Economic Blowout in 1986: The Real State of the Union

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We print here an edited transcript of Mr. LaRouche's State of the Union message, which LaRouche—the only announced candidate for the 1988 Democratic presidential nomination—delivered January 29 in Arlington, Va., to an audience of 150 congressional candidates, diplomats, government officials, and press.

In the main, today, I shall concentrate on the problem of the U.S. economy. But before doing so, I'll just make a number of general remarks on the setting in which the problems of our economy are located.

First of all, today, Soviet General Secretary Mikhail Gorbachev should be very happy, looking at the U.S. economy. With Gramm-Rudman, unless it is promptly repealed, and with a terrible, but less-noticed, tax-reform bill, these two combined measures—unless repealed—will blow out the U.S. economy during 1986. And President Reagan, under such conditions, would be very lucky to compare himself with Herbert Hoover. This means that at present, in terms of our defense, the gut of the logistical capability of the U.S. defense forces is being destroyed right now, as a result of the first round of Gramm-Rudman. This makes Gorbachev very happy.

As of October 1, approximately, of this year, when the second round of Gramm-Rudman occurs, probably U.S. troops will be pulled out of Europe, entire units of the U.S. military will be shut down; there will probably be $50 to $60 billion cut from the U.S. defense budget this year, in terms of pullbacks, because the Congress and the President have misestimated the U.S. federal deficit, by probably $50 to $70 billion. That is, at the present rate—and it should be apparent by this fall, even to idiots in the statistical bureaus in Washington—that the U.S. federal deficit will not be $220 billion; it will be closer to $270-$300 billion, for this year.

The Decade the United States Withdrew from World Power

Future historians, if there are any, will say: of this past 10-year period, since 1975, that the United States, which was once a great and dominant power, over a period from 1975 to 1985, withdrew from the position of being a world power; abandoned its friends abroad, while ruining their economies and undermining the stability of their governments as we withdrew; and withdrew back to the Western Hemisphere, where we occupied ourselves by shooting our neighbors to our south; and in the power vacuum we created, if this continues, the Soviet empire took over domination of the world, and dominated the world for two, three, or more generations thereafter.

That is the ugly reality of the past 10 years, since the 1975 Rambouillet summit and the negotiations of SALT II. President Reagan has not caused the disaster; as a matter of fact, in economic policy, despite all the talk, President Reagan has done absolutely nothing. Reaganomics does not exist; it is merely rhetoric. It has nothing to do with what goes on in the Congress or the administration. The policies of the Reagan administration are nothing but a continuation—in economics—of the policies of the Carter administration. The President has merely continued the policies, and has added the name Reaganomics to it. But it's the same policy. This policy was written down for Carter, under the direction of Cyrus Vance, Zbigniew Brzezinski, and similar fellows, back during 1975 and 1976, in a series of studies called Project 1980s; these are the policies upon which the U.S. government has been operating ever since Jimmy "Cricket" Carter was elected. And Reagan has merely continued the follies of his predecessors. He has invented no policies of his own.

So, the President is no more to be blamed, for the depression which his policies are threatening to bring about now, than Herbert Hoover was to be blamed for the policies of Calvin Coolidge; he had merely continued them—although the President has taken longer about it than Hoover did. Hoover blew up the economy within a year. It took Reagan five years; he's a slow man.

Unless we repeal the Gramm-Rudman legislation, unless we repeal this horrible tax reform, which is as destructive as Gramm-Rudman, it will shut the economy down! Real estate will be shut down; municipal utilities will be shut down; state and local spending for capital expenditures will be shut down—and so forth—unless that tax-reform bill is repealed.

Now, what I'll do is this: With the aid of a series of charts, I shall indicate what the general nature of our domestic problem is; and having gone through that, then I shall turn to some more charts, and I shall use the case of Ibero-America—that's the part below the Rio Grande, in this hemisphere—to indicate the nature of the policies, and problems, which affect the entire so-called developing sector: South America, Asia, and Africa.

Contraction in Real Production

What you are looking at here (**Figure 1**), is the contraction in real production in the United States since 1979–1980. Look at this as a slice down through a cylinder, a cylinder that is collapsing at the top, and you're looking at a side view of that slice. The cylinder represents volume of output, or volume density of output, in the U.S. economy. This calculation is based on using 1967 figures, for market-baskets of household goods and producers' goods, and comparing the total production of the United States in the succeeding years, with that 1967 market-basket. Since 1979, and particularly since about February of 1980, the U.S. economy, the production, agriculture, industry, and related output of physical goods, has been contracting, in a step function.

In the next slide (**Figure 2**), imagine that you are looking at a slice down through a cone, a somewhat distorted cone, which is standing on its point, like a child's top, which is spinning. And you are looking at a slice down the middle of that cone. The outside two lines represent the exterior surface of this cone. That is, GNP, as reported by our ever-loving government. Then inside, the cylinder that you see in the center, in the middle of this cone, corresponds, approximately, to the Federal Reserve Index, which is very close—a little larger, as you'll see in a moment—but close to the actual output.

So what has been happening is, that even by Federal Reserve figures, as well as by calculations based on a 1967 market-basket, the U.S. economy has been stagnating and contracting, actually through the 1970s, but especially since 1979. Meanwhile, the GNP has been expanding. So, the GNP, in monetary terms, has been growing, while the real quantity, density of production of goods, has been stagnant and actually contracting.

Next (**Figure 3**), here is the contrast of the three figures—the same thing—1979 to the end of 1985. The two outside lines, are GNP. Now, imagine you're looking at the volume of GNP, represented by this growing cone: The next part is, as indicated, the federal industrial index. The inside, is the actual growth, or the contraction, of production.

The Real Rate of Inflation

Now we'll go to the next one (**Figure 4**), and we'll see what the significance of this is. You were told that, as of the end of 1982, U.S. inflation went from double-digit inflation down to single-digit. And you will be told, if you read certain reports, including the Congressional estimates on which Gramm-Rudman is based, that we're headed do to about a 4% rate of inflation. The truth is, the rate of inflation was 10% in 1982. It is at this moment, 14%. It rose from 10%, in 1982, to 11%, to 12%, to now 14% per year. The United States government, the Reagan administration, never lowered the rate of inflation. Except for 1982, almost a depression year, inflation has grown, under the Reagan administration, and is currently at about 14%. You can see that, by looking at the comparison of real production, as against GNP. Divide GNP by real production, and the change in that ratio is actually the indicator of the real rate of inflation.

In other words, with the money circulating around, how much goods does it buy? If you have less goods, and more money in circulation—which is what GNP measures; the number of sales, or net sales—*that* gives you the rate of inflation. And the rate of inflation of the United States now, as of the end of 1985, was 14%. There may be a little argument here and there because the GNP figures are not quite that accurate, but they're as accurate as any figure by the government could be—14%. If the government says less than 14%, they're lying to you, because their own figures give that 14% rate.

What this means is, that we in the United States are spending more than we are earning. Now, where is the "more" coming from? We're getting more money to spend, because we're borrowing more: consumer credit, government credit, other kinds of credit, phony credit—that is, credit that doesn't really exist, but people assume it exists—plastic money, and so forth. So we've been going into debt, to buy more than our income would warrant our buying. Part of what we've been buying, is imports. And this is indicated by the same period, the same Reagan period, which is really the Volcker period: The U.S. trade deficit has been growing (**Figure 5**).

Now, some people say that this is because the U.S. economy and the U.S. dollar are not competitive. That's bunk. There are people in the Congress who say that next year, because of the falling value of the dollar, the dollar will become more competitive, and therefore, we'll sell more exports. That's bunk! Unless we collapse in 1986—which we probably will, at the present rate—the U.S. trade deficit will increase. That is, unless our consumption collapses, our trade deficit will increase. And the talk about a more competitive dollar is a lot of bunk; it has nothing to do with it, as you'll see in the next figure.

Steel

During the 1970s, the United States reached a capacity for new steel production of about 140 million tons a year. Since that time, our steel consumption requirements have dropped (**Figure 6**). In the recent two years, United States steel consumption, has dropped to about 90 million tons a year—in the 90s. But our production capacity, to produce new steel, has dropped from approximately 140 million tons during the 1970s, to 40 million tons today! The difference between the 90-odd million tons that we're consuming, and the 40 million tons that we're producing, is made up by the combination of remelting old scrap—if you find your missing false teeth in the front of your new car, that's why—plus imports. Where are we importing steel from? We're importing from Mexico; we're importing from Brazil. We are not primarily importing from Japan, except certain categories that we don't make.

But for low-grade, raw steel production, we are importing from the poorest countries in the world that make steel.

The reason we're importing, is not because we're not competitive, but because we don't produce. We import because we desire to consume, not because foreign industry is competing with U.S. domestic production. The U.S. domestic production does not exist. So that if you cut out the imports, you would not have an increase in domestic production, because the domestic production does not exist!

Next, look at agriculture. Since October 1979, with Carter and Volcker—no change, Reagan has just continued the Carter-Volcker policies in economics, all the way through—the farm sector has been collapsing. The figures speak for themselves; there's no need to go into them (**Figure** 7).

Agriculture

Let's go on to the next slide, and look at beef production (**Figure 8**). The collapsing farm is not due to overproduction of food—a lie! Look at the pounds of beef produced per person in the United States: The total is falling. In other words, the so-called overproduction of agricultural products, is due to Americans eating poorer! Why are they eating poorer? Because they can't *afford* to eat the way they used to back in the 1960s! To feed the average American family of four, on the standard of living a median-income family would have maintained during the 1960s, would require that the average American family today have an income of not less than $40,000 a year. It would take a $40,000-a-year income, to raise a family of four by the standards of a household of the 1960s. So what is happening, is that our production is being cut, which means our diet is being cut.

On to the next slide: During this present year, 1986, according to Department of Agriculture plans, you may expect that the production of wheat will go down 25–30%; expect rice production to drop by 25–35%; expect similar drops in other grains, with about a 20%, to maybe a 25% drop, in feed grains—that is, the grains which are fed to animals, chickens, and cows and so forth. You are going to eat more potatoes, more of other kinds of roots. And if you want to know what kind of society eats roots, rather than what Americans used to eat, look at the dietary table for Africa. You're going to eat like black Africans—at least that's the direction we're heading in. And that is why there is less production of food: not because there is excess production, but because there is underconsumption. Because under these conditions of inflation, under these conditions of collapse of the economy, the average American can no longer afford to maintain even close to the standard of living that was accepted during the 1960s into the early 1970s.

The Banking System Is Collapsing

Our banking system is collapsing (**Figure 9**). The line indicates the rate of bank closings over this period—you see, it took off in '81, to greet President Reagan, and now it is zooming. At present, the current liabilities of U.S. commercial banks are about two and one-half times the size of those banks' current assets. In other words, the entire U.S. private banking system, as a whole, is presently bankrupt. And most of that developed since 1979, because President Reagan did not fire Volcker and his policies in 1981, but decided to continue the Carter policies.

When Carter left office, he left the United States with an $800 billion federal debt, approximately. By the end of this fiscal year, the United States will have a federal debt of about $2 trillion or higher. In other words, Reagan has more than doubled the U.S. national debt. Why? By continuing Carter's policies.

Private debt has pyramided for the same reason. You have not been spending earnings in the past years; you've been spending plastic money. You've been spending credit-card money. You've been spending foreign capital, flowing into the United States at premium rates. You've been spending the money you borrowed from a bank, which borrowed it from a drug pusher, like the Bank of Boston. It is admitted, that last year $80 billion of U.S commercial bank deposits—banks like Citibank, Bank of America, Chase Manhattan, Bank of Boston—$80 billion of that, at least, was drug money. Which is why Ed Meese is doing nothing about the antidrug program—because that would mean taking on the banks that he's made a deal with.

That's why they covered up for the Bank of Boston, the biggest drug-pushing bank in the United States. They caught it with $1.2 billion of drug money being laundered through Crédit Suisse; but they covered it up. And we know how that case developed, how the investigation developed. The Department of Justice did not develop the case, the Treasury Department did; and then the Department of Justice jumped in on the case, and tried to cover up the case that the Treasury Department had developed. And the Treasury Department went after the Bank of Boston, because their statistical survey showed that the New England banking system, particularly the Boston banking system, was the center of the international drug-money laundering in the United States; Florida was a joke compared to Boston. It's the Boston bluebloods; it's Harvard University, Harvard Law School, and that type—which are up to their ears in the drug-trafficking in the United States. And why not? They made their original fortunes with the British East India Company, in the China opium trade, so why shouldn't they still be in the drug business today? They started their family fortunes on it!

So that's the state of our banking system. It's bankrupt! It's not a matter of it being in trouble.

A Reagan Defense Buildup? No Such Thing

Now, look at the effect of this on other things. The official figures on defense (**Figure 10**): You're familiar with them. The "big buildup in defense under Reagan"—that's the top line. That's taking LSD; you get the top line that way! Now, if you take the actual rate of inflation, and you deflate the defense budget dollars, for the actual rate of inflation, actually, since 1982, the Reagan administration has been *cutting* the defense budget! There has been no growth in defense, actually, over this period. Inflation has simply eaten up all the so-called increase in defense spending.

Remember that the Soviet Union is spending, on direct military war preparations, $25 billion a month; that's what's admitted. $25 billion a month, on direct preparations for war. Not for defense, for *war*! The United States is about to cut out petroleum, bullets, shells, and similar items, from U.S. procurement. So, we'll have an army without gasoline, without oil, without bullets, without artillery shells, and so forth! That is what the initial round of Gramm-Rudman means: They're cutting below the bone! On the next round, in October, unless this thing is repealed, they'll take out $50-$80 billion. And that means units, that means the U.S. position in Europe, it means the U.S. position in the Pacific; it means that the military is a hollow shell, what's left of it. And we're headed for a confrontation with the Soviets in the next couple of years. Under these conditions, what's the future of the human race? Unless this is changed, we're gone!

Now, look at the non-defense spending (**Figure 11**). Just to simplify this—it speaks for itself—of about half a trillion dollars a year, on state and local budgets, about $100 billion comes from the federal government. What's going to be hit? Federal revenue-sharing? Got it! What does that mean? That means, not only programs of the type for which federal revenue-sharing was originally created, at least in words. Localities have been using federal revenue-sharing to carry their operating expenses. What that means is shutting down sections of state and local government! The areas most hard hit, with the greatest impact, will be the older, major cities of the United States, the ones with the big pockets of poverty. It means police, it means fire, it means hospitals—basic municipal services will collapse.

The Sun Belt: Hard-Hit

Another area that's going to be very hard hit is the state of Texas, and the adjoining states of Oklahoma, Louisiana, and so forth, and southern California. Hard-hit. Why? Well, because these parts of the United States, the so-called Sun Belt region, are going to be hit the hardest by what's happening right now: the collapse of real estate, the collapse of agriculture, and the dropping of the price of oil on the international market, to now $10 a barrel, and possibly down to $5 within this year.

What happens to Texas, Oklahoma, Louisiana, south California? You have real estate investments, mortgages, and petroleum loans, interlocked with the entire real estate system. So then you pull down agriculture, collapse real estate values—which the tax reform bill will do. The tax reform bill collapses real estate investments in the United States, so if you've got investments in real estate, kiss them goodbye. That tax reform bill will finish them off, because there are no capital exemptions anymore, tax exemptions on real estate. Nobody's going to buy it! The condominiums, all these rackets—they're finished! Real estate will collapse. Mortgages will collapse. Entire banking systems will collapse. Fanny Mae will collapse. Ginny Mae will collapse. And in the states which have the interlock, in the banking system, between the petroleum loans, the agriculture loans, and the real estate development loans—where these three factors are concentrated, watch the state go! You could have $3-$5 billion wiped out of the income of the state of Texas alone, by these factors. And that's what the effect of Gramm-Rudman is, and the tax reform bill, unless we repeal them. If you don't want these things, then repeal those bills! That's the situation we're in.

Ibero-America

Now, let's go ahead to Ibero-America, to see who has been subsidizing the United States. Gross domestic product is self-explanatory (**Figure 12**): Ibero-America as a whole, Mexico, Brazil, Argentina—key countries. This slide indicates the debt, the growth of the gross product, and the growth of the debt. The next chart (**Figure 13**) makes it more clear. I've picked the two countries, Mexico and Venezuela, because they are oil-exporting countries; Brazil because Brazil is supposed to be the giant of South America—120 million people. So, you see what happens, now, to Mexico, which in 1982 signed a deal with President Reagan and the International Monetary Fund (IMF) to destroy its country but to pay its debt, on these terms, based on $28.20-a-barrel oil. Oil on the international markets, at present, is headed towards an immediate price of $10 a barrel, which means that Mexico's ability to pay the terms of the agreement with the U.S. Treasury and the IMF, is out the window. Venezuela is in a somewhat better position, because it has more reserves; but that is only for a very short time.

Also, impacted by this, there is a tremendous amount of floating oil reserve in the world today—floating all over the place. It was bought at $28; it was bought at $25; it was bought at $23 a barrel; bought at $15 a barrel on the spot market, or $16. It's out there floating. What's that oil worth? Hundreds of billions of barrels of oil—what's it worth today? Ten dollars a barrel!

What is happening to Venezuela, an oil-exporting-dependent country? What happens to Mexico, what happens to Texas, what happens to Oklahoma, what happens to Louisiana?

On to the next slide (**Figure 14**). Again, you see the climbing of the debt, and the dropping of the imports, and the rise of the exports—particularly after 1982–83. What has happened is this: The President, on the one hand, and the Congress, say, "We have to worry about the U.S. trade balance." Well, they weren't concerned about that, when they went down and negotiated with the countries in South America! Because the terms which the United States insisted upon, were that these countries stop importing from the United States and Western Europe, and that they export more. To whom are they exporting more? To us, primarily. Somewhat to Europe, but mostly to the United States. The reason for the trade balance jump, is that we collapsed industry in the United States, including the steel industry and agriculture, in order to create a market in the United States for increased imports, from countries that could not afford to export that amount of goods. At the same time, we ordered these countries to stop buying from the United States, as part of the IMF conditionalities. And now, someone says, lo and behold, we have a growing trade deficit! I tell you, in Washington, they're not entirely sane.

Worst Congress in American History?

Now, the Congress which is now sitting—or whatever it does up there on Capitol Hill—is the worst session of Congress in at least 100 years. You have to go back to 1879, to find a Congress which has done as dirty to the United States as this Congress has done, this session. The worst Congress in American history, perhaps!

Now, if we put up with this during 1986, there may not be much of an '87. We're sitting on, not a repeat of the Hoover depression—we're sitting on something far worse. We're sitting on mass death; not misery, of the type we knew back in 1932 and '33, and into '34. We're sitting on something far worse. There's already mass death in Africa; there's already mass death from environmental conditions caused by the collapse of the international economy in South America. The northeastern part of Brazil is in a condition just as bad as many of the worst parts of Africa. It's in that condition because the United States, and Henry Kissinger, have insisted upon policies which have led to these things.

In our own country, 30% of the population of the United States is living outside the economy, and is on the dump. You can go into any of our traditional cities in the United States—I'm not able to go there, because my enemies would like to get rid of me, but I get detailed reports and pictures, and I have glimpses of it occasionally. You go two blocks beyond the FBI building in Washington, D.C., and you're in hell. You're in an area like a bombed-out region. You can go into whole parts of New York City, Boston, Cleveland, Detroit, Chicago, and you're seeing bombed-out areas, that look like bombed-out areas of

Europe after the Second World War—and people are living in them. Or not living in them. The homeless—they are homeless for what reason, in Boston and elsewhere? They're homeless—why? Because they can't afford to pay rent. Rent has already gone up, in many parts of the cities of the United States, to 50% of household income. And they can't afford to buy food; they hold on to the rent; they get sick; then they can't pay the rent increase; they're bounced out. They join the ranks of the homeless—depleted, mostly older people. And they're dying—on the streets, because of our policies.

Reagan Prosperity like Great Depression

You add this cruncher on top of this: We're already in conditions like those that existed in the Great Depression. I lived then; some of you did, too. The conditions we have, under so-called Reagan prosperity today, already are conditions of collapse of industry, of agriculture, of pockets of misery in cities—already as severe as you had in the depths of the last depression.

Now, on top of this, with the aid of that ever-loving Congress of ours, someone has proposed to add a depression to a depression. What does that mean? It means, we'd better do something about the Congress. And it means, that any citizen who *doesn't* do something about the Congress this year, has no one to blame but himself or herself. This Congress has to be roasted! If there's anything in the Congress, humanly, which is salvageable, it is half-baked and needs to be thoroughly cooked! There are some things which, in the language of the old preacher, "God, they're not redeemable!" And you have to judge, lest ye be judged for not judging! They have to be removed.

Now, in the House of Representatives, that's not an impossible task; they're all up for election. And one should start from the presumption that if they're in the Congress now, they ought to be out of it. And we look over the list of salvages: which ones can be allowed back in after they cease to be half-baked and have been thoroughly cooked, by the citizens of this country, when they go back, baked together, and understanding that Gramm-Rudman must be repealed, that tax reform, the Rostenkowski bill must be repealed, altogether! But more must be done.

Now, Roosevelt didn't do everything right, but, if you'll recall, we were in a pretty bad depression, right up into 1939; don't let anybody tell you there was any recovery before 1939—there wasn't; we'd just gotten used to it. Things were getting worse. In 1939, particularly in 1940, we began to recover. And the United States recovered so well, during the period 1940 to 1943, that they couldn't kill U.S. prosperity until Johnson came along with the Great Society in the middle of the 1960s. He said he was going to help the poor, so the first thing he did was to make more of them. It's called the Great Society program. Great numbers of poor.

No Reason To Have a Depression

Now we ought to have learned a lesson from that: There's no reason we have to have a depression. We can get out of a depression any time the government makes up its mind to do it! But we have to do exactly the opposite of what the administration's been doing since Jiminy Cricket Carter got in there, and Volcker. Don't believe all this stuff about the "magic of the marketplace"! If anybody comes around selling magic, you call the police—the consumer fraud division. There is no magic! And anyone who's peddling it—look, I've got a friend who believes in burning witches. And he doesn't do this because he's a bad person; he's just been studying witches and what they've been doing in the United States recently, including Jeanne Dixon, who is a member of this council of witches; the satanic rock people, all these kinds of things. And if somebody goes around pushing magic, you send that fellow to jail, because there is no such thing as magic. There are the laws of the universe, and you've got to have the sense to recognize them; and that's hard work. But in order to get an economy going, for people who are willing to work, according to the laws of the universe, there must be a supply of credit, at reasonable prices and reasonable terms. That's all Roosevelt did! He set up the war production credit system. And those things which were in the national interest, could get credit on generous terms, long term, at very low interest rates. And they practically pushed the contracts on you. If you went in there and you said that so-and-so was your subcontractor, and you had got some machine-tools out of a junk pile, and you had them turning over, and hired some people, and you could go in there and show that you were producing something—you could get credit! That's the way it looked in 1940–41. By 1943, on the basis of that system, this ruined, miserable economy of ours was the most powerful economic machine on the face of this planet! And we won the war with that recovery. We didn't build the economy with the war, we won the war with the economy, with our logistics.

We could do the same thing again! You don't have to repeat Roosevelt's mistakes, but you can have the sense enough to repeat his successes. Forget this "magic of the marketplace"; forget this garbage about free enterprise. We want people to be *paid*; no more of this free stuff! We have to use the mechanisms of government credit creation and steering, to take this economy, get it moving again, get people back to work, start producing again. And we have to have a lynch mob, called newly elected congressmen, who will go into the Congress and will tolerate nothing else.

The 'Warhawks' and the War of 1812

I'll tell you about one thing. Britain had been fighting a war against the United States, since the middle of the 1790s, and the United States wouldn't fight back. We had a fairly decent fellow called Thomas Jefferson, but he had some bad instincts—some Jacobin instincts. He learned later, after he had made a mess of the presidency. But he tore down our defense; he took a traitor, a Swiss spy, as his Secretary of the Treasury—someone like Donald Regan, that type. They shut down the U.S. military, they bottled the Navy up in the harbors, they shut down the U.S. Merchant Marine, and they shut down the U.S. economy.

And Madison came along. The problem with Madison was not he himself, but his Dolly was a little bit wacky. It was Aaron Burr's Dolly; Aaron Burr gave Madison his wife, Dolly. She wasn't very good—and neither were the chocolates of her name, nor the ice cream. But anyway, Madison took this same fellow, Gallatin, this Swiss spy, this enemy of the United States, and kept him on as Secretary of the Treasury—with more of this Adam Smith nonsense. The U.S. economy was collapsing. Between 10,000 and 20,000 of our merchant seamen were kidnaped and enslaved by the British, and we wouldn't do a thing about it; the President wouldn't do a thing! Then, in the election of 1812, the way the war started, was that some Whigs got elected, led by Henry Clay, who was known as the Warhawk. And Henry Clay, who became the Speaker of the House in his first term of service in the House of Representatives, was leader of the Warhawks. And the Warhawks declared war on Britain, and we won the war, even when we had to fight Britain alone—because the U.S. Navy skedaddled out of its harbors before Madison could be prevailed upon, by this Swiss spy Gallatin, to bottle it up. And these U.S. frigates got out of the harbor before Gallatin could sink them, and they went out on the high seas and they took on the entire British Navy, and they beat it! And the Warhawks did that.

Now, I'm not for war. I'm for being able to win one, so you won't have any war. And when you're dealing with somebody who believes in irrational force, you'd better be stronger. As Kennedy was about to say before they shot him, down in Dallas, the United States had to have a policy of peace, guaranteed through U.S. absolute military superiority. I'm for that! And that's the only way you're going to have peace. You've got to have the *right kind* of military superiority; it just can't be anything. It can't be buckets, or helmets, or bayonets. You've got to have the right stuff. But you've got to have it.

Get Rid of Gramm-Rudman, Tax Reform

Now, I'm not for a war, but I'm for Warhawks, like Henry Clay's Warhawks. And what we need to do, in this country—if we want to save this country, if we don't like what might happen to the world if Mr. Gorbachev and his friends become the emperors of the world for two or three generations—if you don't like that, then you have to change the United States, this year. Not only in reforming, getting rid of Gramm-Rudman, which is a treasonous, unconstitutional piece of filth—and any congressman who voted for that thing, violated his oath to uphold the Constitution. And the only grounds on which he could exempt himself from imprisonment, is that he didn't know what the Constitution was—which most of them probably didn't.

Get rid of this tax reform legislation! You've got to have a tax policy, in which things which are not sinful, and which are beneficial to the economy, ought to be taxed at a lower rate than casinos, and gambling, and drug-money laundering, and prostitution, or legalized prostitution I believe it's called—such as Las Vegas, and things like that. You ought to have the lowest rate of taxes on those investments of income which do the most good for the economy. You ought to have a lower rate of taxation on basic household income, by which people feed and raise families, than you should on higher levels of income which are *not* invested in productive things which are beneficial to the economy.

Kennedy had not a bad idea, back then. Kennedy was not entirely bad; he had the investment tax credit, he started the Apollo program—or he adopted it, pushed it, made it go through. And it was during that period, with the combined effect of the NASA-led aerospace research and development, back in the early 1960s, and when the Kennedy investment tax credit bill was enforced, that the United States had the highest rate of growth of productivity in the entire postwar period. The growth of productivity in the labor force as a whole during that period, was 3% per year. The growth in productivity in the operative section of the labor force, that is, manufacturing and agricultural people, was up to about 7% per year. And that was a direct result of investment in technology, stimulated by the NASA-aerospace-led scientific program, also called the post-Sputnik program, combined with an investment tax credit program, that gave people an incentive to invest in things that did the economy some good, rather than investing in high-premium pieces of things that don't do anything.

So we have to get rid of this stuff: get rid of Gramm-Rudman, get rid of the Rostenkowski bill. Repeal them, but do more. We cannot solve our problems, unless we increase our tax revenue base. We cannot increase our tax revenue base without having a genuine recovery. Not the phony recovery that didn't happen, that they keep talking about in recent years. That means employing more people. It does not mean fast-food stands; it does not mean messenger boys; it does not mean people passing out flyers for massage parlors. It means, people employed in producing useful goods and services: genuine wealth. And when people produce genuine wealth, and per capita income increases, the tax revenue increases, without having to raise taxes—or tax rates. Then, you can pay for government; the private sector can begin to pay for its own requirements; and we can get out of this mess.

We will not do it, however, without government credit, or government-steered and government-created credit, to get the private sector, and government, moving again.

And we have to have a lynch mob of Warhawks in the Congress, this year. And the first thing to do is to scare every congressman who is in there, into the fact that he might be politically lynched. Don't wait until the November elections; let's give him a sense of the rope now. You know, you have a thing: "Support your local Congressman"—a hangman's noose!

Out of Your Foxholes

We have to get the American people coming out of their foxholes. You know, they're down there in a foxhole, watching a television set. That's what the American people have done. The worse things get—and every time there are problems in the world outside, they stick their noses up, and hear a rumor that something bad's out there, they dig a little deeper! And then, the thing that always happens in war, somebody always comes around and starts dropping hand grenades in these foxholes—and then they come out!

Well, they're coming out—they're beginning to come out. But they have to be mobilized, now, the average American, including the fellow who never voted in his life. He says, "I never voted because there was nobody fit to vote for." And we say: You were right! It's just been proven! But guess what's going to happen to you because those persons got in? Look at the grenade that just dropped into your foxhole! Now a mortar shell is coming next. You'd better do something about it, buddy. Get out of that foxhole, and start to roast this character, kick him out, and find honest people, who are willing to become part of this.

Now, the qualification is not that they're the world's greatest genius on this session. No! The qualification is, that they're *devoted* to the idea of becoming, for a period of time, an active member of a lynch mob. And send them down to Congress! And that's the way we're going to get out of this mess! Thank you.