

# LaRouche: 'American System' is the only hope for U.S. and Britain

The London *Guardian* newspaper on July 17 published a most unusual feature article, on the occasion of the bicentenary of the death of Adam Smith. Author Will Hutton pointed to the criticism of Smith's liberal free-trade ideology by the German mercantilist economist Friedrich List (1789-1846), whose ideas about the role of the state in fostering and protecting economic development, in partnership with the private sector, made for the rapid industrialization of Germany.

As *EIR* has emphasized, it was the American System of political economy, the school of Alexander Hamilton and Friedrich List, that guided the industrial development of the United States, too—not Smith and the Opium War economics of the British East India Company (see, for example, *EIR*, Dec. 1, 1989, "Friedrich List's 'American' economics back on the agenda").

With the reunification of Germany, the accelerating collapse of Anglo-American financial power, and the potential for a European "Productive Triangle" to be the center of a worldwide industrial recovery, it has never been so urgent that the United States and Britain throw out the baggage of Adam Smith and his minions, and revive the American System.

Hutton summarized the issue as follows:

"Capital, says List, is a much more complex idea than Smith's concept of accumulated profits through buying and selling well; he has taken the word to mean, says List accusingly, the sense in which it is necessarily taken by rentiers and merchants in their bookkeeping and balance sheets, namely, as the grand total of their values of exchange.

"But capital embodies mental as well as material attributes; and to assume that capital is something that is acquired through exchange is to ignore the fundamental and qualitative difference of manufacturing from other forms of activity."

Lyndon LaRouche, who embodies the tradition of List in the United States today, commented on the *Guardian* article on July 17, in oral remarks which we summarize here.

## Infrastructure development is the key

The rise of England to world power was accomplished chiefly by military and related means, LaRouche said. We go back to the period of the Tudor Henry VII, and also his immediate Tudor successors of the 16th century, and we note the concentration on the development of naval power, specifically cannons and gunnery, navigation and ship construction, and things that go with maritime military power, and we see that principle continued in England's rise to power over the succeeding centuries, whether under those of what

we would call republican inclinations, such as Thomas More and his associates, or the other fellows, the so-called liberals, including the Stuart Restoration, the pre-Restoration people, and the pre-Cromwell people, who were essentially liberals. Nietzsche would recognize them as proponents of *alles ist erlaubt* (all is permitted)—except, of course, that which displeased the Stuarts.

There would have been no England to speak of, and certainly no British Empire, but for the British government's emphasis on military power, especially naval supremacy, and the development of infrastructure, industries, and so forth, to support that naval power and the associated maritime power and its imperial functions.

"Apart from this silly feature of Smith," LaRouche said, "which became so popular in England and among the admirers of Smith in the United States—this 'buy cheap and sell dear' capital as the accumulated profits of merchant and rentier exchange—the history of the development of modern economy in Europe, North America, and elsewhere, is the development of basic economic infrastructure—water management, shipping, other forms of general commerce, general transportation, the generation and fostering of sources of power, centralized power in particular, the development of schools to foster mental development, development of the mental potentialities of the population both as households and as prospective employees, and the development of sanitation and medical care."

In the case of England, we note, particularly from the Tudor period on, three things: the fostering of technology for military power; the fostering of infrastructure to a limited degree—canals, sanitation, and so forth; and, more particularly, the use of the royal power to create circumscribed domains of monopoly for inventors of useful devices, for patents and monopoly which became, in the English-speaking world and elsewhere, the basis for the notion of the modern industrial and related corporation.

The essential feature here, is the notion that the development of scientific and technological progress should be incorporated with a certain degree of sovereignty to exert a certain degree of monopoly, in setting prices, protective prices, for a limited period of time, and only to realize for the benefit of the kingdom, as well as the partners, the benefits of the spread of this new technology.

If we look at the history of Europe and America, LaRouche said, we see the development of infrastructure as a major component of the development of wealth and capital in total and per capita, such that, in those nations in which

## The Guardian: List refutes Adam Smith

Here are excerpts from Will Hutton's article in the London Guardian of July 17.

Many reviewers have focused on Smith's happy characterization of the market as an invisible hand, felicitously and invisibly guiding and integrating the self-interested actions of lots of individuals. They may not know it, but in their quest to buy cheap and sell dear, they are combining together to form an economic unity that is the greater social good; profit, in this scheme of things, is the fuel in the system. Without the drive for self-betterment and self-interest that profit represents, the invisible hand cannot work.

This is all well and good, but some German reviewers, notably Friedrich List, have drawn attention to the very limited notion of profit that Smith has in mind; and the misguided theory of industrialization that is associated

with it.

Capital, says List, is a much more complex idea than Smith's concept of accumulated profits through buying and selling well; he has taken the word to mean, says List accusingly, the sense in which it is necessarily taken by rentiers and merchants in their bookkeeping and balance sheets, namely as the grand total of their values of exchange.

But capital embodies mental as well as material attributes; and to assume that capital is something that is acquired through exchange is to ignore the fundamental and qualitative difference of manufacturing from other forms of activity.

"The power of producing wealth is infinitely more important than wealth itself," wrote List. "It ensures not only the possession of and increase of what has been gained, but also the replacement of what has been lost." . . .

The British state had been determinedly behind Britain's industrialization, he argued—stimulating manufacture, for example, at every opportunity—and, he urges, Germany should do the same. And it did; and it has; and it is.

the infrastructural investment is not made in that relative degree, the total and per capita wealth produced tends to be less than that in which a higher ratio of commitment is made to state and public utilities and investment and maintenance of infrastructure.

Now, in the case of England, we have an exception. England prospered, in the British Empire, as a parasite nation. It prospered on the basis not only of what it produced domestically, but of what it stole from other nations. We see that pattern in the rise of colonialism and imperialism in the 18th and 19th centuries.

### Adam Smith's pagan origins

The conflict within Western civilization, LaRouche stressed, has been a conflict between republican ideas, such as those which the Athenian and Ionian Greeks defended against the Persian Empire or the Persian form of the Babylonian or Chaldean Empire, and the ideas which for 2,000 years have been primarily associated with loving memory of the pagan imperial Roman Empire.

The British liberals, among others, like Napoleon Bonaparte in France, were essentially advocates of the cause of revival of the culture of pagan imperial Rome, in opposition to the republicanism of the Greek tradition, the tradition of Solon, of Socrates, for example, which Christianity produced in Western Europe in particular, and in the Americas. That is the essential conflict.

The ideas of Adam Smith are a reflection of anti-Christian, pagan tendencies, which often, for reason of political opportunism, were cloaked as a deviant or heretical form of Christianity, which is generically described among theologians as gnosticism. So actually, Adam Smith was an anti-Christian who found it discreet to profess to be some kind of an aberrant Christian or an advocate of an aberrant variety of radical Calvinism, as his *Theory of the Moral Sentiments* and *Wealth of Nations* exemplify this feature of Smith. He was more a pagan than an economist. He was more a follower of Tiberius, Nero, and Diocletian or of Julian the Apostate, than he was of Western civilization's rise under Christianity.

The point that we come to by bringing together the two lines of argument developed thus far, LaRouche said, is that the rise of imperialism was fostered by those Romantics, such as Voltaire and Montesquieu, who hated Christianity because they admired pagan imperial Rome—as did Hitler; to the extent that they prevailed, they tended to produce a modern form of imperialist state which aspired to become the capital of a new worldwide or quasi-worldwide pagan, imperial Roman Empire.

"Such was the case with liberal-dominated Britain; such was the case with Napoleon Bonaparte; such was the case with Dostoevsky and his followers in Russia; such was the case with the pagan anti-Christian gnostic President Theodore Roosevelt and his 'New Age' movement associates and followers from then to the present day, under President

George Bush's administration—or, shall we say, President George Bush's implicitly collapsing administration.”

American power, under the ideas of Teddy Roosevelt and Bush, like liberal Britain, achieved great wealth in two ways, LaRouche argued. First, it used up the investments which had been made by the Christians whom the Theodore Roosevelts and the like in Britain hated and sought to destroy. That was its domestic power. Its essential world power, beyond that, was the use of that domestic power to support a foreign power which would have two bases: 1) the projection of imperial military power for the subjugation of nations outside its own borders, like the British Empire with its colonies and agents of influence; 2) the looting in various degrees, by various forms of usury, of those nations which were compelled to be its colonies or to pay tribute to it in other forms, such as through the mediation of International Monetary Fund (IMF) conditionalities today.

### **The decline of Anglo-American power**

Now we come to the irony, said LaRouche. Since the 1982 submission of KGB defector Oleg Gordievsky's 50-page Anglo-Soviet hoax—which claimed that the Soviets were preparing for war if the United States developed a strategic ballistic missile defense system—there has been a drift toward general disarmament of the Anglo-American and other Western powers, the Western alliance.

Whenever imperial Rome, for reasons of the collapse of its domestic power, its productive power, its economic power, seeks to cut the military power, the military supremacy upon which its imperial strength depends, that is the end of Rome. Who will serve Rome, who does not fear it? How can Rome be feared, if it abandons the only means by which its power was maintained? When “peace broke out,” the Anglo-American supremacy in this world, in the imperial Theodore Roosevelt-Churchillian form, was doomed to come to an early end.

“The only basis upon which the calamity seizing the English-speaking nations might be reversed,” LaRouche stressed, “is either to resume a policy of military supremacy—which the U.S. and Britain lack the means to undertake, because they collapsed their economies and ruined them—or, eschewing that, to go to the anti-British, anti-Adam Smith economic policies expressed in Germany by Friedrich List, upon which the young American federal republic, under the leadership of George Washington, Alexander Hamilton, and Abraham Lincoln, among others, came to be a great world power, with—next to Germany of the 19th century and 20th century—the highest rate of productivity on this planet.

“In other words, going to the American System as I have advocated, in opposition to my rivals and adversaries in the leadership of the United States and Britain, in particular, is the only hope for the U.S. and Britain today, and is the only policy which continental Europe and the developing nations could rightly admire or even endure.”

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## **Book Review**

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# **Economics as soap opera won't wash**

by Chris White

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### **The Politics of Rich And Poor: Wealth and the American Electorate in the Reagan Aftermath**

by Kevin Phillips

Random House, New York, 1990

262 pages, hardbound, \$19.50

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Kevin Phillips's new book certainly seems to have stirred up a certain amount of controversy around and about the place. According to some reports, the author is being denounced as a “Marxist” by some of the Bush-leaguers who seem to resent his thesis that economics is going to be the number one political issue in the country in the period ahead. Phillips is anticipating the development of a political backlash against the untrammelled greed and speculation of the Reagan years.

Phillips's basic thesis is really quite straightforward. During the Reagan years, the power of government was used in such away that the rich got much richer, and the poor got much poorer. The rich, Phillips documents in some detail, means about one-half of one percent of the total population. Tax policy, budget policy, deregulation, money, and debt were the means by which the shift was brought about in favor of yuppie greed and speculative excess and against the vast majority, whose standard of living collapsed, and whose future prospects evaporated.

No one in their right mind could disagree, could they? It did happen. Phillips, though, happens to be a Republican, not just any old Republican, but a political analyst for Richard Nixon's 1968 presidential campaign, whose first book *The Emerging Republican Majority* was described by *Newsweek* as “the political bible of the Nixon era.” He is also an impeccably credentialed, officially labeled conservative. So, it is not perhaps surprising that his prognosis, that the Republicans will be swept away in a possible 1990s political “correction,” as the Democrats were in 1968, could evoke such ire, especially from those who still insist that we are all still enjoying the fruits of eight years of unprecedented prosperity.