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## Tokyo Economic Summit

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# LaRouche characterizes summit as 'unmitigated disaster' for economy

In a release datelined May 7, declared Democratic presidential contender Lyndon H. LaRouche, Jr. congratulated President Reagan on achieving a "new spirit of cooperation" with allies in the war on terrorism, but otherwise characterized the Tokyo Summit (May 3-6) as "an absolute disaster."

"The economic and monetary proposals adopted by the Summit must be described without fear of exaggeration, as 'an unmitigated disaster,'" wrote LaRouche. "All around, President Reagan earned a straight 'F' for his performance on monetary and economic issues. . . . Compared to the 'success' of the Tokyo monetary summit, the Soviet's Chernobyl disaster was a glorious economic achievement for Moscow."

LaRouche also said: "President Reagan failed to honor the United States' implied commitment to Israel's Prime Minister Shimon Peres, to present Peres's proposal for a new Middle East peace-initiative at the Summit. If the United States is serious about isolating international terrorist forces in the Arab world, the President must give strong support to Peres's proposal. . . . There is no likelihood of Arab-Israeli peace without international sponsorship of an economic development policy for both Israel and Arab nations, especially Egypt, Jordan, and Lebanon."

LaRouche is considered a leading expert on terrorism by many security agencies, and on performance, he is the world's leading economist. His May 7 release was devoted to both topics, and he linked them.

"International terrorism," he wrote, "was launched by former KGB chief Yuri Andropov during 1967-69. This occurred as part of the Soviet KGB's decision to take over growing portions of the international narcotics traffic. The channel used by the KGB for organizing international terrorism, was Syrian intelligence."

Calling the Palestinian part in international terrorism "a complex one," he made a sharp distinction between "desperate Palestinian forces" who have been coopted to sections of Syrian intelligence involved in terrorism, citing Abu Nidal's forces and those of "the Abu Abbas recently featured on NBC-TV News," and those PLO elements loyal to Yasser

Arafat. Admittedly, a state of war continues to exist between Israel and Arafat's forces, too, of détente, leading toward peace, between Israel and the Palestinians, could be established, the threat of terrorist-like actions against Israel would be limited to Syrian-controlled groups."

### Responsible criticism

LaRouche characterized President Reagan as "a pretty good President on every issue excepting economic policy," of which, he said, "Mr. Reagan is ignorant of even the simplest principles. . . . Since the time he was closely associated with the General Electric Company, he has been drilled in what he calls 'the magic of the marketplace.' Like many Republicans today, his ideological shibboleths have impaired his ability to think economic issues through in a rational way."

LaRouche said that it was necessary to analyze the President's problems in economics, even though many might say: "Look, his policies stink. Who cares why he has adopted them. The problem is, just to get rid of them." Replied LaRouche: "The error in that simplistic argument, is the basic fact, that Ronald Reagan will be President until January 1989. Between now and January 1989, the U.S. will be confronted with the most dangerous economic crises in our history; unless Ronald Reagan makes the right decisions, our republic is in grave danger. It would be irresponsible behavior, simply to damn the President for his bad mistakes in economic policy. The only responsible behavior, is to analyze the President's decision-making processes, to the practical purpose of discovering how he might be persuaded to change his way of thinking on this subject.

"The duty of the responsible citizen, is not only to work to change the President's views on this matter; we must work to give the President the kinds of political-power options he will need, to push through the needed kinds of changed policies. This means reshaping the Congress, and reshaping the Democratic Party as an effective 'loyal opposition' on these issues."

President Reagan, "like most Americans living today, knows nothing more than a few isolated and distorted facts about the history of the United States," said LaRouche. "For that reason, he is able to believe such silly things, as asserting that the U.S. economy was founded upon the principles of Adam Smith's *Wealth of Nations*. In fact, the American Revolution was fought to free the United States from the policies which Adam Smith proposed. For example, the founders of Abraham Lincoln's Republican Party would be sick to their stomachs, to hear a Republican President denouncing 'protectionism.'"

LaRouche then described the President's circle—and most professional politicians around Washington—as persons who "were processed, like so much cheese, through the 'diplomatic-mill' tracks of the Ivy League universities. . . . It never occurred to them to check original sources, to discover whether the textbook or lecturer were babbling nonsense.

". . . They succeeded in politics, because they were sold to the voters like a brand of breakfast cereal or toothpaste; they were 'packaged' and promoted. The purpose of modern packaging, is to conceal the product inside the package, or to divert attention from it; this is especially so, in the packaging of political campaigns. Most such political careerists have very little confidence in what they are, inside the package; defending the outer packaging, is their sense of self-interest.

"There are members of Congress in both parties who are better than that privately, but we have given a fair picture of the majority. . . .

"It is commonplace opinion, that the President imagines himself the chairman of the board of a public corporation, and thinks that government ought to be run as he imagines a successful business ought to be run. The trouble is, that while a number of the President's intimates are successful businessmen, they are not producers of wealth, but are men who made their wealth in buying and selling what was produced by others; buy cheap and sell at a profit, is about the limit of what they know. They do not understand, for example:

"1) That the quality (productivity) of labor in production depends upon both quality of education and household standard of living. They believe in 'social Darwinism,' a 'Horatio Alger' view of 'rags to riches.'

"2) They do not understand the fact that all wealth is ultimately, produced physical wealth. They see no distinction between profits from production of wealth, and profits from those forms of speculative trading in which production of wealth has no bearing upon profit margins.

"3) Many of them, including the President, admire technological progress, but they have not the slightest comprehension of how to foster technological progress. They simply do not understand the standpoint of the production executive and his engineering staff.

"4) They are stubbornly ignorant of the fact, that investments by government and public utilities, in creating and maintaining improved basic economic infrastructure, is an

indispensable and very large part of the cost of production of every good manufactured by private entrepreneurs."

The United States, said LaRouche, has suffered disastrously every time a policy of "free market" economics has been adopted by an administration—and there have been many.

"The center of the folly of the President's circle," he wrote, "is this. In the history of modern economy, the simultaneous lowering of the direct cost of production of goods, and increase of goods' quality, is the result of technological progress. This technological progress can occur only if the amount of energy produced and consumed, per-capita and per-hectare, is increasing, and only if production is becoming increasingly capital-intensive. To obtain this result, the tax policies and credit policies of governments, must provide incentives for such forms of investment, and also provide disincentives for other forms of investment. . . .

"In U.S. history, every time the United States has adopted Adam Smith's "free market" policies, the economy has slipped toward a new depression or general banking collapse. This happened under Presidents Thomas Jefferson and James Madison. It happened under Jackson, Van Buren, Polk, Pierce, Buchanan, Grant, Cleveland, Theodore Roosevelt, Coolidge, Hoover, Johnson, Nixon, Ford, Carter, and Reagan. Every time the United States has rejected Adam Smith's doctrine, as under Washington, Monroe, Quincy Adams, and Lincoln, or in major economic mobilizations for national defense, the economy has boomed. These booms were caused by the Federal government's adoption of 'dirigist' policies of infrastructure-building, and of tax and credit policies which directed flows of investment and credit into technologically progressive forms of productive ventures.

"President Reagan, like Nixon, Ford, and Carter, has tried to get the government out of the economy, to turn the economy over to the powerful rentier-financier bankers who actually control, and rig, the so-called 'free market.' The President has ignored every scientific standard of measurement of economic growth, and has measured growth only in terms of the paper profits of the financial operators.

"The farm crisis and the skyrocketing of the U.S. foreign trade deficits, are the clearest, simplest examples of the President's blundering on economic policy.

"The President asserts, that the cause of the farm crisis is overproduction by farmers, despite the fact that the quality of diet of the average American household has been dropping at an accelerating rate, and that the world is ravaged by starvation levels of hunger. The levels of production of food in the U.S. have been cut back to about 1954 levels, and are now falling toward 1933-34 levels; the U.S. consumer is depending more and more on cheap imported food, mostly from nations in which starvation already exists, and food-shortages in the U.S. are looming for the years ahead.

". . . The U.S. imports deficit is skyrocketing, not because foreigners have unfair prices, but because our government's tax and credit policies have shut down the farms and

factories needed to produce for our own domestic needs.

"That is a repetition of what happened under Jefferson and Madison, through Albert Gallatin's 'free market' policies, causing the great depression of the 1815-18 period. That is what happened under Jackson, causing the Great Panic of 1837. That is what happened under Polk, Pierce, and Buchanan; that is what happened under the 'free market' policies of the second Grant administration, leading into the disaster crises of the 1872-86 period. That was the cause of the depression of the 1890s, the great Panic of 1905-07, and the collapse of the U.S. economy under Coolidge and Hoover. Every time the U.S. adopted 'free market' policies, foreign financier interests gobbled up large chunks of our economy at bargain prices.

"What Treasury Secretary Alexander Hamilton . . . elaborated in his famous reports to the Congress, were the economic principles for which the United States fought its war of independence against the British monarchy, a total rejection of the 'free market' dogmas of Adam Smith's *Wealth of Nations*. Every achievement of the U.S. economy has been the result either of the government's adoption and implementation of that American System, or of the continuation of those economic ideas as an embedded part of our national character and culture. Every economic disaster we have suffered over the past 185 years, has been the result of government's adoption of so-called 'free market' dogmas.

"Unfortunately, President Reagan exhibits total ignorance of the American System of Political-Economy, and of the economic history of the fight between the American economists and the supporters of Adam Smith's policies over the past 223 years."

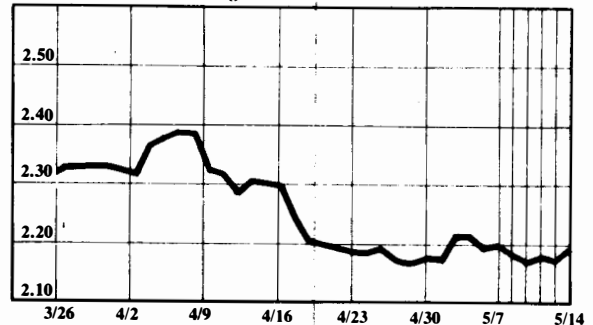
LaRouche then stated that it was necessary to understand Adam Smith's dogma of the "Invisible Hand," as not actually an economic idea, but a "moral dogma," i.e., an attempt to remove all morality and accountability from economic policy, to appreciate President Reagan's blindness to the true state of the economy.

"The President insists, that we must not impose moral goals upon the shaping of our economic policies. He insists, that no good will come to the average citizen, or the average nation, except as a long-term benefit of submitting to the dogma of the 'Invisible Hand.' Only if we understand the perverse nature of Smith's dogma, can we understand why an otherwise moral individual, such as the President, could see the economic cruelty of his policies, for farmers, industrialists, minorities, and labor generally, as a symptom of an 'economic recovery.' Only when these same economic policies threaten to destroy national defense, the President becomes a bit restive; but, so far, he has preferred to defend Adam Smith, rather than the nation, whenever Smith and national defense come directly into fundamental conflict. Since he is a patriot, we must assume that there is a breaking-point, at which the President would dump Adam Smith for sake of survival of our republic; so far, that breakingpoint has not been reached. . . ."

## Currency Rates

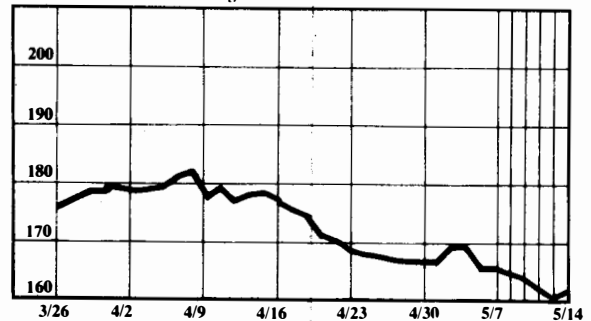
### The dollar in deutschemarks

New York late afternoon fixing



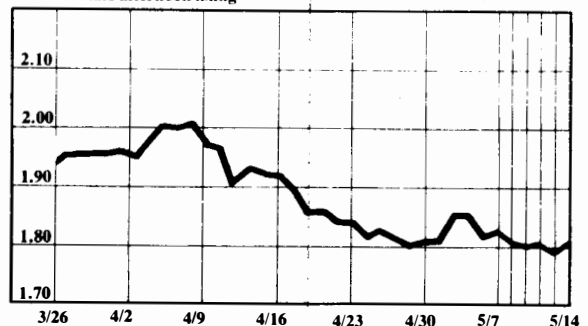
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

