production capital goods, while we have not.

Also, the U.S. economy has the highest ratio of overhead of any major economy in the world today. Only about 20% of our labor-force is employed in producing goods; the rest are either unemployed, or employed in administration, sales, and poorly skilled services. Onto every pound of physical output of our farms and industries, we have to tack on an overhead charge to pay for all that unemployment, administration, selling, and services. In other words, on the basis of wages-ratios of costs, every U.S. dollar of sales price is loaded with about eighty cents of overhead charges.

With these two factors, we have priced U.S. goods out of the world market. Our production methods are obsolete, for lack of investment in energy-intensive, capital-intensive forms of technological progress. As a result of 20 years of a lunatic shift away from basic industry into low-grade services employment, we have the highest ratio of excessive overhead costs of any leading economy in the world.

I intend to use increased exports of high-quality capital goods into the developing sector, as the way in which to restore our trade-balance, and, even more important, to restructure the internal U.S. economy, to shift away from employment in administration, sales, and low-skilled services, into employment in the production of physical goods.

In this way, we accomplish several things.

1) We build up the economies of developing nations, so that they can carry debt-payments at a sensible level;

2) We develop a continually expanding market for U.S. export-goods, meaning many millions of additional U.S. jobs;

3) We rebuild and expand our goods-producing industries, making them again the standard of technologcal excellence;

4) We restructure our labor-force's employment, away from low-paid service employment, back into skilled, productive employment;

5) We expand the tax-revenue base of federal, state, and local government.

There are no tricks with mirrors. Wealth is quality physical goods. Wealth is produced, and produced best by upgrading the quality of employment to increase the number of people employed in producing physical goods. Productivity is increased by technological progress, which requires more energy per person, and more capital-investment in production per person. Tricks with mirrors have run our economy for 20 years. Enough of bookkeeping tricks; it is past time to go back to the old-fashioned habit, of employing more people to produce more quality physical goods, using technological progress to increase productivity. That is what the indebted developing nations require. That is what we require. So, an end to the tricks, and back to old-fashioned American ways of doing things.

Reagan reemerges, but what's the agenda?

by Jeffrey Steinberg

In rapid succession, beginning with the Feb. 27 long-awaited dumping of Donald T. Regan as his White House Chief of Staff, President Reagan took a series of steps in the first week of March that have restored his presidency from the pits of the Iran-Contra affair. The appointment of a popular former congressional leader, former Sen. Howard Baker, to replace the hated Don Regan was broadly applauded, and Baker was immediately deployed to Capitol Hill to renew old acquaintances and gather his own estimates of the damage wrought by his predecessor and by the President's virtual 90-day retirement from public life.

President Reagan's March 4 television appearance from the Oval Office endorsing the findings of the Tower panel and taking a commander's responsibility for the Iran-Contra fiasco, while leaving some congressional and media critics cold, did add to the overall restoration of the presidency to its pre-November stature.

When Don Regan, on his way out the White House door, stepped in to sabotage the confirmation prospects of Robert Gates as CIA chief, President Reagan quickly appointed FBI director William Webster as his designated Director of Central Intelligence after a string of better qualified candidates, including Sen. John Tower and Adm. Bobby Ray Inman, unfortunately refused to accept the post. If nothing else, the Webster nomination was viewed as a shrewd political move by the President's new team—one that should remove the sting from the congressional confirmation hearings for the DCI.

The Webster appointment will more than likely soon blow up in the faces of those intelligence community "old hands" who hope that Webster will adopt a laissez-faire approach to his new job. Far more likely, he will pursue the same disastrous course of his former college classmate, fellow Christian Scientist, and fellow Carter appointee, Admiral Stansfield Turner. After all, this is the same William Webster who repeatedly has denied any terrorist threat to the United States, any Soviet link to terrorism, and any terrorist link to drug trafficking.

To a degree, President Reagan has reemerged as a chief of state once again, claiming a mandate to act as something other than a very old, very lame duck. What now remains to be seen is what policy direction Ronald Reagan will pursue.

On the afternoon before his evening TV appearance responding to the Tower Report, President Reagan made an impromptu appearance at the regular White House press briefing to announce that he was calling his Geneva negotiating team back to Washington for consultations. This move was in response to Soviet Secretary General Gorbachov's latest offer to "decouple" the IRBM talks from broader discussion of the Strategic Defense Initiative. Reagan's quick and favorable response to this Soviet offer to sign a "zero option" treaty got arms control and New Yalta enthusiasts on both sides of the Atlantic moving in high gear at the prospect of an early treaty removing intermediate and short range ballistic missiles from the European theater. It sent top European defense specialists into absolute panic over the prospect of a U.S. withdrawal of the Euromissiles that pose the only serious obstacle to a Soviet conventional waltz across Europe.

In Washington, Pentagon sources privately told *EIR* that Secretary of Defense Weinberger is hoping that the IRBM talks at Geneva can be stymied by Soviet intransigence on verification procedures and by vocal European opposition to the nuclear arms removal. This is a risky and potentially fatal gamble. At best, it sends yet another message to the European allies that the policy see-saw is still swinging wildly in the nation's capital, and the United States remains an unpredictable and fickle ally. Hardly a reassuring perspective given Gorbachov's hard-sell approach to Europe.

At worst, if the United States does go ahead with an IRBM pact, Europe will make its peace—first an economic accord in depth—with Moscow before the year is out. In other words, Europe becomes an economic colony of the Russian Empire.

Secretary Weinberger's recent efforts to draw the Congress into a bipartisan commitment to the Reagan SDI program—through the ostensible push for "early deployment'—still remains unresolved.

Silence on monetary crisis

Even more unresolved is Washington's response to the imminent collapse of the international monetary system, a matter driven home by the recent indefinite moratorium declared by Brazil, the world's second-largest debtor nation. Apart from tentative moves by National Security Adviser Frank Carlucci to convince President Reagan to impose an oil import tax to save America's dying oil industry, no murmur has emerged from the White House even acknowledging the global monetary and economic crisis.

Ronald Reagan may be back swinging. But he is now faced with the urgent necessity to adopt the programmatic course spelled out by Lyndon H. LaRouche, Jr. on such issues as the collapse of the world economy, the SDI, and AIDS. Unless he seizes upon the renewed mandate to act like a President and move in this direction, Ronald Reagan will still go down in history as Herbert Hoover and Neville Chamberlain all rolled into one.

White House admits INF draft puts Soviets ahead

On March 3, two senior officials gave a background briefing at the White House, after President Reagan's surprise press conference that day, in which he welcomed the Intermediate Nuclear Forces (INF) draft treaty proposal of the Soviets. They described the Russian offer as flowing out of "substantial changes in Soviet society" and the Soviet "peace offensive." One official said that "all agencies of the U.S. government have come to an agreement on the terms for verification" of an accord.

Picking up on a line of questioning opened by *EIR* the day before, ABC correspondent Sam Donaldson's first question was: "Is it possible to come to an INF agreement without some kind of limits on conventional forces and the shorter-range missile, the SS-21?" When the briefers said, "No," adding, "We are, however, interested in some kind of future commitment by the Soviets on the SS-21," *EIR*'s Nick Benton interjected, "What do you mean by that? Be more specific." The briefer only repeated that the short-range Soviet mobile SS-21 would not be included in the zero-option treaty.

"Why not?" shot back Benton. "Well, because it is very complicated, and you have to box [i.e., package] the situation at some point." This provoked the *New York Times* to then ask how many SS-21s there are, after all. The briefer said he guessed the Soviets "have a significant advantage" with the missile, having "about 1,500 SS-21s, Frogs and Scuds, combined" (none of which is covered under the INF proposal).

The SS-21 and Frog cover both Soviet short-range missiles, the Frog being the SS-21's predecessor, while the mention of the Scud (regarding its *range* capabilities, as the predecessor to the SS-23) betrays the fact that both the SS-21 and SS-23 are *exempt* from Gorbachov's "offer" regarding pulling missiles out of East Germany and Czechoslovakia. In short, only the SS-22 would leave, and as stated in the article on page 42, could be back in forward-based location within 48 hours.