

Four Steps To Get Out of a New Depression

by Lyndon H. LaRouche, Jr.

January 5, 1982

*[Published in **Executive Intelligence Review**, Volume 9, Number 2, January 12, 1982. View [PDF of original](#) at the LaRouche Library.]*

The following statement was issued January 5 by the National Democratic Policy Committee, a U.S. political action committee, whose advisory board Mr. LaRouche chairs.

The simple fact is, about October 1981, the U.S. economy slid into the first phases of an actual depression. A lot of people share the blame for this depression: President Jimmy Carter, who started it back in October 1979; Federal Reserve Chairman Paul A. Volcker, who has directed the collapse; California banker Charles T. Manatt, who mobilized the Democratic National Committee in defense of Volcker; the mis-advisers of President Ronald Reagan, who have engineered a budget deficit in the range of \$150 billion; and a very great number of other persons, who rejected foolishly what have proven to be this writer's precisely accurate predictions of the results of foolish "tight-money" policies.

The practical question is not, who is to blame? The practical question is, can we get ourselves out of it? There are four basic, emergency actions which must be taken immediately.

Otherwise, without these steps, the present depression will become worse than that of the 1930s. If these four steps are taken, the United States—and the world, generally—can move rather quickly out of this depression, back toward general prosperity.

It is not necessary for you, as a citizen, to accept my proposal. You have the right to reject my analysis: you have the free will right to starve.

Step One: Monetary Action

The first step is to supply low-interest credit to essential goods-producing industries and farms. The federal government has the power to monetize U.S. gold reserves at a price of about \$500 an ounce, using gold to defend the dollar internationally, and to bring our allies into a new gold-reserve system, to replace the bankrupt International Monetary Fund and hyperinflationary offshore, unregulated financial system.

The Congress has the power to issue gold-reserve-denominated U.S. currency notes. These notes should not be used for government spending, but for government lending. They

should be lent through the private banking system to farms, industries, and for transportation improvements, at interest rates not in excess of 4 percent charged by the government.

Through lending of such notes as from 10 percent to 50 percent or higher of the total lending by private banks to farms, industries, and other selected categories, the basic goods-producing capacity of the United States can be saved from waves of bankruptcies. A large portion of the unemployed can be automatically reemployed, and the federal, state, and local tax-revenue base can be expanded.

That is the basic solution to our problems. There is no alternative solution in sight.

Step Two: Nuclear Energy

The domestic U.S. economy requires two basic stimulants, to stimulate goods-producing employment and investment. The first of these is nuclear-energy construction.

Nuclear is the safest, cleanest, and cheapest form of energy available. Since it is the cheapest, using nuclear energy instead of more costly forms of industrial process-heat and electricity means an increase in the productivity and competitiveness of the U.S. economy as a whole. It means a very large saving in the present costs of production.

We need immediately, the construction of over 100 billion watts of nuclear electricity-producing capacity completed between now and about 1986–87, plus an additional 50 billion watts completed by about 1990. This will not cost us a penny, since this energy will represent a major saving to the economy. It is a cost-reduction, productivity-increasing investment.

This will create a level of about two and a half million workplaces in the private sector. This increase will come partially in the form of putting skilled production trades back to work. The largest increase will come in steel and other industries which supply construction materials for nuclear investments.

This will also stimulate investment in the most modern kinds of specialty-steel and other technologies, meaning that our Midwestern states' economies can be rescued from the economic disaster they are presently suffering.

The federal government must facilitate completion of nuclear investments in progress and planned to go. It must direct a flow of cheap credit into the construction phases of such projects, with private utilities taking financial responsibility for the completed plants.

Step Three: Water and Transportation

Next to the danger of a crippling energy-shortage, the U.S. economy's most critical problems are shortages of fresh-water supplies and a broken-down transportation system. Since rivers, canals, and ports are a key part of the transportation complex, fresh-water management and transportation must be treated as an integrated single effort.

The biggest single chunk of the needed programs of fresh-water management is the long-projected effort to bring water from Canada and Alaska into the states west of the Mississippi and into the Great Lakes System. This is necessary to save large chunks of our nation's food supplies from threatened disaster. For the northeastern portion of the nation, the Delaware water project is urgently needed for even the simple household needs of the populations of New Jersey, eastern Pennsylvania, and lower New York State; this project will also improve the industrial potential of that region.

The United States also needs a rebuilding of a decrepit rail system, and requires a maritime fleet for both economic and national-security reasons.

The time has come to develop an integrated container system, and to design a compatible system of rail, truck, air, and water transportation about such adopted standards. We can increase our economic capacities and effect great saving in costs of goods through such improvements. The savings are chiefly two. We save on materials-handling costs throughout the economy, and reduce in-transport inventory-costs and related capital costs of production.

Improved transportation also means the ability to develop competitive goods-producing investments in the greatest range of geographic sections.

So, like nuclear-energy investment, investment in water-management and transportation improvements represents cost-saving as well as other forms of improvement for the economy as a whole. It also means that we use the advantage of such cost-savings to create substantial amounts of productive employment.

Step Four: World Trade and Investment

If developing nations' debt-structures were reorganized in a sensible fashion, nations such as India, Brazil, and Mexico represent magnificent investments in modern goods-producing capacity through proper infusions of capital goods from industrialized nations. Between \$200 and \$400 billion annually in increased world-trade can be readily generated.

President Jimmy Carter's *Global 2000* proposal for worldwide genocide was not only a violation of the Nuremberg Code; it is also economic imbecility.

The great need of developing nations is for rapid infusions of modern agricultural technology—not consumer-goods industries. These nations require the local capital-goods industries and transportation systems needed to apply the American System so successful in our own experience to overcoming their own wants. These local industries must concentrate on the needs of agricultural development first, and gradually expand to meet the needs of urban life as the problems of low agricultural productivity are overcome.

This is the great market for capital goods of the industrialized nations over the coming 50 years. It is time we acted to make that market a reality.

Combined Effects

The United States is probably spending more today on just two items—illegal drugs and pornography—than on national defense. It is spending far more on turning the nation into a new Sodom and Gomorrah than upon capital investments of the sort which make us productive and prosperous.

Our toleration of this immorality, this drift to becoming a new Sodom and Gomorrah, is key to our failure as a nation—both in terms of nominal leaders and the electorate—to find effective solutions to economic as well as national security and social problems.

The four steps outlined will not solve all of our important problems. They are merely four necessary steps which will point our nation's efforts in a positive and moral new direction, to give ourselves as a nation a sense of moral purpose, and to restore rationality—as opposed to the immorality of a Tom Hayden, to the nation and to the mass of wreckage presently known as the Democratic Party.