

## LaRouche Tells Californians: Time For a Super-TVA

*Democratic Presidential pre-candidate Lyndon LaRouche delivered the following address by videotape to a town meeting in the Los Angeles area on Dec. 7.*

The United States is gripped presently, by the ongoing, accelerating economic collapse, of a failed international monetary-financial system, and the bankruptcy, in fact, of many U.S. Federal states. The Federal government, if it were a Federal state, would be bankrupt. Because the Federal government has a credit-creating capacity, it is *not* bankrupt, but if it did not have a credit-creating capacity, it would be bankrupt.

The U.S. economy, overall, under present financial conditions, is hopelessly bankrupt—our banking system, the Federal Reserve System. And also, a similar situation exists in Western Europe and Japan.

Therefore, we have to face this now. People don't wish to face it. They wish to assume that there is some "fix it"—there's some piece of legislation, some arrangement, some tax cut, some revenue-expenditure cut, or something, which is going to "fix it"; or, maybe an increase in taxes. None of these things will work, because the system is inherently bankrupt.

Now, that doesn't mean the *economy* is necessarily bankrupt. With proper programs, we could rebuild the economy, as Franklin Roosevelt led in rebuilding the economy after the disaster of Mellon, Coolidge, and Hoover. We could do it again. But in order to make those economic improvements, in order to start that growth, we would first have to change laws. We would have to change most of the laws which were "reforms" in our monetary and economic system, over the past period, since about 1964, since the beginning of the Indo-China War, and especially since about 1971-72, when Nixon destroyed, arbitrarily, the pre-existing international monetary system, and put in an irresponsible floating-exchange-rate system.

So, look at the situation for just a moment. I give you these three charts [Figures 1-3].

First of all, is the standard pedagogical Triple Curve chart, which depicts, on the one hand, the general trend of the growth of financial and monetary aggregates—that's the upward curves—relative to a decline in actual physical output per capita, which is the lower of the three curves.

Now you find the second curve, which is also pedagogical, rather than illustrating the actual data. It shows that there came along, about 1999, 1998, a change, which became obvious a couple of years ago: that the system had passed a crossover point. That is, that the rate of monetary input required to keep financial markets from collapsing, was greater than the

FIGURE 1

### A Typical Collapse Function

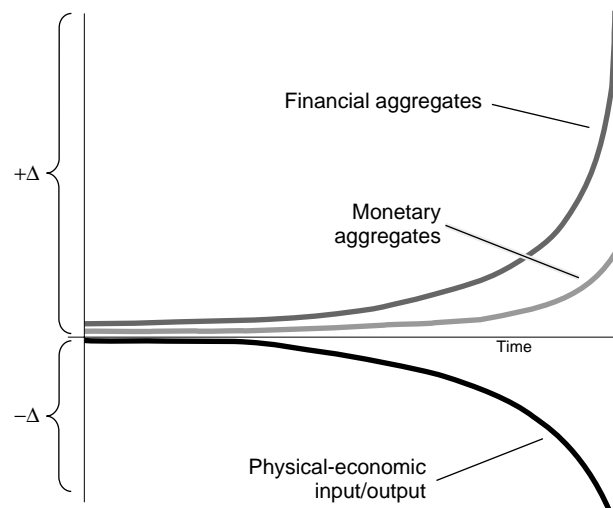
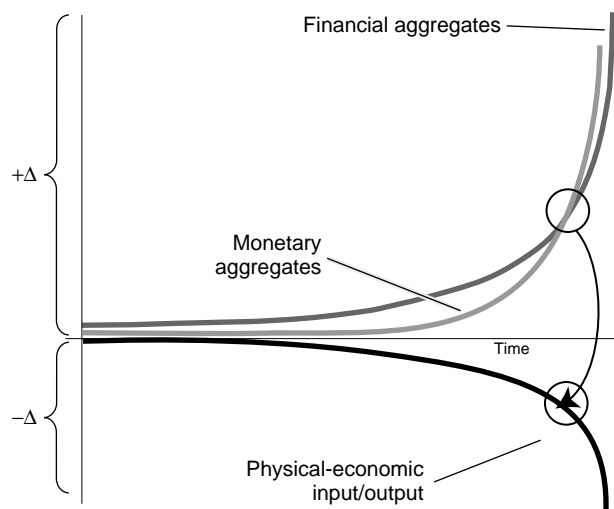


FIGURE 2

## The Collapse Reaches A Critical Point Of Instability



amount of financial assets maintained.

Now this situation was faced in Germany in 1923. And at that time, when the German government attempted to do what Alan Greenspan, the Federal Reserve chairman, has just professed he would do—that is, increase the credit, increase the printing-press effect in the U.S. economy—he is proposing to start, or set off, a Weimar-type of hyperinflation, which would sink and destroy everything. So that insanity, that he's proposed, has to be rejected.

## Put the System Into Bankruptcy

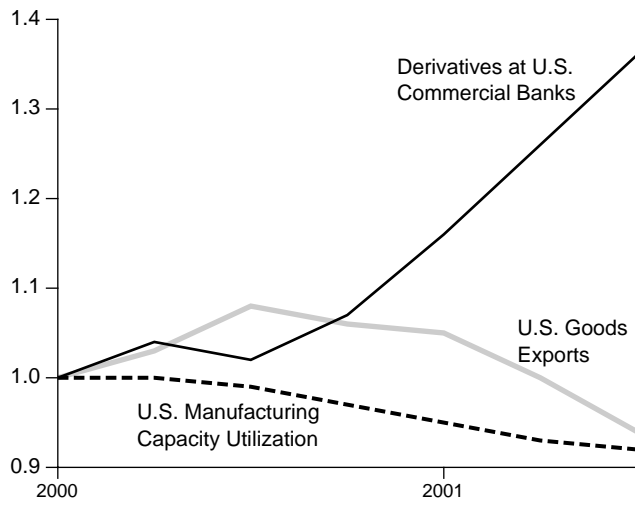
And the problem on the political level is, this: What we have to do is, we have to put the financial and monetary system, which is choking us, into bankruptcy. This is not only the U.S. financial and monetary system, but the international monetary and financial system. This means that the governments—the U.S. government and other governments that are relevant—must take the IMF, our Federal Reserve System, the central banking systems of Europe, and so forth, and put them into bankruptcy reorganization, as, shall we say, Chapter 11 bankruptcy reorganization. And under those conditions, we must launch credit for large-scale projects, such as basic economic infrastructure, things like that, and rebuild the economy, with influxes of public credit into basic economic infrastructure, and also into promotion of certain areas of high-tech, agro-industrial production.

In other words, we have to put people to work—not cut employment—put people to work in increased numbers, and in *fruitful* work. And this will get the economy growing, as it did under Franklin Roosevelt, who led us out of the last depression.

FIGURE 3

## Derivatives Soar, Manufacturing Falls In 2001

(Indexed To 2001/1Q = 1.00)



Sources: FDIC, U.S. Department of Commerce, Federal Reserve.

## A Problem of Leadership

However, at this point, we see that the political parties in the United States, or the present leadership of these parties, is absolutely incapable of any competent action, in this direction, at this time. We have a similar problem in most of Europe. The unwillingness of the political systems to face the reality of the crisis, who are unwilling to challenge the power of the monetary and financial authorities, use state government authority—that is a problem. That is why we saw such a disgusting performance by both the Republican and Democratic parties, in the recent U.S. mid-term elections. There was actually no real leadership shown from the parties. Fortunately, there were some responsible people inside the institutions of the Presidency, and around the institutions of the Presidency, which did intervene, to prevent us from being plunged into an Iraq war at that time. That was good. But the parties did nothing effectively, to prevent that war from occurring. Even though the mood of the American people, would support efforts to prevent that war.

We see all around the world, similar problems, especially in Europe and in the Americas. The unwillingness of political parties to take responsibility for this type of crisis, is the kind of situation which tends to lead to the emergence of dictatorships. So, this flailing around by the political parties has to stop.

Now, what do we have to do?

## The Federal Government Must Back the States

We have two levels on which to operate in our economy, in order to deal with this kind of crisis.

First, on the state level: The Federal states of the United States each have authority and responsibility for the development and maintenance of basic economic infrastructure. That is, the creation of public utilities on the state level, for example; or the granting of powers by the states, to municipalities and others, to create local public utilities. These types of utilities, which were protected and regulated, used to be a safe place for people to put money for their retirement and so forth. No longer, as you know.

All right. But we have to rebuild them. But, we do not have the credit in the banking system, or in sale of stock or anything else, to do this rebuilding job. We have to therefore go to the credit-creating authority, and regulating authority, of the *Federal* government, to give the backing to the states, which will enable the states to carry out their program, such as rebuilding in California, generating and distribution of electrical power, the improvement of water management, which is an adjunct to the development of electric power. We have a water disaster. We could fix it. We'd better get at it. We have a power crisis. We'd better fix it. We'd better get at it.

These are things which require action on the *state* level, under state authority, and cooperation *among states*, as individual states, but also the protection of the Federal government itself, and the credit-creating authority.

So therefore, what has to happen are two sets of legisla-

tion. First of all, as I've proposed, a national infrastructure program, which I've sometimes called a "Super-TVA," to remind people of the TVA development under Franklin Roosevelt. We need that. We need that on the Federal level and the state level. We must save our rail system, we must protect our air-traffic system from collapse—which is now in progress. We must protect our water-management system, keep those in place, and so forth, as well as our energy-generating and distributing systems. And also our health-care systems, and our educational systems, and so forth. These things must be fixed. We're disintegrating as a nation. We can't have this continue.

This means that the Federal government must create legislative authority, with the Executive and the Presidency, and the Congress, to repeal—temporarily at least—all of those changes in law, which were made over the past 35 years, approximately, changes in law which took us away from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy to a free-trade policy; and into massive deregulation. So, all the legislation, which would mandate deregulation, cessation of construction of essential infrastructure, and so forth, these things must be wiped from the books, at least for the duration of the emergency. Under that authority, and by putting the banking system into bankruptcy reorganization—the financial system into bankruptcy reorganization—and using Federal credit to generate growth, as Roosevelt did, then we can come out of this quite well.

## A Crossover Point

But the problem now, is, are we willing to push for legislation, for example, in California, for power generation and distributing capability? We have a crisis there. But, it wouldn't work under present law. Because what would happen is, all the funds going into aid this program, would be gobbled up by the banking and financial interests in the environment.

Therefore, you must supply *protection* to the investment in these infrastructure programs. That requires *Federal* intervention, under *Federal* law, to say, "Deregulation, free trade, and so forth are suspended for the duration of the emergency, and we go back to the way we operated, say, between 1946 and 1958, in the initial period of postwar reconstruction, in the United States, Europe, and elsewhere."

That's what needs to be done. We're at a crossover point. We've made a mistake. For the past 35 years, our policy has moved in the wrong direction. We are now suffering the effects of that. We have to correct that error. We have to take emergency action, on the state level, the Federal level. To do that, we must first admit we have a crisis. Stop denying things. And we must admit that we have to suspend those kinds of measures from the past 30-odd years, which have been responsible for leading us into this present economic and monetary and financial crisis.

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