LaRouche hits 'travesty' of OECD's economists

Lyndon LaRouche, in a radio interview with "EIR *Talks*" *on Nov. 17, commented on the attack on free trade published in the Paris daily* Le Figaro *Nov. 15-16 by Nobel Prize economist Maurice Allais:*

The French are concerned, because they recognize that unless this policy of free trade in this form is stopped, the world economy is going to collapse. Allais is saying, that's not surprising. Governments are being advised by this OECD/World Bank RUNS report, and the people who are behind this are completely incompetent. . . .

Essentially, the problem is, that back in the 1930s, a famous Austro-Hungarian mathematician, who was very clever at arithmetic but not necessarily always good at science, was chased, in a sense, out of his field in mathematics, as a result of a report by Prof. Kurt Goedel, another famous Austrian scientist, who pointed out implicitly that the entire basis of John von Neumann's theory in mathematics was destroyed by Goedel's discovery, which is called "On the Question of Certain Undecidable Propositions in Mathematics."

So von Neumann then went into what was called his theory of games, the mathematical modeling of certain kinds of games. In the late 1930s, he presented an argument stating that he could reduce any economy to analysis in terms of simultaneous linear equations, inequality forms of equations.

Now this is absolutely absurd!

During the war, he and another Austrian economist, Oscar Morgenstern, published a book which was published in a second edition after the war, *The Theory of Games and Economic Behavior*. It's closely related to Norbert Wiener's work in information theory—another opponent of mine in academic matters. And because of von Neumann's involvement in computers, and because of his attempt to develop a digital computer, a linear theory of the brain function, this became very influential in economics; and *practically all modern mathematical economics of the computer design*, has been influenced by this absurd doctrine of John von Neumann.

What Allais picks up on, is the obvious fact, that all of the assumptions in the von Neumann model, but more radically in this OECD model, are incompetent.

For example, the absolute cost, the natural cost of producing things, of producing skilled labor, of developing infrastructure to create workplaces—all of these kinds of things are completely ignored in this model. This is a result of carrying to a radical extreme, the absurdities of von Neumann's influence. . . .

These economists and others who support this stuff, have *absolutely no competence* in the most elementary aspects of economic science. They are simply textbook or computer PC mathematicians, given computers too large for their brains to handle, who get these vast series of tens of thousands of simultaneous linear inequalities, plug 'em in based on percentiles of 100% of the economy; and on the basis of this garbage, they crank out something, and they come out, as Allais points out, with a precise \$213 billion in marginal increase in world income, as a result of dropping so-called subsidies or subventions.

This is an absolute fraud! It's the kind of thing which we put people Michael Milken and Ivan Boesky in prison for—or perhaps even worse. And this is being pushed by the OECD and World Bank, and being used by the U.S. government to shape its GATT and its NAFTA policies, which are also totally incompetent policies based entirely upon this garbage. It's a travesty.

of a New York or London bank. Few economists today bother to address seriously this fundamental difference. The Theory of Comparative Advantage is enshrined as sacred gospel, in the holy temple of liberal free trade economics.

But the advocates of free trade theory are not concerned with theoretical fine points. They are merely providing a political rationale for the huge multinational companies which largely finance the research studies of OECD country universities and the OECD itself. The Mensbrugghe study was financed by the New York Rockefeller Foundation.

In the Mensbrugghe study, the authors admit, for example, that their global model ignores the impact of the free trade Uruguay Round agenda in creating mass unemployment. They say simply, "In keeping with the tradition of other general equilibrium modelling exercises, unemployment was not incorporated into the base version of the model." But in Germany alone in 1993, the increased burden of almost 1 million new unemployed, will mean a net difference to the state budget of DM 60 billion (\$35 billion).

Despite all this, the OECD and World Bank calculate that the total gain for liberalization of trade in agriculture, industry, and services for all 103 countries of GATT combined, "might reach \$213 billion" per year. But this figure would not be reached, according to OECD projections, until 2002—if then! The OECD economists admit that the immediate effect of removing subsidies in European and certain other agricultural producers will be a sharp *rise* in basic world market food prices. The giant cartel trading companies would