

LaRouche views capitalism's future after the 1987 crash

After Vice-President George Bush and former President Jimmy Carter, Democrat Lyndon H. LaRouche, Jr. is today the best known name internationally among leading candidates for the 1988 U.S. presidential nomination.

LaRouche's international recognition began with a Bonn press conference he held in April 1975, where he said that the "floating exchange-rate" monetary system was leading the world in the direction of history's biggest financial collapse. He proposed the establishment of a new, gold-reserve-based monetary system, as the only basis for promoting a durable worldwide growth in production and world trade.

Since 1977, he has been made controversial by his enemies, because of his exposure of financial institutions' complicity in laundering funds of the international narcotics trafficking: he was, curiously, charged by the drug-trafficker-linked U.S. Anti-Defamation League (ADL) with being an "anti-Semite," because of his attacks on well-known U.S. organized-crime figures' role in promoting this drug-trafficking. Since 1982, he has come under heavy attack for his role in designing and promoting the U.S. Strategic Defense Initiative (SDI). Since 1985, he has been under massive attack for his insistence on both emergency public-health measures and massive research programs against the AIDS pandemic.

Increasingly frequent, and often on LaRouche in the U.S.A., the Soviet Union, Western Europe, and elsewhere, have made his among the more easily recognized U.S. names in world politics today.

Since the beginning of 1987, the rapid worsening of the international economic and financial crises, have pushed LaRouche to new prominence as a leading authority in economics. Although few leading bankers have any liking for LaRouche personally, growing numbers of them concede that LaRouche's analysis is essentially correct, and that his

proposals might be the only ones capable of stopping the collapse now in progress. Others, especially in New York City and Boston, are demanding, hysterically, that LaRouche be eliminated from the political scene immediately, lest the worsening of the financial crisis should bring him into a position of power. Meanwhile, Moscow has labelled him "Soviet enemy number one," and has repeatedly demanded that Western governments act to eliminate his political existence.

Since 1985, he has been the object of hatred by an international homosexuals' lobby, for proposing a combination of public-health and research programs, to stop the spread of the AIDS pandemic. The homosexuals' lobby included AIDS-victim Terry Dolan's NCPAC faction of the U.S. Republican Party. The U.S. government joined this attack on LaRouche, on grounds that LaRouche's proposals were "cost-prohibitive." Generally, about 90% of LaRouche's U.S. adversaries have recently been exposed as key figures in the "Irangate" scandal.

Among many so-called conservative ideologues, such as the U.S. Heritage Foundation, LaRouche's economic reforms are generally hated. "Free trade" ideologues denounce his policies as variously "dirigistic" or "neo-mercantilist," and term his proposals for reform of developing-sector debts as "left-wing."

The U.S. presidential candidate is a specialist in the science of "physical economy" established by Gottfried Leibniz, and is a follower of Alexander Hamilton, the Careys, and Friedrich List in political-economy. So, "free trade" ideologues in the footsteps of Adam Smith and Friedrich von Hayek, rightly recognize LaRouche as a political opponent. However, since LaRouche demolished Keynesian Abba Lerner in a major New York City debate during autumn 1971,

none of LaRouche's opponents among economists has been willing to debate the Democratic candidate either on the public platform or in literary forums. Wild slanders and libels, conduited through gossip circles and the international news-media, have been used as substitutes for debating the actual issues involved.

LaRouche's kind of 'capitalism'

In a recent interview, the candidate has responded to the allegations that he is an "anti-capitalist." He said, "That depends upon how you define the word 'capitalism.'" He explained his point in the following way.

"By my kind of 'capitalism,' I mean private entrepreneurship among farmers, industrialists, and resellers. I mean what Treasury Secretary Alexander Hamilton first described in 1791 as 'the American System of political-economy.' I mean what Germany's Friedrich List described as a national system of political-economy.

"Others usually mean something different, such as the doctrines of the British East India Company's economists, beginning with Adam Smith's *Wealth of Nations*. The difference is, that we who adhere to the American System place the emphasis on technological progress in production of physical goods, whereas today's 'free enterprise' ideologues mean a kind of pre-capitalist rentier-finance system of usury, a system at least as old as the Philistines, the system best known in feudal Europe as the Lombard system.

"The leading American economist, Henry C. Carey, was, I believe, the first to describe the 19th-century British economy as a 'mixed economy,' a combination of capitalist entrepreneurship in industry with carried-over feudal elements of land-owning and rentier-finance, but with the rentier interest on top, economically and politically. With the legislation of the U.S. Specie Resumption Act of the 1870s, the U.S. economy shifted away from the American System of political-economy, toward adopting the British system of mixed economy. So, by about the time of the 1878 Treaty of Berlin, the economic power of the industrialized nations was concentrated in the hands of the rentier interest.

"On this particular question, Lenin's famous *Imperialism* was a mixture of technical incompetence and factitious fraud. Lenin, like the Fabians, hated agro-industrial capitalism, and sought to place the blame for most of the world's evils on the industrial entrepreneurs. So, both Lenin and the Fabians argued that late 19th and 20th century imperialism was a natural outgrowth of the evolution of industrial capitalism. In fact, if Lenin had studied history a bit better, and had been more honest, he would have recognized that imperialism was consciously copied as a policy from studies of the Roman empire, and that the driving economic force inside imperialism is an anti-entrepreneurial, rentier relic of pre-capitalist feudalism.

"The Vatican's usual criticism of the evils of 'liberal capitalism' is morally correct, but may tend to suggest an erroneous view of economic history. Certainly, British Liberalism and its continental and U.S. co-thinkers base them-

selves on the same kind of arguments made by David Hume and Adam Smith. Liberalism insists that morality, at least as Christian natural law defines morality, must be kept out of political-economy, in favor of egoistical impulses rooted in hedonistic irrationalism. On this, the Vatican is completely correct in identifying the principal causes of the cruelest modern injustices done in the name of 'liberal capitalism.' The only flaw in the Vatican's usual presentation of the point, is that the Vatican seems to have overlooked the fact that modern 'liberal capitalism' of this sort is a direct outgrowth of that pre-capitalist, feudal rentier-finance system of usury which the modern sovereign state never fully succeeded in overcoming.

"In fact, the American System of political-economy is essentially an outgrowth of the 1439 Council of Florence. The new kind of modern, sovereign republic, imperfectly outlined in Dante Alighieri's *De Monarchia*, and defined more rigorously by Nicolaus of Cusa's *Concordantia Catholica*, is the origin of the modern national republic, and the source of the impetus for replacing the system of serfdom and feudal guilds with free and technologically progressive entrepreneurship in farming and industry.

"Historically, we have such examples as Leonardo da Vinci's work at Florence and Milan, the establishment of the first such modern political-economy in Louis XI's France, and the influence of the circles of Erasmus of Rotterdam in introducing modern forms of state and political-economy to 16th-century England. These and other developments broke the political and economic monopoly of power by the feudal interests, but those feudal interests have so far managed to maintain great power, and to increase it since key developments during the 1870s.

"From these points of modern origin, what became the American System of political-economy was always governed by very definite moral principles, directly contrary to 18th and 19th century British Liberalism. In fact, that was the central issue in the American War of Independence.

"Hamilton's 1791 Report to the U.S. Congress, *On the Subject of Manufactures*, emphasizes this connection clearly enough. The function and moral responsibility of the state in political-economy, is to promote the increase of the general welfare of the whole population through technological progress fostering increase of the physical productive powers of labor, as Leibniz had defined the principles of economy earlier. Under the American System, the government must maintain a monopoly on issuance of credit, must invest in improvements in what we call today 'basic economic infrastructure,' and must foster technological progress in trade and investments by private entrepreneurs, to foster increase of the productive powers of labor. The morality of political-economic practice is measured more or less exactly in terms of these ways of promoting the general welfare of all members of present and future generations.

"The Vatican would be right to argue, that the curse of modern government is the degree to which the adoption of

liberalism has banned such elementary yardsticks of morality from the deliberations of political parties, courts, and legislatures.

“Look at the reality of the policies which had brought the world to the brink of the biggest financial collapse in history. Look, for example, at the vanishing price-earnings ratios of the equities of leading industrial corporations. Look at the vanishing ratio of export-earnings to the current debt-service obligations of nations. Look at the accelerating collapse in the ratio of collapse of real incomes of governments, to pyramiding of governmental indebtedness. Look at the effects of this on the ratio of liabilities to reserves of financial institutions. We will be most fortunate if only 50% of the values of leading common stocks internationally are wiped out by the end of the coming summer.

“Make a simple calculation. For each industrialized nation, compare the amount of physical product per member of the population as a whole, with both the stagnation in productivity of industrial operatives, and the shrinking percentages of the labor-force employed as operatives in production of agricultural and industrial goods. Include the margins of growing obsolescence and outright collapse in such items of basic economic infrastructure, as shipping and ship-building, in railroads, in highways and bridges, in production and distribution of electrical energy supplies, in fresh-water and sanitary systems, in numbers of hospital beds available per capita, and in quality of education in schools.

“What has been happening to these figures over the past ten years? The amount of financial debt per capita has been skyrocketing, while the amount of employment in production and infrastructure-building per capita, has been falling in nearly all categories in every nation. In other words, the amount of nominal values in the financial sector has been growing like a tumor, while the margin of income from production of physical goods has been collapsing. So, we have a classical sort of ‘John Law’ financial bubble on our hands, a bubble which has reached the bursting-point.

“This is the result of a combination of monetarist and post-industrial policies, which have measured public happiness in the size of the delusions of rentier interests’ bookkeepers, while ignoring the fact that all debts must finally be paid out of physical production.

“We have reached the point, that the so-called capitalist world has three choices. The first choice of some hysterically desperate rentier circles, is to keep the financial bubble growing a few more months or so, by inflationary methods like those which caused the 1923 Weimar inflation. The second choice of some rentier circles, is to copy the austerity measures which Hjalmar Schacht introduced in late Weimar Germany, and under Hitler. The third choice is my alternative, to freeze all potentially salvageable financial assets, while building up our economies by a return to Hamiltonian methods.

“My object is to freeze the growth of reorganized rentier assets, to return to Hamiltonian methods of agricultural and

industrial banking, and to keep the lid on frozen financial assets, until the level of physical output in the economies can generate sufficient surplus to permit the rollover of the frozen financial assets. We have these three choices, and no other choice but chaos beyond imagination.

“In other words, we have a choice between Leibniz, Hamilton, and List, on the one side, and Adam Smith, Schacht, and von Hayek on the other. The first is the road to securing political freedom; the second is the sure road to the kinds of fascist or bolshevist forms of extremes of corporatist tyrannies which might make even Adolf Hitler blush.”

‘Socialism versus capitalism’

On the subject of “socialism versus capitalism,” the candidate said the following.

“The political conflict between socialism and capitalism must be seen on three rather distinct levels.

“First, if one man believes he is a socialist, and the other man believes he is a capitalist, and both believe that socialists and capitalists are adversaries, the two will tend to engage in a brawl, if for no other reason than that they choose to adopt such labels for themselves.

The practical fact is that the system of political-economy associated with Leibniz, Franklin, Hamilton, and List, is the best system of economy yet devised, and the one which best promotes both the general welfare and political freedom.

“Secondly, what is often called ‘capitalism’ today, ‘post-industrial’ rentier capitalism, is much closer to the Soviet system than to the American System of entrepreneurship. Both the rentier and Soviet systems are ruled by an oligarchical class, the one associated with rentier ‘nobilities’ along traditional Venetian lines, the other with a Byzantine-like ruling class, the Soviet *Nomenklatura*. Except for Soviet technological progress motivated chiefly by military requirements of world conquest, the Soviet state is an echo of the famous socialist decrees of the Roman emperor Diocletian, and Soviet society today is becoming rapidly a copy of Byzantium under such clever tyrants as Photius.

“The conflicts between the ‘pro-malthusian’ rentier interests and Soviet interests is more a matter of national and cultural conflicts, than any insurmountable problems of conflicts in economic policies. Hence, there is a tendency for accommodation and convergence with Soviet society, not only among avowedly socialist currents of the West, but also

liberal currents of political parties generally.

"Thirdly, the injustices, both real and imagined, which are suffered under what most believe to be a system of industrial entrepreneurship, causes that entrepreneurship to be the target of hostility. So, as in the case of the mass-based social-democracies of Western Europe, the name of 'socialist' has been adopted by many ordinary folk because socialist organizations, or trade-unions linked to socialist parties are seen as the credible force available for negotiating with entrepreneurial and governmental forces.

"Nonetheless, many of those who come to regard themselves as socialist or pro-socialist in this way, are governed by personal moral beliefs not inconsistent with those governing a Hamiltonian sort of entrepreneurship. Some of these may even regard themselves as 'Marxists,' when they would abhor Marx if they really understood him clearly; they read into Marx that which they wish to see, and overlook what they do not wish to embrace.

"If a man tells me he is an ostrich, I am not obliged to accept this as a fact, although I must not overlook the significance of the fact that he appears to believe he is an ostrich. The same must be said of those who tell me either that they are 'socialists' or 'capitalists,' or who say, simply, that they are 'left-wingers' or 'right-wingers.'

"For me, the practical fact is that the system of political-economy associated with Leibniz, Franklin, Hamilton, and List, is the best system of economy yet devised, and the one which best promotes both the general welfare and political freedom. I propose that we rescue it from today's financial and economic catastrophe, for the sake of ourselves and our descendants. Let us get to production for human needs, and to the fostering of technological progress, on which depends our ability to meet the elementary needs of each nation, and of the human family as a whole.

"I propose we become less concerned with empty word-play with the ambiguous and confusing appellation, 'capitalism,' and think simply of the promotion of progress in agro-industrial entrepreneurship instead. Let us stop playing word-games on the subject of capitalist 'chickens' and socialist 'foxes,' and use instead terms which have a more sensible and real physical meaning than these two so-often misused and almost meaningless ones.

"Let us say that we are horrified by famine and other miseries abounding in today's world, and that through proper forms of technological progressive entrepreneurship, and governments absolutely committed to the general welfare, we have the means at hand to remedy the evils about us.

"I concede that it is not inaccurate to describe me as the Soviet press has done, as an 'ideologue of late-capitalism.' However, I am disgusted by the widespread practice of using and repeating mere labels, in the usual thoughtless, gossipy way, as a substitute for knowing actually what one is talking about. Don't fuss too much about which silly label to put on me. Simply understand, concretely, how I see the present situation, and what I propose we do about it."

Homintern is under spotlight in Britain

by Mark Burdman

According to a news item in the April 21 edition of the British daily *The Independent*, British spy-thriller author John Le Carre, famous for his *The Spy Who Came in from the Cold* and other fictional accounts of spy-master "George Smiley," will be making his first trip to the Soviet Union in May 1987, at the invitation of the Soviet writers' union. Informed rumor has it, notes *The Independent's* "Diary" columnist, that Le Carre will meet Raisa Gorbachova, head of the Soviet Culture Foundation, and "apparently one of his most enthusiastic readers."

The trip could not come at a more interesting time for Le Carre. On April 19, explosive revelations were made in the British press by espionage-affairs expert Chapman Pincher, claiming that the suspected real-life model for George Smiley, Sir Maurice Oldfield, head of Britain's MI-6 intelligence service from 1973-78, had been a particularly degenerate homosexual, and a potential security risk. Sir Maurice's obsession, claims Pincher, was what is referred to in Britain as "rough trade": lower-class, down-and-out young males.

One could only guess what Madame Gorbachova could or would tell Mr. Le Carre about such matters. But one thing is certain. As already has emerged in the known cases of British spies like Anthony Blunt and Guy Burgess, both members of the secretive "Cambridge Apostles" set, Soviet penetration of British elites has been greatly expedited, over a period of decades, by the rampant homosexuality prevalent in leading British circles, by what one lover of Burgess has referred to as "a sort of gay intellectual freemasonry."

And, in the "Age of AIDS," such matters have become of British national security concern, way beyond just the matter of espionage.

We don't know if, or how, Madame Gorbachova would want to comment on such matters. But, in Britain, it seems that some people want to clean up the British branch of "The Homintern."

'Disgusting behavior'

Pincher's revelations about Sir Maurice Oldfield, are contained in a new book, soon to be released, entitled, *Traitors: The Labyrinths of Treason*. Introducing an analysis