EIR Economics

Deepening Depression Forces LaRouche's Super-TVA on Agenda

by EIR Staff

By its January 15 report, even the U.S. Federal Reserve had to acknowledge that large job losses, sinking consumer spending, record corporate bankruptcies, and disastrous blowouts of state and Federal budgets, show that the U.S. economy is not recovering, but still falling. Some 200,000 American jobs disappeared over November-December, and some economists are estimating a zero-growth fourth quarter even as measured by grossly inflated GDP. The Fed did not even mention the accelerating slide of the U.S. dollar against gold and other major currencies, the surest sign of the deepening collapse ahead.

It appears that it is over the budget meltdowns—simultaneous collapses in state and Federal revenues on the order of 10% and more are unprecedented since the depths of the Great Depression—that the pressure is getting most intense for a "paradigm-shift" rejection of the axioms of deregulation and free trade, and adoption of "FDR-styled" recovery measures. Michigan's Gov. Jennifer Granholm, for example, is talking about a kind of "emergency rule," only months after taking office, because the state's budget is plunging so fast. Connecticut, Washington, and many other states are in the same situation. Federally, more than a million people are being newly cut off from Medicaid health insurance. The Federal budget deficit is on a $500 billion trajectory, and President Bush's new tax cuts are already written off.

'If You Cut . . . People Won't Survive'

Presidential pre-candidate Lyndon LaRouche's "Super-TVA" solution is needed; and while state officials and legislators are still far short of it, the first calls for "FDR" solutions are arising—not surprisingly, from California.

As the California Legislature convened in the second week of January, it became clear that the state's leaders are not yet prepared to take the actions necessary to save the state from complete economic and social devolution. Despite some statements from Gov. Gray Davis (D) and other officials indicating that they are aware of the urgent necessity for Federal action, the remedies offered, thus far, come out of the same discredited formulas of "Economics 101" which created the crisis in the first place—a mélange of budget cuts, with deadly consequences for the poor, the elderly, and the disabled, and tax hikes, the results of which will be to contract further already declining revenues.

Facing an estimated budget deficit of nearly $35 billion, Governor Davis presented, in his State of the State address on Jan. 8, what he described as "one of the toughest budgets ever presented to the Legislature." He called on legislators to pass his proposal for $10 billion in immediate cuts, which includes $3.1 billion in cuts in public education, as well as significant cuts in health care. Another $10 billion in cuts will follow, with the Medi-Cal health-care plan—which is already underfunded—slated for approximately $3.6 billion in reductions.

The effects of cuts in Medi-Cal, which is a state and Federal program for those who cannot afford medical coverage, demonstrate how disastrous this slash-and-burn approach to the budget crisis is. In testimony presented to lawmakers, Sylvia Drew Ivie, executive director of To Help Everyone Clinic, a non-profit health-care facility in Los Angeles, stated that the proposed cuts in Medi-Cal "will cripple those of us who are trying to hang on by the skin of our teeth. The network of care, the specialty care, the

The LaRouche Youth Movement hits the California State Legislature in Sacramento for his "Super-TVA" policy. As their lobbying continued the week of Jan. 12, echoes began to be heard in the state capital.

primary care that's provided at clinics like ours make it possible for people to survive. But if you cut it out, people won't survive . . . it's a question of living and dying."

Similar remarks from health-care professionals have been presented at hearings throughout the state.

Glimmer of Reality

In his State of the State address, Davis accurately pointed out that the budgetary problems facing California are not specific to the state, but part of a national pattern. They are the result of the "national recession," which "has forced nearly every state in America into the red." The state's well-being is "threatened by a struggling national economy and declining stock market . . . personal income is down. Employment is down. Retail sales and manufacturing are down."

To solve this problem, he continued, "It's not enough to simply pass a budget that balances the books." There must be new jobs created, especially in infrastructure and manufacturing. This goes beyond the ability of state government. The "Federal government," he specified, "can do more than any state to promote economic growth.

"Washington needs to step up and pass a real economic plan. One that puts Americans back to work this year," he concluded.

State Treasurer Phil Angelides (D) was even more specific in his inaugural address, invoking the Golden Gate Bridge and other public works projects to get out of the Great Depression, as an example. "There is a long history in this country, from the Works Progress Administration"—an anti-Depression, jobs-creation program of Franklin D. Roosevelt—"onward, of using public infrastructure investments as an economic tool," he added, echoing the concept in Lyndon LaRouche's proposal for a Super-TVA.

LaRouche's Solutions

Despite these well-intentioned remarks, neither Davis nor Angelides, nor any of the legislators facing this crisis, has been courageous enough to address the real problem. As Lyndon LaRouche—the most successful economic forecaster of our times—has emphasized repeatedly, the global financial system has reached the point of a systemic breakdown, one that threatens to destroy nations, such as Argentina and Brazil, as well as states, such as California and Texas.

This systemic breakdown is the result of the adoption, over the last 35 years, of post-industrial economic policy, with the following components taken from the neo-liberal economic handbook: rejection of manufacturing, replaced by a "high-tech" computer/New Economy bubble, which has now popped; under-investment in infrastructure, such as the water, power, and transportation projects that built the state of California; deregulation, privatization, and free trade, with an emphasis on "shareholder values," propped up by gouging wages and the destroying the capacity of governments to act to defend the general welfare.

On Dec. 7, 2002, Lyndon LaRouche addressed a town meeting in Los Angeles, outlining his "Super-TVA" proposal. Central to this program is the repeal of the deregulation and related statutes; and the generation of Federal credit, to be directed, by the states, into necessary infrastructure projects which will provide jobs and increase revenues to the states and to the private sector—the whole project modelled on the successful anti-Depression programs, such as the Tennessee Valley Authority (TVA) initiated by President Franklin Roosevelt.

This approach got the United States out of the last Depression. It is the only approach which will work today. LaRouche's "light cavalry," his Youth Movement, has made repeated forays into the state capital, Sacramento, to bring this message to the elected officials, who have the power to reverse this crisis, telling them they must overcome their fears and give up their denial; there is no option but LaRouche's solution.