Documentation

A programmatic policy for recovery

What follows is the text of the legislative package by Lyndon H. LaRouche, Jr., submitted to Congress on July 14, 1983 as part of the NDPC's testimony against Paul Volcker's renomination.

During the 1979-1980 period of the campaign for the 1980 presidential nomination, Democratic candidate LaRouche issued a series of programmatic proposals, together with analytical prognoses for the consequences the nation would suffer if such remedies were not adopted. If we, today, compare the programs and prognoses of the various candidates for the 1980 presidential nomination, honest men and women will agree that the LaRouche prognoses were correct, and the competing prognoses flatly wrong. In principle, nothing need be changed today in the proposals offered during 1979-1980. Only a few points need be added, to bring the proposals up to date with the problems which have been added to our national repertoire of daily agony since. . . .

The U.S. Bank Act of 1983-1984

A single act of Congress, in accordance with Section 1, Articles 8 and 9, transforming the Federal Reserve System in entirety into the *Third Bank of the United States*.

1. The Federal Reserve System is "federalized," made a subsidiary institution of the Executive Branch of the Federal government, subject to the inalienable constitutional powers of the Congress.

2. Limitations on Bank Lending. No banking institution which is or has been formerly a member of the Federal Reserve System, shall make any new loan, except as a renewal of an existing loan, which is in excess of its actual deposits of currency plus specie, less required reserves.

3. Creation of Credit. The only means for creation of new volumes of lendable credit by banks within the territories and possession of the United States, shall be the issuance of gold-reserve-denominated currency-notes of the Federal Treasury of the United States. Each issuance shall be authorized by an Act of the Congress, and such notes shall be placed in circulation through the rediscount functions assigned to the Third Bank of the United States.

4. The Rediscount Function. The Third Bank of the United States (the "federalized" Federal Reserve System), shall employ new issues of Treasury currency for rediscount action only against new individual loan-agreements, for which the specified and restricted application of loaned funds is consistent with both general principles of prudence applicable to any bank loan, and according to lists of categories of approved types of loans eligible for such rediscount-treatment.

5. Loan-Agreements Approved for Rediscount. Except for such purposes of national defense or other national emergency, as authorized by Act of the Congress, all rediscounting of loan-agreements with use of new issues of Treasury currency shall be for investmment in such forms of improvement and expansion of public and private ventures as increase the per-capita production of tangible goods of the nation as a whole.

6. Loan Procedures for Rediscount. In the case an individual loan-agreement is approved for rediscount participation by the Third Bank of the United States, the authorized disbursements officer of that Bank shall draw a check against the issue of Treasury currency authorized to be distributed for this purpose. The sum advanced by means of this check shall bear a prime charge of not less than 2% and not more than 4% per annum. Ordinarily, this check shall be issued to a private bank which is a corresponding bank of the Third Bank of the United States, and that corresponding bank shall be authorized to make a reasonable service-charge for administration of the Third Bank's part of the total loan-agreement on account of which such disbursement is made.

Comment:

This proposed Act:

(a) Eliminates the intrinsically monetary-inflationary "Keynesian multiplier" from the operations of the banking-system as a whole.

(b) Implicitly obliges the U.S. Federal Government to issue new volumes of lendable currency, adequate to the indicated classes of increased borrowing-requirements of the U.S. domestic economy and its export-activities in connection with tangible-goods production. This "compensates" the economy for the sharp constriction of lending-power caused by condition (a).

(c) Restricts the main flow of newly created credit, either to the national defense, or to investments in infrastructural or agro-industrial tangible-goods production investments at competitive levels of technology. It limits loans for other applications to lending-power generated by deposits of currency placed physically with private banks. The included objective is to shift the composition of employment of the labor-force from a 28% employment of productive operations to the range of between 40-50% over the remainder of the century.

(d) Allows unlimited expansion, provided it occurs in a climate of advancing technology, and under the impact of the credit-expansion and lending stipulations of this Act is counterinflationary within the limits of impact of national defense spending. It is therefore, also, implicitly a full employment Act.

The U.S. Tax-Reform Act of 1983-1984

1. General Purpose of Tax-Reform. (a) To exterminate taxable-income advantages from parasitical investments in ground-rent, usury, and monopolistic forms of commodity-price speculation; (b) To afford preferred tax-treatment to such portions of private savings and corporate profits which are invested in the manner stipulated for rediscount-action by the Third Bank of the United States; (c) To shift the burden to taxation from the basic income of households to parasitical forms of capital-gains income associated with ground-rent, usury, and commodity-price speculation.

2. Personal Income-Tax of Households. To increase the per-capita exemption of income of households step-wise to $5,000 per annum.

3. Investment-Tax Credits. To provide tax-credits for investments in technologically-progressive production of tangible goods and infrastructural improvements bearing upon the production and transportation of such goods, and to extend these benefits to the household saver and private lending-institution—in ratio to paid-in balances of the investment in which they share. This investment tax-credit provision shall replace capital-gains treatment except for the case of realization of inventions and research-and-development.

4. General Taxation. The operating budget of the Federal Government, as distinct from the capital investments budget, should be balanced. A general, graduated income tax adequate to this purpose, adapted to the afore-listed conditions, shall be drafted to meet this requirement.

National Infrastructure Projects Acts

1. General Purpose of Acts. These acts shall establish or refurbish Federal Authorities in such areas of either public works or privately-held utilities, which bear directly upon the following categories of infrastructure:

2. National Fresh-Water Supplies and Management.

3. National Transportation: including canals, harbors, railways, and Federal highway systems, and interfaces and warehousing functions providing the interface among modes of transport.

4. National Energy-Production: especially facilitating completion of nuclear-energy and related high energy-flux density generating modes, with Federal override over costly impediments; giving priority to low-cost, long-term construction and permanent-financing loans for this purpose.

5. Urban Basic Infrastructure. Utilities, public transportation, and urban infrastructure for technologically advanced modes of tangible goods-producing industries.

The U.S. Foreign-Banking Act of 1983-1984

1. General Purpose of Act: (a) To facilitate the establishment of a new international monetary system, based on gold-reserve relationship among states, and a system of fixed currency-values; (b) to provide for reorganization of debts of nations indebted to the U.S. Government or to financial institutions which are private institutions established within and according to the laws of the United States; (c) to protect the United States from unwholesome practices of foreign financial institutions.

2. U.S. Currency. Henceforth, the only form of lawful currency issued by the United States shall be gold-reserve-denominated U.S. Treasury notes. Imbalances on national account, involving this new issue of currency shall be resolved by gold-reserve transfers to nations which have entered into agreements to conduct their affairs in the same mode.

3. Gold-Reserve Value. Monetary gold shall be priced at a market-price based on the price determined by cost-plus-profit by gold-mining, taking into account the volumes of gold bullion which must be produced.

4. Reorganization of Foreign Loans. If a debtor-nation shall require reorganization of its debt-balances, it shall issue gold-reserve-denominated bonds from a national bank based on the same principles as the Third Bank of the United States. These bonds shall be rediscountable security for authorized export-loans within the U.S. banking-system, and shall be eligible for use of purchasing the old loans to be reorganized. The old loans shall cease to accrue charges after the cut-off date established for such exchanges by agreement of the Federal Government of the United States, and the bond-issues presented in purchase of the old loans shall be equal to accruals up to that cut-off date. The bonds shall bear a yield of between 2-4% per annum, on the basis of gold-fixed parity of currency in which the bonds are denominated.

5. No foreign financial institution which does not maintain the standards of banking specified for banks of the United States may acquire any part of the ownership of a bank doing business in the United States, and may not itself conduct business within the United States. Any foreign bank doing business within or sharing ownership of a bank established within the United States must provide full transparency of its total operations to bank-auditing agencies of the Federal Government of the United States.

These several Acts adequately outline the policy for recovery, otherwise explicitly or implicitly stated in preceding portions of this policy-memorandum.

What needs to be stressed is that the depleted infrastructure and goods-producing capacity of the U.S. economy prohibits a genuine, sustainable recovery unless investment-capital is contracted to a high degree in the most advanced capital-goods technologies, the same spectrum of technologies implicit in the development and deployment of a full-scale strategic ABM defense-system.

New AIDS initiative

By the close of the workday on Oct. 28, thousands of phone calls had criss-crossed the United States, in and out of the state of California. While the stock market and dollar collapse was continuing, market developments were not the direct cause of these frantic calls. The news however *was* about panic. Throughout the state, the electronic media carried the story that a new "LaRouche AIDS Initiative" was being filed, with hundreds of thousands of petitions bearing the signatures of Calfornia voters delivered to county registrars.

At press conferences in Los Angeles and the state capitol of Sacramento, AIDS Initiative Statute co-proponents Khushro Ghandhi and Brian Lantz announced that over 720,000 signatures had been gathered and filed. Ghandhi and Lantz were the authors of last year's famous "Proposition 64" AIDS initiative, instrumental in forcing an international debate of the true nature and extent of the hideous AIDS pandemic, exposing the cover-up orchestrated through the World Health Organization and Atlanta Centers for Disease Control. The new initiative's campaign committee is appropriately named PANIC, Prevent AIDS Now In California.

In Los Angeles, Khushro Ghandhi, president of the PANIC initiative committee, told the assembled press that traditional public health measures were long overdue in stopping the AIDS epidemic. "This bill applies existing, proven traditional public health measures to AIDS. Current state law in California concerning 'confidentiality' of HIV test results make it impossible for health authorities to even ascertain the extent of infection in the population. We cannot afford to close our eyes to reality. By making HIV carriers reportable to health authorities, this initiative measure will end this medical absurdity."

In Sacramento, Brian Lantz, vice president of PANIC, was asked who he thought would be the major opponent of the new initiative effort. "The Reagan administration. Even after the crash, the President is still talking about 59 months of economic recovery. The same administration is still hoping that AIDS will just go away. . . ."

Co-proponents Ghandhi and Lantz had the following to say in their prepared statment announcing the speedy completion of petitioning:

"The collection of these signatures over the past three-and-a-half months has demonstrated that most Californians are acutley aware of the threat posed to all citizens by this