines, 'How can we take your ideas seriously, when every leading authority agrees that there is an economic upsurge in process?'"

However, "Now, with the results of the Nov. 4 elections, the majority of Americans have openly rejected the myth of the 'economic upsurge.' As a result of the election, people have discovered that their friends and neighbors don't believe in the myth of the 'economic upsurge.' It is now considered acceptable social behavior to state openly that the 'economic upsurge' never occurred.

"Now, a growing number of the citizens who used to say to me and my friends, 'You are wrong about the economy,' are saying now, 'I guess you have been right all along.' Now, many who blocked out my warnings on the economy, earlier, are eager to hear my analysis, and to hear what I propose must be done."

LaRouche warns, that some strange economic quack-cures for the depression are already beginning to pour out of the mouths of the same set of experts who led us into this

depression. He mentions as an example, the proposal to solve the problem of worldwide "overproduction," by new international trade agreements, to cut the levels of food-production and manufacturing output in all countries, at a time when there is a worldwide shortage of food, and of every other kind of basic physical commodity.

LaRouche's program for recovery

Lyndon LaRouche's U.S. recovery program is composed of two major ingredients. The first set of ingredients are "purely economic." They are policies addressed to the physical side of production and distribution of goods and essential services. The second set of ingredients are a set of fiscal and monetary measures, including introduction of a very strong "investment tax-credit" incentive.

On the physical side of the economy, LaRouche's policy is to reduce both wasteful and non-essential forms of employment and expenditure in "overhead expense," while increasing the percentage of the total labor-force employed in manufacturing and in development of basic economic infrastructure. At the same time, the average productivity of goods-producing operatives is to be increased, through high rates of investment in new technologies of both production and design of products.

On the money side of the economy, LaRouche would undertake a combination of actions.

The first part of this combination of measures is emergency measures, needed to freeze the nominal value of financial assets by law, to prevent a chain-reaction of bankruptcies from shutting down a large part of our national banking system.

The second set of monetary and fiscal measures, is long-term restructuring measures. 1) A currency reform, creating a new gold-reserve-denominated issue of U.S. Treasury notes, to be issued solely for lending for such priority purposes as agricultural, industrial, and infrastructural investments, and hard-commodity export-credit. 2) A strong incentive for steering savings and retained earnings into such high-priority recovery investments, in the form of a general tax-reform built around an investment tax-credit program.

The secret of sustained economic growth, is high rates of investment in improved technologies. Government's job is to promote such basic economic infrastructure as fresh-water management, general transportation, production and distribution of increased supplies of energy, and so forth. Beyond that, government must use tax-policy and credit-policy as a way of stimulating investment in farms and industries which produce quality physical-goods output.

President John F. Kennedy's program of investment tax-credits, given its faults, is an example of the kind of tax-policy that increases employment, output, and productivity in the private sector. The principle is elementary. If private citizens, both as individual savers and business entrepreneurs, will invest their retained earnings in technological

progress in production of physical goods, those private citizens are helping the entire nation. They are increasing the tax-revenue base at all levels of government, and they are solving many economic problems which would otherwise be a cost of government. So, a wise government says: "The citizen who invests income in increasing productive employment and national wealth, ought not to be taxed at the same rate as the fellow who spends his income on wild parties or other useless consumption."

As a result of the Soviets' 1957 Sputnik success, the United States launched a broad range of measures in education, in research programs, and in development of both offensive and defensive missile-systems: a package known as the "post-Sputnik" aerospace program of the 1958-66 period. This program was adopted by President Kennedy, who gave the effort a new spark of motivation in his commitment to the manned Moon landing.

As a result of this package, during the first half of the 1960s, not only did the United States recover from that deep recession of 1957-59 which had defeated the Republicans in the 1960 election. The U.S. achieved the highest rate of growth of productivity since the 1940-43 period. This growth in productivity resulted chiefly from the spill-over of the new technologies of the aerospace sector into the civilian economy. The investment tax-credit was one of the principal channels.

Effective military technology is always based on the most advanced technology. Military industries tend to develop advanced technologies more rapidly than any other sector of industry, as well as having the highest ratio of investment in research. So, advanced technologies tend to spill over from military production, into improved civilian production by the same and other firms.

It is not necessary to have military mobilization, to sustain high rates of productivity in economies. If we in the United States, decided to steer about 10% of the employment of our labor-force into known areas of advanced scientific development, for example, the United States would automatically achieve the highest rates of growth of productivity in history, and would do so indefinitely. So far, in most cases, most nations have been unwilling to sustain a high rate of technological progress for long, without a military incentive to do so.

We need four kinds of technologies which are on our frontier: Controlled plasma processes; controlled coherent directed energy pulses, such as high-powered lasers; optical biophysics; two qualitative improvements in computer systems. LaRouche has proposed a Moon-Mars colonization project, including the beginning of permanent colonization of Mars about 40 years from now, as the new sort of "Apollo Project" which will force the development of these technologies, not only as indispensable technologies for space exploration into the Mars orbit and beyond, but as the driving force of technological progress here on Earth.