

electorate by the Republicans and Democrats, the LaRouche campaign is a wild card. Already the LaRouche campaign has begun accumulating a significant list of endorsements from leading political figures in France, West Germany, Italy and Canada. LaRouche has also just completed a round of important meetings with influential Midwestern business leaders.

In the U.S., the LaRouche candidacy has been particularly boosted by the endorsement of LaRouche by Rolland McMaster, general organizer of the International Brotherhood of Teamsters. McMaster's endorsement comes two weeks after leaders within the IBT announced the formation of a Teamster Committee to Elect LaRouche. The Committee began issuing public information bulletins on their activity with their circulation planned to reach 200,000 among industrial workers.

As one political analyst pointed out, "persons familiar with the history of the labor movement and particularly the IBT will understand the significance of McMaster's endorsement of LaRouche's candidacy and the international fight against drugs that he is associated with." McMaster has played a central role in building the IBT since the 1930s and is a leading expert on the economic effects deregulation would have on the trucking industry.

LaRouche's supporters are also engaged in the mass distribution of copies of McMaster's endorsement of LaRouche and are planning to get out 20,000 on the East Coast and in the Central States.

McMaster's statement of support for the LaRouche campaign may well be a catalyst in moving other trade union leaders to take similar action and endorse LaRouche.

How to unravel the mess called the U.S. economy

Presidential candidate Lyndon H. LaRouche explained to the Detroit Chamber of Commerce Government Roundtable on May 18 why the current anti-inflation policies of the Carter Administration are failing. Here, with minor deletions, is his speech.

This is the season when the Republican Party will be blaming the Carter Administration for all the problems. That is not only unfair, but it is counterproductive. Granted, the Carter Administration has been a national disaster. The collapse of the dollar from DM 2.35 to the level of DM 1.80 where it is now propped up, is indicative of the nature of the major problem of

inflation. But the Carter Administration is bad from the economic standpoint mainly in the sense that, at a point where there is tremendous potential if we correct the accumulated problems of the postwar period, instead of correcting the problem, a larger dose of the disease is added.

These problems are soluble; they are difficult to solve. That is, they're difficult in terms of the amount of work, difficult in terms of the amount of political effort required, difficult in terms of the factional brawls required to solve the problem, but they are soluble.

Actually, although I didn't like FDR much in general ... at the outset of the war—and mind you it was a change in policy—FDR had a fight with Winston Churchill at Casablanca. FDR laid down to Churchill a policy which would have prevented the United States from getting into most of the economic and related messes which we have gotten into in the postwar period. Essentially I would say, from the standpoint of political reference, that what we need to do now is to do approximately 40 years late, or 35 years late, what FDR proposed the United States should have done in 1940. We can do it.

Let me lay out what has to be done. One of our problems is that we make economic analyses and evaluations using tools to figure out the national income statistics levels and so forth, tools that are wrong. According to the statistics, the United States has continued to be in a phase of economic growth. The United States has been, since approximately 1966-67, in a period of economic decay. One can say we have been in aggravated stagnation with some exceptions since approximately 1957-58. We made the wrong turn under Truman. Eisenhower tried to force things toward the right direction with his Atoms for Peace policy. Rogers threatened to do the same thing with his Rogers Plan policy, and even Jack Kennedy did the right thing—among many other things—with his position on tax breaks to foster some degree of capital intensive investment....

So it is correct to say, let's go back to what Roosevelt laid out in opposition to what Churchill proposed. At the Atlantic meeting and the Casablanca meeting, Roosevelt said the United States is not going to war to rescue the British Empire in any shape or form, or under any disguise, nor is the United States going to go to war and continue after the war supporting British "18th century methods" in terms of the relationship of the industrialized countries to the colonial and semicolonial sector. We are going to use American methods, that is, we are going to introduce high technology in agriculture and industrial development in the developing sector to create a self-expanding market for capital goods at the same time that we do what we should do as national political and associated policies in any region of the world—do what the United States did in its own territory: take its own population's

interests with a dedication, however vacillating at times, to high-technology progress, in agriculture, industry and try to form a wasteland or a backward country into a modern, powerful nation.

Lesson of the war mobilization

The circumstances under which that Roosevelt decision came are also instructive. From 1929, but actually from an earlier point, the United States went into a depression and stayed in this condition for about 10 years. What the wartime experience proved to us, the war mobilization, was that we never need have gone into a depression and certainly need not have stayed in it. What we did in the war mobilization was to demonstrate a principle. We demonstrated it around arms production.

The same principle applies much more effectively around civilian production or vast investment projects to create external growth. Before the war, Hoover or Roosevelt could have rebuilt the credit structure of the United States in the way FDR did later, somewhat modeled on Lincoln and Hamilton as well, in the war mobilization. He said the United States is now going to adopt a national economic purpose. We are going to gear up our productive capabilities, which are the greatest in the world, in order to transform those sectors of the world that wish to be transformed. We would supply cheap, long-term credit with an adequate grace period for any competent project to cultivate the developing world. We will use that to fuel our own capital investment programs inside the United States to build up our tax base and to build up the standard of living of our own population, in our own productive forces.

If we had done that as a nation, at any time under Hoover or under Roosevelt prior to 1940, we could have had the same effect in terms of mobilization of the economy that we enjoyed after getting some rickety machines going in 1940-41 and 1944. We could have done it. *It is not necessary for a capitalist economy to go into a depression.*

If government, together with bankers, takes the proper course of action in terms of credit, banking, and monetary policies and develops and fosters objectives for opening up new areas of development for investments, politically, then the United States economy would automatically respond to that environment of opportunity, with its potential incentives, to create prosperity. If government would take that role continually, there never need be a depression or the kind of stagnation we've seen.

In principle, those of us who went through the depression, whether younger or older, should have learned that from the war mobilization. Here was a nation which said it could not produce, it could not employ its own people. We took the labor force of 1939 and by 1940, as the war mobilization report shows,

most of that labor force was deteriorated in its quality as a productive labor force. The machines had been looted, and were worn. It was difficult for many plants to get the power to even do the simplest kind of production. So the first effort of the war mobilization was tied up in knots in the effort to overcome the limitation of a degraded labor force and with a largely degraded, shattered and obsolete plant and equipment. And yet, nonetheless, by 1943 the United States war mobilization had reached the targeted objectives which the government had set out. In 1941-42, the thing was in a take-off point.

Now we should have continued that after the war. Of course we were stuck with a war debt because we had taken the wrong approach to financing the war mobilization. We did it for political reasons. People like to have bonds they can spend later. The unfortunate thing about the bonds is that at the time they were coming to maturity there was no product to match against the mature bonds. That was a mistake, but nonetheless, we had a war debt. That was not a real problem.

The problem with the military debt was the fact that there were no tangible assets which existed to correspond to the incurred debt. Raw material is expendable. You can't renew it. You can't convert it generally to capital goods—which can be capitalized, which are salvageable—whereas if you produce the same magnitude of capital goods and sell these capital goods on long term credits abroad, you have tangible assets. If you put capital goods into viable self-sustaining projects which, after an initial period of construction and operational maturation (say, seven to eight years) of coming into a productive phase, they become self-sustaining economically at the end of 10 years—so that you can finance on 15-25 year terms of debt. Then you have not only a tangible asset in those countries which bought them, but they are developing viable industries and are becoming new markets, self-expanding markets for other economies. If we had done that as Roosevelt proposed, we wouldn't have our present problems.

Consumer credit bubble

Look at the expansion we had from 1954-1957. We had approximately three years of very troubled economic expansion. It was financed primarily by consumer credit financing. In 1954 we revised the tax code and credit code and we unleashed consumer spending. Over the subsequent period we extended the limits on spending for consumer credit. So, what was happening in 1956-57 was an increasing number of new automobiles being sold on 36 month terms. The "36 month note" was generally a balloon note, so that at about the point of 18-24 months, the unpaid balance on what had been a new car purchase was greater than the retail selling price of the same vehicle on the used car lot.

The same problems affected other categories of consumer issues, and spending in general.

Therefore, we went into a monetary collapse because we tried to finance the economy through consumer credit, based on a relatively fixed level of consumer incomes, rather than trying to develop the economy through capital investment, which is the way the American system works. We should have provided consumer credit merely as a social measure of necessity or convenience—except for housing. But we should have emphasized productive capital investments. Then we would have created jobs, increased the tangible wealth produced by the economy, and increased the tax base. And provided we emphasized new technology in capital investment and replaced obsolete or worn plants, then we would have increased the technology of production, the social productivity of the labor force, and have had higher rates of profit, despite the higher average income of wage earners.

The reason we didn't do this—even though Eisenhower was committed to that direction with his Atoms for Peace policy—is that we refused to buck the International Monetary Fund, we refused to buck the City of London and some of our people in New York who think the same way the City of London does. We did not do what Roosevelt recognized had to be done. We had to end not only the old British-French and so forth mode of existence, we had to end those economic practices against which our forefathers made a revolution: the practices of holding colonial countries in enforced relative backwardness.

The way the United States can get out of the mess now is the way it could have gotten out of the mess in the 1940s, or 1950s, or 1960s. Open up the developing sector, or at least those sections of it which represent very large markets for high technology development of agriculture, industry and infrastructure. Open them up on credible financing terms: 3 to 4 percent interest on 15-25 year loans, with adequate periods in which you are not expecting payment for projects before the thing is producing. On that basis, we would get out of this mess.

What statistics to use

As I indicated earlier, the government's statistics and business statistics are totally incompetent. For example, if we legalize prostitution, or if we legalize the much larger illegal drug traffic, if we legalize gambling—if we legalize mugging and burglary—then we will take the revenues of these legalized categories of activity into the national income accounts. We will say the economy has grown. We can prove it because the value-added method applied to these legalized categories of activity will demonstrate economic growth. If we shut down all our plants, produce nothing, shut down the farms, produce nothing, but pay the population for makework of some kind—to entertain each other or to

engage in gambling or to go into prostitution—then we can say we have full employment. In terms of the value-added measures that we use for our national income accounting system today, we have had economic growth. Of course, we're on the brink of disaster, but the figures will say economic growth.

The problem with corporate, banking and government policymaking during the last period is that we have been using figures which do not correspond to economic reality. Apart from the monetary side, which has become more significant since 1966, the structural problem of inflation is that in the entire labor force, the ratio of productive operatives in agriculture, industry and related occupations is declining as a percentage of the total labor force. Granted we need services. Granted we need administration, and especially we need an increase in scientific and engineering training and employment as we increase the capital package. As you become more capital intensive and invest more rapidly, you must develop technology more, and therefore we need more science and engineering. Services are generally necessary, government services, administration. But the important thing is not to let the growth of services and administration combined with waste chew up the entire surplus that we produce from a diminishing productive social base.

The problem with our economy is that instead of employing the labor force in large part as a productive labor force of skilled or semi-skilled operatives, we emphasize nonproductive activities which our present national income accounting system calls productive—under the value-added formula—and therefore all our banking and government statistics are fraudulent, because they call production something which is wasteful, either because it is inherently wasteful or excessive. Therefore the ratio of your services are excessive with the effect of the government.

LaRouche's economic model

I hope that apart from being a presidential candidate, I will also be successful in bringing this problem to an end. I won't talk about it, just mention it. The economic model which I worked to develop since 1972 has now been reduced to the first phase mini-computer type of classification, and we have seen some good test results in that form, and governments and corporations will be interested.

But most of you represent firms or entities with organic, every-day experience in production, engineering, in labor management. All this adds up to an organic experience with the American System. Anybody who works with the American System knows how you increase the production of wealth, knows how to build a pie so that people can get paid more, knows the role of technology in increasing social productivity, knows the urgency of capital intensive investment, knows the urgency of increasing the energy supplies, especially in

higher technology forms, more rapidly than you increase production, because an economy requires a greater rate of growth in energy consumption than it will get in terms of volume and value of production. The average banker, the average administrator, or engineer of production who deals with producing more wealth more cheaply and better has an organic experience with the American System.

The problem is that when you get up beyond the level of the corporate manager, industrial manager, or agricultural manager (where the case might be less of a problem), and you go to the financial layer, or the government layer, a completely different kind of thing occurs, which sometimes we call "liberalism." The liberal ignorance of how our economy works, this is where the problem is.

My candidacy, in conclusion, is, I think, a much more credible proposition than any of you gentlemen know. As you probably know, in politics, you get a result of your work in approximately 18 months. You have to first go through a lot of work in the back room, do a lot of private campaigning, talk to a lot of people.

Role of LaRouche's candidacy

My immediate and obvious function as a candidate is to bring the policies of which I have touched one aspect here and create such a ruckus around them that we force the other people who are running, whether on the

presidential level, on the congressional level, or the state and local level, to begin to discuss the issues in these terms in order to maintain credibility. I want to get some of you people in the corporations and farmers and those trade unions to begin putting pressure on these candidates to respond to these issues in these terms. I am not without some help in this abroad. There are forces abroad such as the Gaullists in France and forces in Italy, and certain forces in the United States who think in the same directions, the same policy directions, that I think in. They may not support me directly, but we agree that if I were in the White House they would be happy and I would be happy to work with them, for example, the government of Giscard in France and in Mexico, Lopez Portillo. We could work with such governments.

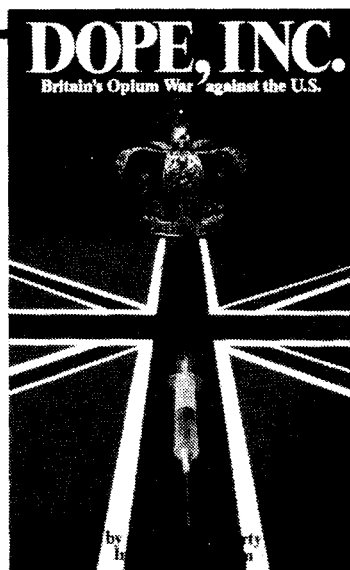
If we in the United States reactivate the policies which correspond to the organic experience of the American System, we will find that these forces abroad will be very happy to support us. They will support not me, but some kind of effort like this. Then I think that, because 70 percent of the American population still is connected organically to the American System, we can mobilize the kind of support to ensure that, even if I don't get into the White House, at least we will have a candidate who thinks in the American Systems terms, not the kind of policy of a John Connally, Haig or Carter or Kennedy.

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