NDPC STATEMENT

'No budget cuts, no tax increases'

by Lyndon H. LaRouche, Jr.

The following statement was released on March 8 by economist Lyndon H. LaRouche, Jr., founding editor of EIR *and Chairman of the advisory board of the National Democratic Policy Committee. Mr. LaRouche was a candidate for the Democratic presidential nomination in 1980.*

This is to announce the reasons why I am now encouraging Democrats throughout the United States to pressure Congress for passage of the Reagan administration's combined budget-proposals and tax-proposals as submitted, and to reject all such foolish schemes as the Baker-Hollings finagling.

The main fact to be stressed is that the United States has already entered the Second Great Depression of this century. The depression has not yet become irreversible, although we are presently at the edge of a precipice of chain-reaction bankruptcies of firms, farms, and thrift institutions which would create a condition of near-irreversibility.

This depression has been caused by the monetary policies which the Federal Reserve System has imposed on the U.S. economy and world trade since the beginning of October 1979. Unless interest rates are forced down below 10 percent prime rates within weeks, the collapse of the U.S. economy's tax-revenue base will drive the federal deficit toward between $150 and $200 billions for fiscal year 1981-82 and generate federal deficits "off the charts" for fiscal year 1982-83.

Obviously, to worry about $10 or $20 billions of combined federal budget cuts and tax-increases under these circumstances is sheer idiocy, as voters will remind candidates for Congress during November 1982.

There is no competent basis for disputing my projections. My associates and I represent the only economic forecasting service whose projections have been competent during the period beginning October 1979. By comparison, every other econometric forecast, including those of the Commerce Department, the Joint Economic Committee of the Congress, and the Office of Management and Budget, have been totally incompetent, less than worthless.

For the record:

For the first half of 1980, my associates and I projected a 6 percent decline in the U.S. economy. The actual decline was 8 percent. No other econometric projections but that of my associates and myself anticipated any significant decline for that period.

In September 1980, we projected a temporary recovery, to last into the first half of 1981, which occurred. In May 1981, we projected a 3 percent decline for the remainder of the year, against an actual 3.4 percent decline for that period. Our present forecast, compiled during February 1982, shows us to have entered a depression, with no recovery in sight even as late as the end of

'Economic collapse will wipe out incumbents'

It is now clear that the nomination of Jimmy Carter by the August 1980 Democratic Party convention would cause a landslide crushing of the Democratic Party in the November 1980 elections. . . . Therefore, the best informed perception is that the Democratic Party is now being destroyed almost hourly by Carter-Mondale use of Justice Department frameups and other evil means to blackmail delegates. . . . In any case unless the delegates find the courage to stand up to blackmail, the Democratic Party appears doomed to be nearly destroyed in a vastly worse defeat than the Republicans suffered in 1964.

—June 1980: Draft Democratic Party Platform, "The Next Fifty-Year Economic Boom," by Lyndon H. LaRouche, Jr.

Let us suppose that the methods of blackmail and related tyrannical practices of the Carter administration and of henchmen John White and Les Francis succeed in turning the Democratic convention into a kind of zombie-ritual of renominating Carter. In that case, the most probable consequence is a November landslide victory for Reagan, gutting the Democratic Party's positions in both the Senate and the House—perhaps carrying the House for the Republicans, and numerous state-office positions besides.

—Democratic Party Policy Review, July 1980: "Why Western Europe Broke Out From Under Control of the U.S. Government's Directives," by Lyndon H. LaRouche, Jr.

1983.

These forecasts are based on study of the effects of both the Volcker monetary policy and the Reagan military-spending program on each of all the principal subsectors of the U.S. economy. There can be no recovery from the present slide into a 1932-1933-style economic depression—even with increased military spending—without reducing prime interest-rates below 10 percent levels immediately. After a chain-reaction of bankruptcies among farms, firms, and thrift institutions, possibly erupting this spring and summer, even lowering the interest rates will not stimulate any automatic recovery.

The administration and Congress must forget the issue of federal budget-deficits and concentrate all energies on dramatically expanding the federal, state, and local tax-revenue base. I have drafted a comprehensive four-point program which will effect the needed economic recovery. Pending the enactment of such a recovery program, the only action which can halt the presently accelerating slide into a Hoover-style depression is a drastic reduction in prime interest rates.

Therefore, although there are many blunders and injustices in the proposed federal budget, improvements in the proposed budget should be deferred to supplementary budget action over coming months. It is worse than a waste of time to attempt to improve the submitted budget now, an absolutely worthless exercise in legislative theatrics as long as the issue of Paul Volcker and Volcker's economy-wrecking policies is not resolved.

Ladies and gentlemen of the Congress, unless you come to your senses and dump Paul Volcker, the voters of this nation are going to lynch you politically at the polls come primaries and general election this year. Those who fight to rid the nation of the curse of Volcker will earn credit. Those who defend Volcker deserve to be thrown out of office.

LaRouche's four-point recovery program

Mr. LaRouche released the following four-point program in January:

1) Supply low-interest credit to essential goods-producing industries and farms by remonetizing U.S. gold reserves at about $500 an ounce.

"The Congress," wrote LaRouche, "has the power to issue gold-reserve-denominated 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 transportation improvements, at interest rates not in excess of 4 percent charged by the government."

By this means, "a large portion of the unemployed can be automatically reemployed, and the federal, state, and local tax revenue base can be expanded."

2) Produce 100 billion watts of nuclear electricity-output capacity by about 1986-87 and an additional 50 billion watts by 1990.

"This will not cost us a penny, since this energy will represent a major saving to the economy. . . . This will create about 2.5 million work-places in the private sector."

3) Develop an integrated water resource and transportation complex which will overcome the critical problems in these two interdependent systems.

The water resource program, including the long-projected effort to bring water from Canada and Alaska into the states west of the Mississippi and into the Great Lakes system, and the Delaware River basin water project to service the lower Northeast is essential if the nation is to have the water necessary for its agricultural, industrial, and household needs.

Since water transport can be efficiently integrated with rail, truck, and air systems, an integrated container system must be designed which is compatible for every aspect of the transport system. Along with this, the nation requires a rebuilding of its rail system and a maritime fleet for both economic and national-security reasons.

"Like nuclear-energy investment, investment in water-management and transportation-improvements represents a cost-saving as well as other forms of improvement for the economy as a whole."

4) Reorganize the developing nations' debt structures so that necessary world trade can be expanded by $200-$400 billion annually.

"If developing nations' debt-structures were reorganized in a sensible fashion, nations such as India, Brazil, and Mexico represent magnificient investments in modern goods-producing capacity through infusions of capital goods from industrialized nations," said LaRouche.

"The great need of developing nations is for rapid infusions of modern agricultural technology—not consumer-goods industries. 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."

A lot of people share the blame for this depression, wrote LaRouche: President Jimmy Carter, Fed Chairman Paul Volcker, Democratic National Committee Chairman "Banker" Manatt, and the misadvisers of President Reagan, "and a very great number of other persons, who rejected foolishly what have proven to be this writer's precisely accurate predictions of the result of foolish 'tight money' policies."

But, LaRouche stated, "The practical question is, not who is to blame? The practical question is, can we get ourselves out of it?"