
From Aug. 15, 1971 to the Present

LaRouche forecast the economic crisis and proposed solutions

by Nancy Spannaus

The following is a slightly edited version of an address given at the 1991 Labor Day conference of the Schiller Institute and International Caucus of Labor Committees (ICLC) in Alexandria, Virginia on the theme, "Our Unique Institutional Authority." The author, a long-time associate of Democratic presidential candidate Lyndon LaRouche, was the editor of New Solidarity newspaper until it ceased publication in 1987, when it was bankrupted by the action of the U.S. government that a bankruptcy judge subsequently ruled was illegal. She is now the editor-in-chief of New Federalist newspaper.

Twenty years ago, on Aug. 15, 1971, the Bretton Woods system sustained a major shock, with the decision by President Richard Nixon to pull the plug on the U.S. dollar system. Very few had seen this crisis coming, and even fewer understood the implications of the bankruptcy of the international financial system. The world stood at a branching point, where the choice had to be taken between the road to global fascism, or international reconstruction. Only if the assumptions which had led to the de facto declaration of bankruptcy of the U.S. dollar were changed, could a worldwide disaster be avoided.

There was one economist on the scene who had not only recognized that fact, but had put a program on the table for reversing the slide into full-scale depression. That was Lyndon LaRouche, then known as the "Cassandra of the Left" due to his forecasts of impending economic disaster, if the leading financial institutions continued their policies of looting the Third World and of sliding into a post-industrial society. His program for "emergency reconstruction" was put out under the title "How to Lick a Depression in a Single Day"—and it had been issued one full year before the monetary crisis of Aug. 15, 1971. The program went out as an "Extra" in the newspaper *New Solidarity*.

'How to Lick a Depression in a Single Day'

It is worth outlining the program in some detail, because the principles behind its generation are the very same ones which should be adopted today. The fact that they were not

adopted, raises certain fundamental questions about not only how the U.S. Establishment thinks, but how the U.S. population fails to think even today.

The guts of the program involved three steps: 1) re-establishing a national banking system; 2) reorganizing and/or suspending unpayable debt; and 3) issuing credit for necessary production, services, and incomes.

LaRouche outlined principles for a national incomes policy, cost-reduction policies, and reconstruction policies. The first set a floor under incomes, including guarantees of pensions and the like. The second identified the need to achieve efficiency by reducing "paper-shuffling" occupations, but not by speedup and other such squeezes on labor. There were seven points to the reconstruction program, which were presented in the following order:

1) *Regional inter-urban development*: This is part of the infrastructure program, calling for the construction of 5 million modern dwelling units a year as a core of an urban reconstruction program;

2) *National transportation-warehousing development program*: This is the guts of an infrastructure-building program geared to qualitatively upgrading the conveyor belt of the entire economy, by integrating rail and truck transport.

3) *National thermonuclear power development program*: The need to move from dependence upon less efficient fossil fuels for energy, to nuclear power, especially nuclear fusion, was a cornerstone of all LaRouche's programs for reconstruction. The explicit reason were the needs to advance the energy flux density of the major energy source, and to create a new set of "natural resources" which could provide abundantly for all mankind.

4) *Conservation of natural resources*: Now this one may take you by surprise, but LaRouche was not aping the environmentalists. His argument, valid through today, was that the cost to the environment had to be taken into account in figuring the cost of social reproduction. Specifically, he argued that the "equipotential" of nature had to be restored—something that would be figured today as cleaning up industry and agricultural land to a usable (not "no-risk") condition.

5) *National administrative technology development*: This

Some of LaRouche's proposals over the last 20 years

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“How To Lick A New Depression In A Single Day”

Emergency Reconstruction Program (Draft)

By The National Caucus Of Labor Committees



called for the replacement of mind-deadening paper shuffling, and freeing people for productive labor, through computer and optical scanning technologies.

6) *A general program of replacement of obsolete production facilities*, concentrating emphatically on those which represent unsatisfactory working conditions.

7) *International infrastructure development*: “The U.S. sector of the world economy has a growing dependence upon the world economy as a whole which is grossly understated by the rigged prices at which our sector purchases. It is not only humane but in our self-interest that we, along with the entire advanced sector, contribute at least 5-10% of the annual product of the advanced sector for the immediate upgrading of living standards and the economic development of the undeveloped nations.”

From these fundamental points, it is not difficult to adduce some very fundamental premises of the LaRouche approach, which have not changed for 20 years.

First, there is the emphasis on productive labor, as the essential source of wealth, and on freeing man from beast-like or other repetitive labor, through technology. Unlike those miserable professional economists, we understand that economics must be based on man's nature as an individual sovereign creative mind.

Second, there is the emphasis on infrastructure, from housing to energy to transportation, as a major constraint and/or determinant of that productivity, and the correlated notion that the government had to play a positive role in providing that infrastructure. This concept has specific important implications for the role of government in providing that infrastructure.

Third, there is the principle that the development of any section of the world economy suffers from the degradation of any other section—and thus, that active intervention to develop “the least of our brethren,” as the Bible says, on this Earth, is not only just, but in our best interest. This is a concept that has put us in the ICLC right up against the “America First” ideology with which other pro-technology forces in this country tend to be polluted.

It goes without saying that LaRouche's program of 1970-71 was not taken up by national policymakers, or even constituency institutions. Rather than deal with the causes of the bankruptcy in the physical economy, the determiners of economic policy sought to postpone the day of reckoning. But in a sense, that was less important than the fact that the axioms of public opinion were moving directly away from LaRouche's fundamental premises. Man as producer was being replaced by man as consumer, and each consumer

tended to see him or herself as a competitor with others for the limited amount that was produced. This was emphatically demonstrated in a shift through the 1960s toward the U.S., and other advanced sector countries, seeing the undeveloped countries as drains, or places to be looted, rather than collaborators in sovereign economic development.

Fascist economics

When the Labor Committees reprinted the Emergency Reconstruction Program after the shock of Aug. 15, 1971, it presented LaRouche's analysis of the process of fascist economics, or Schachtian economics, which had led to the crisis, and where those policies would lead down the road, if not dumped. The fundamental concept was that of "primitive accumulation"—the looting of the living standards of labor, and the capabilities of nature and capital equipment—in order to feed the maw of those demanding usurious profit off their financial instruments of investment.

The ultimate result of such a process is working people to death in concentration camps, in order to pay off usurious interest rates, or simply to conserve the resulting wealth in the hands of a powerful oligarchy. While the Labor Committees concentrated at the time on showing how the capitalist financial system carried out this process, we were equally critical of how the Communist system also carried out primitive accumulation.

But we were sharply aware that such a fascist policy was not just the result of leading financial institutions imposing austerity from above, but also reflected the ideology of growing sections of the population. To quote a warning that was adopted within the political resolution of the September 1971 plenum of the Labor Committees:

"The most conspicuous, widespread element of fascist ideology rampant in the U.S. today is the radical-conservative impetus toward a 'final solution' for the 'welfare question.' The same philosophy is also widespread in a liberal-radical guise as a movement not-accidentally partly initiated by John D. Rockefeller III, the 'Zero-Population-Growth' cult, whose 'rational goals' could be attained only by genocide on a world scale.

"A related fascist ideology is found in another branch of the 'radical' 'ecology movement,' the 'people pollute' madmen, whose filth is subsidized by corporations, foundations and advertising agencies. These wretches insist that 'people,' not capitalism, cause the 'ecology crisis' by 'over-consumption.' . . .

"In addition, we already have in the U.S. (and Western Europe) a cancerous ferment called the 'rock-drug counterculture' movement, a mass of alienated potheads identical in every essential feature with the German Youth Movement from which ex-bohemian Adolf Hitler recruited the worst scum for his Nazi SS. The process of fusion of the radical right with this 'rock-drug counterculture' has already begun in an embryonic way, as luminaries Ti-Grace Atkinson [a

leading lesbian of the time] and Bob Dylan have moved into support of the fascist alliance organized by Rabbi Meir Kahane, Joe Colombo, and Dr. ("Black Capitalism") Matthews.

"As for Nazi-type academics, it is guaranteed that many logical positivists and behaviorists will soon be lispng fascist tunes. We have already a foretaste of that development as the dean of U.S. behaviorists, B.F. Skinner, proposes a '1984' nightmare, seconded by his co-thinker, chief proponent of 'community control,' Dr. Kenneth Clark [of the Ford Foundation]."

What we saw in embryo in 1971, we see full-grown today. The "anti-welfare" movement, which is nothing but an anti-Christian policy of every-man-for-himself, has extended into a policy of hatred for the homeless and millions more people thrown on the human scrap-heap. The ecology movement has not only decreed that we must have fewer people, but has successively implemented laws which will kill people through denial of health care, or energy, or a sanitary environment. At least half a billion people have died in the Third World due to denial of nuclear energy, and basic infrastructure, over the 1970s and '80s. This fascist ideology is now on the verge of becoming international "law," by which the United Nations will intervene to save forests and creepy-crawly species, while allowing hundreds of millions of people to die.

The rise of the counterculture

Then, take the counterculture. What was a relatively small section of society heavily concentrated in Berkeley, California and New York City's East Village in the mid-1960s, has now become the dominant culture in which most of our children are raised. The ideology of immediate gratification through drugs and sex, not to mention the pure physical and mental destruction which rock music and drugs represent, have permeated an entire generation of what are now young adults, depriving most of them of any concept of morality that would have been recognizable to someone raised even in the impoverished American culture of two decades before.

In fact, the ICLC had warned of the danger of the New Left counterculture leading to fascism in a seminal document published in 1968, entitled "The New Left, Local Control, and Fascism." The article utilized the historical model of leftist Benito Mussolini becoming a Fascist dictator, to show the process by which syndicalism leads to anarchy, which leads lawfully to the emergence of dictatorial control in order to "make peace" between rival groups.

In the United States, the ICLC projected, this kind of radical "local control" ideology would tend to divide society along racial lines, as it had already begun to do in the Ford Foundation's pilot project on community control of schools in Brooklyn. The alternative, we emphasized, was to bring together diverse groups around economic programs in their

common interest—in particular, “the creation of millions of new jobs to remedy the annual \$25 billion deficit of basic means of existence below the Tropic of Cancer.”

The fundamental premise of the counterculture was that an individual has no capability to care for, and no responsibility for the rest of mankind—present, past, and future. The fundamental premise of the dominant ecology movement was that people are simply beasts who eat up the environment, and therefore have to be regulated and killed like beasts. Put together, you have both the active and passive supporters of a fascist government which has no compunctions about destroying millions of people, whole countries and continents, in order to maintain the power of established institutions. You see the constituency for George Bush today.

‘Fascism with a Democratic Face’

The aftermath of the 1971 conjuncture was exactly what LaRouche had projected—an acceleration of primitive accumulation on a global scale. This was carried out dramatically with the oil hoax of 1973, and then again with the massive rise in interest rates in 1979, along with another leap in the oil price. Meanwhile, the institutional basis for looting was locked in with the expansion of operations of the International Monetary Fund and the destruction of remaining protectionist measures in the Third World. A massive genocide program was put into place.

The Labor Committees took aim at the major international sponsor of this genocide, the Rockefeller family. In a major theoretical piece issued in November-December 1974, entitled “Rockefeller’s ‘Fascism with a Democratic Face,’ ” LaRouche issued another major warning about the onset of global fascism.

One new element of this analysis was the identification of the fact that the new phase of primitive accumulation would lead to global epidemics, or biological holocaust. What the Rockefellers wanted to do, LaRouche said, was to 1) accumulate the bulk of the world’s capital; 2) choose some limited “development projects” under their control; 3) reduce real incomes globally; 4) reduce world production; 5) determine which areas of the world will be permitted to survive, and which will be reduced to the point of extinction; and 6) reduce the world’s population to between 2 and 2.5 billion by approximately 1990, at which point a reduced high-technology regime will be introduced.

What LaRouche pointed out, is that such a “restructuring” toward survival on a lower level of population density, simply will not work. Instead, it would lead—as it has done—to uncontrollable devolution. This is what we now see in Africa and Ibero-America, with the spread of disease, including new species of viruses and insects, and of course, AIDS. Thus, the programs which the Rockefeller group had put, and are putting forward as “rational” solutions to alleged overpopulation and poverty, had to be combatted as leading to global genocide.

The second major new element of LaRouche’s analysis was to identify the means by which a new fascism would be sold. He listed the following major elements of social control which would be used against the population:

- 1) press control—obviously expanded to include control of all media;
- 2) local community control;
- 3) codetermination—basically inveigling factory workers and others to “share the poverty” of their local situation, rather than fight for the change in national and international policy that would be required;
- 4) “social contract”—the equivalent of codetermination on a national level;
- 5) rock-drug counterculture;
- 6) ecology movement;
- 7) superstition and primitivism, which like the rock-drug counterculture could be shown to have been promoted by Rockefeller foundations and their ilk as means of destroying people’s minds.

Looking back at this projection today, it is horrifying to see how accurate it was. While Nelson Rockefeller and John D. the Third have passed away, the policies of the Rockefeller family continue in place, through the political machines, foundations, International Monetary Fund, and banking institutions. But today, their policies are defined as a “consensus” on austerity policies, environmentalism, and the priority of debt payments over human life.

Science and energy

At the center of virtually every program the Labor Committees put forward from 1971 on, was the necessity to invest in the most advanced energy source, controlled the mononuclear reactions, especially fusion power. This was a crucial element of the International Development Bank proposed by LaRouche in 1975, without which he said the entire project for international reconstruction would necessarily fail. Nuclear energy was also at the center of the Middle East development program proposed in 1977, in the 40-year development plan LaRouche devised for India, in *Operation Juárez* of 1982, and for the United States and Western Europe.

The reason for this is bedrock economic theory: To support the world’s population at a modern living standard, and provide for future humanity, it is essential to go to the next level of energy efficiency and utilize new resources, in this case abundant seawater, as an energy source.

The ICLC campaign against the anti-science mob began in 1970, in *Solidarity* newspaper, and accelerated in 1972, with the publication of “Zero Growth: Blueprint for Extinction.” The latter document identified the zero growth movement as a scientifically fraudulent attack on labor’s demand for better living standards and economic growth, and elaborated the scientific necessity for continuous revolutions in technology as the basis for human progress. The result of the dominance of the zero-growth movement, we said, would be

to sow the seeds of fascist programs like mass sterilization and getting rid of “useless eaters.”

Today, the very constituency leaders who should be demanding nuclear power for economic growth, have been sucked into calls for reducing population instead. Even our success, which resulted in the passage of legislation sponsored by Washington State Congressman Mike McCormack in 1980 which called for development of a demonstration commercial fusion power reactor by the year 2000, was politically buried in the Reagan mania of the 1980s.

The fight against usury

The direct antithesis of scientific and technological progress is the pursuit of usury, defined as the setting of interest rates above the cost of servicing the loans. More generally, usury represents making money by speculating in financial instruments, rather than in the long-term investment in physical production. Under such a system, financial obligations to pay debt grow much more rapidly than the basis for paying, eventually leading to the looting of the very productive apparatus on which survival depends. It is the classic tool of an oligarchy, which has no respect for human life, to maintain its power.

LaRouche and the ICLC identified the tendency of usury and speculation to grow more rapidly than production, as taking off in the mid-1950s. By the late 1960s and early 1970s, the U.S. economy was already being strangled by debt. Early Labor Committees publications concentrated on exposing exactly how this debt was created in the housing and public service sectors.

1) *Housing*: Not surprisingly, the New York City housing market provided a perfect case study. It was clear that the housing stock in the city was shrinking and deteriorating, while rents rose astronomically. The worse housing got, the more it cost. The question to be examined was, why.

An examination of the mortgage history of residential buildings gave a very clear picture. Recorded there was a series of financial transactions, whereby first, second, and third mortgages were taken out on buildings, creating an increasing debt, including interest payments, to service. To cover this debt, first the landlords would cut back on maintenance—therefore reducing costs to themselves. Then they would seek rent increases, simply to permit some profit for themselves. Looked at as a whole, the process raised the market value of the housing to much more than it cost to build it, while the value of the housing to the tenants was reduced to near zero—by virtue of lack of maintenance.

Irrational, no? Yet this is the process which accelerated dramatically in the 1980s, sucking in millions of ordinary people as housing speculators, if not slumlords.

2) *Public services*: New York City’s subway system provided another textbook example of the way private financial interests were able to loot the public treasury, at the simultaneous expense of quality services themselves. The process

involved the city floating bonds to build the subway tunnels, and allowing a private company to buy and operate the lines. This private company was guaranteed a profit before any payment to the city. As a result, transit revenues went first to the companies, and no monies were left to pay off the initial construction bonds. The result was that the debt for the subway system actually increased over time, and the costs of the system actually required issuance of new bonds, i.e., the creation of new debt. Eventually, this process did not even provide enough money for the private companies owning the subways—and the city bailed them out. That created even more debt.

What this “history” lesson pointed to was the fact that usurious debt, created by dirty political deals, was a major cause of the failure to providing services required for a productive urban infrastructure. Thus, the debt had to be suspended—if not canceled altogether due to the fraud involved.

The continuation of this process has led from a 20¢ fare in 1969, to \$1.15 today. That is a rate of inflation due virtually entirely to the growth of usury, interest and finance costs.

On an international scale, the growth of usury was dramatically increased with Federal Reserve chairman Paul Volcker’s interest rate hike of 1979.

The Labor Committees and LaRouche went into a mobilization against Volcker’s new usury regime in 1979. LaRouche projected that this added burden on the economy, combined with the rapidly declining portion of the work force engaged in production, would lead to a worsening depression, and an insupportable debt burden internationally. The U.S. economy would be hit first through a collapse of the real estate market, which would then hit the savings and loan banks, LaRouche said. That is, of course, precisely what happened. Our programs for dealing with this crisis were published, with titles like “The Pestilence of Usury” and “Why Credit Can Be Greatly Expanded without Adding to Inflation.”

To deal with the international debt crisis, the bankers decided simply to paper over their bankruptcy with new “creative” financing, as well as dope-money laundering. This would be a major new danger, LaRouche argued, infecting even healthy financial institutions with the speculative virus. As the case of the Bank of Credit and Commerce International shows, this has already happened. Given the corruption of the Anglo-American dominated banking system, collapse is unavoidable and even desirable—to be replaced with new national banking arrangements and treaty arrangements.

The results of usury are all around us. Usury created our urban infrastructure crises, and created the Third World debt crisis. Usury, in terms of bidding up real estate and other costs, has led to the health crisis—which now is feeding into a movement to demand euthanasia against those considered “useless eaters”—precisely Hitler’s program, but more open. As a result, the productive sector of the world economy has been shrunk to a point below the level required to sustain the

world's population at a decent living standard—except in certain sectors of western Europe and Japan. Whole continents are being given the “right to die.”

LaRouche and the Labor Committees have been proven right. We live in a global fascist system right now, where the United States is the enforcer for an IMF system which has already carried out mass murder. The levers for reversing this decline are there, but the time is short indeed.

Why people didn't listen

A review of the record of LaRouche and the Labor Committees over the past 20 years, must raise the question: Why didn't people listen? Proposal after proposal for monetary reform, industrial growth, skilled unemployment, scientific breakthroughs, and infrastructural rebuilding have been put on the table, and, if not ignored, eventually abandoned.

One has to task oneself: Can people still think through the consequences of their actions? How bestialized are they willing to become? How do we actually reach people on a level where they will commit themselves to learn and act to improve the world? We believe in the “power of reason” as it is found and generated in the individual human mind, and yet reason seems to have had virtually no power over the course of events.

This takes us back to the question of culture, which the ICLC raised back in 1971. A *Campaigner* magazine editorial at that time wrote: “The worldview of the rock culture is a return to the state of animality and a celebration of barbarism under the guise of ‘liberation.’” Later, we identified the roots of today's degraded mass culture in the cathartic “amusements” of the Roman empire and the evil gnostic cults. Almost all the leading institutions of today have embraced this degradation, leaving people desperate for a human alternative.

Our message of hope is contained in the fact that we as an institution not only uniquely understood the process, but how it could have been avoided. As other institutions collapse both in credibility and reality, we offer a moral alternative in economic policy which could alone could guarantee the reversal of this New Dark Age.

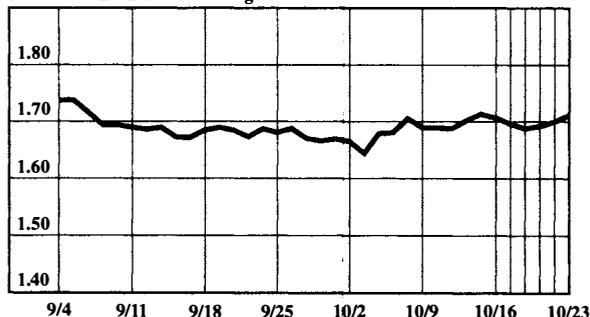
Perhaps it is best to conclude with a more recent forecast from LaRouche, one we still have the opportunity to make come true. In the Platform for his 1990 congressional campaign, LaRouche argued that we have entered a worldwide revolutionary period, one in which communism and free trade economies have lost the “mandate of heaven,” one which offers the opportunity once again to renew the American Revolution along the principles of the Golden Renaissance. Both Eastern Europe and Russia have now borne LaRouche out. The question remains as to when and if it will spread to the western hemisphere. I quote LaRouche:

“I am the voice of the Golden Renaissance, in my role as a defender of our American Revolution. It is time for all true patriots to awaken and to join me.”

Currency Rates

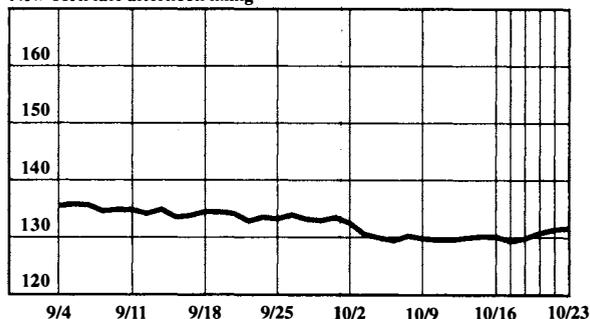
The dollar in deutschmarks

New York late afternoon fixing



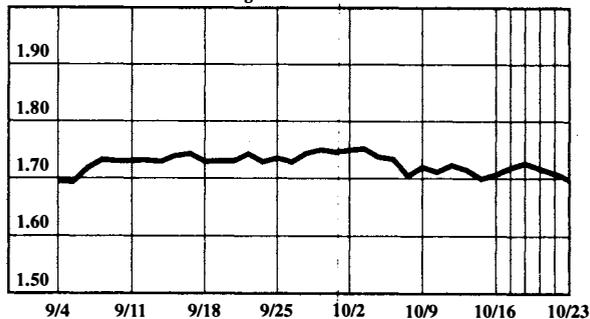
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

