
Conference Report

Myth of the economic 'recovery' hides threat to U.S. national security

by Leo Scanlon

At a two hour seminar on Capitol Hill in Washington on March 18, Uwe Parpart of the Fusion Energy Foundation and Webster Tarpley and Christopher White of *EIR* presented a picture of the strategic economic disaster looming behind the IMF's "recovery" myth to 30 members of the defense press, industry, and diplomatic community.

Radio news on the morning of the seminar informed startled Washingtonians that government economists would release figures that day showing that the United States has moved into first place among the debtor nations, passing both Mexico and Brazil. Unlike the government economists, the FEF and *EIR* spokesmen presented an analysis of why this is so, exposing the grisly secret behind the "recovery": The economic policies responsible for the "recovery" have ensured a rate of devastation of productive capacity which has exceeded the rate of collapse of all other industrialized nations. The panelists presented a solution: Abandon the policies of the International Monetary Fund, and proceed along the traditional American path of mobilizing government-backed research efforts, in this case the Strategic Defense Initiative, to drive a recovery of productive capacity.

Dr. Uwe Parpart, research director of the Fusion Energy Foundation, said that "our industrial capacity is presently not equal to the demands of the SDI, and under present conditions if we attempt to treat the SDI as something which can produce 'post-industrial' spinoffs as the by-product of a research program, we will never achieve the breakthroughs necessary to outstrip Soviet efforts in this direction.

"The real problem is that we still are operating within the regime defined by James R. Schlesinger, who theorized that in the era of MAD, it would be possible to de-couple the nation's military strength from its economy. These policies are at the root of the present economic crisis, and so far, the SDI program has not addressed that."

Reviewing past defense mobilizations, Parpart pointed out that bottlenecks in today's U.S. industrial capacity will cause dangerous increases in costs of defense production. He emphasized that the much vaunted "surge production capac-

ity" which has historically characterized American emergency mobilizations, is no panacea for the present crisis. No matter how long or short a future conflict may be, everything of military significance will have been determined by what capabilities existed before its outbreak—not after.

The proper approach, he said, is to look at defense costs from the standpoint of the threat facing the nation, and to define policy without regard to the protests and complaints of potential adversaries. "In this sense there is an aspect of defense spending which is often called waste, but in fact represents expenditures which are necessary if you are going to achieve an element of surprise and outflank an enemy . . . cost-benefit analysis has built a dangerous 'predictability' into U.S. defense posture, a vulnerability which only a crash program approach to the SDI will overcome."

Parpart described the physical economy of beam-weapon development, emphasizing the characteristic increase in "energy flux density" associated with these systems, and identifying the areas of the economy which would be most affected by the increases in productivity which result from using directed-energy technologies in industrial production. "These are the real spinoffs of the SDI program . . . technologies which dramatically change the efficiency of the entire economy."

View economy as a military planner

Webster Tarpley analyzed the effects of IMF economic policies from the standpoint of a military planner rather than an accountant: "The test of a national strategy is its ability to win a war, to secure a decisive victory against the most powerful imaginable adversary coalition. . . . Looking at the respective dynamics of the United States and the Soviet Union today from the point of view of such a general-staff planner, one conclusion is unavoidable: Despite the effects of the SDI, the United States appears as a crumbling empire, above all in the economic sphere, upon which the strategic ability to fight and win a war in depth must be based."

"Who is the enemy?" Tarpley questioned the audience of

military specialists. "The enemy of the United States at the present time is the Kremlin's dominant combination of Marshal Ogarkov, Politburo member Geidar Aliyev, and Col. Gen. Yepishev. . . . They are self-defined as our enemy by the strategic doctrine they have chosen, one which prescribes Soviet world predominance by the end of this decade."

Tarpley demonstrated how the policies of the International Monetary Fund are driving the process of collapse which is destroying the U.S. economy, and thus our political alliances. One Latin American official has remarked that in his language, the initials of the IMF (FMI) stand for "Fomento Movimientos Insurrecciones"! Tarpley added, "Let no one imagine that this degrading ritual of the 'letter of intent' [to submit to IMF austerity] is reserved exclusively for Third World nations. The center piece of IMF policy is now to place the United States in precisely this kind of receivership."

The boasting remarks of Soviet Marshal Ogarkov, that this decade will see the emergence of the Soviet Union as the hegemonic global economic power, are backed up by the tremendous resources devoted to production of strategic weapons like the SS-24 and SS-25 ICBMs. As much as our allies fear this power, they equally fear the deadly policies of trade war and IMF-administered austerity now enforced as a centerpiece of U.S. policy.

"Ogarkov's analysis is premised on the facts of the real world," Tarpley pointed out. "The Soviet Union is now out-producing the U.S. in steel by a two-to-one ratio, and the gap is destined to grow, even as the accountants of U.S. Steel order the dynamiting of blast furnaces that could spell the difference between survival and annihilation.

"Further, Moscow is counting on the tremendous leverage that it has gained by purchasing decisive marginal positions in the explosive Eurodollar and offshore money markets, positions buttressed by control over billions of dollars of trade in illegal narcotics which can be used to intervene on the U.S. economy under conditions of crisis. In this area in particular, Moscow has benefitted from the monetary nostrums of Paul Volcker and the IMF.

"Moscow believes that time is on its side. . . . They see that it is to their advantage to keep President Reagan operating in a business as usual mode, rather than in a crisis command mode."

The solution to these compounded problems is contained in the proposals of Lyndon LaRouche and his co-thinkers: The Federal Reserve must in effect be "nationalized": deprived of the power to issue currency, deprived of its power to fix interest rates, deprived of its "Keynesian multiplier" functions, and obliged to purchase Treasury bill issues at an interest rate prescribed by the President, as in World War II. We must further undo the Aug. 15, 1971 policies of Volcker, Regan and Shultz, and return to a gold reserve standard. Finally, Congress must authorize the credit to finance government lending to preferred categories of industrial activi-

ties, as the basic strategy for producing our way out of our present "economic coma."

Christopher White presented the statistical measurements which bring the collapse of the U.S. industrial economy into focus. Entire sections of steel, power, machinery, and other basic heavy industry are operating at below 1972 levels of capacity; labor productivity, compared with 1972 levels, has collapsed at a 15% annual rate through the 1983-84 "recovery"; the true rate of inflation, measured in the cost of reproducing the physical economy, has raged at a rate of 16% per annum—while consumer debt increased from \$178 billion to \$780 billion in the same period. "All of these sectors of the productive economy have been subjected to the benefits of the 'free market recovery,'" White pointed out, "and last week we saw demonstrations of thousands of farmers who are also about to undergo a 'recovery'—350,000 of the most productive of them will be out of business this year."

White's analysis junks all measures of economic performance based on GNP, GDP, dollar sales volume, or any dollar or paper figures at all, and relies entirely upon numbers of real goods produced, surveying over 15 U.S. industrial sectors, highlighting the energy sectors, the state of the workforce of each, and the volume of actual production of over 500 industrial commodities.

Most revealing were the comparisons to Soviet production figures. In all basic categories, the United States is far inferior, and increasingly so, when compared to the corresponding category of Soviet industry.

The presentations had a sobering effect on the audience, which continued the seminar question period past the scheduled ending time. One participant asked, "How will we 'bell the cat' of the administration, get them to see this?" After reflecting on the number of informed defense officials who know these facts to some degree, he answered his question, "It's time to be like Paul Revere—just go out and say it."

A comic backdrop to the *EIR* seminar was provided by the "opera buffo" attempt by the *Washington Post* to play "Benedict Arnold" against the *EIR*'s "Paul Revere." In the days leading up to the seminar, the *Post* engaged in a hysterical inquisitorial investigation of the offices of various senators and representatives who had offered to host the seminar in Capitol hearing rooms. Along with the usual harassment and threats the *Post* is so well known for delivering, it published an article denouncing the forum and those who had "erred" in offering to host it—thus underlining its importance to all observers of the Washington scene!

Not surprisingly, the opponents of the SDI used the room originally scheduled for the forum to feature a proposal advanced by Senators Hatfield and Simon that there should be a "pause" in development of the SDI while the Geneva negotiations are on. We are informed that an anonymous astronomer circulated a picture of the constellation of Ursa Major entitled "The Negotiator's Paws" among those gathered.