LaRouche to Bush: Time for Real Economic Policy Change

by Jeffrey Steinberg

Lyndon LaRouche, Democratic Presidential pre-candidate for the 2004 election, stunned an audience of Hungary's leading economists on Dec. 12, when he told them that he was optimistic that we may be on the verge of "remarkable improvements in thinking" in Washington, on the subject of the onrushing collapse of the post-Bretton Woods floating-exchange-rate system, and the breakdown of the U.S. physical economy.

Addressing a workshop on "The World Economy in Crisis: Need for a New Bretton Woods," organized by the Committee on Finance of the Hungarian Academy of Sciences, the Hungarian Economic Association, and the Schiller Institute, at the Protocol Room of the Ministry of Finance in Budapest, LaRouche said: "As seen from the U.S.A. today, we are in the terminal phase of a physical-economic collapse of the presently bankrupt, post-1971 floating-exchange-rate monetary-financial system. Inside the world's leading power of the moment, the U.S.A., the Federal Reserve System is conducting desperately inflationary measures modeled in fact on the celebrated German hyperinflationary program of June-November 1923.

"Typical of the situation," LaRouche told the Hungarian Academy: "46 of the 50 U.S. Federal states are currently either bankrupt, or nearly so; the last significant remains of a ruined U.S. rail system could vanish, unless the President and Congress make sudden and radical changes in U.S. policy; the U.S. air-traffic system is at the brink of a general catastrophe; the leading U.S. banks are essentially bankrupt; and giant real-estate-mortgage bubbles are now ripe for bursting in both poor Cherie Blair's United Kingdom and the U.S.A." And he added, "I must warn you that, at the present moment, neither the U.S. government, the Federal Reserve System, nor the incumbent leadership of either the Republican or Democratic parties, have any competent commitments to deal with tectonic monetary and financial developments of the coming several months."

Then came the candidate's punch line: "I can not promise that those institutions will come to their senses, but I have strong reasons to believe that remarkable improvements in thinking might occur, even rather suddenly, just as we have, recently, averted a threatened new Middle East war, if only temporarily. There are a growing number of leading U.S. circles inside and outside government who recognize the nature of the situation. For the moment, the problem remains, that the topmost strata of the relevant authoritative institutions, even among most of those who agree with my proposed reforms, are so far unwilling to take the available steps which could, in fact, bring the rising crisis under effective control."

Deck Chair Shuffle on the Titanic

That the George W. Bush White House is aware of the already unfolding economic and monetary catastrophes is clear. On Dec. 6, one month after the putative Republican "victory" in the mid-term elections, the President fired his two leading economic aides, Treasury Secretary Paul O'Neill and White House adviser Larry Lindsey. Much of the American news media portrayed the firings as "sudden" and "shocking;" LaRouche had forecast the shakeup, even prior to the Nov. 5 mid-term election. He had also asserted that, following the elections, the White House would step back from the brink of war against Iraq, to the great dismay and hysteria of the "chicken-hawk" Utopians inside the Administration—grouped around Defense Secretary Donald Rumsfeld, Deputy Defense Secretary Paul Wolfowitz, and senior staff in the

President Bush on Dec. 10 appoints William Donaldson chairman of the SEC; the President's newly-appointed troika *won't make the White House's new economic policy, which is likely to go through wild oscillations in the immediate months ahead.*

office of Vice President Dick Cheney.

On Dec. 9, President Bush named John Snow, CEO of the railroad conglomerate CSX Corp., as his new Treasury Secretary. Two days later, he made William H. Donaldson, the founder of the Wall Street investment bank Donaldson, Lufkin & Jenrette, the new Chairman of the Securities and Exchange Commission, to replace Harvey Pitt, forced to resign on Election Day by a torrent of scandals and charges of incompetence. And on Dec. 12, the President named Stephen Friedman, former Co-Chairman of Goldman Sachs (with ex-Treasury Secretary Robert Rubin), as Lindsey's replacement as Chairman of the National Economic Council.

While the sacking of O'Neill and Lindsey is noteworthy—Lindsey was one of the original "Vulcan" campaign policy advisers to then-Texas Governor Bush, and an ally of chicken-hawk Richard Perle at the American Enterprise Institute—the response of the Bush Administration to the accelerating economic and financial crisis will not be determined by the new troika. They will sell the new policy, but not formulate it.

LaRouche's assessment, following the new appointments, is: The powers-that-be in and around the institution of the Presidency know that the economy is in deep crisis, and some kind of stimulus package—not a tax cut—is required. The Administration is groping, so far, unsuccessfully, to come up with a new policy. LaRouche expects a brief period of wild oscillations in Bush economic policy. Ultimately, LaRouche believes, the Administration will be forced to resort to some form of state credit creation. Will the policy be the fascist war-austerity of Hitler's Economics Minister, Hjalmar Horace Greeley Schacht, or the American System policies of Franklin Delano Roosevelt? That is the vital, as yet unanswered, question.

LaRouche is calling for the Bush Administration to return to the core principles of Franklin Roosevelt's Bretton Woods fixed-exchange system, following a bankruptcy reorganization of the entire global financial and monetary system. Immediately, LaRouche calls for President Bush to take two measures: Acknowledge the economic crisis, and set aside, through Presidential order, all of the post-1971 deregulation laws that have led to the current crisis-moment; and launch a "Super-TVA" Federal credit emission program, modeled on FDR's Tennessee Valley Authority project for massive water, energy, and other vital infrastructure development.

As LaRouche told the Budapest seminar, "During the coming two generations, probably half of the total allotment for national economies in their entireties, will be dedicated to developing and maintaining such forms of large-scale basic infrastructure as power generation and distribution, large-scale water management, land reclamation, mass transportation, urban infrastructure, and forms of universal health-care and educational facilities and programs. These infrastructure programs will be the principal immediate stimulus for urgently needed recovery and expansion in productive forms of employment, and will be the principal foundation for large-scale growth in employment in agricultural, manufacturing, and comparable entrepeneurships."

LaRouche concluded the point: "I emphasize that the possibility of a genuine, sustainable economic recovery from the presently ruined state of the economy, requires long-term, large-scale investments, largely by public credit, over a period of one to two generations. We must learn the lesson of President Franklin Roosevelt's U.S. recovery and build-up during the 1933-45 interval; we must do something similar, but, this time, on a larger and longer-term global scale."

The Louisiana Shock

As President Bush's White House strategists were preparing the Dec. 6 "Friday Morning Massacre," they were already anticipating some shocking developments in Louisiana, where a U.S. Senate and U.S. Congressional runoff election was scheduled for the next day. President Bush's chief political strategist, Karl Rove, had been "all over" the Louisiana races, arranging three visits to the state by President Bush, separate visits by former First Lady Barbara Bush and former President George H.W. Bush, and campaign appearances by Vice President Dick Cheney and National Security Adviser Condoleezza Rice. Rove hoped to defeat incumbent Democratic Sen. Mary Landrieu, by throwing obvious top-down White House support to her Republican challenger, Suzie Terrell.

But in the final weeks of the campaign, Landrieu broke decisively from the losing strategy of Connecticut Sen. Joe Lieberman's Democratic Leadership Council (DLC) gang, and launched a sharp attack against the Bush Administration's free trade policies. Landrieu warned that Bush's pushing of NAFTA would ruin Louisiana's sugar cane industry, by flooding the United States with cheap Mexican products.

On Election Day, not only did Landrieu soundly defeat Terrell by 52-48%—due to a large African-American and blue-collar turnout, catalyzed by her "fair trade" stance—but a more decisive Democratic upset took place. Rodney Alexander, the Democratic runoff candidate for the 5th Congressional District seat in northeast Louisiana, won a strong victory in a traditionally Republican district, by running an even more aggressive campaign against free trade. At a campaign event also attended by Landrieu, Alexander publicly credited longtime LaRouche Democrat and state party official Fred Huenefeld with winning him over to the anti-free trade stance.

The *New Orleans Times-Picayune* of Dec. 9 interviewed leading African-American Democrat, State Sen. Cleo Fields, who had been a critic of Landrieu's earlier kowtowing to President Bush, but had helped turn out the vote in the Dec. 7 runoff: "All that talk about support for the President turned my stomach," he told reporters Bill Walsh and Bruce Alpert. "To her credit, she changed all that in the runoff and worked hard to distinguish herself from the Republicans." The *Times-Picayune* singled out Landrieu's attacks on NAFTA and the threat of sugar dumping, as the decisive issue that drew crucial votes from "blue collar workers" who had formerly been "skeptical of her candidacy—when she touted her support for Bush."

Such political temperature readings were not lost on the campaign strategists at the White House, who were well aware of the pending turn of events in Louisiana, on Dec. 4, when they made their final decisions on the purge.

One other development had also caught the strategy team's attention. On Dec. 3, the American Academy of Arts and Sciences, an institution founded in 1780 by John Adams, the second President of the United States, issued a report, "War With Iraq: Costs, Consequences and Alternative," which placed the cost, to the United States, of an Iraq war, at between $99 billion and $1.9 trillion over the next decade.