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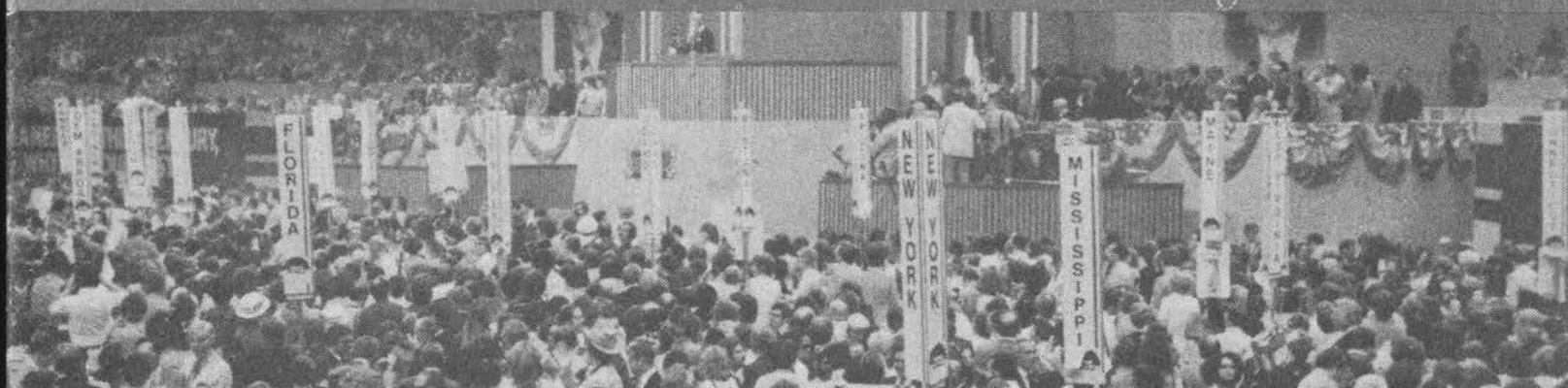
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National
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ACTION POLICY



Rebuilding The Democratic National Committee

AROUND A KEYSTONE POSTURE OF PROPOSING

A Bi-Partisan Economic Policy

by **Lyndon H. LaRouche, Jr.**

Chairman of the Advisory Committee
National Democratic Policy Committee

Nov. 20, 1980

TO: Executive Committee
Democratic National Committee

FROM: Lyndon H. LaRouche, Jr.

SUBJECT: Crucial Opportunity of the Transition Period

The most efficient pathway for rebuilding the presently dismayed national Democratic Party as an effective force, and that quickly, is to reshape the image and activities of the Democratic National Committee, such that that body serves in fact as an efficient policy-formulating forum for the national and state party organizations as well as the constituency forces of the Party more generally.

This shift in outlook and practice must begin now, during the so-called transition period.

Our attention ought to be focused at this moment on the package of measures President-elect Ronald Reagan is presently shaping for the proverbial "first 100 days" of his incoming administration. The gravity of the present economic and monetary situation is such that the shading of choices made during the "first 100 days" under President Reagan's new administration will be decisive for our nation for years to come.

Happily, Mr. Reagan has placed greater emphasis on seeking bipartisan-ship than any recent President-elect. If we respond properly to that extended hand, we can have an important influence on the "first 100 days." If we muster an appropriate set of proposals for bipartisan national economic policy, Mr. Reagan will certainly take such offers of cooperation into account in shaping what he proposes to set into motion during that crucial initial period of his administration.

If we provide the national institutions of the Democratic Party with such an efficient role as I have suggested here, that fact by itself will quickly rally the constituency forces of the Democratic Party back to the Party's national, as well as state organizations.

Plain Facts About The Election's Results

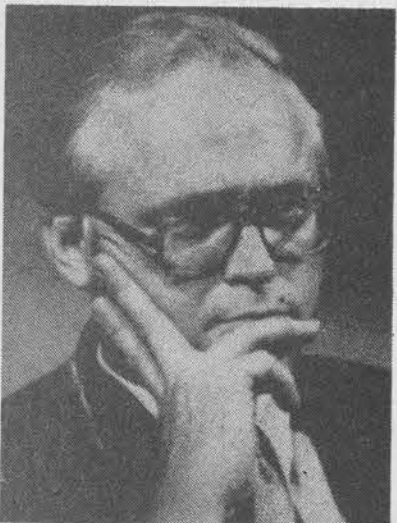
President-elect Reagan won because large chunks of traditionally Democratic Party constituencies voted against the re-election of President Jimmy Carter. Exemplary is the case of large sections of organized labor which acted to, in their own view of the matter, "dump Carter."

This portion of organized-labor constituencies voted to "dump Carter" chiefly because of the economic collapse; because of deep anger against the totalitarian, antilabor practices of the Carter Justice Department under Benjamin Civiletti—Abscam-Brilab; and because of their patriotic rage over the Carter administration's handling of Iran matters. They voted for Mr. Reagan,

The makings of President Carter's rejection by traditional Democratic Party constituencies:



Volcker's engineered production collapse...



...and Civiletti's witchhunt of constituency leaders.

despite their fears of his postures on important matters of interest to organized labor as such, because they hoped that Mr. Reagan would adhere to his proposed commitment to get the national industrial economy moving back to high-technology, capital-intensive, productive-job-creating investment.

Although Mr. Carter's candidacy might appear to have carried black voters by a landslide, breaks from Carter among some of the most highly respected black leaders during the last weeks of the campaign are a bellwether of the ebb of support and toleration for Mr. Carter's policies in that quarter. The same sort of ebb was more conspicuous among Hispanic constituencies.

Although Mr. Carter's identification with the "Volcker measures" and with Brilab totalitarianism of the Civiletti Justice Department hurt him badly, Mr. Carter's candidacy also suffered the side effects of a strong "backlash" against the variety of radical ultraliberalism associated with "McGovernism" and the networks of the Institute for Policy Studies. Many good Democratic Party candidates who were neither supporters of Carter's policies nor identifiable as "McGovernite liberals" were defeated chiefly because of the misdirected spillover of hostility to both "Carterism" and "McGovernite liberalism" among Democratic Party constituencies.

The blows against "McGovernite liberalism" must be seen together with another portent manifest during the recent election campaign.

The "McGovernite liberalism" was not merely being punished by many Democratic Party constituencies. Sections of that radical flank of the Party were already beginning to move away from the Party on their own account. The endorsements for candidate Barry Commoner had little weight in the election itself, but they were sufficient to warn us of the crystallization of movements in that direction for future elections. More significant, in the same vein of portents, was the independent candidacy of Rep. John B. Anderson, who represents in fact a tendency toward convergence of a "new right" with the present form of metamorphosis of the "new left."

That movement of Institute for Policy Studies-type ultraliberals in directions away from the Democratic Party ruined the candidacy of Sen. Edward Kennedy. To the extent that Senator Kennedy was viewed as riding a "McGovernite horse," he made President Carter appear somewhat a "lesser evil" among mainstream constituencies of the Party. Governor Gerry Brown's presence in the campaign, under conditions in which Governor Brown's constituents were viewed as somewhat interchangeable with portions of Senator Kennedy's supporters, hurt Senator Kennedy's candidacy significantly, as many voters tended to pair the policy outlook of Governor Brown with that of Senator Kennedy.

With the massive concentration of "dirty tricks" against my own candidacy for the Democratic Party's presidential nomination, including monstrous practices conduited through sections of the Democratic National Committee as well as the Carter administration and Carter campaign organization, an essentially unpopular candidate, President Jimmy Carter, was able to muscle his way to securing the nomination, and to lead the Party as a whole to its essentially predictable landslide defeat. In summary, the ultraliberal image ruined Sen. Edward Kennedy. Governor Brown was never a serious candidate. Massive dirty tricks were deployed, largely in cooperation with elements of the Carter administration and Party, against my own

candidacy. The essentially unpopular Carter secured the nomination by the lack of a surviving alternative candidate in view of the voters.

Carter's candidacy essentially disenfranchised major sections of the Democratic Party's traditional constituencies. That fact asserted itself in President-elect Reagan's landslide victory.

In effect, the Democratic National Committee turned its back upon the majority of the constituency forces on which the Party ordinarily relies to win elections. Some of this constituency force was kept within the fold of the Carter candidacy by sheer organization muscle. After January 20, 1981, professed Carter supporters will be as scarce as hen's teeth. A large portion of the ultraliberals will be preparing its march out of the Party toward the evolutionary development of a new populist movement which combines elements from the Buckleyite "new right" with initially more conspicuous "new left" forces rallied around the causes of cannabis and "small is beautiful."

Therefore, either the national and state Party institutions recognize the implications of these uncomfortable plain facts, or the Party must tend to deteriorate as a force in national policy making.

The Institute for Policy Studies' varieties of ultraliberalism must be reduced to their proper proportion of influence and representation in the state and national institutions of the party, and the majority of Party constituencies must be restored to their proper degree of representation and influence in Party institutions and policy making.

The National Democratic Policy Committee is viewed properly as a significant part of the needed process of bringing conservative Democrats back into their proper place within Party institutions. The form of that needed process at this instant is the special qualifications of the NDPC to aid the Party in developing the indispensable bipartisan posture on economic policy for this transitional period.

The Proper Meaning of 'Conservative Democrat'

Over the course of the history of our federal constitutional republic, the word "conservative" has been employed too often to mean indifferently two quite opposite political outlooks. It has been used to signify, on the one side, an imitation of British Tory "conservatism" imported into this nation chiefly via the influence of the British East India Company. The same term has signified, alternately, the American Whig tradition, the tradition flowing from Benjamin Franklin's immediate circles through the Whig currents of both the Democratic and Republican parties.

In its fully conscious expression, "American Whig" has meant identification with the American System of political economy and has also come to mean the notion of an underlying "harmony of interest" among industrial entrepreneurs, farmers, and labor. Since the defeat of the Whig currents of both parties by passage of the 1876-1879 Specie Resumption Act, the conscious appreciation of the meaning of the term "American System" has been contracted to become the insider knowledge of a relative few. The majority of those citizens who are essentially American Whigs in moral outlook express this by their deep-rooted, organic commitment to increasing



Sen. Edward Kennedy: the ultraliberal image of riding a "McGovernite horse" ruined his candidacy, and made Carter a lesser evil among mainstream Party constituencies.



Sen. George McGovern: his single-issue ultra-liberals and Institute for Policy Studies radicals must be reduced in influence, or the Party will deteriorate as a national force.

the scale and quality of productive employment in high-technology, capital-intensive industrial and agricultural workplaces, as the pathway to enabling solutions to most of the material problems of national life.

In the second, "organic" sense, the overwhelming majority of adult U.S. voters today, including the majority among traditional Democratic Party constituencies, are American Whigs.

The most notable exception to the majority moral outlook among our citizens is the social strata associated with outgrowths of the Socialist International-conducted "New Left" project. This cultivated "sociological phenomenon" in our midst is key to the organization of such critical problematics of our political landscape as the "rock-drug counterculture" and the overlapping "antinuclear neo-Malthusian" ferment. This radicalism affects predominantly youth who came out of secondary schools after 1964.

In the Democratic Party itself, we efficiently date the takeover of leading influences by the radicals from the combined events of the 1968 nomination of the late Sen. Hubert Humphrey and the Yippie-centered riot against that nominating convention. We can more or less readily distinguish mainstream Democratic activists of the John F. Kennedy, Robert Kennedy, and Hubert Humphrey campaigns from the radical influx often described as "McGovernite liberals."

Effectively, between 1968 and 1972, the Democratic Party's connection to and representation of traditional constituencies was grossly undermined. The Party as a whole became a virtual prisoner of the veto powers of the so-called McGovernite liberals. What nominated and elected Jimmy Carter in 1976 was not the Democratic Party of the pre-1968 period, but the victory of the McGovernites within the Party, and the ability of even a McGovernism-weakened Party to defeat a Republican administration suffering the twin burdens of Henry A. Kissinger and Watergate.

Now, the pendulum has swung back. The record of the Carter administration was viewed by a majority of citizens as worse than Watergate. The inherent weaknesses of a McGovernite-dominated Democratic Party, merely masked by the Watergate discomfiture of the Republicans, have now been brought most conspicuously to the surface. The Democratic Party constituencies, so long disenfranchised by the McGovernite rampage, have taken the only course of action which appeared available to them: punish the Democratic Party for the combined offense of the Carter administration and McGovernite rampages.

Under these conditions, the "organic" American Whigs of both the Republican and Democratic parties emerge with the potential to become the dominating political force in national policy making. It never should have been otherwise.

The problem with our Whig cousins in the Republican Party is that they are in a partnership with a combination of Tory-type, antilabor "conservatives" as well as Javits-type, Percy-type liberals in their own party. The problem with the Whig forces in the Democratic Party is that the Party has been significantly enslaved to a variety of liberalism converging upon the radicalism of the Institute for Policy Studies.

This is not to deny that Whig currents in the respective parties have significant differences, apart from differences in party loyalties as such. It is rather to emphasize that the shared, "organic" American Whig moral

outlook tends to produce convergence between the two Whig factions of those parties on matters of perceived vital national interests.

We of the Whig currents of the Democratic Party are as enthusiastic for the American System form of industrial-capitalist republic as our Whig cousins across the aisle. However, since our cousins across the aisle are in an alliance with antilabor, antifarmer varieties of Tory "conservatives" within their party, the Republican Whigs have tended to be emphatically less sensitive to the principle of "harmony of interests" than we Democratic Party Whigs.

What is usefully termed the "conservative" current within organized labor, usually associated with the building trades, International Brotherhood of Teamsters, and so forth, is strongly pro-industrial-capitalist respecting national policy. It believes that this policy is in the best interests of labor, that the investment of profits in expanding the scale and advancing the technology of work-places is the most efficient means for promoting the interests of the households of employed (and presently unemployed) labor. It is rightly persuaded that such progress of industrial capitalism and high-technology agriculture is not only in the interest of all labor, but that this benefit must be realized in fact.

That current of Whig conservatism within the ranks of organized labor is echoed among conservative Democrats from the best-informed strata of black and Hispanic minorities. The best-informed strata of such minorities recognize the fact that we must expand the scale of high-technology productive employment sufficiently to ensure opportunities for advancement to every citizen. In the instance of the conservative black strata, we can most efficiently trace that stratum to the Republican Negro leaders who shifted from the Republican to the Democratic Party over the 1928-1936 period—a development which coincided with massive setbacks of extended earlier efforts to promote Negro-led business enterprises as the leading wedge for overcoming institutionalized inequities of circumstance and opportunities for Negroes generally.

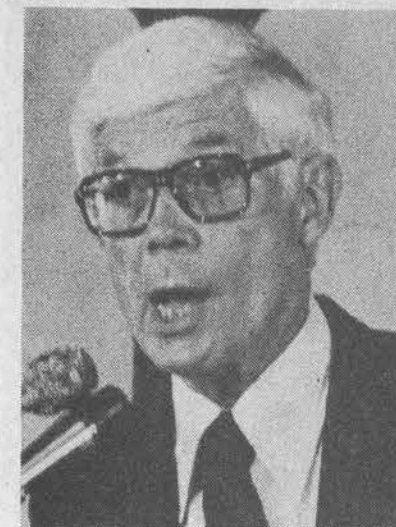
In short, there is a basis for "harmony of interests" among industrial entrepreneurs, farmers, and labor in the progress of industrial-capitalist development. This basis for common-interest policy making exists. It is our task, as Whig Democrats, to ensure that that "harmony of interests" is made a reality for the experience of all of our citizens.

We are conservative *because* we believe rightly that only high rates of investment of profits and savings in high-technology industry and agriculture can provide for the material needs of all of our households, and also provide for a rising standard of living and improved quality of creative leisure for those citizens.

We are conservative *because* we believe rightly that scientific and technological progress must be cultivated.

We are conservative *because* we believe rightly that technological progress has a decisive importance over and above its essential contribution to national welfare and security. We require that our children, our grandchildren, and their children and grandchildren after them—our posterity—have both proper goals for achieving more than we have achieved, and the foundation on which to premise such accomplishments.

We are conservative *because* we believe rightly that a combination of



Rep. John Anderson: his candidacy showed sections of that radical flank of the Party moving out to join with the populist "new right."



Lyndon LaRouche's conservative "American Whig" current in the Party laid the basis for reestablishing a labor-farmer-entrepreneur "harmony of interest"—despite intensive "dirty tricks" against his candidacy from the Carter campaign.

teaching of pre-science and science and of classical culture in our educational system is indispensable, not only to imbue in our children the power to master and improve the technologies of production, but to cultivate in those children and youth the quality of mastery of literate language.

We conservatives, whether each of us knows it or not, are the potential descendants of Dante Alighieri, Cardinal Nicholas of Cusa, Erasmus of Rotterdam, and Miguel Cervantes. The case of the great prose dialogue of Miguel Cervantes, his *Don Quixote*, exemplifies Whig conservatism's roots.

Cervantes' concern in *Don Quixote* was the process of transforming a superstitious, cowardly, gluttonous feudal peasant, Sancho Panza, into a citizen capable of governing an island or township. In brief, to develop in all such as Sancho Panza the capabilities of efficient self-government, the capabilities which distinguish the true citizen of a republic. This is the same pre-occupation which is developed so magnificently in Dante's *Commedia*, lifting the person from the degraded, infantile, existentialist, immoral outlook of "Inferno," through the elevation into "Purgatory," and thence upward into that "Paradise" which St. Augustine foresaw in his *City of God*.

To uplift the people of the world into the qualifications for citizenship, it was necessary for our European forebears to transform existing, brutish forms of illiterate local dialects into a unifying, literate language. This must be a language suited, in the words of the poet P. B. Shelley, to impart to a people the power of reflecting upon and communicating "the most profound and impassioned conceptions respecting man and nature."

That revolution in language, from brutish local dialects into literate, cultured languages, was made effective through the development of printing, such that Erasmus of Rotterdam and his successors were able to effect such a profound revolution in language as we encounter as a finished product in the writings of Shakespeare and Milton. It was that revolution in language which made possible, and which demands, the constitution of sovereign nation-state republics based on the usage of a shared form of literate language and associated moral commitments.

We are conservatives *because* we believe rightly that the qualities of the individual which enable persons potentially to master and invent important discoveries, and to assimilate the classical cultural heritage of the Golden Renaissance and its sequels, partake of the divine potentials of the individual. We demand no less for every new citizen.

We are conservatives *because* we are rightly appalled and angered against the current ultraliberal effort to promote the lie that the backwardness from which our forebears were freed is to be placed on the same "cultural relativist" level with the finest fruits of civilized achievement to date. We are appalled by the current effort of ultraliberals to place doctrines and cultures appropriate to Sodom and Gomorrah, or to the court of the Emperor Nero, on an equal or even higher level than the best fruits of the past two thousand years of Christianity and Judaism.

The Special Role of the NDPC

The National Democratic Policy Committee is a "think tank" and multicandidate political action committee of conservative Democrats, but, so far, otherwise not formally associated with the Democratic National Committee. It is

more precisely defined as the most articulate expression of the Whig currents among the Democratic Party and the Party's traditional constituencies.

Consequently, whatever the Democratic National Committee elects to do during this present period, the NDPC is obliged to fulfill its responsibilities as such a voice for the Whig and Whig-leaning currents of the Democratic Party. That responsibility is situated most emphatically in respect to the tasks of the present transition period.

In addition to representing those Democrats who have been increasingly disenfranchised since 1968, the NDPC is occupied with rebuilding the Democratic Party, and strengthening the institutions of the national and state Party bodies. At this moment, we place particular emphasis on the necessary rebuilding of the Democratic National Committee.

If the Democratic National Committee is to recover from the savage wrecking it has suffered under the rise of "McGovernism" and the Carter administration, it must become, first of all, efficiently more representative of the constituencies the Party expects to win at election-time. No longer must a radical minority be permitted to use its minority-margin of voter-bloc support to exert a virtual dictatorship over the Party as a whole, or the Democratic National Committee in particular.

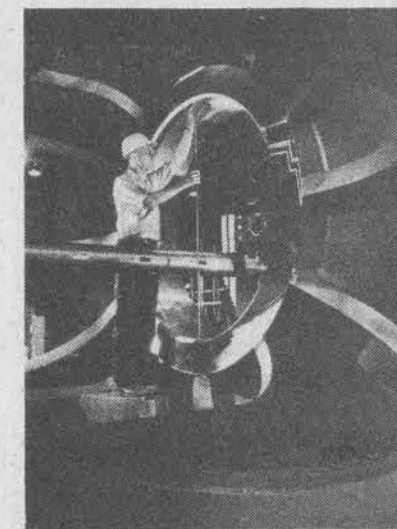
Although this shift back toward more balanced representation is partly a matter of the sociological composition of constituency forces, that is not an adequate approach to re-establishing honest representation of constituencies in Party institutions. The assumption that persons must share the same policy standpoints merely because their skin is of a common hue, or their parents' or grandparents' accents have common distinctions, is at best one step removed from racism. The policy which says "You are black, therefore you must stand in that corner's caucus," is an obnoxious policy, a policy which degrades persons into mere creatures of some biological heritage, as we distinguish cattle and other lower beasts.

Constituency forces ought to be defined as persons identify themselves with a constituency of their own choice, and in no other way. If we can presume that persons are intelligent enough to vote, we must also assume that they are sufficiently intelligent to inform us of their choice of constituency membership. If some Hispanics, blacks, or persons of eastern European descent wish to associate themselves on that basis as a constituency force, it is their right to do so. It is not our right to impose such distinctions upon them.

The basis for representation in competently constituted bodies is a division according to *policy preferences only*. Therefore, old-fashioned divisions of the political body according to political-factional, policy-commitment distinctions chosen by individual members of that body is the only proper basis for determining representation.

In other words, *controversy on issues of policy is the only democratic instrument for determining representation*.

We of the National Democratic Policy Committee anticipate in advance that the Whig plus Whig-leaning constituencies of the Democratic Party are the majority of the Party's probable electorate today. The pattern of voting in the recent election strongly corroborates that estimation. Carter lost by a landslide and the McGovernite liberals were the focus of resentment by voters who turned against the Party's slates more generally. The significance of this



Conservative Democrats, like American conservatives generally, share a core commitment that scientific and technological progress must be cultivated.



President-elect Reagan: he is open to bipartisan cooperation on his mandate to "put America back to work"—but his preferred Kemp-Roth tax-reduction plan is "burdened with simplistic errors."

punishment of the Party is masked by the effects of organizational muscle applied in the effort to turn a largely reluctant vote out in Mr. Carter's behalf.

That reality will assert itself within the Party over the weeks and months immediately ahead. The practical question of the moment, is whether this change will be reflected within the Democratic National Committee during the crucial transition period, or whether the Party will begin the rebuilding process only later, perhaps after the "first 100 days" of the new administration have passed.

It would be most beneficial if the Democratic National Committee would recognize the lessons of the recent election now, during the transition period, and would reorganize its affairs appropriately. If that occurs, it should mean immediate opening of controversial new dimensions of policy deliberation under the auspices of the Democratic National Committee, pursuant to developing proposed bipartisan postures on such crucial issues as national economic policy.

Although the Carter administration has been predominantly a follower of Prof. Milton Friedman in its practice to date, Friedmanism as such is not otherwise much of a problem within the Democratic Party as a whole. The incompetencies of the Democratic Party on matters of economic policy tend to lean more to the varieties of dogma associated with Prof. Lawrence Klein.

The hideous misery which Friedman's policies have helped to cause for the people of Israel and Chile, the wreckage Friedman's doctrine is causing in Great Britain, are exemplary of the hideous incompetence of the varieties of "monetarism" associated with the Mont Pelerin Society and with the "Chicago School" of Mitchell, Burns, Volcker, and Friedman. Former Treasury Secretary William Simon has tended to be a credulous dupe for the same sort of monetarist superstition.

However, as Treasury Secretary G. William Miller rightly observed on "Face the Nation," March 16, 1980: "All the economists have been wrong. I think that we have to recognize that there isn't an econometric model of any type that has been able to predict what happened." All of the presumably expert authorities which the Democratic National Committee and Joint Economic Committee of the Congress have customarily consulted to date have been devastatingly discredited by the crisis which has accelerated in the aftermath of President Jimmy Carter's and Fed Chairman Paul A. Volcker's monstrously misguided turn launched in October 1979.

It is scarcely irrelevant to the Democratic Party that the National Democratic Policy Committee presently represents the only current of economic policy analysis which has been entirely vindicated by its assessment of the consequences of the "Volcker measures."

Consequently, the National Democratic Policy Committee is able to place at the disposal of the Democratic Party the only method of economic analysis and policy making which has endured the tests of the current monetary and economic crises.

Using that resource, the Democratic Party is capable of proposing to the incoming administration a draft bipartisan economic and monetary policy

* (Cf. "Riemannian Analysis Shows How Volcker's Policy Will Bring Down the Economy," *Executive Intelligence Review*, VI, 43, Nov. 6, 1979. "Why The EIR Model Beat Wall Street's 1980 Predictions," *Executive Intelligence Review*, VII, 34, Sept. 2, 1980.)

package which is actually consistent with those vital national interests which President-elect Ronald Reagan has declared himself committed to satisfying.

The National Democratic Policy Committee is already campaigning for such proposed modifications of President-elect Reagan's presently projected measures. Were the Democratic National Committee or the majority of the new session's Democratic congressional caucus to offer the new administration the same proposed bipartisan package, such a proposal will encourage the new administration to accept those amendments as the best assurance of accomplishing the purposes President-elect Reagan has declared himself committed to achieving.

Therefore, we propose that the Democratic National Committee entertain immediately the controversy needed to reach decisions on such a proposed bipartisan economic policy.

That would be the most useful thing the Democratic National Committee could possibly accomplish during this crucial transition period. Such action would set into motion the kind of rebuilding process the Party as a whole so urgently requires in the aftermath of the recent electoral debacle.



Carter campaign chairman Robert Strauss, who transformed the Democratic National Committee into a Carter reelection vehicle.

RESOLUTION

On Proposed Bipartisan Economic Policy

It is proposed that both the Democratic National Committee and the Democratic congressional caucus of the incoming session of Congress both and each adopt the following resolution to be presented to the incoming administration of President-elect Ronald Reagan.

RESOLVED,

There are four most prominent areas in which the Democratic Party seeks bipartisan agreement on economic and related matters of national policy with the incoming administration of President-elect Ronald Reagan.

These four areas of policy making are:

1. **Taxation policies.**
2. **Credit, Banking, and Interest-Rate Policies.**
3. **Promotion of Expanded World Trade.**
4. **High-Technology Retooling of Basic Industry and Agriculture.**

The proposed policies for each of these topical areas are summarily as follows.

1. Taxation Policy

The Democratic Party agrees that a properly designed Federal income-tax reduction would provide much-needed relief to lower-income households and invaluable incentives for job-creating investment in high-technology, capital-intensive productive work places. The Party takes note of and endorses those declarations by the President-elect which indicate his commitment to similar objectives.

However, the approach embodied in the present version of the Kemp-Roth draft legislation is burdened by simplistic errors, in failing to apply federal income-tax relief selectively in the manner which is imperative to force profit-incomes and savings into productive investment.

The majority of the Democratic Party is prepared to support immediately federal income-tax relief in total amounts equal to or exceeding the estimated amounts proposed by supporters of Kemp-Roth, on condition that that following amendments are included in the proposal. These amendments are consistent with the draft legislation issued by the National Democratic Policy Committee, a copy of which is attached to this resolution.

Tax-reduction should occur in three categories, as follows:

1. **Substantial increases in the per capita exemption for members of households.**
This should be implemented to provide some stimulant to purchasing-power aggregates, but is aimed principally at two other beneficial results: (a) Reducing the proportion of households taxed into "poverty" categories, and (b) increasing the tax-base of states and localities.

2. **Substantial increases in tax credits for depreciation, amortization, and depletion of capital improvements of productive capacities of industry and agriculture, and generous policies for encouraging capital gains from research and development relevant to improved technologies of industry, commerce, agriculture, and transportation.**

The increases in such allowances may be effected by means of addition of investment tax credits to incentives for investment represented by depreciation, amortization, and depletion allowances.

3. **An ingenious and long-overdue added tax incentive to savers.**

We propose that holders of paid-in equity and loan-capital participate in a duplication of tax-credits earned on capital investments in productive capacities. We recommend that holders of paid-in equity receive 100 percent of their pro-rata share of such duplicate tax credits, and that lending institutions and depositors share equally in the proportion of duplicate tax credits earned by unpaid balances of loans extended to partnerships and corporations earning the primary investment tax credits.

We propose that capital-gains income exemptions be phased out for all categories except capital gains from research and development. It is on this point that the present form of the proposed Kemp-Roth legislation is defective and dangerously inflationary.

In general, we must shift the patterns of opportunity for after-tax earnings, such that investment in job-creating high-technology, capital-intensive work places is the most lucrative source of after-tax earnings.

We emphasize that it is a grave error to propose that governmental deficit spending is in itself the principal engine of inflation. In fact, the principal engine of inflation has been the flow of profits, savings, and credit issuance away from industrial and agricultural investment into the more lucrative after-tax rewards of capital gains on fictitious appreciations of capitalized ground rent, which is the essential and chief driving force behind inflation.

We state that those who criticize Kemp-Roth as inflationary on grounds of federal fiscal balances are badly misadvised. However, to increase the lucrativeness of after-tax capital-gains earnings in intrinsically inflationary forms of speculation is a most dangerous promotion.

We propose therefore to support either an amended form of the Kemp-Roth bill which includes those necessary alterations, or a substitute bill of the form of the attached exhibit.

2. Interest-Rates Policy

The high interest-rates policies associated with the previous programs of Arthur Burns and the more savage measures of Paul A. Volcker are the greatest internal source of major threats to national security and the well-being of our people. Yet, to simply reduce interest rates across the board would promote a leveraging of capital-gains speculation in fictitious appreciations of capitalized ground rent, and thus unleash a deadly inflationary spiral.

There is only one form of solution for such a Scylla-and-Carybdis form of monetary peril: establish immediately a two-tier credit system.

The Democratic Party majority proposes to support the following two courses of action.

1. **Enlarge the capacity and operations of the Export-Import Bank, providing large volumes of low-cost credit to exporters.** This credit should be issued in the

same general manner as war-production contracts have been used to secure credit through channels of the private banking system. It should provide international trade credit, operating capital loans against production for fulfilling secured export contracts, and loans for productive capacity of creditworthy borrowers where such loans are warranted by export contracts secured.

2. Open the capacity of the Federal Reserve System to act as a lender of last resort, to provide participation-credit through private banking institutions for industrial and agricultural investment in productive capacity and reasonable additional amounts of credit for operating capital requirements of such industries and farms.

It is in the national interest that these special channels of credit issuance provide credit at between 6 percent and 7 percent interest for those purposes.

Let the rest of the credit markets float freely, unsubsidized.

It should be understood that the intent of the combined changes in taxation and credit policies is to provide major advantages to investors in high-technology, capital-intensive work places of industry and agriculture. The purpose is to shape the choices available to lenders and investors such that the after-tax-income advantages of productive investments are most-substantially greater than any generally available in alternative choices of investment.

The social objective of such policies is to channel profits, savings, and credit into creating new high-technology productive work places, thus to absorb significant portions of our unemployed, and to launch a process of upgrading of the quality of employment of the labor force as a whole.

The general economic objective of such policies is both to raise national-output capacity and to effect a two-fold rise in national productivity. We must increase productivity by investments in more advanced productive technologies, and more capital-intensive qualities of work places. We must also increase productivity by shifting excess portions of administration and services employment back into high-technology production of tangible output.

Banking Policy: The Executive and Congress must quickly correct a recent error, a misguided effort to triage large portions of our population of regional savings institutions, in order to bring the U.S. banking system into approximate agreement with the Canadian banking system.

Our independent regional banks, together with the subcategory of savings banks and savings and loan associations, are indispensable institutions for promoting economic development and good management within states and localities.

3. Promotion of World Trade

The possibility of a sustained economic recovery in the United States and other OECD nations depends upon increasing the volumes of high-technology capital-goods exports imported by so-called developing nations. Without international monetary reforms designed to reschedule the existing external indebtedness of developing nations, exports to that latter sector must collapse, with a resulting, chain-reaction collapse of the OECD nations' economies.

The only visible practicable means for effecting needed monetary reforms is the cooperation of the United States and certain other nations with the member nations of the existing European Monetary System. Through this cooperation, what has been called "Phase Two" of the European Monetary System can be implemented.

"Phase Two" of the European Monetary System is otherwise named the European Monetary Fund. If that Fund is properly instituted, it will function as an international rediscount facility for the member nations. If the United States employs its gold reserves, the largest of any nation, as leverage for partnership in such an institution, and if certain other key nations presently outside

the EMS also join the new Fund as members, the present international monetary disorder can be brought under control.

The Democratic Party's majority will therefore support efforts of the new administration to reach agreement with our allies of Western Europe on this matter of monetary reform. We will support a new administration's efforts to secure a suitable form of long-term rescheduling of developing nations' external indebtedness.

We propose that the new administration look immediately to the relations between the United States and Mexico. In this area of foreign-policy action, immediate bilateral measures to the considerable benefit of both nations is feasible. Specifically, we propose that the new administration and the Senate concur on accepting the proposed petroleum-for-technology doctrine earlier repeatedly advanced by the government of President López Portillo. Such action will help Mexico most substantially, aid us in dealing with our energy problems within this hemisphere, and provide us added billions in annual industrial exports.

A successful negotiation of such agreements with Mexico, which should prove to be the simplest of such foreign-policy undertakings of the new administration, would set a pattern for U.S.A. approaches to other opportunities for bilateral or multilateral trade-and-development agreements.

We support an approach which emphasizes cooperation with our OECD partners in such ventures. The time is now to shift OECD nations' efforts away from excessive penetration of one another's domestic markets, to joint efforts at codevelopment of third markets.

4. Promotion of Technological Progress

We emphasize that in the last analysis advances in the productive powers of labor require increasing the ratio of energy usefully transmitted by productive capital to the muscle-energy of the workman. It is improved technologies for energy production and distribution, combined with improved productive technologies for deploying that energy, which enable national productivity to rise.

This process requires increases in both the average amount of energy produced per capita, especially for productive uses of industry and agriculture, and also requires increasing the energy flux density of produced energy. If the world is to avoid genocidal effects of famine and epidemic over the next decades, and to provide a decent standard of life for all people, we must add to existing energy-production capacity sufficient thermal output to produce between 5,000 and 7,000 gigawatts of electricity. The energy flux density of such thermal sources must be in the order of that secured with fission-energy production, and higher.

That means, in 1979 U.S. dollars, a capital investment worldwide of between \$5 and \$7 trillions for new energy-producing capacity of high flux density alone.

On the basis of existing types of high energy flux density facilities, and only somewhat less accurate foreknowledge of the tables of requirements for more advanced modes of energy production coming down the pipeline over the next two decades, we have the means to project fair estimates of the kinds of capacities needed, and the approximate quantities of such capacities, merely to meet that requirement for new energy-production.

The second major category of investment worldwide over the coming four to five decades will be high-technology transformation of the world's agricultural production. This is needed not only merely to feed the growing world population. To sustain the required industrial base of developing nations, the proportion of the total labor force assigned to agriculture must be reduced dramatically, toward present OECD nations' standards. This provides us well-defined target figures for per-hectare and per-man-year output of agriculture, and thus shows us more or less exactly what levels of technological development must be achieved.

High-technology agriculture is a massive consumer of both energy and industrial output

generally. We have to consider not only the annual operating costs of high-technology agriculture, in terms of energy inputs and industrial product requirements. We must also take into account the physical requirements represented by the capital investment needed to lift agriculture to those standards of performance. These requirements are directly translatable into required total energy and industrial-output requirements by category, as for the case of energy-capacity additions.

Once we have calculated the added requirements defined by combined energy-capacity increase and agricultural development, we are situated to determine the net energy added after deducting energy consumed by development of energy systems and development and operation of improved agriculture. We also determine the total amount of industrial output consumed by these two categories combined. In that way we determine net energy available for other applications from the added energy-producing capacity.

This net energy can be interpreted as corresponding to correlated amounts of industrial production by various industries, according to type, and also according to degree of technological advancement by type. By apportioning the net energy between household and industrial consumption, and by accounting for other commercial consumption of that energy, we determine an adjusted account of net energy available for industrial use.

This adjusted amount of net energy available for industrial use enables us to calculate the amount of new industrial capacity, over and above energy-investment and agricultural requirements, which can be sustained on such an expanded energy base. There are numerous combinations which may be projected, each with somewhat different results, but the principle of the matter is clear enough.

This calculation, in turn, permits us to project the amount of industrial capital investment which corresponds to the effective consumption of the adjusted margins of net energy available for this purpose.

On the assumption that the labor forces of the nations involved are being developed to corresponding levels of technological literacy, we can assume that the combined figures of energy, agriculture, and additional industrial investment represent a realistic estimate of the potential market expansion for the year 2000 A.D. By similar means, we can estimate with only less precision the potential market expansion for the years 2010, 2020, 2030, and so on.

Such figures serve the specific purpose here of demonstrating that existing capacities of OECD and other nations are vastly inadequate for the work of reaching that potential. Relative to our visible production potential, our developable market-potential is awesomely large.

"Small is not beautiful." Small is global famine and epidemic. Small is the homicidal social chaos and brutal dictatorship that monstrous austerity implies. Small is genocide. Small is the most monstrous policy of global genocide the world has yet to imagine.

We can begin to realize the potentials before us only if we dedicate ourselves to a pace of advancement in fundamental scientific knowledge and associated technological progress which we have undertaken previously only under conditions of major wars. We must realize such progress by emphasizing to the maximum the creative potentials of the individual—whether as scientific discoverer, technician, teacher, or the working person who transforms advances in technology into efficient practice.

The transformation of our nation into, once again, the great storehouse of industrial technology for the world we thought it to be decades ago is our dedication to accomplishing a great good for all humanity—a good we accomplish by selling a growing flood of high-technology exports on businesslike terms of cash and credit. Yet, as things should be, it is by mobilizing ourselves to do a great good for humanity that we and our posterity benefit. The leaps in productivity and scale of production of useful wealth we accomplish increase our power for accomplishing good at home.

Therefore, the Democratic Party's majority will cooperate most enthusiastically with the new administration in all endeavors efficiently aimed at promoting this great good for our nation and for all humanity.

NOTE TO READERS

This memorandum and accompanying draft proposal is being circulated to the Democratic National Committee, members of Congress, state and constituency organizations, and to a broader public.

Democracy within a republic properly means drawing the individual citizen into the processes of deliberating the policies of the nation. If we are intent on meeting that standard of democracy, as the National Democratic Policy Committee is, among others, then it is past time that the broadest possible range of citizens be drawn into the deliberative processes of the parties as well as federal, state, and local governmental bodies.

The means for accomplishing this was anticipated by those among our fifteenth-century republican forebears who troubled themselves to develop and promote the printing press. Insofar as possible, all the facts pertaining to a proposed policy should be made available before decision to the individual citizen of this nation.

It is, at the same time, the duty of each individual citizen not to neglect his or her proper rights in this connection. You are the citizen of a great republic, the citizen who delegates part of his or her own powers to Presidents and other officials. There is no higher political status than to be such a citizen of a great republic. You, the citizen must accept the responsibilities which correlate with that importance of your status.

We, advantaged to be members of relatively more influential institutions, such as the Democratic National Committee, or a Democratic "think tank," such as the National Democratic Policy Committee, have an absolute moral responsibility to inform you of our analyses and proposals, within the limits of the physical means given to us to do so. It lies with you to help us fulfill that responsibility. It lies with you to assume your responsibilities as a citizen, to think seriously and profoundly about matters of national interest and national policy, to think about such matters as if you were President of the United States—from that viewpoint, at least.

Therefore, important matters of policy to be put before the Democratic National Committee ought to be matters on which you are given, and use, the opportunity to deliberate.

We of the National Democratic Policy Committee will do what we can, within our unfortunately limited means to do so, to help provide you the opportunity to be a truly well-informed citizen of this republic of ours.

NATIONAL DEMOCRATIC POLICY COMMITTEE
PROPOSAL:

A Taxation System for Capital Formation

The present American tax system does more than discourage capital formation in industry and other goods-producing sectors of the economy. It actively forces investment out of long-term, productivity-increasing outlays into real estate and similar investments that make no long-term contribution to the tax base. For this reason the aggregate value of real estate holdings in the American economy, at over \$3.5 trillion, is more than five times larger than the value of all plant and equipment in American manufacturing industry. The value of New York City real estate alone is larger than the producing assets of manufacturing corporations.

In line with the credit policy embodied in the proposed Federal Reserve Reform Act, the National Democratic Policy Committee argues that the incentive system of the tax structure must be reversed, to promote the maximum rate of industrial and related capital formation and productivity growth, to remove the crushing tax burden on household income, and to constrict the flight of investment capital into real estate and similar nonproductive tax shelters.

We contrast this program with the across-the-board tax cuts advocated, with varying magnitudes, by members of the President-elect's advisory group on tax policy. The problem in the present tax structure is not merely that it discourages capital formation, but that it enforces capital formation of the wrong kind, i.e., anticipation of capital gains in a fixed resource, land.

Therefore, a simple extension of the present type of capital formation is not only inadequate. It would be inflationary. The tax base will expand to generate additional revenues only if the tax cuts attack the root of economic decay: the decline of productivity in manufacturing, transportation, construction, agriculture, mining, and utilities.

We must provide incentives for corporations and households to invest in higher productivity in the goods-producing branches of the economy, and remove the incentives for investment in inflation-producing branches of the economy.

The following tax-reduction and loophole-closing measures will enable the new administration:

1) to substantially reduce the size of the federal budget deficit from \$60 billion to \$25 billion, largely due to a \$50 billion rise in revenues through economic growth;

2) in combination with the Federal Reserve Reform Act, which would provide new money supply for account of tangible-goods production expansion only, to reduce the unemployment rate by 2.5 percent, increase industrial production by 8 percent (restore it to 1979 levels), and increase capital investment in manufacturing by 14 percent in real terms during 1981;

3) to reduce the rate of inflation to approximately 8 percent during 1981;

4) to restore the average growth rate of manufacturing productivity to 1960s growth levels, after six quarters of straight productivity decline to date.

After ten years of inflation at twice the level of our major Western European and Japanese allies and industrial productivity growth at half their level, confidence in long-term industrial investment is at a postwar low. This confidence cannot be restored except through an aggressive plan to restore incentives on the credit, tax, and regulatory fronts. By itself, a cut in taxes will not necessarily lead to a rise in capital formation in the goods-producing branches of the economy, on which an increase in the economy's tax base ultimately depends. Any increased flow of investment into secondary markets in real estate or financial assets will add only to inflation, not to real output. Further growth in the services sector of the economy—which requires less capital investment per worker and hence presents fewer problems in an inflationary environment—cannot be supported without the restoration of productivity in sectors that produce tangible goods.

However, the right combination of tax measures—in combination with the credit policy we have outlined elsewhere and removal of environmentalist and related barriers—will indeed create additional tax revenues through economic expansion based on rising industrial productivity. The following measures are necessary:

1. Increase the personal income-tax exemption to remove all tax liability for families at or below \$20,000 per year gross pre-tax income.

Current personal tax levels prohibit family formation. Present tax data demonstrate that it is not possible to raise children on a present pre-tax income of \$20,000 or less. Of 68.3 million returns filed in 1977 on income of \$20,000 or less, representing 79 percent of all returns filed, 82 percent showed fewer than three exemptions, and 71 percent showed fewer than three exemptions. The overwhelming majority of the American population can no longer afford to have children, and the tax data are an indictment of our capacity to survive as a nation.

Without reversing this trend, the United States cannot hope to maintain a productive labor force.

The NDPC proposes, as a short-term measure, exemption of all income of families of four earning \$20,000 per annum or less—a tax reduction in absolute terms of \$19.3 billion. We further propose a 50 percent reduction of personal tax liability of families of three earning \$20,000 per year or less, a reduction in absolute terms of \$7 billion.

2. Maintain present progressive income tax schedules but with substantial exemptions for productive investment of household income.

Household savings are now only 3.5 percent of disposable income, the lowest savings rate among all the major industrial countries. Savings is the basis for capital formation. The NDPC proposes to encourage households to increase savings, by altering the tax structure to allow higher after-tax income by making the following categories of investment exempt from federal income tax:

a) Savings accounts at thrift institutions, including savings banks, savings and loan associations, and credit unions. If this exemption raised the volume of savings from \$85 billion to \$120 billion, this measure would return about \$8 billion to individuals, mostly in the higher tax brackets.

b) Direct investment in capital improvements in manufacturing, transportation, and

agriculture, a measure directed toward supporting family-owned enterprises and other small businesses in goods-producing industry, but excluding secondary-market purchases of shares in such enterprises. The cost of this measure should be offset by taxation at normal progressive tax rates of capital gains arising from secondary-market purchases of financial instruments, equities, land, or other tangible assets, while lowering the capital-gains schedule on capital gains arising from all forms of direct investment in business enterprises and home improvements.

3. A 20 percent investment tax credit on the margin of new investment above 1980 levels coupled with accelerated depreciation of industrial, agriculture, mining, and utilities structures and equipment.

The U.S. economy's potential rate of increase in capital formation during the next year is at least 14 percent, in terms of real capital-goods availability estimated via the most conservative capacity-utilization date for capital-goods-producing industries. Tax policy should aim at encouraging goods-producing branches of the economy to invest at a maximum rate, repeating the 1980 experience with oil-drilling in other branches of the economy. The NDPC estimates that the capital goods sector of the American economy can generate an additional \$54 billion during 1981 (14 percent real growth through full capacity utilization and estimated 8 percent inflation). We estimate that \$17 billion in combined tax credits and accelerated depreciation would generate additional equipments expenditures of \$54 billion and substantial additional new plant expenditures.

According to NDPC estimates, that is the minimum investment level required to halt the obsolescence of American industry, whose average age of plant and equipment has increased in every one of the past fifteen years. That is the basis for a revival of industrial productivity. The combination of full capacity utilization and technological improvement should advance industrial productivity in output-per-manhour terms by more than 3 percent during 1981.

4. Generate additional revenues by increasing tax schedules on income and capital gains on nonproductive investment, principally commercial real estate.

While exempting residential and industrial property from additional taxes, the federal tax system should eliminate the incentive to shelter taxable income in the form of real estate secondary-market and commercial development investments. The incentive orientation of the tax structure should favor capital formation in the productive sectors of the economy, as noted earlier.

The spectacular rise of real estate values since 1974 represents a special problem. While much of the increase represented a factor in rising inflation, a large portion of individual savings and the financial structure of the United States is closely tied to this rise in values. Although sound economic policy dictates that further speculative advance in secondary-market prices must be discouraged, it is also imperative to accomplish this in a fashion that will not fundamentally destabilize the market.

Non-home and non-farm real estate income pays only 5 percent in taxes on income net of interest, cost of sales, and depreciation, the lowest tax rate on any category of investment income. The average tax rate on real estate must be raised, through closing loopholes to the average corporate tax rate, or about 30 percent on income after expenses.

The real estate industry is so protected that neither the Internal Revenue Service nor the Senate Finance Committee have available complete data on revenue lost through such loopholes. However, the 1981 budget estimates that \$7 billion were lost in Fiscal 1981 alone through tax advantages given to the real estate industry, principally accelerated depreciation, through the Tax Reform Act of 1976.

The following loopholes must be closed:

- 1) accelerated depreciation on commercial structures;
- 2) taxation of capital gains on commercial and secondary-market residential real estate transactions at the 28 percent capital gains rate rather than at full progressive income tax schedules;
- 3) expensing rather than amortization of interest costs for tax purposes;
- 4) tax exemptions for rehabilitation of inner-city properties, low-income housing construction, and other speculative investments.

The experience since the passage of the 1976 tax legislation has shown that tax breaks for inner-city real estate investments have not generated additional housing, but merely increased land values and provided upper-bracket investors with another tax shelter. We propose to eliminate such shelters whose economic effect is, on balance, negative, and offer instead shelters in productive investments.

At the same time, all present tax exemptions on primary-market residential property (including both owner-occupied housing and improvements on multi-family dwellings) and on farmland must be retained.

The total revenue generated through tax increases on what classical economics calls "ground rent" would be approximately \$30 billion, or about quadruple the amount lost through the ill-advised 1976 tax incentives to real estate investment. This estimate is based on applying the standard 30 percent corporate tax rate to estimated revenues net of legitimate operating costs to present rent and land income, plus the application of progressive rather than capital-gains tax schedules to the categories of income noted above.

* * *

Projected into the Federal budget for Fiscal 1981, these tax changes produce:

- an estimated tax reduction of \$51 billion, or 10 percent, in line with the President-elect's announced target, on the cited categories of household and corporate income;
- \$111 billion in increased revenues due to, in order of importance, high rates of economic growth, increased taxes on nonproductive real estate income, and 8 percent inflation.

After the effect of estimated 8 percent inflation is taken into account, the federal budget deficit will fall to an estimated \$24.6 billion, as shown in the accompanying table. The increase in basic economic productivity through high industrial and related capital formation will give the United States excellent prospects for achieving a balanced budget by 1983.

1981 Fiscal Year Federal Budget—NDPC Proposed Changes

(Oct. 1, 1980-Sept. 30, 1981)

Increased Revenues

Item	Increased Revenue (\$ billions)
Increased Income Tax	
Of which amount due to "normal" increase in labor force, increase in inflation (8%) and increase of tax bracket creep	\$ 54.48
Increased Corporate Tax	
Of which amount due to 8 percent increase in industrial production	\$ 5.76
Increased Miscellaneous Taxes	
Of which amount due to inflation increase in excise taxes, estate and gift taxes, customs duties and miscellaneous receipts	\$ 12.95
Increased Income Tax	
Of which amount due to reducing unemployment rate from 7.6% to 5%	\$ 5.25
Increased Expenditures Savings	
Of which amount due to either reduction or freeze in budget line expenditures (such as Environmental Protection Agency, social service fundings of National Science Foundation, etc)	\$ 3.00
Increased Real Estate Taxes	
Of which amount due to closing of loopholes on commercial and secondary market residential real estate incomes	\$ 30.00
Increased Social Security Taxes	
Of which amount already legislated to take effect Jan. 1	\$ 20.00
	<u>\$131.44</u>

1981 Fiscal Year Federal Budget—NDPC Proposed Changes

(Oct. 1, 1980-Sept. 30, 1981)

Increased Expenditures

Item	Increased Expenditures (\$ billions)
Increased Net Outlays	
Of which amount due to 8% inflation rate. NB: this represents increase of all budget line outlays	\$46.00
Increased Corporate Tax Cut	\$17.00
Increased Individual Income Tax Cut	
Of which amount due to elimination of personal income tax for families of four or more with annual income of \$20,000 or less	\$19.30
Increased Savings Tax Cut	
Of which amount due to elimination of taxes on personal savings	\$ 8.00
Increased Individual Income Tax Cut	
Of which amount due to reduction of taxes by 50% on families of three with annual income of \$20,000 or less	\$ 6.75
	<u>\$97.05</u>

1981 Fiscal Year Federal Budget—NDPC Proposed Changes

(Oct. 1, 1980-Sept. 30, 1981)

Budget Surplus (+) or Deficit (-)

	(\$ billions)
Net Receipts	\$651.44
Net Outlays	\$676.05
	<u>\$-24.61</u>



National Democratic Policy Committee

National Democratic Policy
Committee
Advisory Committee

Lyndon H. LaRouche, Jr.,
Chairman

Hulan Jack, formerly
*Manhattan Borough
President*

David Samuelson, Travis
County (Texas)
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The National Democratic Policy Committee is a political action committee designed to support Democratic candidates and officeholders and to develop policies in the nation's interest.

An Advisory Committee of scientists, industry, labor, and farm leaders is chaired by Lyndon H. LaRouche, Jr., former candidate for the 1980 Democratic presidential nomination.

The National Democratic Policy Committee has been formed as an alternative think tank to the Brookings Institution, Rand, and other institutions, which have written themselves out of Democratic Party policymaking by advocating austerity. The Committee's first national policy initiatives include nuclear and fusion power, tax reduction, parity, and an end to Justice Department harassment such as Abscam. The Alliance of Producers represented in Franklin Delano Roosevelt's Democratic Party—labor, entrepreneurial businessmen, farmers, and minorities—will, through such policies, be reunified in a Democratic Party which represents the "American System" of growth.

Authorized and paid for by the National Democratic Policy Committee.

NDPC **BULLETIN**

National Democratic Policy Committee February 19, 1981

Breaking Developments in Thumbnail

STATE OF THE UNION:

Reagan Capitulates To Volcker

LaRouche NDPC Tour Turns Out Silent Majority Networks

British Launch New U.S. Social-Dem Subversion

Congress Seized By "Orwellian Newspeak"

The key to President Ronald Reagan's message on the budget to the Congress yesterday is summed up in the President's declaration of unconditional surrender of the nation to its leading enemy, Fed Reserve Chairman Paul A. Volcker. Although there were a few good kernels sprinkled within the address as a whole, farmers will recognize those as a scattering of kernels of whole corn in a manure-pile.

Not only has the new administration capitulated entirely to the policies of the Nazi-modeled Professor Milton Friedman, but the "supply-side" crowd associated with Representative Jack Kemp is desperately trying to crawl onto the Friedmanite bandwagon.

What are President Reagan's chances of getting his program through? The precise answer is that the new President is closer to catastrophe than his predecessor Herbert Hoover was at the point of the latter's inauguration in March 1929. According to leading European financial circles' estimates, the new Reagan administration had no more than 50 days to rein in Paul A. Volcker, or face a slide into a depression probably worse than that of the 1930s. Now, after the White House has vacillated dangerously for weeks, on Feb. 18, the President announced his unconditional surrender to Volcker.

This nation of ours is in deep, deep trouble—unless the new President very quickly changes course.

Friedmanite cult-dogma produced a disaster under Prime Minister Margaret Thatcher in Britain. It will do much worse in the United States, and more quickly and with more devastating consequences. At the moment, "Thatcherism" is the gut of the new administration's policies.

The Alternative

There are two steps the President and Congress could take right now to avoid the disaster.

- Every 1 percent unemployment adds between \$20 and \$25 billion to the federal deficit.
- Every 1 percent increase in the interest rate adds cumulatively about \$5 billion to federal debt-service costs.

Cutting interest-levels back below 10 percent would hold back the collapse toward which Reagan's capitulation to Volcker is leading us. Revising the Kemp-Roth bill in the manner proposed by the NDPC would cause an immediate turn-around in the economy, on condition that present interest-rate levels were halved at least.

In other words, Reagan had to choose between turning himself into a new, hated Herbert Hoover, or dumping Paul Volcker.

The President made things even worse by capitulating to the threatened political blackmail of Representative Jack Kemp. Cutting the top brackets of federal income-tax will not increase job-creating investment in goods-producing industries; it will increase investments in bordellos, gambling houses, pornography ventures and related real-estate speculation, as Representative Kemp has proposed in effect in backing the British Fabian Society's demand to turn New York City into a new Sodom, euphemistically called a "free enterprise zone."

The trick is to offer higher-income brackets tax-shelters in high-technology productive investments, either as equity investments or loans.

The President's proposal to accelerate depreciation is an excellent one, and should be energetically supported immediately on its own merits. That is one measure which could accomplish significant good.

Why not go a step further, as the NDPC has proposed, and give duplicate credits to holders of equity and unpaid balances of loans for depreciation, amortization, depletion, and investment tax-credits earned by firms? Give these tax-credits to investors and savers instead of reducing the federal income-tax bite on upper-income brackets.

True, the NDPC procedure would permit a shrewd upper-bracket citizen to lower his effective tax to way below 30 percent in many cases. Encourage the citizen to do so, if he is earning those tax-credits by putting the nation back to work producing goods in capital-intensive workplaces.

The President's budget-cutting proposal will neither reduce the federal deficit, nor, barring a deep depression, will it have any effect on inflation but to accelerate it. Overall, the whole budget-cutting proposal of the clerical error-maker Stockman is a Friedmanite hoax. Every 1 percent added to unemployment rolls means another \$20 to \$25 billion added to the deficit. Every month Volcker's usurious interest-rates persist, the multibillion-dollar rise in debt-service costs of the federal government grows higher.

This is the same Friedmanite policy which Milton Friedman copied consciously from Nazi Germany—as Friedman states quite frankly. This is the same Friedmanite policy which did not work—and could not work—in Mrs. Thatcher's Britain.

President Reagan must either dump Volcker (and the Friedmanites) or become quickly more hated than Herbert Hoover—who was quite justly hated in his time.

At present, to the extent that the Congress permits itself to become tangled up in debating each item of the proposed budget cuts, we are going through a process resembling the Carter administration's negotiation of the hostages-issue with Ayatollah Ruhollah Khomeini—this time with "Ayatollah" Volcker. The resulting congressional (and news-media) debates will necessarily remind all sensible onlookers of the description of Newspeak in George Orwell's 1984, or perhaps Jonathan Swift's account of Gulliver's experience in the floating island of Laputa. Of this, it should be said, that whom the gods would destroy, they first drive mad.

In the moral opinion of most ordinary citizens, it is nothing but treason to deliver the nation to become a colony of that foreign power, Great Britain, against which the American Revolution was fought. That, and only that, is the substantive meaning of the unconstitutional slogan, "the independence" of the Federal Reserve System.

After suffering through Carter, we hate to see a decent man such as President Ronald Reagan destroy himself in such a disgraceful surrender to Volcker. There is a deeper concern: our nation itself is being placed in jeopardy by the—we trust—temporary folly of the new President in this matter.

LaRouche NDPC Tour

NDPC Advisory Committee Chairman Lyndon H. LaRouche, Jr. has already held rallies of his friends and supporters in New York City, Chicago, and Detroit. Next on the schedule is Texas, followed by a quick swing in Western Europe and a key speaking engagement in Mexico.

The attendance at these events has been composed chiefly of leaders of local constituency organizations and networks. Of the 600 in New York, 250 in Chicago, and 350 in Detroit, the majority were leaders of local organizations which turned out the decisive margin of support for President Reagan's landslide victory in those areas.

For most of these constituency organizations, the "honeymoon period" of the Reagan administration is already over—long before the traditional first 90 days. They have waited for the promises to be delivered, and already sense themselves being betrayed with the appointment of Alexander Haig, David Stockman, and others. They feel themselves most sorely betrayed by the President's capitulation to Volcker.

There is tremendous personal good will toward the new President out there—perhaps more, at this moment, than there was toward the "great engineer" Herbert Hoover during the spring and summer of 1929. He—the President—still has time to dump Volcker and to put himself back in the confidence of his constituents, but the worry and anger on faces of key constituency leaders foretells that the time allowed is beginning to run out.

The sense of constituency leaders can be summed up as a deeply engrained streak of pessimism among the voters of the nation: They elect a man they believe is good, but then, once the elected figure reaches Washington, something goes wrong. The new hero becomes just another dupe of the Eastern Establishment crowd around Washington.

LaRouche is telling constituency leaders: I told you in a nationwide television broadcast that I saw Reagan as a good man, but encumbered by personal inadequacies for the problems confronting us. My wisdom, says LaRouche, is now fully vindicated on that point. The constituencies must now mobilize themselves to move, says LaRouche, who is calling for the mobilization of a movement to recapture Washington from the anglophile Tories now sealing the new President into a Socialist International-designed political box.

The key is the "moderate Democrats" in the Congress and the state organizations. Republicans who instinctively agree that Volcker must go, sense themselves obliged to support the President's current program of political seppuku up to the hilt—unless a revolt by moderate ("Whig") Democrats creates the conditions in which the Republican "Whigs" remind the White House that the Constitution mandates to the Congress the power and obligation to chop Chairman "Mao Tse" Volcker into line with the nation's vital interests.

"Peoria" is not pleased with the President's unconditional surrender to Volcker.

Social Dems Up To Treason—Again

Last week, a meeting of about 400 social-democratic types was held at the premises of New York City's Automation House, on East 68th Street. The meeting was ordered from Britain, where the "mother" organization of the new group being formed in New York had been established earlier the same day. The result was a new treasonous concoction of the world federalist/environmentalist social-democratic riff-raff, calling itself the **Committee for the Free World**.

Among the spokesmen for the new social-democratic front-group is recent Reagan U.N. Ambassador-appointee Jeane Kirkpatrick, who described the Committee as a retread of the 1950s **Congress for Cultural Freedom**. That earlier organization had been sponsored by **Encounter** magazine together with the "mother" of most international terrorism and environmentalism today, the evil Bertrand Russell.

Another name for the new Committee would be the "Committee to Stop LaRouche." A glance at the partial list of leaders of the American branch of the new British social-democratic front-organization tells why.

- **Robert Moss**, British controller of the **British Fabian Society-controlled Heritage Foundation**, earlier identified by present Reagan staff member Michael Deaver as a key coordinator of Heritage Foundation cooperation with **KGB-linked Philip Agee** in operations against **LaRouche**.

- **Bernard Lewis**, an official of British SIS's Arab Bureau, seconded to Princeton and Georgetown's CSIS under **Aspen Institute** sponsorship. Lewis is the putative architect of British SIS's "Bernard Lewis Plan," the **Kissinger-sponsored package** which **Zbigniew Brzezinski** adopted ("Arc of Crisis") as rationalization for **Carter administration support of the British overthrow of the Shah of Iran in favor of Ayatollah Khomeini**. (Certain members of Congress prefer not to inquire into such "matters of the past"!)

- **Irwin Suall**, the **Anti-Defamation League** official working closely with both **Ku Klux Klan** leaders and the terrorist (e.g., **Communist Workers Party**, **Yippies**) anti-Klan coalition as an "agent in place" of the FBI. Suall, as a British intelligence-trained operative of the **Socialist International**, has been an avowed enemy of **LaRouche** since 1974, and an avowed enemy of **Ronald Reagan** since the 1950s. (Although Suall is not an official member of the group, he was at the Automation House reception.)

- **Sidney Hook**, Professor emeritus of New York University, now based at the **Hoover Institute**, a long-standing Communist and social democrat, and an avowed enemy of **LaRouche** since autumn 1971.

- **Michael Novak**, a Gnostic-Jesuit director of the **Socialist International's League for Industrial Democracy (LID)**, which organization has been an avowed adversary of **LaRouche** since no later than approximately 1974. Brother of left-Jesuit Liberation Theologist **Jeremiah Novak**, the latter launched the "Nazi" libel against **LaRouche**

during the period **Novak** was working under the supervision of ex-Senator **Jacob Javits's** controller, British intelligence asset **Arthur Ross**.

- **Hugh Thomas** and **John O'Sullivan**, both British operatives prominent as controllers of the **Fabian Society-controller Heritage Foundation**.

- **Roger Starr**, the **New York Times's** advocate of urban genocide, and an opponent of **LaRouche** since 1967.

- **Eric Breindel**, Harvard University professor who authored an attack on **LaRouche** in a spring 1980 issue of the social-democratic magazine **New Leader**. Breindel proposed a coalition of "liberal" and "social-democratic" "respectable figures" to "stop **LaRouche**."

- **Lionel Abel**, Buffalo (N.Y.)-based ally of **Sidney Hook's** circles, whose attack on **LaRouche** appeared at the **Willy Brandt Socialist International** planning-session against President **Reagan**, in Washington, D.C., appearing in the fall issue of **Dissent** magazine.

Ambassador Jeane Kirkpatrick, whose key deputy is **Carl Gershman**, former leader of the **Social-Democrats, U.S.A.** Gershman is a bitter opponent of **LaRouche**.

- **Richard Pipes**, National Security Council Russian Affairs advisor, crawling with social-democratic pedigrees.

- **Elliot Abrams**, a State Department aide formerly a staffer for Senator **Daniel Moynihan**.

According to the Committee's Board of Directors member **William Barrett**, an old **Hook** crony, the deeper motive behind the British-sponsored subversive group is to promote the policies of **Aristotle** against those of **Plato**. Barrett identified the group's ideology with that of British **Aristotle Society** head **Sir Karl Popper**, who attacked **LaRouche** as a dangerous proponent of **Neoplatonism** in 1978, as part of the British **Fabians's** deployment of the **Heritage Foundation** against **LaRouche**, in cooperation with **KGB-linked pro-terrorist Philip Agee's** circles (**Harvey Kahn**) at that time.

However, Barrett qualified, to play up the **Aristotle** versus **Plato** issue would be, in his opinion, "too academic." Instead, the group will cover its true purpose, according to Barrett, by a smokescreen of chatter about the "Soviet Russian threat."

The overall political outlook of the majority of the new Committee's members is that of the **American Humanist Association**. Together with the **British Petroleum-linked Aspen Institute**, the **American Humanist Association** is the second leading spokesorganization for what is termed "secular humanism" in the United States today. The **American Humanist Association** is not only closely associated with the circles of **Sidney Hook**, but with the social-democratic circles generally.

Two items are typical of the political world-outlook of **Hook's Humanist** cronies. One is a series of articles promoting euthanasia appearing in the 1974 issues of the **Humanist** magazine. Another is the same organization's **Humanist Manifesto**, a rabid attack on the principles of the sovereign nation-state, which proposes **world federalism** as an alternative. It is rabidly "one-world" and "neo-Malthusianism," in a manner consistent with **British socialism's** origins in the circles of **John Ruskin** and the **Pre-Raphaelite Brotherhood**.

This gang of evil, subversive kooks obviously overlaps significantly with British controllers of the **Heritage Foundation**.

The National Democratic Policy Committee (NDPC) is a political action committee designed to support Democratic candidates and office-holders, and to develop policies in the nation's interest.

Lyndon H. LaRouche, Jr. was a candidate for the Democratic Party nomination for President in 1980 and is currently the chairman of the advisory board of the National Democratic Policy Committee.

The National Democratic Policy Committee has been formed as a membership organization to represent the healthy nationalist backbone of mainstream Americans. The committee's first national policy initiatives include a program for nuclear fission and fusion power, tax reduction, agricultural price parity, and an end to Justice Department harassment such as Abseam. Its aim is to rebuild the Alliance of Producers represented in Franklin Delano Roosevelt's Democratic Party—labor, entrepreneurial businessmen, farmers, and minorities—such that the Democratic Party can, through these policies, be reunified as a party that represents the American System of growth.



National Democratic Policy Committee

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