

## 'Economic depression the key foreign-policy issue'

by Lyndon H. LaRouche, Jr.

*Below is the slightly abridged text of a July 14 communication from EIR founder Lyndon H. LaRouche, Jr., to the U.S. Senate Committee on Foreign Relations. Subtitles have been added.*

**Re: Confirmation of George Shultz to Become Secretary of State of These United States**

Members of the Senate:

It is my most carefully considered judgment that the President should have a Secretary of State whose personality, qualifications, and outlook are subsumed by an overriding loyalty to the President himself.

Ours is a constitutional republic, and not a parliamentary system. The powers and policies of cabinet officers, including the Secretary of State, must reflect the fact of our system of government, that the powers of cabinet and lesser-rank Executive functions are powers delegated by the President, but are never alienated from the President in the course of delegating them.

Therefore, if the name of a cabinet officer is placed in nomination for the advice and consent of the Senate, if there be no disabling flaw of competence or character in the person so nominated, it ought to be the wish of the Senate to accept the President's nomination, if we can also be assured that the nominee will function as an agent of the President's undiluted constitutional powers. . . .

Although I strongly disagree with numerous among the policies with which the nominee has been associated in past service to our government, I know of no flaw in him on which account I would recommend that the Senate prevent the President's will in this matter from being effected.

However, the nomination of a cabinet officer is not merely an occasion for exercise of the powers of consent. It is also the occasion for exercise of the Senate's powers of advice. . . . It would be difficult to imagine any point in our history during which our foreign relations have been in a more perilous condition. We must explore, in present hearings on this appointment, what areas of urgent change in foreign policy are required to rescue our nation from what presently appears to be a monstrous foreign-policy catastrophe.

To this point, I identify summarily foreign-policy matters in which I have well-established expert qualifications. There are three interconnected matters to which I ask you to turn your attention. These are the interdependency between East-West and North-South strategic crises, the ongoing collapse of the world monetary order, and the impact of gross disinformation of intelligence received from non-U.S. agencies upon the shaping of our foreign policy as well as our adjustments of foreign policies in practice.

### **The economic dimension**

The Senate is more or less aware that I publish a series of quarterly analytical forecasts on trends and turning-points in the U.S. economy, and that since these quarterly reports were first published, beginning the last quarter of 1979, my own forecasts have been the only competent forecasts published by any known public or private forecasting agency. I stress this fact to emphasize that the United States is presently in a new economic depression, and to indicate that contrary assessments of our economic situation originate entirely with economist circles which have proven themselves incapable of

competently forecasting trends in our economy over the period from October 1979 to the present date.

I can also report, on the basis of regular discussions with international financial institutions and other relevant policy circles of numerous nations, that it is the prevailing judgment of Switzerland, London, and other centers that the immediate period of monetary crisis has two outstanding features. First, to the extent that analogies can be drawn in such matters, we are presently in a situation of impending general monetary collapse comparable to 1931. Second, that the magnitude of the threatened monetary collapse dwarfs anything civilization has experienced since the general collapse of Lombard banking during the 14th century.

Every problem confronting us domestically or in foreign relations now is either directly a result of this slide toward the deepest depression in modern history, or . . . is shaped to a very large degree by economic and monetary pressures.

For example, to pinpoint a very immediate, very concrete and potentially devastating problem, there is, in some misguided but influential circles, a delusion to the effect that we can collapse the "Soviet Empire" by aid of forcing a default on the external indebtedness of Poland, Hungary, and Romania. In fact, although that action might temporarily slow down certain features of the Comecon economy, it would have no damaging effect on the military sub-sector of the Soviet economy, which is approximately one-third of the combined agricultural and industrial economy of the Soviet Union as a whole, and would otherwise simply force the entire Comecon into greater Soviet economic domination as well as emphasis on resuming the kinds of relatively autarkical, dirigistic methods echoing the Stalin period. What such a forced default would accomplish is a chain-reaction collapse of the entire Western international monetary system as we now know it.

The problem is much worse than even that implies directly. . . . Some among the London and Swiss gentlemen concerned have worked out the following cute little operation against the U.S. dollar. First, they lure the United States into taking actions to damage the economies of the Federal Republic and Japan. This forces Germany and Japan to join with London and Switzerland against the U.S. dollar, simply as a matter of self-defense. These combined forces then, according to the London and Swiss scenario, let the trillion-dollar Euro-dollar market collapse upon the U.S. dollar, putting the United States under financial receivership directed by the Basel Bank for International Settlements.

To assist this sort of scenario, central European and other sources have been passing into Washington specially doctored intelligence on the Soviet economy, false information to encourage Washington to believe that

shutting down credits to the Comecon nations will cause an economic catastrophe hitting billiard-ball fashion into the heart of the Soviet economy itself.

Meanwhile, our ever-loving allies, Britain and France, have resurrected the 1916 Sykes-Picot Treaty agreement, under which Britain and France then proposed to carve up the remains of the Ottoman Empire between them. Aided by elements in Israel enjoying Orde Wingate's [a British military officer and Old Testament fundamentalist cultist who trained both Moshe Dayan and Ariel Sharon—ed.] pedigree, such as Defense Minister Ariel Sharon, and with aid of certain expedient measures of mutual understanding between Moscow and London, the intent is to throw the United States out of the Middle East. A similar Anglo-French policy is operational for Africa, and the French government plans to take over our former influence in parts of our hemisphere below the Rio Grande.

The administration of our foreign policy under the recently retired Secretary of State has not been precisely what one would describe as an empyreal height of service to our national interests. Clearly, the relevant features of our foreign policy and related practices must be drastically changed, and immediately.

The North-South crisis is key to the complex of our foreign-policy problems as a whole. The problem is exemplified by the condition of approximately a quarter trillion dollars of external debt of Ibero-American nations. Presently, under present world-market trends, perhaps only Mexico and, perhaps, Venezuela among those nations has the bare possibility of meeting the debt-service obligations coming due during the 12 months ahead. Moreover, the refinancing arrangements employed to cover over virtual debt defaults over the recent five years are no longer functional. International lending institutions are presently committed to "decoupling" from Ibero-America, Africa, and most of Asia. Virtually our entire, highly exposed commercial banking system is threatened with chain-reaction collapse as a result of these combined circumstances.

### **Recovery measures**

If we could revitalize the world-market in capital-goods traffic and reschedule Ibero-American debt overhangs in a proper fashion, the looming disaster could be prevented. There is no technical reason such measures could not be effected. The difficulty is entirely a matter of perception of the solution and the will to force through implementation of the solution in time.

Again, I must refer your attention to the implications of the successful performance of my quarterly economic forecasts. Those experts who argue that monetarist policies must not be eradicated immediately, and who oppose restoring a gold-reserve basis for the

U.S. Treasury's issues of currency notes, have abundantly demonstrated, through the miserable performance of their own varieties of economic forecasting, that they have simply not understood the bare fundamentals of our present economic and monetary situation.

This is a matter of foreign policy as much as of domestic policy. If the United States summons its will to restore the power of a gold-reserve-based U.S. Treasury currency note, the world can be quickly induced to submit to our will in this matter. . . .

Unless the shock of this new monetary crisis and economic depression can rouse leading institutions of this nation to clear away the fog of monetarist ideologies we are already as good as finished as a world power.

If we summon our idled agricultural, industrial, and skilled-labor potentials to produce an outflow of capital goods for medium- to long-term high technology development of the productive powers of labor in nations below the Tropic of Cancer, we will find a joyful reception for our policies among those and other nations, as well as a joyful eruption from our farmers, industrialists, and growing masses of unemployed. . . .

### **Relations with the U.S.S.R.**

As to the Soviet Union, in the context of our resurrection of the "American Century" strategic policy, the matter becomes elementary. We say to Moscow: "We are summoning from our idled farms, factories, mines, and labor a power which may stun your powers of imagination. We are creating among our friends in this world a new world economic order, which we call the 'American Century.'

the conceptions of those who designed our Constitution, a world dominated by nations committed to the benefits of technological progress for each and all, arranged through an ordering of our system of credit and commerce to foster this result. Where does the Soviet Union stand with respect to our efforts to lift the hungered nations of the southern portion of our globe out of that heritage of colonialist looting and degradation whose remedy has already been postponed too long?"

These arms negotiations are necessary, but in and of themselves they are almost useless exercises. If the chaos the monetary crises are beginning to unleash is not stopped, we shall go to war whether we presently intend so or not. And, sooner or later, whatever remains of the thermonuclear arsenals of the world will be launched, because no government will know how to stop itself from unloosing them. If we bring the world to order, as the "American Century" implies, then, and only then, does the lessening of the impulse toward war impel nations to spend less on those weapons for which they have no prospective need.

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## **PLASMA PHYSICS**

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# **U.S. turning over the lead to Japan**

by Steven Bardwell, Military Editor

The most prestigious international plasma physics and fusion science meeting, held in Göteborg, Sweden June 9-15, reflected in a striking way the world economic crisis: the fusion efforts of all countries have dramatically slowed down in the past 18 months, with the single exception of the Japanese, who now boast of the largest, most aggressive, and most engineering-oriented program in the world.

The Soviet program, for a long time the most scientifically sophisticated and creative program, has been totally eclipsed by a military reorientation of Soviet scientific manpower; and the American program, long the leader in engineering and technical development of fusion devices, has slowed its research tremendously, with no new machines having been designed or come on line in the past two years.

### **Japan and India: the new fusion superpowers?**

Contrasting with the downturn in the Soviet and American programs are the world's two newest fusion programs, those of Japan and India.

Four years ago, Japan had essentially no fusion research program. At that point, however, an informal directorate of politicians, scientists, and industrialists proposed a long-range fusion program, which they claimed would play the same role for the 1990s and early 2000s that crucial industries had played in the past (textiles in the 1950s, steel in the 1960s, auto in the 1970s, automation in the 1980s). Fusion, as the lead industry of the 1990s, should become Japan's "energy export" by the year 2000, these leaders proposed.

The result of this group's work was a very rapid acceleration of the Japanese effort; today it is the largest fusion program in the world. The biggest laser in the world devoted to fusion research is in Japan; the Japanese are currently constructing a machine as large as the Princeton tokamak fusion test reactor (TFTR) on the same time scale; they are undertaking experiments in all areas of magnetic confinement (they have both a stellerator and bumpy torus laboratory, unlike the Soviet Union or the United States).