

designed by Democratic party figure and economist Lyndon H. LaRouche, Jr.

The LaRouche-Riemann model views the economy as a physical system. Its most basic measure is the rate of free energy of the system: the portion of tangible goods output available to expand future production as a percentage of total output. This defines the economy's potential for future growth as a function of its present output.

This measure is the most accurate "leading indicator" of economic development available. According to the just-released Quarterly Economic Report prepared by the authors and their colleagues at the *Executive Intelligence Review*, the "free energy ratio" stood at -2 percent at the beginning of 1983, moving toward -6 percent at the beginning of 1984. This means that the economy is now destroying its productive capacity at a 2 percent annual rate, trending toward 6 percent. This corresponds to the continued collapse of capital investment, measured against the minimum replacement needs of American industry.

Despite a brief blip upward in some consumer production categories, an event around which the Commerce Department hung tons of tinsel, the underlying deterioration of the economy has continued unabated.

## 'Volcker is a threat to U.S. national security'

*Below are excerpts from the spoken testimony of National Democratic Policy Committee chairman Warren J. Hamerman before the Senate Banking Committee, on July 14, in opposition to the reconfirmation of Paul Adolph Volcker as chairman of the Federal Reserve Board.*

Mr. Chairman, the argument has been made that it is necessary to reconfirm Paul Volcker as Federal Reserve chairman on the grounds that he will be a symbol of stability for the international economy. I would argue that it is just the reverse, that the renomination of Paul Volcker could well trigger a world financial collapse.

To that end, I would like to read at the opening a telegram received late last night from Brazil addressed to the Senate Banking Committee. It reads as follows:

"At a meeting held in Brasilia in the month of April, 93 unions representing 1.5 million workers in the Brazilian state enterprises condemned the accord with the International Monetary Fund in light of the damage that this represents for workers and for national sovereignty. At the moment when the U.S. Senate is deciding on the maintenance of Mr. Paul Volcker on the Federal Reserve Board, it is important that we register our protest against the economic directions imposed by the American government on countries such as Brazil." It is signed by Jorge Bittar, president of the Union of Engineers of the state of Rio de Janeiro.

I also received, to be read at the opening of my testimony, a telegram from Bogotá, Colombia:

"In the name of thousands of workers, we reject the policy of high interest rates which has caused poverty, misery, and unemployment. We expect the non-confirmation of Mr. Paul Volcker"—signed by Pedro Rubio and Jorge Carrillo, the president and secretary general of UTRABOC in Bogota. These two gentlemen are also on the National Federation of Trade Unions in Colombia, the UTC, which is the national labor federation associated with President Belisario Betancur.

I also have telegrams from leading industrialists and trade union officials from various nations in Western Europe, including West Germany, France, Italy, Sweden, Spain. One brief telegram: "I support the policy of President Reagan, in particular, for beam weapons. I am opposed to Volker concerning the negative effects of his policy on the world economy and of high interest rates on both civilian and military purposes in the United States and Europe. I oppose Mr. Paul

**Figure 2**  
**How the continued depression created a \$40 billion Treasury loss**

(the first nine months of the fiscal year)

Treasury receipts (in billions of current dollars)			
Category	Fiscal year 1983	Fiscal year 1982	Reason for shortfall
Corporate taxes	\$ 26.7	\$ 42.0	Tax cuts, carry-forward losses and continued depression
Individual income taxes	212.8	220.7	Tax cuts, previous year's income, and current depression
Excise taxes	25.1	28.0	Current depression
Customs duties	6.1	6.6	Current depression

**Total estimated revenue loss due to continued depression: \$10 billion**

Treasury outlays (in billions of current dollars)			
Category	Fiscal year 1983	Fiscal year 1982	Reason for increase
Defense (DOD)	\$152.4	\$135.1	Increase in defense programs
Commodity Credit Corporation	18.5	10.4	Collapse of agriculture exports
Unemployment trust fund	26.1	17.5	Depression-level unemployment
Interest on public debt	98.4	90.2	Budget deficit caused by depression

**Total estimated outlay increase due to continued depression: \$30 billion**

Source: U.S. Treasury, Monthly Treasury Statement, June 30, 1983. EIR economics staff estimates.

Volcker's renomination." The telegram is from Gen. Revault d'Allones France, who is a member of France and its Army Committee and was an aide to Marshal Leclerc [the liberator of Paris alongside de Gaulle] during World War II. He has been a French military attaché in many nations of the world. He is the author of the report, "In Defense of Europe" for the Europa List, the electoral list of the RPR [Rassemblement pour la Republique, the Gaullist organization].

The other telegrams are from officials throughout the United States: in particular, trade union officials, leaders of farm organizations who oppose the renomination of Paul Volcker, and leaders of various minority organizations such as the NAACP who call upon the Senate not to confirm the renomination of Paul Volcker. I would request that all of these be put into the record. [Chairman assents.] Then, if I may proceed to give an oral summary of my testimony:

I am speaking on behalf of Lyndon H. LaRouche, Jr., chairman of the advisory board of the National Democratic Policy Committee, who has a statement attached to mine. Mr. LaRouche demands that Paul Adolph Volcker not be confirmed for a second term as chairman of the Federal Reserve System, as I do in the statement I am submitting, on the grounds of the national security of our republic as well as the sovereignty of our allies and trading partners in Ibero-America, Asia, Africa, and Europe.

All would be gravely threatened with the renomination of Paul Volcker. We are in the midst of a worldwide economic depression that at any moment could ignite into a full-fledged global financial crisis. Paul Volcker is the symbol of the cause of that depression. He is so viewed by the nations of Ibero-America, Africa, and Latin America. He is viewed as a Malthusian mechanic who, if reinstated, would cripple the economic well-being of those nations.

Most of the heads of state of Latin America have spoken out since 1979 and are currently speaking out about the policies of Paul Volcker and how they have helped to contribute to the current debt crisis, which is beyond repair within the confines of the existing world monetary system. We are dealing with a crisis which, in aggregate, involves \$840 billion in external debt from the developing nations. The nation of Brazil alone owes nearly \$100 billion in external debt: Mexico, \$80 billion. Ibero-America as a totality owes an aggregate of \$320 billion in external debt.

These nations of the developing sector fear—just as fears were expressed during the Senate committee hearings this morning—that the rumors that Paul Volcker may again raise interest rates in and of itself could cause a collapse of the world financial system. . . . Over the past six months, most of the Non-Aligned nations, under the chairmanship of Indira Gandhi—more than 100 nations—have condemned the policies of high interest rates and their contribution to the world debt crisis: specifically, the policies pursued by Paul Volcker since 1979, as well as the policies of the International Monetary Fund. . . .

The institutions of the old world economic order would

view the return of Paul Volcker as a signal to impose an even deeper round of brutal austerity on the developing nations. This would be unacceptable to the political leaders as well as the populations of these nations. Therefore, they are in the process of forming a debtors' cartel—most specifically, over this summer, a debtors' cartel among our Latin American allies. . . .

On the 24th of this month, there will be a meeting in Caracas to celebrate the 200th anniversary of the birth of Simón Bolívar. The draft documents for that conference look toward the formation of a coordinating committee of Latin American nations to deal with the external debt. There will be several other conferences held over the course of this summer. . . . On Aug. 1 special representatives of every Ibero-American head of government will meet in the Dominican Republic, to formulate these policies. Then, beginning Sept. 5, the Inter-American Economic and Social Council of the Organization of American States begins its meeting in Caracas, where political solutions to the global debt crisis will be discussed.

Indira Gandhi, on behalf of 100 nations at the June meeting of UNCTAD, the United Nations Commission on Trade and Development, called upon the conference to discuss a new global framework to the betterment and mutual advantage of both the nations of the North—namely, the advanced-sector nations like the United States—and the developing nations, to discuss an augmentation of world trade and a reorganization of the world economy. In their terminology, they are calling for a "new world economic order," to replace what Indira Gandhi correctly termed the current "neo-colonialist" system.

Lyndon H. LaRouche, Jr. has a specific plan known as Operation Juárez which would allow for a reorganization of the debt of the Third World nations around a program of augmenting economic production and augmenting foreign trade with the United States.

I believe that Paul Volcker will not pursue those policies, and that most of the political leaders and institutions, be they trade unions or heads of state in the developing sector, know that Paul Volcker will not pursue those policies. Therefore, a renomination of Paul Volcker could be the signal to ignite that process which will lead to the developing sector dropping the "debt bomb." . . .

In summary, Paul Volcker will, if reconfirmed, occupy the position of chairman of the Federal Reserve at a moment of great crisis in the international economic system. I think it is fair to ask whether Paul Volcker is a man who can be trusted at that time of great crisis, a crisis pending not only for our nation but for the governments representing the vast majority of the 4.5 billion human beings on this planet. And I would say not.

Paul Volcker publicly stated in 1979 at a conference in London: "A degree of controlled disintegration of the world economy is a legitimate objective for the 1980s." I would argue that Paul Volcker's policies since he has been the

Federal Reserve chairman have competently implemented that particular "controlled disintegration" policy. Furthermore, Paul Volcker has an entire career on behalf of that policy . . . beginning in 1971, when as an undersecretary of the Treasury, he played a principal role in taking the dollar off gold and convincing John Connally and President Nixon to carry out certain measures which created the Eurodollar market and led to world inflation.

Secondly, as is well known, through the high interest policies beginning in October 1979, Paul Volcker created the beginnings of an economic depression in the United States. That depression was then transferred, in the collapse of our production and trade, to the rest of the world.

### **Volcker and national security**

I think that Paul Volcker has a long track record of being on the scene at every point at which a major policy decision has been made that has in fact contributed to the current world financial crisis, and Paul Volcker has played a role in making the wrong decision at each of these points. He is the wrong man at the worst time imaginable for a very great and important job, because of the shocks to the world economy we can expect over the following period. No amount of bluffing on his part or anyone else's can avert this reality.

Finally, there is a national security element here. On June 15 at the Central Committee plenum in Moscow, Yuri Andropov gloated about the dangers that the "capitalist economic system of the West" was undergoing, and outlined an entire strategy for exploiting those difficulties.

Yuri Andropov would wish to see as chairman of the Federal Reserve an individual with a proven record who would be viewed around the world as a man who would generate instability rather than solving particular problems as they need to be solved at this point. Andropov would relish the reconfirmation of Volcker.

The great financial crisis we are in may be postponed at best for a few months. There is no recovery; there is merely a hoax of a recovery, if one looks at the state of the world as a whole or, indeed, the basic sectors of our industrial capacity. . . .

Were Paul Volcker to be reconfirmed, the U.S. and world economy would not merely continue to shrink: the sovereign finances of the U.S. government itself would be threatened. The Swiss Bank for International Settlements has been demanding surveillance and controls over the U.S. internal economy. As I noted, Yuri Andropov is also presuming that the United States would not have the ability to defend itself in a financial crisis.

Paul Adolph Volcker has mismanaged the U.S. economy to the point where our national security as well as the national sovereignty of most of the nations of the North and South are threatened. A vote cast for Paul Volcker would be a vote cast against the fundamental principles on which our republic was founded and looked to as a temple of liberty and beacon of hope for all mankind.

# **Special Report:**

## **KISSINGER'S PLOT TO TAKE OVER THE REAGAN ADMINISTRATION**

The surprise naming of Henry A. Kissinger to head the President's Bipartisan Commission on Central America is part of a very ugly and long-standing attempt to subvert the Reagan presidency. But Henry Kissinger's return to official life is far more significant than the Central American appointment would suggest.

This *EIR* Special Report, "Kissinger's Plot to Take Over the Reagan Administration" is essential reading for any citizen concerned about the future of the United States as a republic. Researched and written late in 1982 by *EIR* Washington Bureau Chief Richard Cohen, long before anyone else had an inkling of the Kissinger operation, the report documents a process over months, using the friendly offices of Kissinger confidante George Shultz and others, of quietly inserting "Kissinger's boys" throughout the administration.

The report also supplies background dossiers on George Shultz and Helmut Sonnenfeldt at the State Department: Sonnenfeldt, currently a "consultant" to State, has been repeatedly challenged by Senate committees as a "security risk"; he has been an intimate of Kissinger's since 1945. Further dossiers include top appointees at State, Defense, the National Security Council, and the private business associates of Kissinger, including former British Foreign Minister Lord Peter Carrington and Gen. Brent Scowcroft. Kissinger's numerous private affiliations from Trilateral Commission to the secret illegal Monte Carlo masonic lodge are also identified.

**The report is available for \$250.00**

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