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How Adam Smith Fooled You Suckers Most of the Time

by Lyndon H. LaRouche, Jr.

In August 1956, I forecast that, somewhere near late February and early March of 1957, the U.S. economy would experience a deep, sudden recession. I traced the timing of that recession as to be centered in the practice of retail, new-car and used-car automobile marketing, which was being conducted under the credit policies of Arthur Burns, then Chairman of President Eisenhower's Council of Economic Advisors. It happened exactly when and why I had forecast this would occur. In the course of 1956, the 36th payment on the loan of a new automobile was a lalapalooza! The results soon showed.

Since then, I have employed what I had learned from that successful forecast for each and all of my long-term and related forecasts since that time. What I had forecast, in each case, had been a warning of a crucial "turning point," a choice of a branch in the road, as if between fame and folly, in exactly the same way I forecast the recent, and still continuing, general breakdown-crisis of which I had warned, on July 25, 2007, as I was then about to launch the design for my proposed Homeowners and Bank Protection Act of 2007.

As for my method for my forecasting, at that time, and since, it has always been based, since the early 1950s, on the powerful impact of Bernhard Riemann's habilitation dissertation on me, as if it had been, and actually was rooted in my adolescent and later exposure to the anti-reductionist method of Gottfried Leibniz.

I have never been in error in any forecast of crisis for the U.S. economy since the first, which I had uttered in August 1956. In the following report, (as the popular

saying goes) "I reveal" the precise reasons why I have never failed in any forecast of that type which I have made since 1956, and through the present successful continuation of the current forecast, delivered on July 25, 2007.

Foreword:

The art of successful forecasting can only be acquired by way of that branch of physical science which may be described most conveniently as to be discovered through a detour into "hind-casting." The best choice of example of this approach, is to be recognized in the published accomplishments of Johannes Kepler, especially his uniquely successful discovery of the principle of universal gravitation, that as the relevant steps toward that success are detailed, still today, in his *The Harmonies of the Worlds*, and as the starting-point for beginning that stage of accomplishments is typified by his earlier *The New Astronomy*. Among the most famous of the discoveries which echo the root of Kepler's own such discoveries, was Carl F. Gauss's famous, uniquely original, pioneering discovery of the orbit of Ceres. A compact form of relevant tensor analysis of Gauss's discovery was provided by a member of my so-called "basement team," and has been available from that site (<http://archive.larouchepac.com/tensors>).

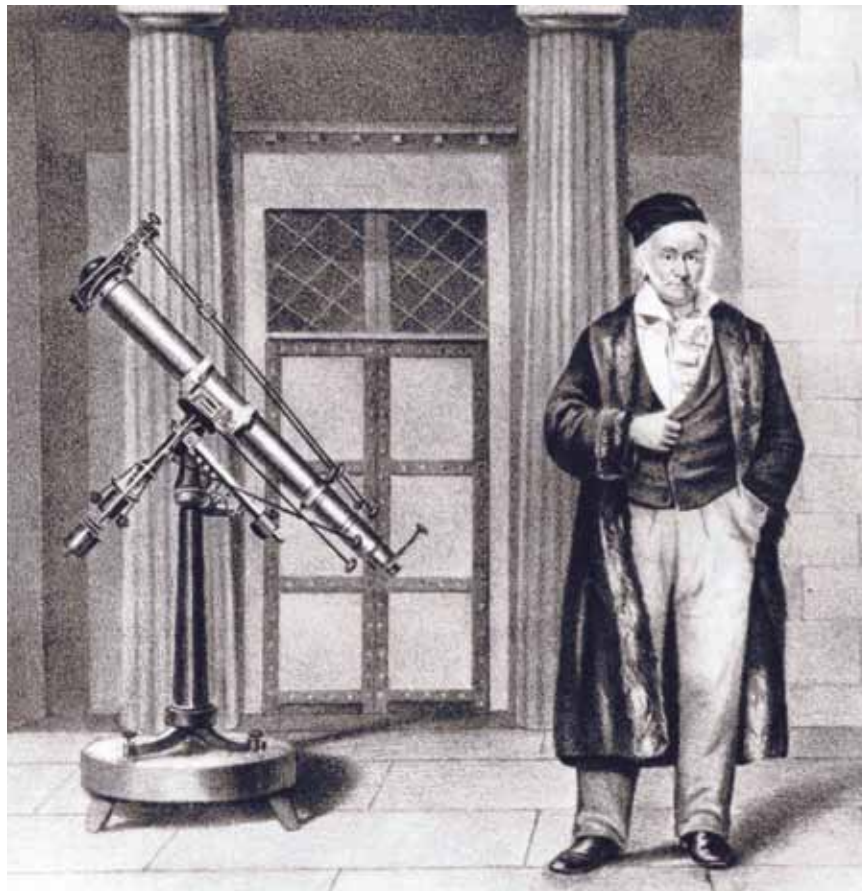
Notably, Kepler had defined the principled composition of the determination of the array of solar orbits, by the ironical juxtaposition of respectively visual and harmonic determination of the orbital array, thus employing the contradiction between those two contrasted kinds of sense-perception, to

define a universal principle which was not defined by either of those two kinds of sense-perception.

Notably, all validated notions of universal physical principles are obtained by a method comparable to that employed by Kepler for this case. True universal physical principles, are not derived from the presumed authority of the experience of sense-perception as such, but are proven through study of the contradictions among the merely apparent principles of sense-perception. All lawful processes in the universe exhibit such effects; but, to the best of our present knowledge, only the creative powers specific to the individual human mind, are capable of recognizing such a principle as such as a universal principle, that in a willfully knowledgeable way. This distinction is to be associated with Academician V.I. Vernadsky's definition of the principle of the noosphere. Kepler follower Leibniz's original discovery of the principle of least action, has congruent conceptual implications, as does Bernhard Riemann's 1854 habilitation dissertation¹.

The human mind is not a product of sense-perception; rather, sense-perception is a tool employed by the human willful mind, a mind which encompasses human sense-perception, but is not encompassed by the latter. My own knowledge of the relevant matters addressed in this present report, was provided, most notably, by a view of Riemann's habilitation dissertation, which I knew as rooted in the same influence of Leibniz which I had encountered in my own studies.

The crucial relevance of my preceding remarks, here, for the subject of competent forms of economic forecasting, lies in an appreciation of the principles of a science of physical, rather than a monetarists' economy, an appreciation which was rooted most immediately for me, in my encounter with Bernhard Riemann's habilita-



Courtesy AIP Neils Bohr Library

Carl F. Gauss's uniquely original discovery of the orbit of the asteroid Ceres, echoes the method of Johannes Kepler's similarly original discovery of universal gravitation, made possible by the ironic juxtaposition of two kinds of sense-perception, vision and hearing (harmonics), neither of which, alone, were capable of making such a discovery.

tion dissertation.

The failure which I have encountered among putative forecasters known to me as my opponents in economics, is to be located, chiefly, in the special relevance of the influence of the devotees of Aristotle, or of the "liberalism" of Paolo Sarpi, and of the pack of their followers.

Modern European styles in what have been, fairly consistently, failed forecasting methods, are expressed as the effects which are to be traced chiefly, today, in the influence of the form of so-called behaviorism specific to those followers of Sarpi and his lackeys, Galileo Galilei, Francis Bacon, and Thomas Hobbes whose influence is reflected in the Anglo-Dutch Liberalism of such as John Locke, Adam Smith, and Jeremy Bentham. I shall explain this, here, as follows.

1. *On the Hypotheses Which Lie at the Foundation of Geometry.*

I. Adam Smith's Brutish Principle

"To man is allotted a much humbler department . . . Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them."

—Adam Smith
Theory of Moral Sentiments, 1759.

Adam Smith, when viewed in reference to his own close relationship to Lord Shelburne (William Petty) and to Shelburne's chief British Foreign Office lackey, Jeremy Bentham, points out the most relevant sampling in Smith's own 1759 book, rather than his later, 1776, notable expressions of plagiarism copied from the unfinished draft of A.R.J. Turgot's 1769 essay "Reflections on the Formation and Distribution of Wealth." That is to emphasize that the *Moral Sentiments* is the most relevant of Smith's writings for insight into the argument which later drew the British East India Company's chief executive, Lord Shelburne to his 1763 co-opting of Smith's assignment to spy against French and the American targets during that 1763-1776 interval. The excerpted passage, noted above, is an essential reference for my present report, that on account of the most direct and simple evidence of the causes for the failures of our contemporary forecasters generally.

Even a fair amount of reflection on the dogmas usually employed, canonically, for designing forecasts by economists today, reveals that they are plainly products of the equivalent of what Smith identifies, in the cited passage from his 1759 book, as his advocacy of a perfectly irrational pleasure-pain principle. Notably, Smith himself demands that man accept his insistence that there is no rational basis in reason for this presumed principle, beyond behavior typified by the equivalent of irrational prevalence of the irrationally presumed propensity to buy, sell, and consume. For Smith, there is, in short, no rational form of allowance among the liberal



The British East India Company's Adam Smith's (inset) insistence that man is a mere creature of his appetites, and his instinct to seek pleasure and avoid pain, is the basis for today's cultish belief among both economists and the general population in money and the "magic of the marketplace," i.e., Smith's "invisible hand." This engraving by William Hogarth, "Beer Street" (1751) satirizes the animal-like existence to which the English subjects of British Empire were reduced.

behaviorists for the role of the economic-productive process itself. Almost everything in economic life and related matters is referred by him to the utterly irrational "magic of the market-place." Little wonder, that not only does public opinion often fit the name of something akin to the "public opinion" of such as the late Walter Lippmann, but even legislative bodies tend, not infrequently, toward something of that sort of approach to law-making.

My own approach to forecasting, therefore, takes the form of man's willful actions on the productive processes of society, rather than the currently popular view of forecasting which presumes, under the silly, but virtually axiomatic presumptions of the behaviorists, that it is the unforeseeable motivations of the processes of production themselves, which generate the conditions

FIGURE 1



LPAC

NAWAPA (the North American Water and Power Alliance), as LaRouche has conceived it, will link up with related great projects across the Americas, Eurasia, and Africa, leading to “a mighty, upward transformation of not only the present surface of our planet, but the foundations for mankind’s development of relevant improvements in nearby Solar space.”

to which, in turn, the irrational processes of public opinion react. For me, as a matter of contrast, the root of economic crises in societies, is to be found in a willful mankind’s failure to understand the requirement for a willfully noëtic quality of lawful ordering within a successful development of the productive processes.

This noëtic characteristic of human creative behavior, is specific to the human will, but the same kind of principle is expressed, unconsciously, but efficiently, in such forms as the development of the Solar system, and the evolution of the lithosphere and biosphere of our planet Earth, as in the relatively exceptional case of the noëtic aspect of the conscious will of the human personality. Speaking plainly, the “Second Law of Thermodynamics” was always a hoax.

What I have just written here, thus far, brings us to the brink of what should be, for most readers, a rather startling paradox.

The Creative Role of Infrastructure

I have repeatedly emphasized, but, now more emphatically, the role of The North American Water and Power Alliance (NAWAPA²) as a key to any successful recovery program under immediately present conditions in the world at large, that the progress of actually net improvements in the human condition, has depended on a succession of “layers” of successively higher orders of “platforms” of basic economic infrastructure. That set of qualitative general improvements in the potential of the human condition, is typified by the order of trans-oceanic maritime cultures based on the “star map;” the development of riparian systems of interlinked rivers and canals, as in the work of Charlemagne for his reign’s section of Europe; the development of not only railway systems, but the transconti-

2. The following [report](#) was subsequently published by [LaRouche PAC](#).

mental railways systems which served as the perceived threat which was met by the British Empire's organization of World War I, World War II, and the nuclear-heated "Cold War," and, now, British drives for its imperial system of "pro-genocidal globalization" such as the intention of the World Wildlife Fund to reduce a world population of now approaching seven billions people, to not more than two.

Presently, the model of President Franklin Roosevelt's TVA, is echoing still as the NAWAPA and related great projects for the Eurasian and African continents which represent a mighty, upward transformation of not only the present surface of our planet, but also the foundations for mankind's development of relevant improvements in nearby Solar space.

That succession of upward leaps in the global platforms of Earth's development, on which advances in the human condition depend, defines the kinds of technologies on which advance in the human condition depends, and which those advances demand.

It is these kinds of "platforms" on which both the possibility and the fruits of such leaps in human progress depend.

The success of the TVA under President Franklin Roosevelt's terms in office typifies the way of policy-making thinking which now represents the characteristic features of the great leap upward in progress needed for this planet as a whole today.

These "platforms" of successive phases of progress of the human condition, are the proper foundation for the crafting of the economic policies of nations now. That is to emphasize, that the productivity of a national economy, especially an economy composed of a number of national regions on the same continent, depends primarily on the potentialities defined by these platforms. The feasibility of progress in production and living standards themselves depends upon the role of the development of the "platforms." Even the possibility of the success of attempts at particular advances in productivity and standard of living of populations, depends on the progressive ordering of these platforms, primarily, and of technologies of production, secondarily.

These platforms, and their internal development, depend upon qualitative advances in technologies, in which qualitative increases in levels of applicable "energy-flux density" are primary increments of change.

That set of relationships within the process of attempted progress is essentially inseparable from the de-

velopment of the platforms on which the general existence of a level of civilization depends.

The contrary consideration is expressed as the process of attrition which is inherent in any lack of development of an increased energy-flux density in the modalities of both the "platform" itself, and also the employed technologies.

These considerations define the "market," that in terms of the needed upward leaps in the platforms, and in the relative anti-entropy of the productive processes deployed.

In general, among rational and reasonably well-informed leaders in economies, the inevitability of necessary progress in forms typified by increase of energy-flux density, as toward nuclear-fission and thermonuclear-fusion power and beyond, employed for both infrastructure and production of consumable goods and of essential services, expresses the determinants of economic progress, determinants which, in turn, require correlated rises in the power expressed by the platforms themselves.

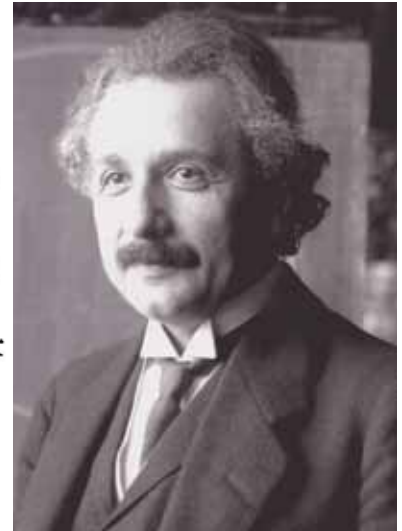
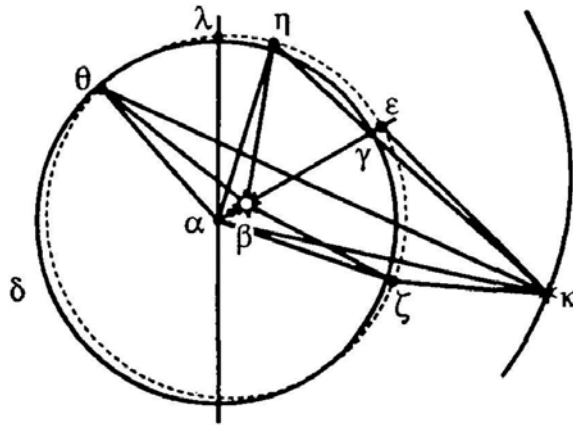
II. What Is Human Nature, Really?

In recent years, I have placed increasing importance on the role of distinguishing the "inner" quality of the individual human identity, from the commonplace banality of equating the mind of the human personality to attributes of sense-certainties. To this purpose, I have emphasized the several qualities of that expression of evidence which demonstrates that the human personality and the aspect of the human experience represented by sense-perception, can not be ontologically coincidental.

The case of Albert Einstein's appreciation of Johannes Kepler's uniquely original discovery of the general principle of gravitation, has the character of an essential empirical demonstration of my point here.

Notably, however, both the doctrines of Aristotle and Paolo Sarpi express the evil principle of the Apollo-Dionysian Delphi cult, which, in the symbolism of Aeschylus, defines mortal man and woman, as below the gods of Olympus, and defines the Mosaic and Christian God as rendered permanently impotent according to the thesis that "God is dead" once the original act of Creation had been created. Hence, Friedrich Nietzsche's "God is dead."

To present the relevant case which such cultural-



Ferdinand Schmutzer

*In this diagram from his *The New Astronomy* (1609), Kepler used one repeated point in the Mars orbit, seen at different times from Earth, to reveal the motion of the Earth itself. Einstein recognized this as the work of a genius.*

ideological facts imply, it is warranted to focus our illustration of the point upon the case of the European maritime cultures and their offshoots.

For this case, the history has been of recurring collapses of cultures since the case of reference represented by the decline and collapse of Sumer. In all of the better-known cases studied, the process of decline has been inherently a product of an oligarchical culture with characteristics congruent with the pattern of Aeschylus' *Prometheus*.

Mankind is the only living species whose existence is as something tantamount to a "culture," which deliberately uses fire as an instrument of the capacity to survive and progress. In relevant cases of either myth or history, the acquisition of the power of the use of fire becomes a perceived threat to the political-social power by an oligarchy of "gods" over a population of virtual slaves and the like. The modern cases of Britain's Prince Philip and Prince Bernhard of the Netherlands in forming the International Institute for Applied Systems Analysis (IIASA)-related World Wildlife Fund and Club of Rome, are typical. So was the policy of the Hitler movement in its time, the policy of the W. Averell Harriman circles inside the U.S.A. in their time, and the anti-nuclear movement today.

While the oligarchical circles, the would-be "ruling gods of Olympus" reigning over the lower classes, do seek increased power, they fear the rise to power of the people more than they wish for the increased means of power of society to continue to exist. Such has been the policy of the inner circles of the Barack Obama Presi-

dency, including such desperadoes as the Larry Summers of "Creative Destruction" notoriety. Such have been the policies of the British government under Prime Minister Tony Blair, and the similar programs of intended mass-murder among the citizens by the Obama Presidency thus far.

The case of the British empire's continuing tyranny over the continent of Africa, is a clear example of the same pro-oligarchical evil of those who join an Olympian Zeus as a self-appointed class of "gods."

That much said on background for the point being considered now, the essential practical point to be emphasized here and now, is that the justified expectation of an increase in the general welfare of particular nations, or mankind in general, demands a general rise in the effective energy-flux density expressed as the characteristic of a platform on which production and consumption, per capita and per square kilometer, depends. Regard this as a needed restatement of what has been named in past times as "the principle of limitless progress."

Otherwise, any effort to put a cap on the necessary rise of energy-flux density, and upon the related rise to successively higher qualities of historical platforms, means an inevitable collapse of any civilization into a long wave of entropic decline. It is the measures, to be taken, or to be avoided, for the sake of progress in the quality of cultural-economic platforms, as typified by the indispensable installation of Glass-Steagall and NAWAPA now, which define the indispensable current policy of any nation to be considered as actually a part of civilization.