

LAROCHE OPEN LETTER TO BILL FORD

Reorganizing the U.S. Auto Industry

The following is Lyndon LaRouche's Nov. 23 public letter to Ford Motor Company Chairman and CEO Bill Ford.

RE: Reorganizing the Auto Industry

Dear Chairman Ford:

I not only wish to express my hearty agreement with the statement of Nov. 22, 2005, which you delivered to the National Press Club, but to indicate the emergency measures which are both feasible and necessary. These are measures which our government must undertake as essential measures of assistance, to prevent a looming catastrophe for the economic future of a U.S.A. which remains, despite everything, still today, the pivot and hope of a general economic recovery for a crisis-wracked world at large.

The views I express here are the same which I address to relevant members of the U.S. Congress and others on this and related subjects. Putting this on the public record, with you, in this way, should be helpful to those leading members of the Congress who share my own and your expressed concern on this matter.

To wit:

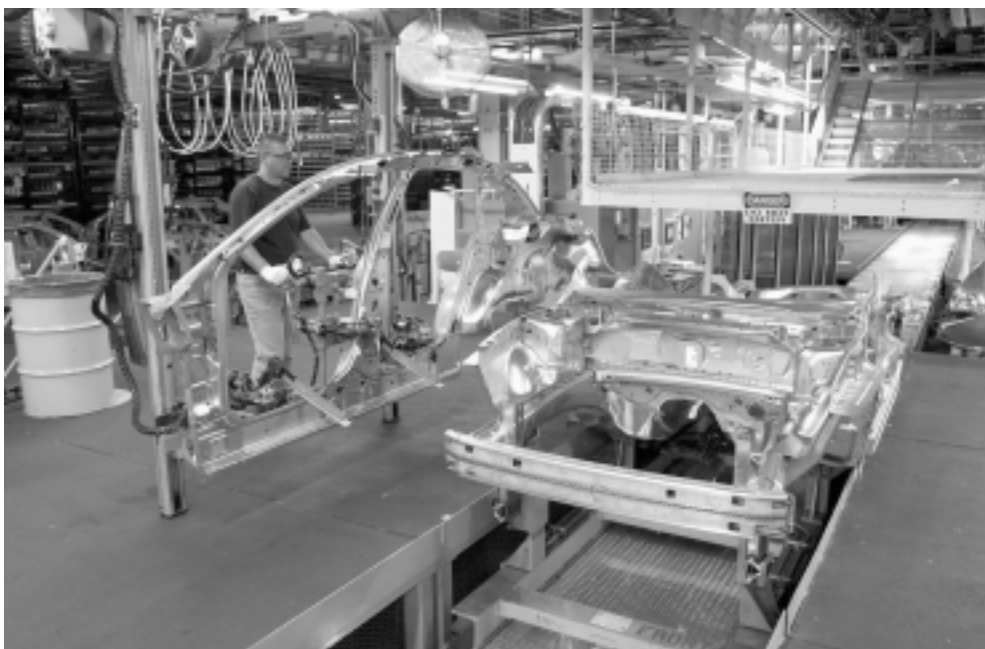
Since the shift in outlook of our most influential circles which occurred over the course of the 1964-81 interval, we have shifted from being the greatest productive machine the world had ever known, to the ruin of a post-industrial utopian "service economy." This is apparent to us, if we calculate as I and my associates have done, and present an animated view of year-by-year downshifts in physical characteristics of our nation's economy, county by county, during the course of the recent decades.

As your statement implies, the U.S. automobile industry is essentially the major component of the machine-tool-design capability of our republic as a whole, complemented chiefly by a kindred role of the machine-tool-design component of

the aerospace sector. If we dismember that specific capability, we become a Third World-like relic of our former selves. Economic devastation will sweep every part of the nation's communities, which would be directly and indirectly affected by such a ruinous development.

This industry is not made by automobiles; it, among other things, makes automobiles. It can produce almost anything which we might rely upon the existing auto industry to produce, such as a new mass-transportation grid, including magnetic-levitation grids, crucial elements of urgently needed new power-generation installations, essential components required for rebuilding the nation's ruined and depleted water-management systems. Essentially one-half of a competent design of a modern economy depends upon basic economic infrastructure. That is the ration which distinguishes us from the highly vulnerable industrial sectors of the economies of the Asian countries such as China and India today, where national income, at current export prices, is insufficient to meet the needs of the lower 80% of family-income brackets of those nations today.

Now, the process of transforming our nation from the world's leading agro-industrial power into a depleted, bankrupt "services economy" of today, has reached the point that we are a bankrupt nation. Only those powers of national sovereignty embedded in our Constitutional system, enable us to avoid imminent national bankruptcy; but, this can not be continued much longer under present trends. We require a general reorganization in bankruptcy of an otherwise hopelessly bankrupt present Federal Reserve System, as virtually all of the world has a similar or worse predicament. We require a method of mobilizing a recovery which looks back to what worked to make us, once again, the world's greatest economic power ever, under programs such as those of President Franklin Roosevelt's Harry Hopkins and Harold Ickes.



A Ford assembly line in Chicago. The U.S. automobile industry is the major component of the machine-tool-design capability of the country as a whole, and can be retooled to produce almost anything.

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The required stimulus for a U.S. economy under the recovery measures which a reorganization of the Federal Reserve requires, will be a concentration on basic economic infrastructure by government, coupled with the revival of the private sector through contracts and credit to private vendors in participating support of those programs at the Federal and state levels. The national-security urgency of rationalizing a national air-rail system of functional reunification of our territory, is merely an apt illustration of the way in which the capacity of the automobile industry must be diversified, a full utilization of its machine-tool-vectored capacity as a whole, within a new division of labor in respect to the industry's net product.

This requires a core remedy built around an Act of Congress which enlists a sufficient part of the existing potential of the industry to maintain existing machine-tool developmental potential and present community employment to maintain the capacity of the industry intact, while diversifying its product in ways which are both consistent with the national interest and represent an adaptation to the reduction of the domestic market for automobiles manufactured by U.S. firms.

We have ruined our nation and its economy with the recent four decades of drift downward into what is termed, euphemistically, a "services economy" today; but, we remain, with all our ruinous faults, the nation on whose exemplary leadership the world depends, politically, for a recovery from the immediate threat of a general financial-monetary breakdown-crisis of the present world monetary-financial system at large.

You struck the right note on the subject of recent economic history. We need the right implementation that implies. That is not merely an option; it is presently the only economic option our nation actually has available. The U.S. Senate and

related institutions will need support on the matter of feasibility of the required reforms in national mission-orientation. A widened dialogue on the implied substance of the issues is timely.

This will require an act of Congress, probably emanating from the relevant committee of the U.S. Senate, to create the authority providing the needed cover for the reorganization of the existing automotive industry to that effect.

Under such an act, the existing industries, and their associated key machine-tool associates, would enjoy federally supported means for orderly reorientation without loss of any essential productive elements. A special facility, established under Federal law, would be needed to provide a protective cover for this, while creating the programs of expanded categories of activities, beyond the existing industries' present marketing missions, in mass transport and other fields.

You and your associates have the experience needed to craft relevant proposals defining the primary opportunities for relevant technological forms of market diversification based the industries' existing machine-tool-design potentials.

This Federal provision must include the orientation of establishing the U.S.A. as once again the technological leader which we encourage and assist other nations to match and emulate. Science and its indispensable partner, machine-tool design, must become once again the exemplary standard of U.S. industrial performance. That must be the mission of the Federal provision for this reform.

Sincerely yours,
Lyndon H. LaRouche, Jr.

cc: U.S. Senate

Auto and World Economic Revival

by Lyndon H. LaRouche, Jr.

Nov. 24, 2005

On the subject of my letter to Chairman Bill Ford, there is clearly much more to the matter than I stated there. What I stated is valid as far as the subject there goes, but the continuing success of what I propose depends upon the assumption that certain other measures, of broader implications, are taken in support of what I outline in that letter. I identify several among the crucial such points here.

1. The implementation of what I outline as the diversification of the application of the auto industry's capacity, implies the adoption of a general policy of integrated development of the nation's public air, rail, or maglev transport, and waterborne inland and foreign transport.

2. It implies a rebuilding of the nation's power grid, with heavy emphasis on high-temperature gas-cooled nuclear-fission reactors (of approximately the Jülich type), and the shift of highway-vehicular and air-flight power to generation of hydrogen-based fuels regionally/locally, where petroleum-based fuels are employed today.

3. It anticipates a return to emphasis on adoption of targets of high standards for physical-economic output, per capita and per square kilometer, for each county of the United States.

4. It requires a return to a "fair trade" marketing policy in domestic trade, and import-export tariff- and quota-regulation in foreign trade and public transportation of passengers and freight.

5. This implies a set of emergency and continuing reforms of the international monetary-financial system, based on a) a return to an international fixed-exchange-rate, carefully regulated system; b) this means a reversal of a "free trade" policy, back to a global "fair trade" policy, consistent with low-cost long-term credit for physical capital improvements over spans of a quarter- to a half-century physical-investment-depreciation cycles in both domestic and foreign affairs.

6. Special attention must be given to the crucial ratio of physical output and standard of household consumption per capita and per square kilometer for the entirety of the population and territory of each sovereign national economy. This means that nations with relatively higher average national values of this type must feed the technological upgrading of economies downstream, and that more advanced economies must specialize in exports and related practices which have

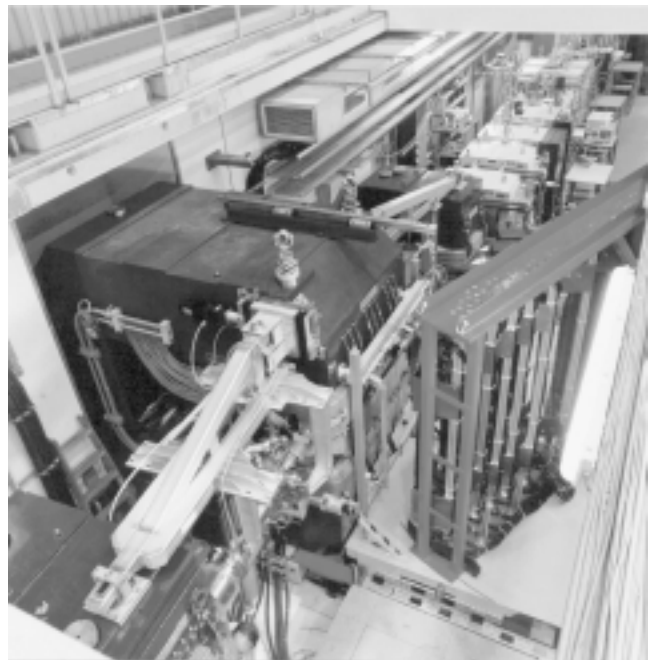


Transrapid

Maglev technology will be an essential part of a general policy of integrated development of the nation's transportation system.

the effect of upgrading the physical standards of living and physical-productive output per capita and per square kilometer of downstream nations. This will be fostered largely through the creation of long-term credit for physical-capital improvements at simple interest rates of between 1 and 2%.

7. Since nearly all leading national banking systems are currently bankrupt, and since the present international monetary-financial system is hopelessly bankrupt under any attempted continuation of current policies, the crucial immediate issue is keeping essential banking institutions functioning, even in a state of bankruptcy, to such effect that the

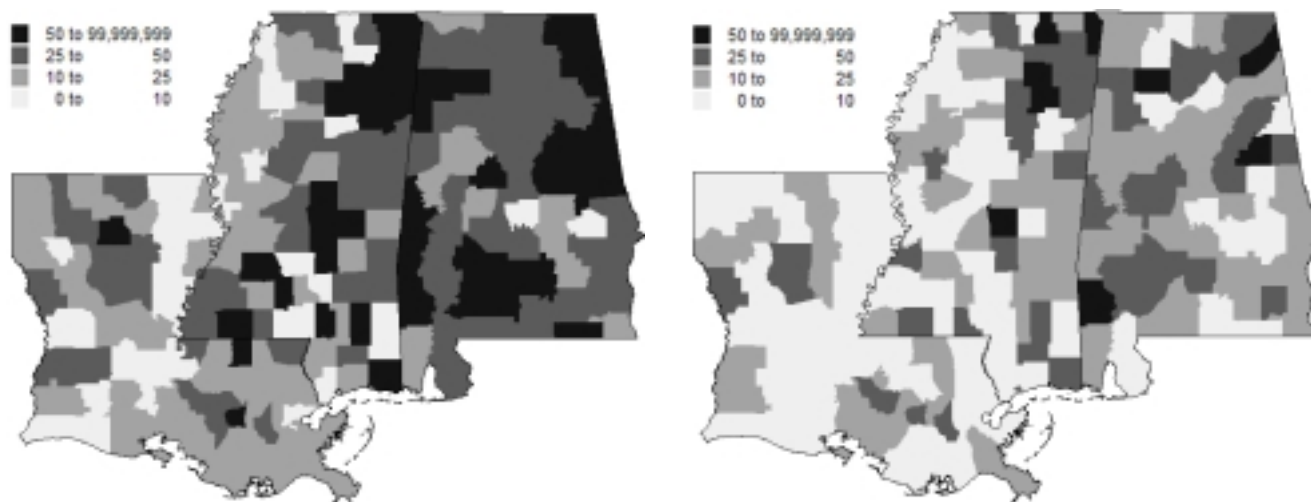


www.fz-juelich.de

A nuclear research facility at Germany's Jülich Research Center. The Jülich high-temperature gas-cooled reactor design typifies the model required to rebuild the U.S. power grid.

Manufacturing Employment Decline, by County, 1975 and 2000

(Percent of Total Workforce Engaged in Manufacturing: Louisiana, Mississippi, Alabama)



Source: EIR 2005, Map by MapInfo.

A successful national strategy will require high standards of physical-economic output, per capita and per square kilometer, for each county of the United States. Here we see the county-by-county destruction of the physical economy of the three states hardest hit by Hurricane Katrina. The decline in manufacturing employment was replaced by a growth in the service sector, as is the case nationally. (See animations at www.larouchepub.com/animations.)

resolution of bankrupted institutions' honorable debts occurs over the span of some reasonable horizon, and that worthless claims, such as financial-derivatives speculation, are debrided as uncollectible gambling debts.

First Discussion of the List

There may be strong, even violent objections to certain crucial elements of this catalogue; but, objections must be placed as a much lower priority than avoidance of the presently impending threat of a general breakdown-crisis of the entire present world system.

Essentially, this means what was already implicit in the design of the original Bretton Woods system: the replacement of the British East India Company's neo-Venetian model of globally hegemonic financier-oligarchical system, by the form of capital-credit system represented by the American System of political-economy. The doctrine of the abysmally failed model of "free trade, services economy" system, has proven itself a calamitous failure, where the Bretton Woods design was a success. Reorganization in bankruptcy must be nothing other than removing the disease, in favor of promotion of healthy tissue.

The great strategic issue, globally, of this moment, is whether we shall all go quickly to Hell under a system in which national governments, if they are permitted to exist, are merely lackeys of international financier oligarchies, or international monetary-financial and related credit systems shall be an equitable, and durable, arrangement among per-

fectly sovereign nation-states, that for more than two generations yet to come. The financier-oligarchical model which was provoked into being by the 1964-67 rampage of Britain's first Harold Wilson government, has been a catastrophe, where the postwar Bretton Woods system, with all the errors of practice imposed upon it, was relatively a triumph. The conclusion should be obvious.

Second Discussion of the List

Obviously, the attempt to implement all of the essential features of that list of needed reforms, must take into account the factor of "political ripeness." Some elements are susceptible of more or less immediate, and also urgent, action. Of others, new developments must be experienced before we find readiness to implement such measures. All elements are essential, but yet, like the components of a functioning assembly, they may be crafted separately. The span of lapsed time available for completing all essential measures is limited by real factors we can not willfully control; but, there is some latitude for a piecemeal implementation, on the condition that we see the intended final result as the adopted perspective within which each step of reform occurs.

The key point to be emphasized, is the need to build confidence in this approach. By saving the United States' vital machine-tool sector, on which the life of our economy as a whole depends, we build support and confidence for other, related steps to be taken, as the experience of the Franklin Roosevelt Presidency illustrates the point.