

What is *EIR's* influence over Reagan policy?

by David Goldman

The *Chicago Tribune* March 8 reported White House and Central Intelligence Agency confirmations of an intelligence briefing relationship between the National Security Council, the CIA, and Lyndon LaRouche's "excellent private intelligence system," the *Executive Intelligence Review*, to cite former NSC official Dr. Norman A. Bailey's comment to the *Tribune*.

The *Tribune's* account is accurate as far as it goes. It is not *EIR's* business to elaborate on such discussions. However, a public record exists on these matters which eliminates most of the mystery.

Executive Intelligence Review published its first study of the economic impact of beam-weapon technology in December 1982, and conducted detailed studies, including economic modeling with the LaRouche-Riemann computer-based model, of this impact. These were released publicly both in the *EIR* and in a special multi-client report dated June 1983 and entitled, "The Economic Impact of Beam-Weapon Technologies." We compared the World War II mobilization of 1939-43 to the potential impact of beam-weapon technology, and concluded that the experience was repeatable.

Mr. LaRouche's proposals on the need for "great projects" and for federalization of the Federal Reserve System are well known. A comparison of Mr. LaRouche's proposals with the following selections will permit the reader to draw his own conclusions on LaRouche's reported influence in Reagan circles, so deplored by *Izvestia*.

Bailey's proposals: 'great national programs'

Here is what Dr. Bailey, former senior director for International Economic Policy at the NSC, wrote in the *New York Journal of Commerce* March 14:

"It cannot be denied, however, that great national programs, when engaged in within the framework of the market economy, can give and have given great impetus to the industrial sector with highly beneficial effects on the economy as a whole. Between 1939 and 1943, for example, American military mobilization put a whole series of existing technologies to work for the first time. About \$10 billion invested in these (largely electronic and metallurgical) technologies provided the necessary impetus for the post-war boom, when almost all economic seers had forecast a return to the post-war

depression. In this four-year period unemployment was reduced from 25% to practically nothing, industrial production increased 25% per annum, and all this was done in a relatively non-inflationary fashion despite the maintenance of gold convertibility (for non-U.S. citizens) and a Federal Reserve discount rate of 1% throughout. Per capita production of consumer goods was actually higher in 1943 than in 1939!

"Another recent example was the NASA space program in the late '50s and '60s. . . . The NASA program in fact had a highly favorable effect on the civilian economy, estimates of benefit to cost ranging from 5 to 1 to 8 to 1.

"If vigorously followed up, the President's beam-weapon defensive technologies initiative as announced in his speech of March 23, 1983, can preform this industrial miracle again. It is, of course, absolutely essential from the purely defensive standpoint, since the Soviets are developing these systems as fast as they can. If they deploy them before we do the arms race will be over in a particularly unpleasant way and we can all begin studying Russian. However, defense funds diverted to the rapid development of these technologies, if history and logic are any guides at all, will return the costs many-fold in economic benefits."

In an earlier article published by the *Journal of Commerce* March 2, 1984, Dr. Bailey proposed drastic reform of the Federal Reserve System and a return to gold monetization:

"It also seems to some ridiculous that a few people, meeting periodically in secret, try to decide how much liquidity the world's largest and most complex economy needs, when we supposedly believe in decision by market forces, and that an appointed official is the most powerful person in the United States on economic matters when we supposedly believe in democracy. . . .

"The Federal Reserve is obsessed with liability management—namely the money and credit it issues—the famous M's. It pays no attention to asset management—namely, the backing of the currency it issues. It simply funds, directly or indirectly, the Federal deficit. . . .

Alternatives to monetization of debt

"The Japanese and German central banks' assets consist largely of commercial, industrial, and agricultural paper and bonds generated by their local private economies. They do not monetize, directly or indirectly, any part of their governments' deficits. Consequently money issue tracks economic activity rather closely, so that the price level holds fairly steady. . . .

"The road back to monetary sanity could begin with a simple amendment to the Federal Reserve act forbidding the Fed to replace its Treasury portfolio as it matures, or perhaps even more gradually, if necessary. The result would be severe competition for Treasury paper in its asset column with productive paper. An eventual return to some form of gold convertibility could also take place if necessary to solidify confidence even further."