

In a Nov. 16, 2005 statement, Newton de Mello, the President of the Brazilian Association of Machinery and Equipment Producers (ABIMAQ), reported that sales of domestically produced agricultural machinery in the first eight months of 2005 were 35% lower than the same period in 2004, while imported machinery had increased by 26%. De Mello said that the production of other kinds of machinery was also declining, warning that “we cannot simply watch while productive sectors are practically dismantled, as is occurring with agricultural machinery.” He argued that “basic interest rates must be drastically reduced,” and that such reduction “is now an emergency requirement.”

But De Mello went beyond mere protest, and attacked some of the axiomatic underpinnings of free trade and globalization. The ABIMAQ president told the press that he had sent an open letter to President Lula, urging him to replace his economic policy team of Finance Minister Antonio Palocci and Central Bank head Henrique Meirelles, because their pro-globalization policies had unleashed “a process of de-industrialization of Brazil’s productive plant and equipment. . . . Great investment projects are being cancelled. . . [in pursuit of] merely financial parameters, such as an illusory improvement of the country risk rating, which only attracts more and more speculative capital, which doesn’t produce anything and only transfers profits abroad.”

De Mello also attacked the idea of floating exchange rates, which have characterized the international financial system ever since Richard Nixon took the dollar off gold in August 1971. “ABIMAQ has shown,” he reported, “that exchange rate instability, with sharp oscillations, makes it almost impossible for companies which import and export capital goods, to engage in planning.” He also attacked the government plan to reduce the tariffs on imported machinery and equipment from 14% today, down to 6%, arguing that such protectionist measures are necessary for “a sector which is strategic for the development of the country.” He noted the particular irony that the government proposal did *not* call for lowering the tariffs on the imports of components used to produce machinery in Brazil. “It is not acceptable to lower import tariffs on machinery, without a simultaneous reduction of the tariffs on components and inputs. Such a distortion would condemn the Brazilian capital goods industry to extinction,” the industrialist warned.

The outlook implicit in the cited remarks from ABIMAQ President De Mello, is shared by many nationalist forces in Brazil today, and it is totally antithetical to the model of globalization that is devastating the planet. Such an outlook also converges on the American System concept of scientific physical economy developed by Lyndon LaRouche, in such locations as his Oct. 11, 2001 document “The Future of Brazil’s Agriculture,” which was prepared for an international conference on the subject of “Brazil and the Free Trade Agreement of the Americas,” held in Brazil’s Senate at the end of October 2001.

Youth Flight Leaves ‘No Future’ Rust-Belt States

by Paul Gallagher

A recent series of articles in the Detroit press highlighted the steady flow of college-educated young people out of Michigan—focussing on the sons, daughters, and grandchildren of autoworkers who are living through the collapse of the U.S. auto industry in the Midwest—and into service industry and financial jobs in other regions, in particular the non-union South. A stinging irony was the number of such youth moving South to work in “management” in Arkansas or some related part of the right-to-work, cheap-labor corporate empire of Wal-Mart Stores. During 1995-2000, Michigan lost, according to Census Bureau reports, almost 40% of its population of college-educated, single young people, from 42,600 down to 26,600; the only state with a worse drain of youth was Pennsylvania. There could be no more dire indicator of the “no-future” economic crisis centered around the decay of the formerly-productive, industrialized regions of the United States under “globalization and free trade,” and the now near-irreversible loss of the productive capabilities and skilled labor forces of those states.

That crisis is centered in the auto industry, the last-chance arena for Congressional intervention to reverse it. Over the past 30 years, just the “Big Three” automakers have closed down 24 auto production and assembly plants in Michigan alone, permanently eliminating nearly 50,000 skilled production jobs, and perhaps another 50,000 in the auto-parts and supply industries, in a state whose total productive workforce is now down to less than 600,000. And further shrinkage in

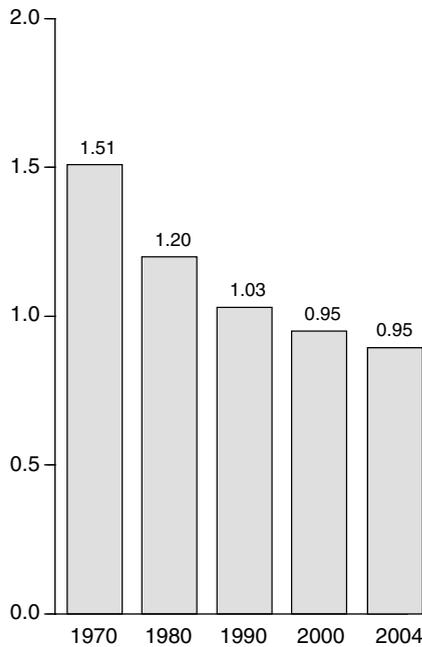
TABLE 1
Post-Industrial Shift Stopped Population Growth, Formerly Industrial States

| State | 1940-70 Growth | 1970-2005 Growth |
|--------------|----------------|------------------|
| Illinois | 40.5% | 14.9% |
| Indiana | 51.3% | 20.7% |
| Michigan | 67% | 13.9% |
| Missouri | 23.6% | 24% |
| New York | 35.6% | 5.4% |
| Ohio | 53.8% | 7.6% |
| Pennsylvania | 19.2% | 5.3% |
| Total | 39.7% | 10.5% |

FIGURE 1a

Detroit: Population Falls by 37%

(Millions)

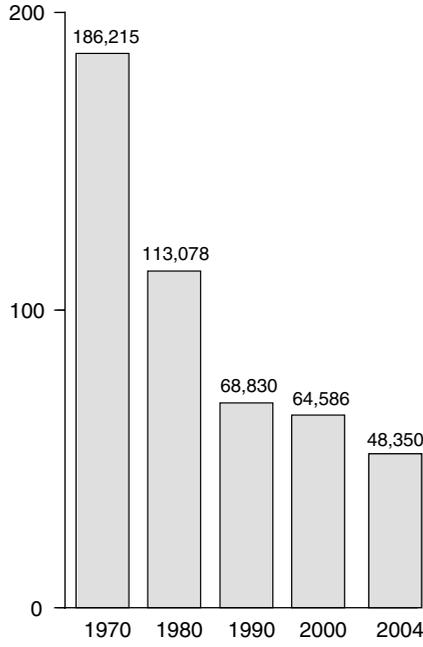


Source: Dept. of Housing and Urban Development, *EIR*.

FIGURE 1b

Detroit: Manufacturing Workforce Falls by 65%

(Thousands)

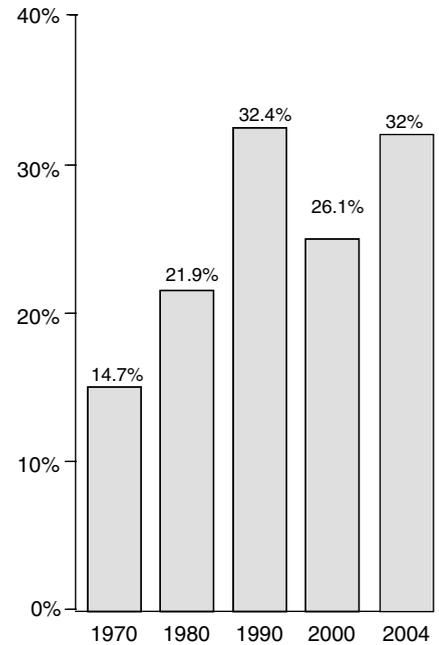


Source: Dept. of Housing and Urban Development, *EIR*.

FIGURE 1c

Detroit: Poverty Rate

(Percent)



Source: Dept. of Housing and Urban Development, *EIR*.

the current auto-industry crisis immediately threatens to close another 12-15 assembly and production plants, of just the Big Three, in Michigan, within three years or less, eliminating another 15-20,000 skilled production jobs. Whereas nearly 13% of Michigan's workforce was employed in auto in 1975, only 6.4% was in 2000, and less than 6% now.

That crucial core of industrial advance, machine-tool employment, though far smaller in numbers, tells the same story throughout the Midwest. Whereas states from Missouri to New York boasted 1.5-2.% of their workforces highly skilled machine-tool designers and makers in the 1970s, now those percentages have plunged to 1.12% in Michigan, 0.38% in Indiana, 0.56% in Ohio, etc.

Poverty and Deindustrialization

Not industrial diversification, but a picture of increasing poverty has resulted; take a look at Detroit in **Figures 1a-c**, now the large city with the highest rate of poverty nationwide, and its remaining skilled manufacturing workforce declining by 3-4,000 a year.

Across the state has occurred what the *Detroit*

News called "The Fall of Flint," the demise of another auto-centered city which, in the 1950s, had the highest per capita incomes in the United States. Now, nearly 30% of its population lives under the official Federal poverty line. If, as expected, Delphi Automotive CEO Steve Miller during 2006

TABLE 2

Population 15-29 Years Leaves Upper Midwest States

| State | 1970s Change | 1980s Change | 1990s Change | 2001-04 Change | Total Change |
|--------------|--------------|--------------|--------------|----------------|--------------|
| Missouri | 345,000 | -159,000 | -29,000 | -17,000 | 169,000 |
| Illinois | 497,000 | -453,000 | -193,000 | 21,000 | -111,000 |
| Michigan | 412,000 | -431,000 | -60,000 | -49,000 | -102,000 |
| Indiana | -89,000 | -216,000 | -151,000 | -103,000 | -541,000 |
| Ohio | 372,000 | -459,000 | -156,000 | -106,000 | -310,000 |
| Kentucky | 316,000 | -145,000 | -119,000 | -6,000 | 67,000 |
| Pennsylvania | 433,000 | -652,000 | -343,000 | -167,000 | -687,000 |
| New York | 367,000 | -284,000 | -703,000 | -392,000 | -976,000 |
| 8 States | 2,653,000 | -2,799,000 | -1,754,000 | -819,000 | -2,719,000 |
| 42 States | 8,948,000 | 209,000 | -643,000 | 1,964,000 | 10,478,000 |

closes the FlintEast plant, (which currently employs 2,800, but once employed 14,000), what remains of the city and its once-proud workforce will be decimated. Flint's population has been cut in half since the 1950s, from 200,000-plus to about 100,000 today. In the 1980s GM still employed 80,000 there. More than 20,000 manufacturing jobs have been lost in the city in the last 10 years alone.

The "no future" hollowing-out of cities and states has not been limited to the auto industry center in Michigan. The band of formerly-industrial states from western New York across the upper Midwest to Illinois and Missouri are in an accelerating demographic decline, most marked by the loss of their younger population to the Southeast and West, and to centers of the lower-skill, lower-wage "service economy."

Table 1 shows that the healthy overall population growth which characterized these states in the post-War period through the 1960s, virtually stopped in the 1970s—when the national policy paradigm-shift actually occurred that has been killing off U.S. industrial strength—and has not revived since. That this is not simply a matter of the Baby Boom generation's own raising of a baby bust, is made clear by the fact that the loss of population growth is of 35 years duration and still intensifying.

More seriously, this demographic hollowing-out of the formerly industrial states is *specifically the loss of young people*, and that loss is accelerating now. **Table 2** shows this loss of youth over three and one-half decades—with the most rapid loss, and greatest contrast with the rest of the nation, occurring since the year 2000 and continuing now. Each five-year period since 1975 has found, on average, nearly 500,000 fewer young people, between the ages of 15 and 29, residing in these former industrial-powerhouse states, and the past half-decade has seen a much worse drop than that, of more than 800,000 youth.

The same states have shown a net outmigration (more residents leaving than new residents coming in) during the same decades, of more than 5 million. It is clear that the driving force of that outmigration is the departure of just those young people who could represent the future of physical-economic reconstruction in the region and the nation.

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Lyndon LaRouche in Germany

Nuclear Power Is Crucial for Survival

At a meeting of the LaRouche movement in Europe on Dec. 29-30, Lyndon LaRouche was asked about the revival of the German economy, and its role in the survival of Europe. Here are excerpts from his replies. See EIR, Jan. 6, 2006, for his initial presentation.

European Recovery Depends on Germany

A questioner asked about recent trade union demands for higher wages, and how the LaRouche movement should intervene. LaRouche stressed the global impact of developments in the United States, and went on to discuss the situation in Germany.

... I think, in Germany, we're in the best situation, for the reason that the potentiality for the recovery of Europe as a whole, western continental Europe as a whole, depends *absolutely* on the German economy. Without the German economy, a general economic revival of the economy of Continental Europe is impossible.

The German economy's collaboration with Russia is crucial. A Russia-Germany collaboration in economics is absolutely crucial. The future of the entire region, depends upon a division of labor, a cooperative division of labor, throughout continental Eurasia. And the road to cooperation in continental Eurasia is through Germany—now from Berlin, to Moscow, to China, to India, and similar places. That's the possibility. It's a 50-year perspective: We're talking about projects which require a 50-year lifespan of investment: in infrastructure, in developing new technologies and so forth. Of taking the waste areas of Central Asia and making them habitable. Developing new kinds of resources. Developing more efficient mass-transit systems. Eliminating dependency upon the automobile in the form of gasoline or diesel combustion; to new forms, which are now about to emerge and become actual. If the society continues, for example, we are going to have a hydrogen-based vehicle, soon—a new type, absolutely new type. It's coming. Ford is working on it, others are working on it. We have the capability of developing it.

It can not develop, however, without a return to nuclear energy! Windmills, out! Nuclear energy, in! And a development of massive nuclear energy: Which means as many as possible, mass-produced, or semi-mass-produced, pressure vessels of the Jülich type for example, are absolutely necessary to be able to generate the hydrogen for this change in technology. This change in technology must mean, therefore, hydrogen generation by nuclear means, *all throughout the*