

FROM LYNDON H. LAROUCHE, JR.

Emergency Action By the Senate

April 13, 2005

1.1 An increasing number and variety of relevant specialists have been joining an international chorus which is warning, in effect, that an ongoing, systemic economic collapse of the world's presently reigning, monetary-financial order, has now entered its terminal phase. As some leading voices in government, and relevant others, have indicated, since September 1998, the world has entered a period of historic crisis, when the time has come that nations must act in support of a common interest, to create a new financial architecture for the world at large.

1.2 Although a unified majority opinion on the design of a new permanent financial architecture, has yet to be formed among relevant authorities, certain stop-gap actions not only may, but must now be adopted and implemented, to forestall the presently threatened, irreparable damage to our physical economy. That damage is only typified by the presently accelerating crisis of the U.S. automobile industry. Any liquidation of the present structure of the physical productive capabilities of that industry, especially its vital machine-tool sector, would mean both the end of the U.S.A. as a leading physical economic power, and related kinds of chain-reaction damage to the world economy as a whole. Emergency action to avert that outcome must be taken now.

1.3 The international complex of machine-tool-dependent physical production, as typified by the presently troubled General Motors and associated enterprises, is now at the verge of not only financial bankruptcy, but also, the threatened physical dissolution of the machine-tool and other essential and related physical-economic elements of the related, present productive capacity. This is the case, not only in North America and Europe, but the world at large. The leading implication of the ongoing financial and physical economic con-

dition of that and related industries, is that government must now be mustered to act in accord with the implied, relevant principled, constitutional obligation of our modern nation-state. That imperative is the essential, constitutional obligation of the modern sovereign form of nation-state, to promote the general welfare, both as individual republics, and in concerted action among nations.

1.4 The point has been reached, at which certain qualities of remedial action must be taken through the initiative of the U.S. Federal government. Without some action by our government, there is no adequate means to prevent an early plunge of both the U.S.A. and world economy into the depth of what would soon become an incalculably deep and prolonged world crisis. This is a crisis as deadly, or probably more deadly than that associated with the Great Depression, tyrannies, and wars of the 1929-1945 interval. There is nothing comparable to that presently onrushing crisis, in severity, in the experience of relevant living persons in the U.S.A., during their lifetimes. Unless corrected, the present crisis would now become quickly far worse than what was experienced in western Europe or the Americas during the so-called Great Depression of the 1930s.

2.0 The Need for Action by the Senate

2.1 Responsible government will not postpone remedial action to some future time that fulsome general agreement on reorganization of the monetary-financial system might have been reached among a relevant combination of leading nation-states. Certain stop-gap remedial, emergency actions of durable value must be adopted and implemented now. These forms of required emergency action will have the functions of both ameliorating the kind of ongoing damage to our productive potential which the crisis of the General Motors complex only typifies, and setting into motion certain measures



Lyndon LaRouche advises the Senate that it is the most appropriate instrument “for setting into motion presently indispensable steps of remedial action, despite the presently manifest reluctance of some relevant circles in the Presidency, and elsewhere, to grasp the urgency and systemic characteristics of the present national and world crisis.” Here, LaRouche addresses a Washington webcast conference on April 7.

of economic reconstruction which will have lasting value for the physical economy of our own and other nations over a generation and more to come.

2.2 It would not be difficult to show, that the situation of the U.S. Government at this present moment is such, that some of the most essential of the immediate remedies required must be set into motion through included actions consistent with the combined explicit and implicit Constitutional powers of advice and consent of the U.S. Senate. We are gripped by what is already, clearly an ongoing, accelerating existential crisis of our own, as other nations, a crisis whose dangerous implications are tantamount to circumstances of onset of general warfare.

2.3 The role, assigned to the U.S. Senate, of providing advice and consent to the Executive branch, is, presently, the most appropriate instrument, at this moment, for setting into motion presently indispensable steps of remedial action, despite the presently manifest reluctance of some relevant circles in the Presidency, and elsewhere, to grasp the urgency and systemic characteristics of the present national and world crisis.

3.0 The Special Role of the U.S. in This Crisis

3.1 Although the constitutional organization of our Federal Republic was a reflection of leading intentions among the finest currents and individual minds of Europe at that time, the circumstances of world affairs since the 1789-1815 period of wars in Europe, prevented the establishment of a system of republics there based upon the same class of constitutional principles adopted by the circles of the chief architect of our

independence, Benjamin Franklin. Thus, although important elements of the American System of political-economy were adopted and copied for economic reforms in leading parts of Eurasia,¹ beginning 1877, European governments have been modelled chiefly on reforms of the parliamentary system, rather than a Presidential system such as that which our own Constitution prescribes. Consequently, the potential positive role of the U.S. in this present situation is unique.

3.2 This feature of the war-torn modern history of European civilization, has left the governments of Europe chiefly under the hegemony of a network of private financial powers otherwise known as “independent central banking systems.” Two so-called “world wars,” and related experiences of Europeans during the past century, have aggravated the im-

past of this point of difference between the outlook inherited from the American System of political-economy and the effects of the combined legacy of a contrary legacy of a parliamentarism subjected to the superior authority of privately controlled central banking systems over governments in Europe, still today.

3.3 Our constitutional system, known as the American System of political-economy, is premised implicitly on the included role of a system consistent with the notion of national banking, which provides our form of constitutional government with the power of its Executive, acting in concert with the separate and distinct authorities and responsibilities of the Senate and House of Representatives, to create relatively vast masses of long-term credit for the immediate and long-term expansion of our national economy. This creation of new productive capital can be accomplished, under our system, without interference by that concert of private financier interests known as “an independent central banking system.” Under our constitutional system, this outpouring of debt-based long-term credit must be used, chiefly, not only to create expanded productive employment, but to create new long-term capital investment in improved basic economic infrastructure, as also in agriculture, and manufacturing.

3.4 It was the use of this constitutional authority under the administration of President Franklin Roosevelt, which enabled us to conduct a two-front, sustained war, to lead thus

1. With the influence of the world’s leading economist of that time, Henry C. Carey, in locations such as Germany, Russia, Japan, and elsewhere, following the 1876 Philadelphia Centennial.

in defeating and crushing what would have been otherwise a world-wide imperial tyranny of the Nazi system. It is that same constitutional mechanism which is crucial for our necessary role in defeating the presently threatened world-wide monetary-financial and physical-economic collapse.

3.5 The present situation has been complicated by the recent conflict which has arisen between the U.S.A. and our foreign partners in Europe and elsewhere, since that conflict in relations between Europe and the U.S.A. which was provoked by the Bush Administration during 2002 and later. A Europe, for example, which, earlier, had become habituated to relying upon the U.S. leadership's role in addressing common problems, has been driven into the worst relations between the U.S.A. and Europe in more than a half-century. Under the present conditions of crisis, our urgent national-security interests require that we must take steps now to restore our republic's role as a leader among equals, in its earlier, decades-long collaboration with those nations which had previously relied on their trust in our leading role as their partner in common cause.

3.6 This recalls the fact to our attention, that, against the fact of the conditions which have been shaped by trans-Atlantic relations since approximately 1776, there have now arisen recently presently important new developments in Eurasia which offer excellent opportunities for the kind of U.S. future relations with Eurasia which a general economic recovery of the U.S.A. itself now requires. Provided we take action to control, and to avert the worst effects of the onrushing general monetary-financial collapse, thrusts in the direction of needed reforms from within circles in Europe and some leading nations of Asia, with a critical role of continental Europe, are the emerging basis for a general long-term economic upsurge of our planet over more than a half-century to come.

3.7 These emerging new relations within Eurasia represent the nucleus of an expandable, collaborative international initiative of the type the present crisis-situation requires. This should prompt our own government to offer a new, supporting initiative by a U.S. acting once again as first among freely consenting equals. This would be an initiative which must be sparked from within the deeply rooted, historical cultural legacy of the American System tradition as echoed, typically, by the role of President Franklin Roosevelt. There are leading forces within Europe and its partners in Asia, which are poised to act in concert with us, on the condition that we do our part, by supplying the spark of initiative on behalf of the interest of all these nations, which they, in fact, require from us. We of our United States must become, once again, the spark which ignites the world.

4.0 The Emergency Measures for the GM Case

4.1 The principal interest and objective of the U.S. Government in the current panic among leading automobile manufacturers of North America and Europe, is to ensure that the

continued employment of the labor-force associated with that industry remain as functioning, each and all in their present localities of employment, whatever is done with the financial architecture associated with the present ownership of that set of enterprises. The loss of the tool-making and closely related capabilities of that sector of the industry would be a strategic disaster of incalculable, chain-reaction consequences, within our nation, and also the world at large.

4.2 The relationship between the machine-tool and related elements at the front end of the process-sheet of the production cycle in these industries, and the much larger mass of technicians and operatives employed relatively downstream in that process, is an integral relationship. It would be gross incompetence to assume that the employment of the one could be separated from the employment of the other, or that the ratio of less-skilled operatives to highly skilled machine-tool and related technicians and operatives could be reduced without relatively disastrous effects.

4.3 To that end, the U.S. Senate must employ its power of advice and consent to attempt to ensure those present productive capacities are kept virtually intact as a whole.

4.4 It is a real, if unpleasant fact, that the recent level of production of automobiles exceeds the justified scale of operations of that production under conditions of the present national and world markets.² Yet, at the same time, were we to reduce the number of machine-tool and other operatives presently employed, in place, in these industries, we would incur a national economic disaster of qualitative, rather than only quantitative effects. The only available remedy is diversification of the relevant productive potential to a broader mixture of suitable forms of production, shifting large portions of current employment into, especially, the domain of essential capital goods of production and basic economic infrastructure.

4.5 Therefore, in the present situation, it is necessary to separate the operations of the technological productive potential represented by that industry and the communities associated with the relevant enterprises, from the financial difficulties of the relevant corporations. Whatever disposition is made of the relevant troubled financial corporations, the productive potential of the industrial labor-force of the industry must be held together, essentially intact, in their present locations. The Federal government must create the interim vehicle under which the unbroken continuity of physical operations is continued.

4.6 The relevant choices of alternate market for this purpose are, for the present time, chiefly in the category of basic economic infrastructure. Typical markets are defined by the

2. Under present world-market conditions, the needed volume of units sold could be achieved only by net prices which represent a current operation of that set of firms below breakeven. This is a situation comparable to the state of the U.S. industry on the eve of the 1957 Recession, but by a perilously far greater margin.

need for repair, large-scale expansion, and improvement of our national railway systems; maintenance and improvement of water-management systems now nearing the point of breakdown through decades-long neglect of maintenance and improvements; urgently needed investments in the production and distribution of power; and the now becoming urgent diversification of energy sources for automotive and other major uses toward regional production of synthetic hydrogen-based fuels.

4.7 A crucial consideration is the fact that the tool-making front-end of the automotive industry is rightly habituated to the rapid development of products at the high end, and beyond, of currently practiced technology. The level of technology embodied in this industry's tool-making component is sufficiently advanced, that there are few leading areas of product type of capital goods for which this industry can not be appropriately employed for early response in the form of suitable products, especially in capital-goods categories.

4.8 In general, it is in the current and foreseeable national interest, that diversification of the application of this productive capacity be concentrated in the high end of today's technological progress in development, where the highest rates of gains in national productivity as a whole can be obtained downstream in the national economy as a whole.

4.9 It must also be recognized, that under the rapid programs of deregulation launched toward the close of the 1970s, increasingly large areas of the U.S.A. were left as economically fallow, to rot, while industry and population were concentrated in a shrinking portion of our national territory, and while the essential features of competition and diversity in sources of product were shrunk. This has occurred to the effect that there has been a presently catastrophic, decades-long collapse of the physical standard of living and physical output of the lower eighty percentile of our population's households. The corresponding task today, is to broaden the development and use of areas of our nation, to the effect of increasing net physical output per capita and per square kilometer through the nation's counties.

4.10 Therefore, the U.S. Federal government must intervene, on behalf of the national and related interest, to ensure that the productive potential of this industry, with its featured high-technological front-end in the process-sheet cycle, be held together in place and intact.

5.0 The Urgent Return to the American System

5.1 The chances for success of these and related measures require, that the reforms we make must be selected to conform to the potentials which are deeply embedded in the history of those developments which define the distinctive characteristics of our economic potential today. To that end, consider the following.

5.2 The American System of political-economy was premised, since the leadership of the Winthrops and Mathers

in the Seventeenth-Century development of Massachusetts Bay Colony, on capital and other physical improvements in the expanded use of that colony's territory. Similar practices were employed in Pennsylvania and in the Eighteenth-Century development of Virginia under leaders such as our first President George Washington. Our leading economic concerns, in these and other parts of our emerging republic, were as described by Treasury Secretary Alexander Hamilton's *On the Subject of Manufactures*, as the development of the physical productivity achieved in land-areas through emphasis on improvements in basic economic infrastructure, agriculture, industry, and commerce. Our best achievements as a nation have been expressed by a long-ranging emphasis on the development of our fiscal and monetary systems according to the requirements of physical improvements in our economy. This was the characteristic advantage in outlook of what became known as the American System of political-economy, as compared with the physical-economic development of the productive powers of labor in Europe.

5.3 Our national outlook to this effect was consolidated during John Quincy Adams' term as Secretary of State. Adams consolidated an outlook which had been already embedded in the outlooks of the Massachusetts, Pennsylvania, and other colonies, and among states of the republic. To establish a durably viable and secure nation, we must develop as a transcontinental republic with implicitly defined northern and

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southern borders, while also adopting the policy, as crafted by Secretary Adams, which President James Monroe presented as what became known thereafter as the Monroe Doctrine. Under that Doctrine, we were committed, as President Franklin Roosevelt re-affirmed this later, to a community of principle among the respectively sovereign states of the Americas.

5.4 At the time of Secretary Adams' crafting what became the essential features of the policy-shaping of our Department of State, we, like all parts of the Americas, had been the target of efficiently malicious intentions by the principal leading forces of Europe, the British Empire-in-fact and the continental powers associated with Prince Metternich's Holy Alliance. It was only in the aftermath of the Fall of France's Emperor Napoleon III, that nations of continental Europe moved, led by our friend Czar Alexander II, significantly toward the adoption of what was known to them as the American System of political-economy. It was the revival of the policy of the American System of political-economy under the leadership of President Franklin Roosevelt, which expressed the great advantage inhering in the American System of political-economy over the rival systems of Europe.

5.5 That history should be recognized as key for the adopted mission which our republic should affirm in seeking to define a route of recovery from the perilous condition in which we find both ourselves, and the planet considered as a functional whole, amid the perilous crisis in the world of today. To wit, to grasp the historic implications of the present General Motors crisis, consider the following comparison of the events of 1929-1945 with the period before us today.

5.6 During the 1928-29 interval of the outbreak of what became the Great Depression of the 1930s, our President Herbert Hoover responded to the 1929 stock-market crash with the worst available choice of policies, under which the U.S. physical economy was collapsed by approximately one-half over the interval preceding the March 1933 inauguration of President Franklin Roosevelt. That experience under Hoover's policies then, has an ominous import for the implicitly more deadly international monetary-financial crisis of today.

5.7 In the entire period, 1928-1933, from the fall of the Mueller government of Germany through the establishment of the Adolf Hitler dictatorship, in February 1933, the ruinous common policies of the U.S.A. and principal western European governments had been policies of fiscal austerity comparable to those in place in most of Europe and the U.S.A. itself today. These policies had been dictated chiefly by the Bank of England under Montagu Norman and its Manhattan financier partners. The formation of the Basel, Switzerland Bank for International Settlements (BIS) typified the situation of Germany and other nations under the austerity regimes of the Bruening and von Papen ministerial governments. These were the policies of Montagu Norman's Hjalmar Schacht and other authors of the installation of the Adolf Hitler dictatorship in Germany; they were also the policies of Andrew Mel-

lon and the Herbert Hoover Presidency. The application of these policies of "fiscal conservatism" in Europe, then, made possible the success of Montagu Norman's Hjalmar Schacht and others in installing the Hitler dictatorship in Germany. The fiscal-conservative policies of the Hoover Administration were the cause of the collapse of the U.S. economy by approximately one-half during the interval between the 1929 stock-market crash and the March 1933 inauguration of President Franklin Roosevelt. Only the election and policies of that President Roosevelt enabled the U.S.A. to escape the kind of political fate which overtook Germany under Hitler. Only Roosevelt's leadership made possible the defeat of the threatened Nazi world empire under the Adolf Hitler which Montagu Norman's Schacht had led into power. Similar, fiscal-conservative trends in practiced policies, have dominated the fate of the U.S.A. and Europe during the recent years.

5.8 We must not continue to make that same kind of mistake, as was made under Hoover and the Bank of England of Montagu Norman, again, today. We must learn the relevant lesson of history.

5.9 Prior to the Fifteenth-Century founding of the first modern nations-states, those of France's Louis XI and England's Henry VII, the history of Europe was dominated by the rule of oligarchies and their lackeys, who reigned over a general mass of the population held in the actual or virtual status of subject human cattle, as under the medieval system which reigned over Europe under the Venetian-Norman alliance of the pre-1400 centuries. The rise of modern nation-states of the form known as commonwealths, combined with the promotion of scientific progress and its benefits for development of agriculture, manufacturing, and basic economic infrastructure, has been the characteristic achievement of modern European civilization, despite the negative forces of financier and other forms of oligarchism which have never yet been removed from the internal and external practices of globally extended European civilization as a whole.

5.10 The creation of the U.S. constitutional republic has been the leading edge of the continuing effort to reconstitute our planet as a true community of respectively sovereign nation-states committed to the primary function of promoting the general welfare of humanity. The qualified achievement of the 1648 Treaty of Westphalia, in defining peacefully constructive relations among peoples as a mutual commitment "to promote the others' benefit, honor, and advantage," is the notion of the true commonwealth which we must seek to bring to fulfillment. We must accomplish this now, in an age imperilled both by the reality of nuclear weapons and the recent resurgence, as by so-called neo-conservative circles, to promote the revival of that mode in religious warfare which was outlawed by the Treaty of Westphalia.

5.11 Under the American System of political-economy, which was the suitable outgrowth of Europe's struggle to establish a system of cooperation among sovereign commonwealths, the emphasis is not primarily upon financial and monetary interest, but, rather those forms of interest ex-

pressed as invention-driven progress in the physical conditions of life per capita and per square kilometer of territory. This intended system is premised upon the promotion of those same creative powers of the individual human mind which we associate with fundamental discoveries of universal physical principle, by means of which there is the possibility of the increase of the productive powers of labor. For us, the economic function of the republic is to provide those conditions of law, and improvements in basic economic infrastructure, under which the fruitfulness of the creative powers of the individual are fostered to the benefit of society as a whole.

5.12 Under that American System, it is those physical and related goals, rather than financial interest, which are the essential premises of law bearing upon economy. For us, money, even our own currency, is essentially an idiot, whose behavior must be regulated in ways to promote the intention for which our republic is constituted. The monopoly over the creation and regulation of the circulation of money is the essential power of sovereign government which must be used and protected in that function of regulation over monetary-financial systems. It has been the abandoning of that principle of our American System of political-economy, and replacement of that principle by the defective monetarist notions of European independent central banking, which was the principal cause of the ruin of our republic's economy under Coolidge and Hoover, and the fresh ruin of that economy from approximately 1971 to the present date. Just as Hoover's policies of fiscal conservatism ruined the U.S. over the relevant interval, so kindred thinking adopted by the administration of President Nixon, set the presently onrushing ruin of our economy into motion thirty-odd years ago.

5.13 To understand economies and how they function, or fail, we must abandon the delusion that economies can be treated like lawyerly business forms of social contracts. An economy is essentially a system, in the sense that physical science is a matter of systems defined by underlying, adopted assumptions of universal physical principle. The designing of contractual agreements, such as adopted laws, must be premised fundamentally on notions of scientific principle, first, and the crafting of appropriate law as the servant of such universal principles, second. As in space travel, so in economy, the adoption of contractual agreements which violate universal physical principles, will lead to a crash in due course.

5.14 The present form of economy, since approximately 1971, is now crashing, that for physically lawful reasons. It is time to depart the realm of the accustomed lawful superstitions of the recent thirty-odd years, to return to those principles of physical economy, known as the American System of political-economy, which have repeatedly rescued us from the consequences of that folly expressed by the European model of independent central banking system. Law must now conform to efficient universal physical principle. What we choose now, will determine whether or not we shall be punished by our cumulative folly of the recent three decades.