

The power of the U.S.A. has yet to be seen

by Lyndon H. LaRouche, Jr.

According to *Corriere della Sera*, Italy's prominent industrialist and financial spokesman Carlo De Benedetti told a Rotary Club audience in the last week of May, that the United States will be replaced by the Soviet Union as the world's dominant economic power.

This typifies a view which is spreading rapidly around the world today, a dangerously incorrect view which tends to lead the world as a whole into virtual slavery under domination of Moscow's "Third Rome" world-empire.

Some of the facts which *Corriere* cites Sr. De Benedetti as listing are, taken by themselves, true. The so-called "Reagan economic recovery" has been pure myth. The continued collapse of the U.S. agriculture, industry, energy production, and foreign trade balances, especially since the Reagan blunders of 1982, have brought the United States to the brink of the biggest international financial collapse in history. So far, it is seen as unlikely that the United States will tolerate anything at the June 8-10 Venice meeting of governments which might contribute to solving this financial catastrophe.

Sr. De Benedetti is an outstanding international figure, of great personal influence and resources. His views may be better informed than those of many, but the views *Corriere* attributes to him are becoming commonplace around the world. That view is, that President Reagan's continuation of what are essentially the same economic and monetary policies introduced under President Jimmy Carter is reducing the United States rapidly to the status of a second-rate world power, and potentially a third-rate one.

Sr. De Benedetti's characterization of the current trends in the economic situation, is predominantly a sound one. It is the strategic perspective he projects, which is dangerously in error.

I cite his views as typical of those who base such a mistaken strategic estimate upon partial facts which are correct in themselves. The approximate accuracy of his financial assessment of the current situation has the importance of showing more clearly that the dangerous errors of his opinion arise from something aside from those financial analyses. Sr. De Benedetti is guilty of one of the most



NSIPS/Stuart Lewis

The sea-change currently under way in American politics could sweep LaRouche into the White House, and overcome the crisis which Sr. De Benedetti (inset) foresees. LaRouche is shown here at the National Press Club in April 1986, following the victory of two of his associates in the Illinois Democratic primary.

elementary kinds of blunders in simple logic, a “fallacy of composition.”

Sr. De Benedetti, and many tending to share his view, commit the elementary blunder of ignoring the effects of a “financial Pearl Harbor” shock upon the internal political processes of the U.S.A.—and other relevant nations.

They fail to reckon with the fact that the mounting of a popular hatred against current policies of OECD nations, must naturally prompt governments to resume traditional, more or less “Hamiltonian” policies of mobilization of vast amounts of new government-generated credit and investment tax-incentives, to resume accelerating rates of scientific and technological progress in expanding the scale and increasing the productivity of OECD and developing nations.

The danger is, that the spread of misguided strategic estimates, such as those of Sr. De Benedetti, will prompt the governments of OECD nations to make the kinds of preemptive concessions to Moscow, which would confront the next President of the United States with a more or less irreversible process of consolidation of Soviet global strategic supremacy.

The so-called “zero option,” excessive economic support for Marshal Nikolai Ogarkov’s *perestroika* restructuring of the Russian empire for launching of general war, and the growing danger of “Finlandization” of Central Europe, are typical of the foolish concessions which might, unnecessarily, lead quickly to Moscow’s world-rule for a long time to come.

The danger is, that exaggerated pessimism, such as that expressed by Sr. De Benedetti, might lead nations to repeat the kinds of errors which Europe committed during the 20 years following World War I. Europe, in particular, should look back to the 1920s and 1930s, and see again the stubborn

blind follies of statesmen, bankers, and political parties, which brought about an unnecessary Great Depression, the rise of fascism, and the inevitability of World War II.

Europe must view its leaders of today as like characters in a tragedy upon a stage, and see those leaders, with few exceptions, as repeating the same kinds of tragic folly their grandfathers and great-grandfathers committed during the first half of this century.

Among all leading U.S. public figures, I am outstanding in my impassioned desire for the sovereignties of all nations, the developing ones, Japan, and Western Europe, most emphatically. I am perhaps the only leading U.S. candidate who understands Western Europe and the aspirations of developing nations. Yet, it is not the image of that Western Europe which I love which I see stalking from Stockholm to Rome to Madrid today.

Among so-called leaders, I see, with precious few exceptions, the stink of cowards dying many times before their death. I see a Hungarian whore, adorned with the election-campaign symbols of her goddess, that Whore of Babylon, Ishtar, featured by news-media as typifying the character of a national election-campaign in my beloved Italy. I see among all but a few outstanding figures in each nation, leaders inflamed by a coward’s passion to destroy Western European civilization in an abominable act of existentialist mass suicide.

Unlike these leading cowards, I see a Western civilization soon rising to its greatest triumphs since the Golden Renaissance. I say to governments, peoples, and leaders of Western civilization: “Stop playing like doomed characters in some Aeschylean tragedy! See that the danger to our nations is that fault which lies in yourselves. Grasp the *punctum saliens*! Resume those values, typified by the spirit of Nicolaus of

Cusa, Leonardo da Vinci, Louis XI, Prussia's Great Elector, and the other great authors of our civilization's past triumphs. Cease your existentialist's orgy of self-pity, and Neronic pleasure-seeking of the moment! See what magnificent things lie within the reach of our hands to build! Act accordingly, before it is too late to do so!"

I intend to become the next President of the United States. Unless I were to be eliminated physically, probably on Moscow's orders, very soon, it is probable, if not certain, that the crises now erupting will have brought about by early 1988 that sea-change in political moods which would sweep me into the White House in January 1989. Under those conditions—presuming you had not already given irreversible concessions to Moscow before then—the financial disaster which Sr. De Benedetti foresees will be conquered, and the

Sixty-four-year-old economist Lyndon LaRouche is the leading figure of a pro-U.S. Constitution current within the U.S. Democratic Party, and is a candidate for the party's 1988 U.S. presidential nomination. According to U.S. published polls, he has the second-highest popular recognition, following Rev. Jesse Jackson, among the Democratic Party's current list of candidates.

Since late 1984, his enemies, prodded by the Soviet government's officials and leading Soviet government news media, have foreseen his potential for winning the 1988 Democratic presidential nomination as so significant, that an unprecedented series of news-media and legal harassments has been conducted against LaRouche and his friends, not only inside the U.S., but internationally.

Immediately following President Reagan's March 23, 1983 announcement of the U.S. Strategic Defense Initiative, LaRouche was designated by the highest levels of the Soviet government as the single personality Moscow hates and fears most passionately, worldwide, today. The ferocity of Soviet attacks on the Democratic candidate far exceeds that directed against any single personality in recent decades, and includes the strongest pressures on both Western governments and others for the elimination of LaRouche in one way or another.

According to the Soviet government, it bases this hatred chiefly on its belief that the Democratic candidate is not only a leading sponsor, but a leading designer of the new U.S. strategic doctrine.

The statement published here was released by the candidate on May 31. It heralds a full treatment, in EIR's next issue, of the historical issues posed in the 1988 U.S. presidential campaign.

world will move rapidly into the greatest scientific, technological, and economic growth in the history of mankind.

This is no blind braggadocio. The political instrument and scientific means to bring that about are immediately at hand. The opportunities are within our immediate reach today. The problem is, that the leaders of institutions, so far, have lacked the knowledge and political will to seize these magnificent opportunities.

The key problem which prevents European and developing nations' leaders of vision from seizing such opportunities, is that the position of the U.S.A. and its government is still the dominant one, and that will remain inescapably the global reality for two decades or more to come, unless Moscow's world domination were established during the medium-term period immediately ahead. For these reasons, who occupies the office of President of the United States determines the fate of the world—for better, or for worse, and no wishful denial of that fact can make the fact itself disappear.

Mastering the economic catastrophe

Although recent economic and monetary policy-trends have been mass-murderously monstrous in their effects, the cause of the problem can be removed with a simple signature, on the appropriate piece of paper, by the President of the United States. The policies which are ruining us, and the rotten financial system now collapsing upon our heads, can both be eliminated by a single act of the U.S. government—since, if the U.S. government acts in the proper way, the rest of most of the world will follow quickly.

From the standpoint of the internal situation of the United States, our economic and financial problems are no greater than those faced by President George Washington and Treasury Secretary Alexander Hamilton in 1789. Within the course of the administrations of President George Washington, Secretary Hamilton's reforms of national credit, banking, and economic policy had transformed the U.S.A. into the most potent economy on earth, per capita, the combined output of U.S. farms and industries per capita rivaling the productivity of Europe's leading industrial power of that period, France.

In 1938, the U.S. economy was still in the ruins of the 1930s Great Depression. With an economic mobilization begun during 1940, within approximately three years, the United States had achieved the greatest growth in economic power since the 1860s, a rate of growth never matched since. In 1961-63, under President John F. Kennedy, a United States plunged into a deep recession by the failed economic policies of the Eisenhower administration, took the Moon mission off the drawing boards of the Eisenhower administration, and, by aid of investment tax-credit incentives, achieved high rates of general economic growth and technological progress, until the Johnson administration began to destroy this growth during 1966-67.

Since 1966, when the U.S. followed Britain's Prime Minister Harold Wilson in leading Western civilization down the road to chaos, the OECD nations have been led by the

United States through a succession of ever-worse policy-changes in monetary and economic affairs. Man, in the form of governments led by the United States, created the present disasters, and man, in the form of governments led by the U.S. as *primus inter pares*, must correct these terrible errors, and lead the way out of this mess, once again.

The power to create a currency, to establish banking systems, to regulate the quantities and prices of new credit created, to shape taxation policies to foster or destroy productive employment in agriculture, infrastructure, and industry, lies in the hands of sovereign nations' governments, and nowhere else. Sovereign governments have the power to regulate and promote international and domestic trade, to set tariffs, and to join with other governments in destroying or creating—in an instant—entire international monetary systems.

The U.S. government, employing such powers awarded to the President and Congress by our federal Constitution, has the power to create \$500 billion, or \$1 trillion, new credit today—virtually on a moment's notice. That government has the power to order banks not to collapse, no matter how great the difficulties of those financial institutions. The U.S. government can set prime interest-rates, on selected categories of borrowing, at between 1% and 2% per annum, ensuring a preferential flow of newly-created credit into: agriculture; industrial growth; agro-industrial exports; and improvement of such basic economic infrastructure as water-management, improvements of forests and lands, production and distribution of energy, improvements of railways, highways, ports, sanitation, educational and health facilities.

By legislating very advantageous investment tax-credit incentives, for investment in technologically progressive, capital-intensive work-places for industrial and agricultural operatives, the growth of national wealth and per capita household incomes, can accelerate to levels of between 3% and 5% growth per annum, rather easily.

To save essential banking institutions, and to balance national governmental budgets, all that is necessary is to increase the levels of quality employment in high-technology work-places sufficiently. Some bad financial paper must be written off the books entirely. Other, poor financial paper, must be heavily discounted. Interest earnings on all non-performing financial paper must be ended. Nonetheless, we shall save the core of personal and business deposits, and shall maintain the functioning, and ultimately independent solvency of essential banking institutions.

The financial reorganization is elementary. The problem today, is that per capita physical output and consumption is collapsing throughout the IMF system as a whole, whereas the indebtedness per capita is skyrocketing. This dual picture is the classical "John Law financial bubble." We must arrest the growth of per capita indebtedness, while expanding the per capita physical output and income at an accelerating rate. Once the per capita physical output has increased by a margin of approximately \$1 trillion annually, worldwide, the prob-

lem of financial insolvency is fully under control.

In the meantime, rather than permitting a chaotic financial collapse to occur, which would collapse agriculture, industry, and trade past the breaking-point, we must freeze and reorganize the insolvent financial assets. We shall let the stock exchanges collapse to the lowest levels they might reach, but we shall employ the regulatory powers of sovereign governments, to hold the essential local and major banking institutions as solid as a rock against the wild storms in the markets for resale of negotiable securities—it is the new issues of industrial securities which must be solid as a rock, together with bond issues of agencies of government and utilities for purposes of infrastructural development.

We shall allow the stubborn speculators, the gamblers, much freedom to dash their own financial brains out in secondary speculative markets; but, into the realm of financing new economic growth, we shall not allow their scheming to intrude.

The measures I have just briefly described, are known to many leading bankers and persons similarly situated. I have reason to believe that Sr. De Benedetti understands these more or less as well as key Swiss and London bankers, or leading circles within the Club of Paris. At present, the measures I have indicated are the only available alternatives to chaos.

The problem is not that many in Sr. De Benedetti's strata do not know these alternatives, and do not know these alternatives would be successful ones. The problem is that they, so far, choose to ride with the collapsing old financial order, rather than build the new one. Sr. De Benedetti's gloomy forecast would be an accurate one, if it could be assumed that the world's governments and leading bankers would combine forces to defend the existing financial order to the bitter end. Some of them would even prefer to risk Soviet slavery or nuclear Armageddon, rather than give up the presently collapsing financial order. Whether Sr. De Benedetti would go that far, I do not know; I do know that that sort of global holocaust is the implied consequence of the view which *Corriere della Sera* has reported.

The possibility of recovery from this disaster lies, therefore, in the hands of some U.S. President who has the knowledge and courage to take on the task of a "Hamiltonian" reorganization of the Western world's financial system. Unless such a President is elected, or perhaps President Reagan awakened to undertake this dramatic change in his own policies, Western civilization's prospects then—but only then—become as gloomy as Sr. De Benedetti has forecast this past week.

The greatest technological boom in history

The irony of the present international economic disaster, is that during the past 40 years, the world has been piling up the crucial scientific and technological breakthroughs which could unleash the greatest growth in productivity in the existence of mankind. We have presently in our hands the

Mastering the economic catastrophe: three precedents

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policy had transformed the U.S.A. into the most potent economy on earth, per capita, the combined output of U.S. farms and
industries per capita rivaling the productivity of Europe's leading industrial power of that period, France. (In the picture:
Washington after the 1783 victory at Yorktown, with his aides, the Marquis de Lafayette, and Alexander Hamilton. Painting by
Charles Wilson Peale at the State House in Annapolis.)

crude, first forms of new technologies which can increase the production and consumption of the world's population by about 20 times, per capita, over the coming 50 years.

Since Sr. De Benedetti is Italian, and since Olivetti and FIAT are near the center of such potentials in Italy today, let us emphasize a small fraction of Italy's labor-force, perhaps about 50,000 persons, which is situated within the mainstream of these new scientific breakthroughs in such areas as aerospace systems and superconductor technologies.

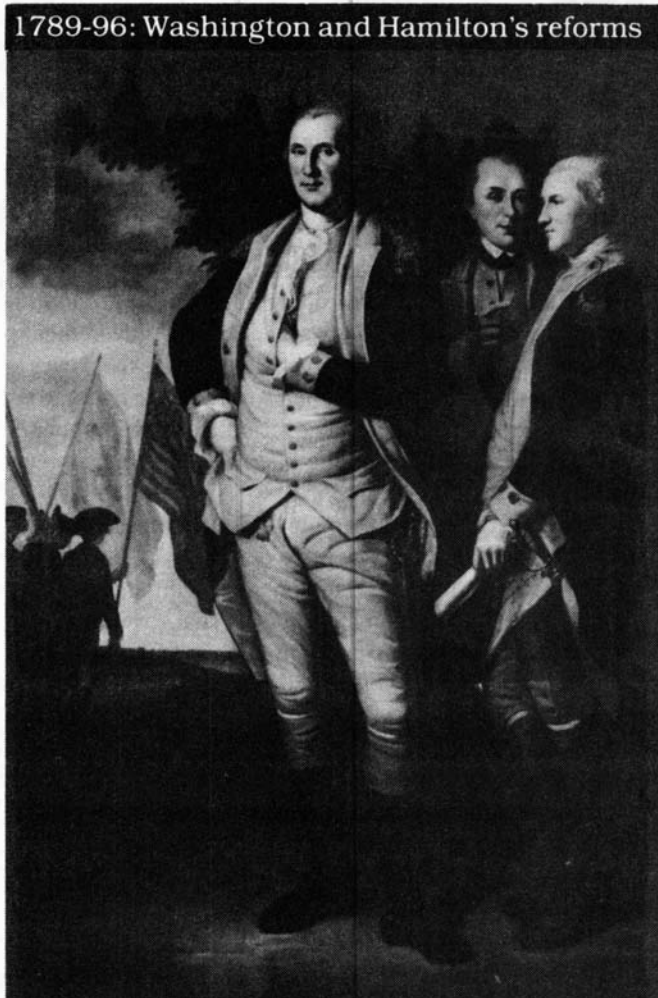
In the footsteps of Leonardo da Vinci, there was within Italy, around such centers as Naples, Milan, and Turin, a very advanced, if small scientific capability which has distinguished itself in such matters as applications of principles of hydrodynamics to electrodynamics and aerospace. This included the 18th-century collaborators of Benjamin Franklin, circles tied to the Oratorians and to Carnot's and Monge's Ecole Polytechnique, and a circle including Betti and Beltrami closely tied to Bernhard Riemann and Gauss's Goettingen University. As the history of Italy's leading part in aeronautics during the 1920s and early 1930s shows, had Italy ever

developed an adequate advanced industrial base designed to produce these scientific prototypes on a large scale, Italy would have become rapidly one of the leading technological powers of the world.

For example, Italy produced during the early 1930s, the fastest propeller-driven plane ever flown then or since—a remarkable design with built-in appreciation of transonic and supersonic principles in the construction of its propeller system. Today, some of the aerospace designs coming out of Italy, are among the most brilliant available. Yet, Italy manufactured only a few prototypes, or a few dozen of these designs in the past, never developing the quality and scale of industrial base needed to transform the economy at large.

Today, again, Italy has such possibilities. These hang by a fragile economic thread, much of this depending upon a delicate balance of machine-tool vendors to firms such as FIAT.

Today, a similar, if somewhat better picture exists in the advanced sectors of research and industry in the Federal Republic of Germany. Britain is on the edge of the abyss



problem

1940-43: the World War II mobilization



In 1938, the U.S. economy was still in the ruins of the 1930s Great Depression. With an economic mobilization begun during 1940, within approximately three years, the United States had achieved the greatest growth in economic power since the 1860s, a rate of growth never matched since. (In the picture: President Franklin D. Roosevelt's annual message to Congress in 1941: "I also ask this Congress for authority and for funds sufficient to manufacture additional munitions and war supplies of many kinds, to be turned over to those nations which are now in actual war with aggressor nations.")

1961-66: the Apollo Moon mission



In 1961-63, under President John F. Kennedy, a United States plunged into a deep recession by the failed economic policies of the Eisenhower administration, took the Moon mission off the drawing boards of the Eisenhower administration, and, by aid of investment tax-credit incentives, achieved high rates of general economic growth and technological progress, until the Johnson administration began to destroy this growth during 1966-67. (In the picture: President Kennedy, Vice President Johnson, and astronaut John Glenn inspect the Friendship 7 in 1963.)

with its potentials. France is a bit better situated, but the most important possibilities have also a relatively fragile existence. Japan is best situated, and the U.S. next.

In science, we are simultaneously at a different sort of edge. With advances in superconductors, we can increase the efficiency of energetic processes such as controlled plasmas and electrodynamic pulses by factors of between 100 and 1,000. We have in sight the means to progress from giant installations producing a gigawatt of energy-output, at 40,000 to 70,000 kw per square meter, to smaller units producing terawatts of output at energy-densities 10 or more times as great.

With related applications of Riemannian approaches to hydroelectrodynamics, we are at the beginning of the world's greatest scientific breakthroughs, in optical biophysics. We are moving toward digital computer modules which will be able to perform parallel processing functions in the range of teraflops per second. We are moving toward optical-analog/digital hybrid types of computers which will perform explicit solutions to nonlinear functions no digital computer could solve.

It is a matter of elementary calculation to show, that such technological advances, over the coming 40 to 50 years, mean an increase of the average income and productive powers of labor probably 20 times the levels possible with today's technologies in use. All so-called limits to natural resources vanish, with these presently emerging technologies.

In particular, these technologies mean that mankind can establish largely self-sustaining colonies on Mars, beginning about A.D. 2027. These colonies will contain populations about the size of a medium-sized city on Earth today, and the technologies now being developed will permit flights between Earth and Mars as short as two days.

The task of statesmen is to combine the necessary measures of sweeping financial reorganization with mobilizing full-scale development and use of the new technologies. If I do become President of the United States in 1989—if cowards do not give the future to Moscow during the coming 16 months—the United States will lead the world in the greatest era of economic progress in the history of mankind. Then, during two generations, we shall not only change the world, but begin to change the Solar System.