

## 'Conservative Revolution' will crush U.S. economy

by Richard Freeman

During the election on Nov. 8, the spectral spirit of Austrian School of Economics practitioner Friedrich von Hayek visited the United States. Though the media featured headlines such as "Shift to the Right" and "Right Face" to explain what happened, such assessments do not correspond to the reality.

The Newt Gingrich (R-Ga.)-Phil Gramm (R-Tex.) wing of the Republican Party is the hod carrier for a fascist von Hayek economic program. It does not represent a popular revolt from below, except to the extent that an enraged population, acting in a morally corrupt manner, acted out its part in a set-piece show. This von Hayek program is the economic program of the "Conservative Revolution," which traces itself to the "Austrian School of Economics" that was founded in the 1870s, and beyond that to the oligarchy's several-hundred-year-old fight to dismantle America and the dirigistic American System of National Economy. It is an unadulterated plan to return humanity to the utopian bestial "romantic" state which these lunatics imagine existed before the 1437-40 Council of Florence and the Golden Renaissance, the era when in fact the collapse of feudalism was leading Europe into a new dark age of plague, war, and social chaos.

The agenda of the Conservative Revolution is to smash infrastructure, cut manufacturing and agriculture, kill the needy, deny government all positive moral function, and dismantle the nation-state. This program originated with the oligarchy's Club of the Isles, and was transmitted down, through the secretive councils of the Mont Pelerin Society, to a gaggle of von Hayekian think-tanks in the United States, such as the Heritage Foundation, the Cato Institute, the Ludwig von Mises Institute, and the Reason Foundation. The philosophy of these groups traces back to Aristotle in his battle with Plato. Aristotle denied creativity, and defined

man, essentially, as a creature driven by his "spontaneous," primitive wants.

### The economic plan

There are three pillars to the von Hayek plan: budget-cutting, so-called tax reform, and a vast plan for privatization. This latter pillar is the least discussed, but is the cornerstone of the entire economic agenda. The plan calls for selling off as much of U.S. federal government infrastructure, as well as government-sponsored enterprises, as can be sold, and making the changes in federal law to clear the way for state and local governments to sell their hard infrastructure.

State and local governments are to sell schools, hospitals, municipally owned electric utilities, roads, airports, highways, ports, water management systems, and turnpikes. On the federal level, the von Hayekians seek to "divest" Amtrak, the Postal Service, the Tennessee Valley Authority, the Federal Aviation Administration, the Bonneville Power Authority, the Government National Mortgage Association (Ginnie Mae), and government-sponsored agencies such as the Federal National Mortgage Association (Freddie Mac). Within a few years, the plan is to break up the Social Security system. It will be replaced by people putting their money into Individual Retirement Accounts. This is the Chilean model, adopted by former Chilean President Patricio Alwyn, after it had been devised by the Friedmanites at the University of Chicago School of Economics.

The assets would be sold in competitive biddings to speculative investors, representing the nobility and private family trusts, which are called *fondi*. These private assets would be purchased for a song. They then would be plundered. Privatization will transfer \$3-7 trillion in assets, which repre-

sent either hard infrastructure or real financial assets, like the Social Security system, to speculators. Much investment and work, sometimes over decades, went into building up this infrastructure and these assets. Some of this infrastructure is absolutely essential for the functioning of the country. It will be looted.

Take, for example, the privatization of highways and roads. Tolls would be charged to recoup the private investors' "costs." What would happen can be seen in the case of the privatization of roads in Mexico: A round trip on the "private highway" from Mexico City to Acapulco costs a driver \$150 in tolls. Imagine paying that much for a trip; imagine that expense for a Mexican worker, where that amount represents one month's wages! This is just one example of how infrastructure will be pillaged.

### **Budget-cutting**

The bankers' von Hayekian plan is to cut federal programs from top to bottom, totalling more than \$1 trillion between now and the year 2000, including a proposed cut of 40% in farm subsidies, a huge cut in or elimination of food-stamps, and a close-down or sharp cut in U.S. export programs. On welfare "reform," a von Hayek think-tanker stated on Nov. 10, "you have to reduce welfare, but not by creating new bureaucracies, but by cutting. Don't set up any new bureaucracies." The bureaucracies this person is complaining about are for job training. The deadliness of this approach is seen when one considers that the real unemployment rate is 15.8% (see *EIR*, Aug. 19, p. 21). Part of this attack is directed against the National Export Strategy of Commerce Secretary Ron Brown, who has traveled to places like China and Indonesia, using Export-Import Bank credits to line up tens of billions of dollars of business deals.

At the same time, the von Hayekians propose to cut taxes, foremost being a cut in the capital gains tax, from its current rate of 28%, to 14-15%, and then perhaps to zero. This is touted as a huge benefit to "business." Yet, the lion's share of capital gains is realized in two areas: stocks and derivatives transactions, and the secondary real estate market. Thus, the principal purpose is to prolong the speculative financial markets that are looting the physical economy.

The majority of the proposed Gingrich-Gramm tax cuts will foster get-rich-quick schemes, not benefit the physical economy. Of course, if taxes are cut as the von Hayek crowd proposes, the balanced-budget approach means that the budget must be cut further to offset the tax losses. This is a downward spiral which will strip the government down to zero-functioning. One Mont Pelerin Society-linked source asserted, "The function of the government should be the military, the police and the courts, and setting foreign treaties. That's all." This is the radical view of the Tory sympathizers in America who, in the 1780s, quoting the writings of John Locke and David Hume, *attempted to block passage of the U.S. Constitution in 1787*. Von Hayek is in the tradition

of Locke and Hume. The British and the old Austrian Hapsburg empire always used this ideology to attempt to collapse nations they wished to defeat.

At the same time, this policy pulverizes infrastructure. When the bankers behind the privatization schemes are not talking of selling off and looting infrastructure, they are calling it "pork-barrel waste," showing their contempt for economically vital infrastructure. America's infrastructure has a \$5 trillion-plus deficit in terms of replacement or improvement costs. When infrastructure collapses, an economy collapses.

### **A fundamentally different view**

The "minimalist government" approach, not coincidentally, corresponds to the view of the Confederacy. The drafters of the Confederate Constitution sliced away the following sections from the U.S. Constitution: the general welfare clause, the provision to create credit, and the provision for internal improvements-infrastructure building. Without these provisions, a nation-state cannot exist.

In addition, many of the leading forces of the von Hayek movement, led by the Cato Institute, call for drug legalization, that is, the sale of cocaine, heroin, and marijuana over the counter at corner stores. This is part of their concern for "family values."

Friedrich von Hayek, a key figure in the Austrian School of Economics and Conservative Revolution, was born in Austria in 1899 and died in London, a British subject, in 1992. Von Hayek believed that growth was inflationary, and could only be counteracted by a massive deflation, in which the government would not be allowed to intervene to prevent mass destruction. Von Hayek believed that such mass purgings-depressions were good for the system. In 1931, von Hayek moved to London and joined the British Fabian Socialist Society; in 1937, he joined the Society for the Renovation of Liberalism, along with socialist-liberal Walter Lippmann, whose book *Good Society* von Hayek highly admired. In April 1947, when von Hayek formed the Mont Pelerin Society in Mont Pelerin, a mountain resort one hour's drive from Geneva, Switzerland, Lippmann joined him as a founding member. Lest this seem confusing to the uninitiated, it is perfectly consistent with von Hayek's thinking: The oligarchy has controlled the Mont Pelerin Society from its inception down to this very day.

On Nov. 15, Federal Reserve Board Chairman Alan Greenspan and the Fed's Federal Open Market Committee raised both the discount and federal funds rates by three-quarters of a percent. The commercial banks immediately responded by raising the prime lending rate to 8.75%. Greenspan, a former board member of Morgan Guaranty Bank, is a follower of Ayn Rand, whose viewpoint is derived from von Hayek. Greenspan's tightening the tourniquet, means that the von Hayekian Conservative Revolution will hit America with all the more devastating impact.