

## LaRouche Advises Democrats On What They Must Do Now

*Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. provided the following memorandum on July 7, in response to the following two questions from Democratic Party figures concerned about the rapidly crumbling U.S. economy:*

*1. Given what you call the “denial” of the financial crisis, in the population, how would you proceed to push through a policy of re-regulation?*

*2. Given the fragile nature of the U.S. economy, would implementing a policy of re-regulation cause a jolt, which might trigger the bankruptcy of key utility and energy corporations?*

To answer the questions competently, compels us to define the characteristics of the situation in which the relevant courses of action are to be enacted.

### **1. The Setting of the Action**

Since we are operating within the context of both the U.S. Constitutional system, and the actual, if crumbling position of the United States as a dominant power, the closest approximation of the onrushing situation today, is the axiomatic phase-shift in U.S. policy-making, away from the Theodore Roosevelt/Woodrow Wilson/Calvin Coolidge/Andrew Mellon matrix, to the 1933-1945 Franklin Roosevelt era. The state of acute denial of reality by President Hoover—the Hoover reelection campaign’s infamous “chicken in every pot,” then—is to be compared with the 1996-2002 state of escalating denial of reality under, successively, Clinton and G.W. Bush, especially since October 1998.

The onrushing challenge now, as in 1932-33, is not of implementing “fix-it” reforms, but of a revolutionary return to the intent of both the 1776 Declaration and 1787-1789 drafting of the Constitution, especially the supreme authority implicit in its Preamble. Hoover proposed to fix a system, without tampering with the axiomatic presumptions of the Coolidge-Mellon era, just as most political circles today, in-

sist that only failed reforms within the bounds of the 1971-2002 system will be considered as politically “practical.”

No solution for the U.S.A., in particular, exists, except by following the course chosen by Franklin Roosevelt, an overturn of the pro-slavery legacy of John Locke, as in the Preamble of the Confederacy’s Constitution, to the contrary, Leibniz legacy (e.g., “pursuit of happiness”) embedded in the Declaration, as echoed in the Preamble of the Federal Constitution.

To sum up those two points, the world as a whole has entered a phase-shift in the characteristics of the present, 1966-2002, combined monetary-financial and physical-economic system—the system set into motion by Richard Nixon’s 1966-68 election-campaign, and the increasingly radical monetarist policies which led into the August 1971 wrecking of the pre-U.S. Vietnam War system of 1945-1964.

Although the post-Roosevelt, 1945-1965 international monetary-financial system was riddled with included injustices, the economic system worked to the effect of secular trends of net improvement in the physical-economic conditions of life, per capita, and per square kilometer. The 1966-2002 system, especially since Nixon’s first inauguration and the 1971 change in the monetary system, has been a grotesquely cruel failure, whose continuation assured a collapse of both the monetary-financial system and the physical economy.

The only immediate, politically credible historical precedent for this situation, is a return to the best features of the U.S. monetary, financial, economic, and social policy installed during the course of the 1933-1964 interval. This means, for the U.S. itself, turning the clock back to about 1964, on every leading, axiomatic feature of national monetary, financial, and economic policy. Some would call this a “reverse cultural-paradigm shift.”

Such needed, sweeping phase-shifts in policy-structures, can be implemented democratically only under conditions of perceived crisis, during which popular attachment to pre-

viously embedded, but failed policy-matrices is seriously undermined. The early phase of social effects corresponding to general collapse of a bankrupt system of policies and related practices, is, unfortunately, usually a relatively brief interval during which appropriate systemic policy-changes can be implemented, as during the “first ninety days” of FDR’s first administration. Only what might be described as “dramatic” changes in policy-matrices, can pull a nation out of the systemic collapse which a continuation of presently accepted political doctrines ensures.

## 2. FDR As Now

Such a change can occur, now, as then, only when the political effort is rallied in the form of an upholding of the Constitutional principles of national sovereignty and general welfare, against those forces which have created the crisis, the followers of the Confederacy’s Locke tradition called, today, “shareholder value.” The only agency in the world which has the explicit, Constitutional authority to conduct such a legal revolution, is the U.S. Presidency, when that Presidency has the support of the majority of the people and can rally sufficient support from within the Congress, as President Franklin Roosevelt did.

Presently, as a matter of practice, such a change would require a sudden and sweeping revolution within the leadership structure of the Democratic Party, a change defined as a return to the FDR legacy, against the failed Coolidge-Nixon legacy.

That said, situate the reply to the two questions accordingly:

1. Most probably, the paradigmatic next major blow to hit the internal U.S. economy, will be a collapse of one of the largest of the several monsters created by the Federal Reserve System’s Alan Greenspan, the bundled-mortgage bubble. (A parallel bubble now threatens to pop in the U.K.) The effects on the nation’s banking system and population will be quickly monstrous, unless de facto national reorganization-in-bankruptcy is launched, to prevent banks from evaporating, that with social effects which would be horrifying beyond belief. A very large-scale Federally-prompted expansion of employment in urgently needed categories of basic economic infrastructure, will be needed, combined with reactivating the physical-goods producing sectors of employment through the combination of new streams of credit, investment tax-credit programs, and a general shift from marginal qualities of “services employment,” into goods-producing enterprises.

Beginning the middle 1960s, the U.S. economy began a directed shift away from emphasis upon a physically produc-

tive nation-state economy, toward our present character as an imperial consumer society, as did ancient Rome following the Second Punic War. The only solution for the present crisis, would be to reverse that change. This means a mobilization designed to shift the United States back into a pre-1965 form of production-oriented nation-state economy.

There are only four cases in the national history of our republic, in which a comparable effort has been made.

- a. First, the founding of our republic, under the 1776-1789 leadership of Benjamin Franklin.
- b. Second, the 1812-1828 leadership of the American Whigs under Mathew Carey, Henry Clay, James Monroe, and John Quincy Adams. They saved the republic, but under the circumstances of 1815-1860, in which the U.S.A. was threatened globally by both the British monarchy and that monarchy’s anti-U.S. rival, the continental circles of France- and Habsburg-centered continental tyrannies. The efforts of these American Whigs made possible the rescue of the nation by President Lincoln.
- c. Third, under the leadership of President Abraham Lincoln and the world’s leading economist of that time, Mathew Carey’s son, Henry C. Carey, the United States emerged from the Civil War, as the greatest agro-industrial nation on the planet, to kick the evil influences of the Spanish monarchy and the French fascists (Bonapartists) and their puppet Maximilian, out of Mexico, thus restoring Mexico’s sovereignty. The influence of economist Carey, even after Lincoln’s assassination, caused the Franklin-Hamilton-List-Carey American System of political-economy to be admired, and imitated to a spectacular degree, in Japan, Germany, Russia; among patriots of Central and South America, at least to a large degree; thus changing the world for the better. However, the assassination of Lincoln prevented the consolidation of the combined political and economic reforms his administration was setting into motion.
- d. The leadership of President Franklin Roosevelt through three-plus terms as President. Had Roosevelt lived out his fourth term, his achievements would have been consolidated. For example, the bombs would not have been dropped on Hiroshima and Nagasaki, and the fascist utopianism, of “world government through fear of nuclear weapons,” of the followers of H.G. Wells and Bertrand Russell would not have been launched, as it was that August 1945. As long as the U.S. military’s leading opponents of that bombing, MacArthur and Eisenhower, remained in positions of political power, the “military-industrial complex’s” utopians’ drive for a fascist world

order, was postponed—until the retirement of Eisenhower and assassination of President Kennedy.

## The Price of Failure

The tumultuous and deadly state of affairs from the time of Kennedy's election and inauguration, into the 1964-65 launching of the U.S. War in Indo-China, reflects both the pent-up rage of the utopians, and the extent of the collaboration they enjoyed in the United Kingdom, Franco's and the Buckley family's Spain, Soustelle's France, the fascist residue in Italy (e.g., Mattei's assassination), and General Secretary Khrushchev's back-channel agreements with Bertrand Russell and Russell's World Parliamentarians for World Government, from the mid-1960s through and beyond the 1962 Cuba Missiles Crisis. With the "military-industrial complex's" success in institutionalizing the Indo-China War, and Nixon's meeting with Klan leaders to launch his 1966-1968 Presidential campaign, most of the worst features of our nation's recent troubles were set into motion.

Therefore, the fears and other difficulties, which make Hamlet-like political cowards of most leading circles in today's United States, can be understood. However, as those four examples remind us, the price of failure in times of crisis may be a price beyond belief, for both our nation itself, and civilization more broadly.

The rule is, as from Isaiah: If the trumpet sound an uncertain note, who, then, shall heed the call to battle? Lessons from past history, including those relevant four cases from U.S. history, attest that an escape from terrible danger can be managed, if the chosen leadership has the required temper and matching competence. It is the failure of "nerve" among what is generally acknowledged as political leadership in today's U.S.A., which is greater menace to the United States than all of its other enemies combined.

Say: "Roosevelt conquered both the Depression and Nazism. Without his application of the overriding authority of the Constitution's Preamble, the overriding principles of perfect national sovereignty and the general welfare lately defied by the pro-fascist U.S. Justice Antonin Scalia, et al., neither the Depression, nor Hitler, could have been defeated."

Denial is defeated by making denial itself the target of very large doses of what Gilbert and Sullivan described as "innocent merriment," and that combined with a defiance of those dragons which clear-eyed courage reveals to be delusions. The restoration of necessary regulation can be secured in that, and only that way.

2. Re-regulation would fail if it were attempted without the relevant finding of fact as the motivation for its institution. Such a finding of fact should be desired from legislative processes, but, at the least, it must be made as a finding of fact by state executive authority, and, also Federal executive authority. We have the

evidence available, to prove that the U.S. economy is presently facing a general collapse which can not be mastered without taking into account the following principal factors of doom.

- a. The collapse of Chairman Greenspan's "new economy" bubble, is now compounded by the imminent collapse of Greenspan's even more monstrous mortgage-bubble. Under present trends, the U.S. financial system is gripped by a kind of hyper-inflationary impulse comparable to Weimar Germany's experience during the June-November 1923 interval. Facts compelling that conclusion are available in sufficient degree to make a conclusive case.
- b. This impending, multi-faceted collapse of the present financial system, and of Federal and state finances, too, requires that the sovereignty of the U.S. Federal government be applied to put the U.S. public and private financial systems into immediate financial reorganization in bankruptcy. For this case, the provisions of the Preamble of the U.S. Federal Constitution, must prevail absolutely. The moral legitimacy, and therefore authority of the existence of government depends upon that government's efficient performance in defending the general welfare of all of the people and their posterity. No nation, nor its people, nor any portion of that population, may be destroyed for the sake of bankrupt creditors.
- c. The provable cause for this imminently bankrupt condition of the nation and the present world monetary-financial system, has been those policies introduced, as radical changes in that system, since August 1971. The shift of the United States from the leading economy of the world, toward becoming a deregulated consumer society from an appropriately regulated, production-oriented society, since the middle 1960s, is the principal cause of the present imminent general bankruptcy. To save the nation and its economy, we must quickly reverse those errors.
- d. We must declare an emergency, organize a set of orderly and proven measures of bankruptcy-reorganization, as President Franklin Roosevelt's government did, and launch an emergency recovery program of economic reconstruction, to operate until such time as the successful mechanisms, built up during the 1933-1964 recovery from world depression and war, are operating at levels comparable to those reached at the time of President Johnson's completion of the term for which President Kennedy had been elected.
- e. Among the crucial elements of such a recovery program, special attention must be given to re-

storing former programs of regulated basic economic infrastructure, as formerly regulated by the Federal or state governments. These include:

- i. In transportation: Railways, highways, bridges, harbors, maritime traffic, and regulated public utilities in air transport.
- ii. In water.
- iii. In energy: stable supplies and prices of generation and delivery of energy-supplies, for conditions of increasing energy-flux-density of primary supplies. These must be regulated in what was formerly traditional practice of the Federal, state, and local governments, as prior to January 1965.
- iv. Health-care. There must be an emergency override of the failed intent inhering in the current application of HMO and related measures contrary to the intent of the eminently successful, pre-Nixon Hill-Burton legislation. This must take into account the crucial rule of full-service general hospitals which are also teaching hospitals, as the first-line of mobilization of medical and related professionals for the defense of the health of the population, against previously established and new forms of epidemic and other diseases.
- v. Education. The recovery from the collapse of the present world monetary-financial system, will depend upon a reversal of trends in educational policies toward those consistent with the cultural basis on which former U.S. progress as a leading agro-industrial producer's society had depended.
- vi. Unemployment. As during the period of Franklin Roosevelt's Presidency, we are confronted with both an existing scale of unemployment far greater than officially acknowledged, and also a collapse of the "new economy" bubble, and imminently great increases in rates of unemployment among those who had been employed, until recently. This represents a social crisis of ominous implications for the security of our republic. As that President did, we must utilize urgent needs for repair and expansion of essential basic economic infrastructure, as the first line of defense against the tide of unemployment. We must use that work in infrastructure programs as a leading stimulant for flow of credit, through special banking channels, into the areas which are appropriate vendors to those infrastructure programs. As Franklin Roosevelt did, in preparing for the war he

knew was coming, we must prepare large-scale agro-industrial development for peace as Roosevelt was obliged to prepare a mobilization of production for future war.

The essence of success in reconstruction, is abandoning the bodyguard of lies which lately prevails as practice of our government, mass media, and duped popular opinion, for truth about the ugliness of the present situation, but combined with a truthful exposition of the principal causes for that situation, and, also, most urgently, the optimism inspired by bold and truthful remedial action.