

What John F. Kennedy Did To Turn the Economy Around

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This article, written in late 1991, is taken from Chapter V of the Schiller Institute's 173 page Science Policy Memo of August 1992, "Cold Fusion: Challenge to U.S. Policy." EIR published an abridged version of that chapter in Volume 21, Number 1, January 1, 1994 without the footnotes included in the full Science Policy Memo. We have added back in certain footnotes that are required to understand some of LaRouche's more technical economic text. We have also added back LaRouche's concluding section, "Satan Sells 'Junk Bonds'." The full Memo is available as an eBook through Google Play or Amazon.

The assassination of our President John F. Kennedy defined the end of an era in U.S. public life. To locate the significance of that assassination—and new attempts against France's President de Gaulle during the same period, and the shifting of Germany's Chancellor Konrad Adenauer—we should first examine the economic follies of the preceding Truman and Eisenhower administrations.

Kennedy's administration launched a vigorous economic recovery from the ruinous doldrums persisting into 1961, in the wake of the deep, 1957-58 recession. The key features of that successful Kennedy recovery package included:

1. The Investment Tax-Credit Tax-Reform.
2. The Moon-Landing Goal.
3. The Acceleration of Infrastructure Building.

Some apologists for Eisenhower's administration have insisted that the aerospace and infrastructure programs of the 1960s were already partially under way during the post-Sputnik years of the 1950s. It would be misleading to argue, as those apologists have done, that

Kennedy "merely accelerated" Eisenhower programs. In this case, *greater* or *lesser* represented directly opposing economic policies.

During the mid-1950s, Eisenhower had virtually mothballed a Huntsville rocket program which could have put a satellite into orbit by about 1955. Even when Khrushchov had succeeded in putting up the Sputnik, Eisenhower did not unleash the U.S. Army's Huntsville, ready and waiting capabilities; only after the humiliating failure of the competing U.S. services' "Flopnik" programs, was Redstone allowed to unfurl its capability. Thus, under Eisenhower, there would not have been a viable U.S. aerospace program at the beginning of the 1960s, if Moscow's Sputnik had not shamed the Republican administration into tolerating a post-1957 spectrum of aerospace-oriented science education and cohering projects and programs.

It is necessary, to put the details into a proper historical context, to note the points of similarity among the recovery measures of President Kennedy, and the philosophy of practice of such European leaders as President Charles de Gaulle of France, Chancellor Konrad Adenauer of pre-1964 Germany, or Italy's nation-building Enrico Mattei. We may, with apologies to Apollo priest Plutarch, see a parallel in, on the one side, Kennedy's succession to the Eisenhower 1950s, and de Gaulle's superseding of the rotting, decadent French Fourth Republic. Looking beyond 1963, we compare Kennedy's economic successes with President Johnson's disastrous aping of Prime Minister Harold Wilson's Britain, and so on. Such comparisons—fore and aft—are required, to put sharply into focus the terrible, downhill trends in U.S. economic policy of practice since the assassination of President Kennedy, nearly

twenty-eight years ago.

Ask, what did Kennedy do, in the early 1960s, which Truman should have begun during the late 1940s, or Eisenhower during the 1950s? We shall soon come to that. Then, we shall see what puts the Kennedy years into a specific historic focus, and shows more clearly the pathological character of U.S. economic policy-shaping since 1963.

The follies of the Eisenhower administration's economic policies are epitomized by the influence of the President's key economic adviser, Federal Reserve Chairman Arthur Burns. On these accounts, the differences between Truman and Eisenhower were minimal.

What the U.S.A. should have done, coming out of World War II, was to have shifted a large ration of freed-up industrial capacity and labor force into a combination of accelerated infrastructure building, and a great enlargement of the advanced machine-tool sector's output, rather than the lunatic kinds of austerity measures deployed. In the take-down from peak levels of Korean War mobilization, the Eisenhower administration made what were, relative to altered circumstances, the same principled kind of errors as Truman earlier. On this account, if one considers the significant changes in secondary features of general economic circumstances which had occurred over the 1946-52 interval, the philosophical differences in economic policy thinking between the Truman and Eisenhower administrations were mere rhetoric, politically cosmetic.

The similar flaws of economic policy in those two preceding postwar administrations place the historical character of the Kennedy administration's achievements in clear focus. There were fundamental differences in U.S. policy-making after Kennedy's assassination; but, there were some significant points on which Johnson and Nixon resumed the blundering errors of



Speaking before a joint session of Congress on May 25, 1961, President John F. Kennedy committed the United States "to land a man on the Moon and return him safely to Earth." Kennedy's bold policy reforms in economy were an escape from the intellectual morass of the Eisenhower 1950s.

Truman and Eisenhower. Acknowledging those points of similarity puts the fundamental differences into clearer focus. To appreciate the significance of this point one must consider the following addenda to the earlier chapters' identifications of principles of economic science:

1. We have already stressed, repeatedly, that the primary source of both the increase, and even mere maintenance of potential population-density, is the realization of scientific progress as increases in the per-capita and per-hectare productive powers of labor by means of both increases in the per-capita standard of nuclear-family household "marketbasket," and technological progress in both the design of goods and the relevant productive processes.

2. The link between scientific progress and technological progress in product and mode of production, is the relationship between the experimental apparatus of a valid crucial experiment, and the corresponding new technological principle of design employed by tool builders.

3. These technological advances require a twofold

increase, in quality as well as quantity, in power-supplies employed. Quantity must increase geometrically; “energy-flux density” of applied power must be increased.

4. These technological advances require increases in water supplies per-capita and per-hectare.

5. These advances increase the per-capita and per-hectare quantities of both *ton-mile hours* and *ton-mile-hour-dollar*¹ of required density of freight transport per-capita and per-hectare.

6. These advances cannot be realized adequately without coordinate increases in (a) fundamental scientific progress, in (b) buildup of the technologically advancing machine-tool sector, and (c) fostering of capital-intensive, energy-intensive modes of investment in the new technologies which fundamental scientific progress is developing “upstream” from the production line.

The design of a sound monetary, tax, and financial policy must be subordinated, “enslaved” to the mission implicit in these connections. Here, on this point, lies the United States’ single, original, and most important contribution to the science and practice of political economy, a principle of which virtually all U.S. university graduates today are pathologically ignorant, a principle which Truman and Eisenhower violated savagely, with rather disastrous ultimate results.

How National Banking Works

Our present U.S. Federal Reserve System is, among its other faults, *unconstitutional*. Look it up, as the fellow said: How does Article I of the *Constitution* specify the issue of U.S. currency? “Where and when,” one challenges apologists for “the Fed,” “was that provision of our Constitution repealed by amendment?” Never, of course. Now, put that provision of Article I, which (later) U.S. Treasury Secretary Alexander Hamilton had a hand in drafting, with Treasury Secretary Hamilton’s *Report to the Congress on the Subject of a National Bank*. View that report in conjunction with

1. The law of physical movement of freight is measured in tons moved per one mile (or a multiple thereof) per hour. Similarly, we use passenger-miles per hour. The countervailing consideration, is the social cost of delay in arrival of freight at its destined place of purchase for use. The greater the social cost of production of that freight, per ton, the greater the imputable social cost of delay. As a crude but broadly useful rule of thumb, we measure estimated social cost as dollars of assessed valuation per ton.

two other key reports to Congress by that Treasury Secretary, *Report on Public Credit* and *Report on Manufactures*. There you have the germ of the “American System of Political-Economy,” as later elaborated by Mathew and Henry C. Carey, and by Friedrich List.

This “American System” was installed by President George Washington, overturned—to disastrous effect—by Gallatin-duped Presidents Thomas Jefferson and James Madison. It was restored under Presidents James Monroe and John Quincy Adams. It was wrecked in 1832, causing the 1837 Panic, by bankers’ agent and President Andrew Jackson. It was partially restored by the Whig Party under the leadership of Speaker of the House Henry Clay. Under Presidents Pierce and Buchanan, the nation suffered disastrously. President Lincoln’s brilliantly successful economic mobilization for war was conspicuously informed by American System principles. President Andrew Johnson was a British liberal’s delight, a national economic and social disaster. The destruction of U.S. sovereignty in its monetary affairs was effected through the treasonous U.S. Specie Resumption Act of the late 1870s.

The final blow to the U.S. Constitution’s monetary law, came through the immoral actions of former President Theodore Roosevelt, in running a Bull Moose “spoiler” candidacy, to elect Federal Reserve advocate Woodrow Wilson as President. Since that time, “Hamiltonian” American System principles have been employed only in a distorted, partial way, as U.S. war-economy mobilizations. With the Hemingway figure of Theodore Roosevelt, the Buggers had won—apparently forever.

Nonetheless, as the two great U.S. depressions under that Federal Reserve System highlight this fact, the “Hamiltonian” American System remains the only sane choice of U.S. economic policy which the United States has experienced, or observed in use among other nations, to the present day.

Although writers including Benjamin Franklin, Alexander Hamilton, Mathew Carey, Henry C. Carey, Friedrich List, and others, have documented the principles of the American System as thoroughly as any liberal or Marxian competitor has been presented, the modern development of the American System, as a system, has been accomplished only by the author of the present proposal-report. Therefore, some additional points of special reference are now summarized here.

From moment to moment, all of the domestically

FIGURE 1
Census

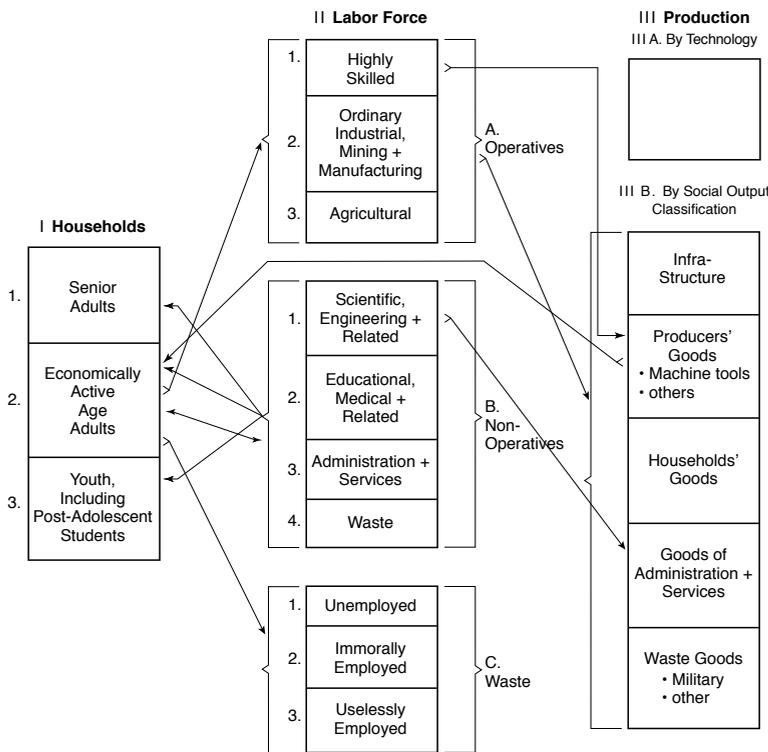
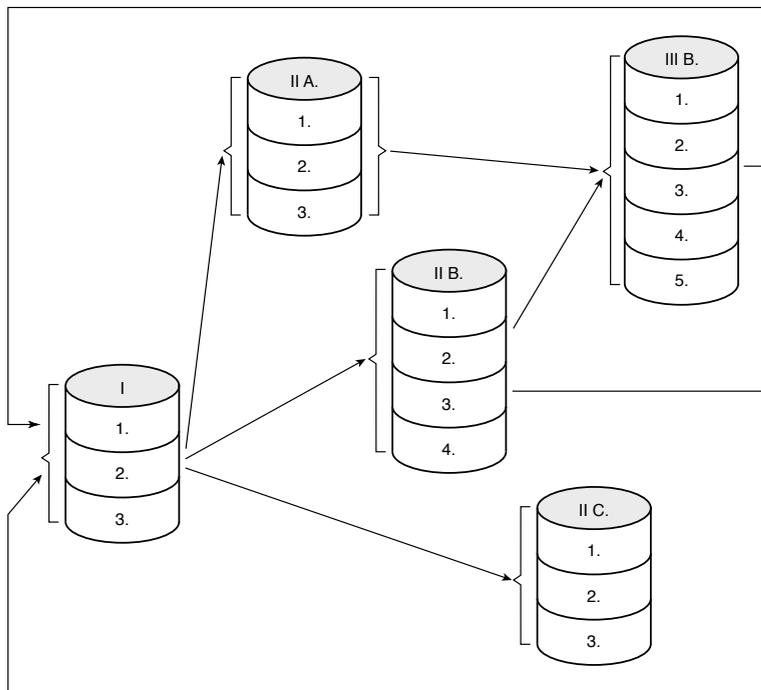


FIGURE 2
Flow Diagram of Census



produced wealth of the national economy is produced by 100% of its available labor force. This labor force is, in turn, a portion of the total population of family (and quasi-family) households of which the total population is composed. The family household produces the new individual; so, the generic family household, as an expression of a Cantorian *Type*, is the locus of the continuing existence of the nation, and of the human species as a whole. It is the development of that family, including its new individuals, which is the proper primary referent of any sane economic policy, or economic science.

The labor force acts to produce those physical-economic changes on which depend the existence and process of continuing reproduction of the household as a whole. Thus, through the action of the labor force *as a whole*, do the households reproduce the pre-conditions for existence of that reproductive process which is the nation—mankind—*as a unit-whole*. Thus, through scientific and technological progress as a *process* of change characteristic of the cycle of labor, creative mental life, reason is the characteristic of labor and economy.

Let us now represent the bare statistical relations to be considered, using graphical diagrams and flow-lines among such bars as raw illustrations. Then, next, we return to the simple non-algebraic (e.g., cycloid) forms, to show the meaning of the apparently statistical constraints of successful growth through capital-intensive, power-intensive modes of technological progress. (See **Figures 1 and 2.**)

The successful development of an economy may be represented usefully in that statistical framework just outlined. The principles of measurement serve as a set of guidelines for bankers, statesmen, and borrowers, respecting the proportional application of sources of funds to various qualities of investment, and also as guidelines for determining the relatively more or less favorable terms and conditions associated with each class and type of loan of either national or private funds, or a mixture of both. A description of the physical-economic objectives implies

the appropriate monetary, tax, and financial practice.

As we have stated in earlier chapters, the elementary function of physical economy, is the *increase of the average productive powers of labor* of the society as a whole, as measured in terms of the *variable rate of the rate of increase of potential population-density*. This mode is *capital- and power-intensive*, as already indicated. Within those primary terms, the conditions for growth of a physical economy can be expressed in terms of a set of *implicitly non-linear* inequalities.

Consider some relevant highlights of this practical approach to the subject-matter.

Focus now on columns I, II, and IIIb. First, take each of the columns *seriatim*.

I. Households. The rise in the level of technology requires several interrelated changes, producing a population better fed, longer lived, healthier, of higher levels of morality and culture, better educated in *science*. This requires a converging of the “school-leaving age” asymptotically upon some upper limit, approximately twenty-five years of age. This requires a longer-lived adult population, and therefore substantial increases in the ratio of senior adults (e.g., over sixty to sixty-five years of age) to total population.

This requires “smaller class size” in schools, at all levels, ever-higher levels of scientific rigor of teachers at all levels, and so on.

This requires a constant increase in the quantitative/qualitative content of the *family households* per-capita marketbasket, and increase of the quantity and raising of the cultural level of leisure.

Such are the demographic inequalities.

II. Labor Force. The total labor force of a society is a *rather* well-defined function of the family (and quasi-family) households. *Abandoned children* of working parents’ working hours, are not the stuff of which sane future adults are made generally. The family supplies available wage-earners to the economy, according to a sane standard for the internal life of the child-rearing family household. That is a subject unto itself; it is sufficient, that the fact of the point’s existence be noted here.

This labor force’s employment must be analyzed first in respect to the total society’s total relationship to nature. This relationship is defined with respect to the physical changes we recognize as physical products (such as tangible commodities of households’ or pro-

ducers’ consumption-marketbaskets), or as physical forms of basic economic infrastructure. These *changes* are defined functionally in respect to changes in the rate of increase of potential population-density.

The primary relationship of labor force to nature is represented by the activity of the *operatives*.

These operatives are primarily as indicated:

A. Highly skilled industrial or mining operatives, general operatives, and agricultural operatives.

B. The usefully employed *non-operatives* we defined functionally, as shown, among (1) science and engineering and related professionals, (2) education, medical, and related professionals and quasi-professionals, (3) necessary functions of administration and services, and (4) waste. By “waste,” in this case, we signify employment whose form is a useful one, but whose application does not foster increase of potential population-density.

C. The category of *waste*, as distinct from wasteful employment of “non-operatives,” signifies employment, or unemployment, which is intrinsically wasteful or worse in *form* per se.

These components of the total labor force, IIA and IIB, most emphatically, are applied to, distributed among, the categorical sub-sectors of IIIb. Begin analysis with IIA’s distribution in terms of rations of operatives employment in each category of IIIb: (1) Infrastructure, (2) Producers’ Goods, (3) Households’ Goods, (4) Goods Used by Useful Forms of Administration and Services, and (5) Goods Used in Waste (wasteful applications of useful forms of productive activity).

So, in IIA, as technology and increase of potential population-density advance together, agricultural (and related) employment approaches asymptotically some ultimately “smallest possible” ration of the total labor force, perhaps in the vicinity of 1%. Simultaneously, the ration of “highly skilled operatives” increases as a percentage of total operatives.

On IIB, the ratio of employment in science and engineering professions, should increase as a percentage of total employment. Today, in the U.S.A. or Japan, for example, it *should* lie between 5 and 10% of the total labor force. This increase is principally a function of the operatives’ component of the total labor force, and is associated most closely with a highly skilled component of the operatives’ sector.

IIB 2. Employment of Professionals and Quasi-Professionals in Education, Medical Care, and Related Categories of Infrastructure must increase with techno-

logical progress, and with required increases in longevity, health, and productivity.

IIB 3. Employment in the growth of Administration and Services is to be constrained as much as possible. That is, the sum-total of members in the labor force employed in categories of IIA 1, 2, and 3, plus IIB 1 and 2, ought never to decline below 80 to 85% of the total labor force—in a healthy economy.

Those are the first-order data and constraining inequalities to be applied. In summary, these are:

1. There must be the indicated demographical and cultural improvements, correlating with the generation and maintenance of an increase in potential population-density by means of a continuing capital-intensive, power-intensive mode of investment in scientific and technological progress.

2. Thus the direct and indirect per-capita content of the standard family household's marketbasket must be increased in both quantity and quality, in the same correlation as demographic change.

3. Similarly, there must be a continuation of the indicated shift from rural to urban-industrial operatives' employment.

4. Similarly, within urban-industrial employment of operatives, the ration of employment in production of producers' goods (including infrastructure) must be increased relative to both total employment of operatives, *and total labor force*.

5. Similarly, the rations of employment in two sub-categories of non-operatives' employment must increase: science and engineering; and the social infrastructural sub-categories of health and education. The first should be between 5 and 10% of total employment in the U.S.A., Canada, France, Germany, Japan, etc. today. The first is keyed to technology production; the second to the correlation between technology and required shifts in demographic profiles of statistically standard family households.

These statistics, inequalities, land-use functions, and so on, correspond to a series of input-output tables, one for each historical moment of a constantly changing array of such tabular values. The result, this series of tables, is a representation of a non-linear, negentropic series of the now-familiar form, A, B, C, D, E, It is desired by the society which is both economically literate and sane, that the flows of credit into various sectors of the economic process cause a result corresponding to the prescribed inequalities. A sane "capitalist" economy is, like the U.S.A. under President George

Washington, a nation which has rejected the British liberals' "Adam Smith's free-trade" dogma, and has chosen instead a policy akin to that of President Washington's Treasury Secretary, Alexander Hamilton. That policy is known as "the American System of Political-Economy."

The primary objective is to effect investment in advanced technologies, and that in a *physically* capital-intensive, power-intensive mode. However, to implement more advanced technology, it is indispensable to provide support in the form of expansion and technological improvements *in all dimensions of* infrastructure. That is to say, that the general advancement of technology requires:

increased water supplies per-capita and per-square-kilometer;

increased power per-capita and per-square-kilometer;

increased energy-flux density of power applied;

increased completion-rates of ton-kilometers-hours-dollars of freight moved;

better health care;

better education, and so on.

If the quality of infrastructure declines, the potential level of realized technology and productivity per-capita and per-square-kilometer declines. Now, that said, resume our comparison of the pre-Kennedy, Kennedy, and post-Kennedy "models" of economic policy.

A Rule of Thumb Approximation

Let C equal current operating costs of production-facility at 80% utilization of capacity. Let S represent the fixed investment in that capacity. Let P represent profit.

Let R equal rate of profit.

Now compare two "blackboard" cases.

$$\begin{aligned} S_1 &> S_2; \\ C_1 &= C_2; \text{ and} \\ R_1 &> R_2. \end{aligned}$$

However, $C_1/S_1 < C_2/S_2$.

Thus, $P_1/(C_1+S_1) > P_2/(C_2+S_2)$.

So, $P_1 > P_2$ by the product of $(C_1+S_1)/(C_2+S_2)$.

These relations exist because the investment in new technology (C_1/S_1), was based on P_1 being greater than

P_2 multiplied by the dividend of $(C_1+S_1)/(C_2+S_2)$. Although products produced by means of S_1 are probably lower in unit-price than with S_2 , the higher productivity offsets this. That is the “classical” classroom-blackboard basis for the investment in S_1 , rather than S_2 .²

The Buy-back Fallacy

Years ago, United Auto Workers Union (UAW) President Walter Reuther argued, ignorantly, against automation, that machines do not buy groceries or passenger cars. This argument used by Reuther is known as the “buy-back” fallacy. The false argument runs thus. The purchasing power of a nation is the sum total of the money paid out as costs and expenses, paid-out money which becomes purchasing power. Thus, the “buy-back” argument runs, “labor-saving machinery,” if it is successfully profitable, lowers the total amount of the nation’s paid-out costs and expenses, and thus lowers the purchasing power of the nation. To many, that line of argument has been convincing; convincing or not, it is a falsehood, a shallow sophistry.

The margin of increase of money supply originates as a margin of credit issued. This margin of monetized credit, when redeemed by valuable goods, becomes new purchasing power in general circulation. That conversion is the key to showing the folly of the “buy-back” fallacy. It is key to the kind of monetary, tax, and financial policy which the Eisenhower administration should have followed.

The Eisenhower Case

What the Eisenhower administration did was as follows.

First, as the intensity of war-fighting in Korea was lowered to the diplomatic requirements of Panmunjon and related negotiations, the U.S. government re-enacted the essential features of the unnecessary traumatic conversion of the economy from the World War II war economy. The result was a bitter recession, roughly comparable to 1946-48 in form, although mild relative to the later Eisenhower recession and post-recession doldrums of 1957-61. What the administration then did, was to rely upon an increasingly reckless form of “consumer credit”-driven expansion of production

2. That is merely a rule-of-thumb approximation; the correct function considers the effect of the choice of investment-allotment upon the rate of return consequently realized by the economy as a whole. That is, the sum of the optimal profits of the aggregate firms of an economy, does not define the profitability of the economy as a whole.

and employment, an expansion which led, inevitably, to an early and deep collapse, into the worst postwar recession, by February-March 1957.

This short-lived, consumer credit-driven Eisenhower recovery of 1954-56 was typified by the speculative madness of the way in which retail and new car sales, and numbers of dealerships were expanded. The consumer credit-financing of these sales became a speculative financial bubble, which blew up, lawfully, inevitably, at the beginning of 1957.

Two fictions were characteristic of financial sales of new cars during that period. The first was the combined “packing” of the new-car price, and related, wild overpricing of the allowance on the used car trade-in. The second feature *should remind us of the insanities of the 1980s real-estate boom*: the assumption that the “trade-in” value of the financed new car would enable the buyer to liquidate readily a “balloon note” concluding the series of thirty to thirty-six monthly repayment notes on the financing of the new-car sale. This latter feature was key to the triggering of the 1957 recession. During 1956 the point was being reached ever more frequently, that the unpaid balance still owed on what had been originally a new car purchase, exceeded by far the price at which an identical make and model could be purchased at a nearby used car lot.

What should have been done, instead of a consumer-credit expansion, as typified by this new car sales case, was a capital investment-led expansion. Instead of relying upon consumer-credit expansion, the Eisenhower administration should have kept consumer credit prudently tight, and focused credit-expansion into long-term investment in technologically progressive infrastructure and productive capital of, chiefly, agriculture and industry.

Instead of expanding the total consumer-goods purchasing power by increasingly reckless consumer short- to medium-term indebtedness, the administration should have increased total consumer purchasing power by means of the higher per-capita wage levels of technologically progressive capital expansion. It is the increase of the total households’ cash pay envelope purchasing power, through the combination of job expansion and skill-related employment upgrading, which is the proper basis for a durable growth of the households’ goods market.

Interestingly, the Eisenhower folly on this account was the General Motors folly. Henry Ford had conceived the automobile as a household’s long-term in-

vestment medium in a capital good of a household/farm. Christiania/Wall Street-linked General Motors had introduced the sweat-shop ideology of the New York City Seventh Avenue garment-manufacturing industry into automobile marketing, and thus, into automotive manufacturing. Robert Strange McNamara was the instrument to introduce the “Seventh Avenue sweat-shop” mentality to Ford Motor Company operations.

The difference in the two approaches may be illustrated as follows:

The “Seventh Avenue,” or “horizontal” approach of General Motors style-season marketing, which Wall Street’s “loony” Robert Strange McNamara carried into the politically defeated Ford Motor Company of the 1950s, is in direct opposition to the “verticality” of the sane, industrial approach. The industrial approach changes the composition of total corporate and sales products, to increase the relative portion of high-technology producers’ goods. It is this relative expansion of producers’ goods production and sales, which increases both the scale and per-capita incomes of industrial employment, thus avoiding the horizontal approach’s tendency to seek a speculative boom based upon misused consumer credit mechanisms.

To illustrate this important point, take the case of hypothetical automotive manufacturer “A.” With technological progress, “A’s” passenger vehicles divisions produce an increased volume of units, of improved quality, with a reduction in operatives in all these divisions combined. Shall this lead to a corresponding margin of increased unemployment among the employees of “A”? Not if the sane industrial approach is employed.

The normal line of promotion within the ranks of operatives in an integrated aerospace/automotive enterprise (such as “A” should be) is from “the general operative,” toward machine-tool specialist, and so on. If “A” takes the industrial approach indicated, this firm coordinates technological advances in its passenger vehicles divisions with increasing production and marketing of classes of capital goods cohering with its overall technological requirements.

A sound such enterprise should employ about 5% or more of its total operatives force in research and development, or should support an outside research and development vendor to supply such an effect.

Government plays a critical role in shaping the economy on this account.

First, government at various levels (federal, state, county) either builds and operates the needed basic eco-

nomics infrastructure, or provides regulation of privately owned public utilities to the same net effect. This investment is a large component of the nation’s total long-term, productive capital investment, and is the most important such investment—upon which the feasibility of every other investment depends.

The production of currently and foreseeably needed capital improvements in basic economic infrastructure, is the proper, principal “driver” in increases of both total employment and per-capita productivity. The same is true of capital- and power-intensive investments in improved technology, generally.

Imagine an entire economy analogous to the enterprise “A,” above. As technological progress enables us to produce a higher per-capita value of households’ consumption marketbasket with a smaller fraction of the total labor force than earlier, instead of shunting the redundant margin of operatives into the ranks of the unemployed, or useless low-paid services employments, this margin should be absorbed by job upgrading, into the domain of capital goods production.

Thus, if the new issues of U.S. currency notes authorized by Congress are entrusted for lending to a national bank such as Hamilton’s or Biddle’s United States Bank, the following practice is to be desired.

The national bank may lend these notes either directly to borrowers, or the loan may be issued, in cooperation with the national bank, by a private member-bank of the national banking system as a whole.

Generally, federal, state, county, and municipal infrastructural agencies would prefer to borrow directly from the national bank. In federal cases, this would be the rule. Private agencies would usually borrow through a private member-bank of the national system; customarily, the private bank would supply a significant portion of the total credit issued.

The chief purposes of national bank lending as a whole are two. First, to supply low-price, long-term credit for capital improvements in basic economic infrastructure, and second, to foster optimal realization of the private sector’s capacity to absorb new productive capital formation in connection with agriculture, mining, and manufacturing:

- in publicly owned basic infrastructure, the national bank is the chief source of such credit *for capital improvements*;
- in public utilities, national banking credit may be a major contributor of lines of such credit when the specific circumstances warrant this;

- in agriculture and mining, the national bank is a significant indirect lender;
- in the manufacturing sector, the national bank is a significant participant in capital loans which foster those kinds of capital-intensive, power-intensive investments in technological progress which have the relatively greatest beneficial impact upon the economy as a whole.

Since the new circulation of U.S. currency notes is, in these cases, always tied to a corresponding increase in physical wealth produced, there is no inflationary impact in lending in a manner analogous to progressively issued construction notes. In the degree that lending fosters capital- and power-intensive modes of investment in technological progress, that impact is *deflationary*.

Thus, technological progress effected so, means an expansion of the scale of the economy's per-capita output. The monetary support for this marginal expansion of scale of product produced and sold, is properly supplied by the national banking mechanism, in accordance with provisions within Article I of the U.S. Constitution.

Eisenhower and the Fourth Republic

Earlier here, we said that it would be useful to see similarities in the contrast between Kennedy and Eisenhower, in the one case, and between President Charles de Gaulle and the French Fourth (and Third) Republics, in another case.

Under the leadership of King Louis XI, France was not only re-created as the first modern form of nation-state republic, but as a leading economy as well. Under Mazarin's protégé Minister Jean-Baptiste Colbert, France became the world's leading nation in science, technology, and economy, until 1815. Although the followers of Descartes undermined France's eighteenth-century science, and although the Jacobin terror sought to literally decapitate French science, over the period of 1793-1814, Lazare Carnot and his collaborator Gaspard Monge revived science and kept France in first rank until the Bourbon Restoration. Thus, the relative scientific and technological stagnation which dominated French history from 1815 until de Gaulle's Fifth Republic, is an uncharacteristic feature of modern French history and culture taken as a whole, if the entirety of the span from the fifteenth-century accession of Louis XI is taken into account.

The problem of France's Second, Third, and Fourth Republics can be summed up in a word, "Buggery": the Bugger-like, Rosicrucian philosophical world outlook of a powerful rentier financial interest centered historically around that Baron James Rothschild so bitterly described by the great Heinrich Heine, the France whose rentier corruption is so famously described by participant Honoré Balzac. That is the characteristic tendency of *rentier* Wall Street's Eisenhower administration—the United States mimicking the charlatan's empire of France's Napoleon III.

Thus notable differences aside, Kennedy's bold policy reforms in economy are an escape from the intellectual morass of the Eisenhower 1950s, an escape paralleling de Gaulle's rescue of France from the moral miasma of the Fourth Republic.

As President de Gaulle recognized in practice, the right agro-industrial program must fail, if it does not include a vigorous, leading science-driver component. Three elements of the Kennedy recovery program were *indispensable*:

I. Acceleration of development of basic economic infrastructure.

II. Fostering power-intensive, capital-intensive investment in productivity increases, through an investment tax-credit program.

III. Taking on the Federal Reserve System, in defense of the U.S. Constitution. (President Kennedy in mid-1963 ordered the drafting of an Executive Order, which explicitly ordered the Federal Reserve to cease the practice of creation of U.S. currency by Federal Reserve action in rediscounting of Treasury notes. The order would have left the Treasury solely authorized to issue currency of the United States, as required by the Constitution. The assassination of Kennedy intervened before he promulgated the order, and it was never recurred to by subsequent Presidents.)

One additional feature was *essential*:

IV. Demanding Moon landing as a science driver for the economy as a whole.

Without technological progress, in a capital-intensive, power-intensive mode, there is no substantial growth of sustainable improvement in productivity. It is essential to bring monetary, tax, financial, and economic regulatory policy into conformity with that principle. So, these four, and correlated features of the Kennedy economic recovery represented, without fear of exaggeration, a revolutionary "cultural paradigm-shift," away from the "Fourth Republic-like" moral and

intellectual decadence of the “baby boomer”-vintage Eisenhower decade. Kennedy’s economic policy was a revolutionary shift, away from a rentier, toward a “Hamiltonian” practice.

Unfortunately, if the Eisenhower decade was a purgatory of moral and intellectual decadence, the counter-revolution unleashed by the November 1963 assassination of President Kennedy, was purely a Crowleyite, Nietzschean, Dionysiac Hell.

The Credit System

Under the British central banking system, or our U.S. Federal Reserve System, for example, a financial oligarchy exerts a usurious dictatorship over the nation’s money supply. Under such systems, which originate in ancient Babylonian tax-farming, the state issues money by either collection of money as taxes, or borrowing advance payments from private holders of nominal wealth in their capacity as tax-farmers.

The only significant alternatives to this dictatorial rule by oligarchy are two: (1) that the state outlaw usury as a capital crime; (2) that the state, or an alliance between state and benign agro-industrial interests, provide an alternative to the oligarchic, usurious forms of tax-farming and central banking. The best alternative developed thus far, is the American System of national credit and banking.

All economic theory and practice is divided principally into two types: (1) the doctrine that wealth flows from the borrowing and circulation of an original hoard of money; (2) the opposing view that the origin of wealth is production, and that money is merely a means of fostering the circulation of that produced wealth.

Under President George Washington’s American System, to which this report proposes we return, two forms of banking enjoy a cooperative existence to their mutual advantage. The one form of banking is “Hamilton’s” national banking; the other, is the entrepreneurial, usually state-chartered, regulated system of private banking institutions. In this division of labor, the power to create *currency (legal tender)* is absolutely a monopoly of the federal government, as provided under the relevant terms of Article I of the U.S. Constitution. The division of labor is, summarily, as follows:

1. The President of the United States requests from the federal Congress, a bill authorizing the Secretary of the Treasury to create and circulate a specified issue of United States non-interest-bearing currency notes as legal tender.

2. The U.S. Treasury might place such newly issued notes into circulation as cash payments for federal government purchases or payroll on current operating account. It is preferred, by far, that all payments on account of federal government operations be paid from sums accrued as paid-in tax revenues and tariffs.

3. The preferred, customary method of introducing a new issue of currency notes into general circulation is through lending. Two channels for lending might be employed: loans issued directly by the U.S. Treasury, or loans issued against new currency issues which have been placed on deposit with a chartered bank of the United States.

4. Loans issued by a chartered bank of the United States are properly restricted by guidelines, which, in turn, are established according to statute, by an executive order of the President. These guidelines cover all non-emergency loans issued by that bank, as follows:

The functional classes of borrowing agencies are broadly defined by aid of a cross-grid of three classifications, each with associated subordinate elements, as seen in **Figure 3**:

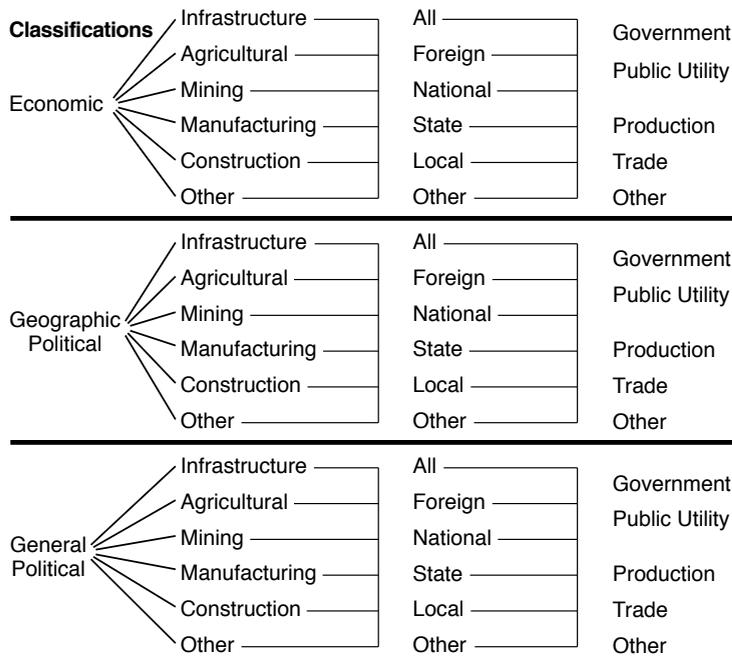
Consider the following, brief illustrations:

The urgent national freshwater development needs of the U.S.A. are reflected chiefly by a combination of one major project, an expanded NAWAPA (North American Water and Power Alliance) project, plus a policy of fostering state-of-the-art desalination applications and other water-treatment programs of localized application. A very large percentage of total U.S. water development investment during the coming fifteen to twenty years is represented by that package. Similarly, the largest single component of *new* national transportation investment during the coming two decades, is represented by a modernized nationwide railway network, featuring high-speed friction-rail (principally for freight) and magnetic levitation (initially, principally for intra-urban, suburban, and long-range passenger travel).

In the case of major power-generation expansion, we have also a clear—if presently controversial—choice. The only practicable sources of major power supply during the coming hundred years are nuclear fission and nuclear fusion. This should be used for the following principal applications: electrical power, industrial and other process heat, water management, and production of hydrogen and related fuels for internal-combustion and analogous vehicles. And so on, for infrastructure. A few major, national projects, and dove-

FIGURE 3

Useful Bank Lending



tailing state and local programs, cover most classes of national need over the next generation. The relationship of these programs to potential productive investment in population support is fairly described as “calculable.” Also, the manpower and other resources required for each of these projects is estimable by any relevant consortium of engineering firms.

Similarly, it is feasible to calculate the impact of such projects upon the economy. The “draw-down” of available labor force is calculable, and also of materials and other semi-finished and finished producers’ goods. The impact of the increased monetary purchasing power generated by relevant margins of increased sales of households’ and producers’ goods, is thus also calculable. Also, the increase of the federal, state, and local tax revenue bases is calculable. Those increases in gross monetary purchasing power and tax revenues ought to be applied in proportions consistent with the constraints (non-linear inequalities) consistent with real growth. Such a latter effect can be fostered *indirectly* through the marginal effects of proportional allotments of lendable new issue of legal tender through the private banks of the national banking system.

The nation as a whole is divided into its obvious economic regions, as groups of states. The loan officers of the chartered national bank, are supplied with “flex-

ible budget” guidelines for loan-participations by type and by state within region. The loan officers are the channel through which member private banks conduct business respecting participation of the chartered national bank (e.g., a U.S. Bank) in lending programs.

Those, in rough sketch-form, are the outlines of the system.

The national bank is engaged in medium- to long-term lending, and only by exception in short-term lending. Most of the loans’ value lies within two categories: principal lending-support for designated projects; or sub-categories such as public utilities’ capital improvements.

The proper economic functions of non-usurious banking, from this vantage-point, are typified by examining three types: (1) the indicated type of chartered national bank; (2) the savings bank; and (3) the commercial bank, this latter the usual partner in the national bank’s loan-participation programs. It is the distinctive function of the latter type which is now scrutinized.

The economic function of the commercial bank lies within what is fairly described as its “lending based upon a prudent assessment of business risk.” This function is derived historically from such precedents as Tudor England’s issuance of patents of temporary monopoly to inventors and their business partners in ventures producing and marketing that invention. Thus, consider only notions of “business risk” cohering with the effective production and marketing of a useful improvement in technology. Consider, from this standpoint, the proper division of economic responsibility between government and the entrepreneur.

For example, no sane nation would allow its military or law-enforcement agencies, or courts, to be delegated to a private enterprise. In the case of law-enforcement agencies or courts, “privatization” is transparently a form of *corruption per se*. We cannot leave it to the private entrepreneurship to decide whether some communities in the nation do, or do not have adequate public transportation, fresh water, power, and so forth. However, at the opposite pole, we could not permit the majority of the citizenry or government to decide upon what useful ideas will be allowed to be fostered in general communications, or in the marketplace. It is the history of mankind, that the most useful conceptions, upon which the existence of modern society significantly depends, came into practice as the

opinion of a relatively tiny group, or even a nearly isolated single person.

Indeed, the fact that all valid scientific discovery depends originally upon the sovereign authority of an individual mind's mental-creative processes, signals the necessity of certain classes of individual entrepreneurship for human progress, and hence continued existence in general. Some societies may disagree with that view; if they persist in such an opinion, they will be ultimately destroyed, as communist society is being self-destroyed before our eyes today.

There is a middle ground, between those matters in which government must intervene, to promote definite directions in scientific and technological progress, and, at the opposite pole, areas to which the principles of free speech are rightly extended, to preclude government interference. The middle ground, is that into which government may or may not choose to intervene, and may do so whenever reason shows this to be more than merely desirable;

1. Government must, of course, demand a minimal level of competence in pre-science and science in public education. Witchcraft is not to be tolerated as a substitute for geometry.

2. Government must support scientific research to the degree obligations of government cannot be adequately fulfilled otherwise. The current HIV pandemic illustrates this point. Beginning 1985-86, the federal government lied officially about the dangers of what is called today HIV infection, because, as Surgeon General Koop and others argued, the federal government did not wish to be panicked into new massive expenditures under the then-prevailing conditions of major budget crisis. Saving Gramm-Rudman was considered more important than saving human lives. How many people have died, or will die, avoidably, because of the callously inhuman decision by the federal government then? The proposal for a colonization of Mars, is another example of this issue. Fifty, sixty, and more years ahead, our posterity will face challenges which they could not solve, unless we begin an appropriate Mars colonization "crash project" now.

3. The cases of the Manhattan Project, President de Gaulle's successful, "dirigist" approach to the development of France's Fifth Republic, and a highly profitable Kennedy "Moon-landing" aerospace program, illustrate the kinds of large-scale, ostensibly optional, government "crash science-oriented programs" which sound governments will always be seeking out.

Otherwise, as indicated, government bears the responsibility for arranging the supply and maintenance of an adequate per-capita and per-square-kilometer's development of basic economic infrastructure for the territory and population of the nation as a whole. This includes the element of mandatory, not optional technological progress, and also the scale and capital-intensity of that investment.

To appreciate adequately the nature of a proper prohibition against government interference, we must strictly define the term "freedom," to equate "freedom" with creative powers of reason, as "creative reason" is defined in preceding chapters of this report. In this instance, the economic issue of science policy assumes the form of the proposition: What must government not leave, by its own omission, to the functions of individual entrepreneurs; and where must government not interfere with freedom of scientific inquiry and advocacy by a person, groups of persons, and business entrepreneurs?

It is the duty of government to foster, and to defend, a policy of capital-intensive, power-intensive productive investment in scientific and technological progress, as the general policy of the nation. This duty of government is expressed ordinarily in the form of development and maintenance of a well-regulated system of infrastructure, of national banking, and of taxation policies. This ordinary expression is properly supplemented by long-term so-called "science-driver" projects.

The Newton-versus-Leibniz controversy, continuing into the present time, is a prime illustration of a related problem of national science policy. Western European civilization, and now most of the nations of this planet, depend for their existence upon at least a certain minimal level of technology of general practice, and also a certain, at least minimal rate of scientific and technological progress in connection with that general practice. Thus, it would be criminal, in effect, for any government to proceed in opposition to scientific and technological progress. Thus, since we must reject as insane and immoral all anti-science policies per se, we are left with the kinds of disputes typified by the continuing Newton-Leibniz controversy.

In this matter of the Newton-Leibniz issue, to the degree that government knows that Leibniz's views are relatively the correct ones, to what degree must we permit Newtonians, for example, the prerogatives of "protected free speech"? Shall we, therefore, tolerate

the peddler who sells strychnine, atropine, opium, and mycotoxin as “natural foods”? When do we come near to the obligation to prohibit poisonous ideas of such or kindred quality? These are not easy questions to answer rightly; other matters of principle must be considered first. We shall lay the basis for doing so, after summarizing the successive disasters of the past twenty-eight years of post-Kennedy U.S. economic and related policy-shaping.

After Kennedy

The assassination of President Kennedy coincided with the unleashing of an interacting set of prepared economic, financial, monetary, and cultural changes in the axiomatics of public morality—a “cultural paradigm-shift.” Taken as a whole, these axiomatic changes are fairly grouped under the “New Age” rubric.

1. *In economics*: a shift away from a rising standard of productivity and household life, based upon fostering scientific and technological progress, toward the utopia of a “neo-Malthusian post-industrial society.”

2. *In finance*: a shift toward deregulation and unbridled financial speculation, premised upon the unfettered practice of usury.

3. *In monetary affairs*: an end to the gold reserve basis, and stable currencies of the postwar Bretton Woods agreements, in favor of a usurious speculator’s “floating exchange-rate” system.

4. *In cultural affairs*: a combination of the satanic (Dionysiac) rock-drug-sex counterculture, with kindred effluent of the Theodor Adorno “Frankfurt School” and Brigadier John Rawlings Rees’s London Tavistock Clinic.

Case in point: The Johnson administration proposed to take down the Kennedy aerospace program significantly, on the pretext of freeing money “from space” for “the war on poverty” at home. This hoax, known as the Great Society, plunged the darker-complected minorities, on the average, successively, notch by notch, lower down on the socio-economic ladder, while also bringing to an end the genuine economic growth generated by the Kennedy crash aerospace program.

This change, cutting aerospace savagely, had been recommended to the Johnson administration by the London Tavistock Institute’s Rapoport report on the effects of the Kennedy aerospace crash program. The burden of the Rapoport report: Aerospace was capturing the imagination of the majority of the population, was fostering greater admiration for scientific achieve-

ments, and was having the undesired (by Tavistock) effect of promoting a spread of increased rationality within the U.S. population. The aerospace program was promptly set back.

Case in point: Wrecking Bretton Woods came in six successive phases.

Phase 1: Johnson’s mid-1960s slashing of aerospace fostered a serious recession. This played into the London-orchestrated collapse of the British pound and the U.S. dollar, over the November 1967-November 1968 interval.

Phase 2: Dragging that imbecilic quality of economic illiteracy known as the “free trade” dogmas of Professor Milton Friedman (and later, Prime Minister Margaret Thatcher) into the White House, with the newly elected President Nixon, ensured the 1970-71 collapses which behind-the-scenes plotters used to maneuver Nixon into wrecking the last remains of the Bretton Woods gold-reserve agreements, and plunging the world into the accelerating spiral of speculative-inflationary orgy known euphemistically as “the floating exchange-rate system.”

Phase 3: The Kissinger oil-price hoax of 1973-75.

The first, 1972 outbreak of the scandal surrounding the Kissinger-created “White House plumbers’ unit” assisted Kissinger in aiding London to unleash “a new Middle East war,” and to set up Secretary of State Rogers later to be dumped in favor of Kissinger’s appointment to hold Rogers’s job, in addition to his original post at the National Security Council. This enabled Kissinger’s masters in London and Kissinger himself to orchestrate the famous “oil-price hoax” of the mid-1970s. This shock caused more serious immediate damage to the world economy than the 1970-71 monetary crisis. In fact, the effects of the oil-price hoax were used by London and London’s agent Kissinger, to shape the new monetary agreements established at the 1975 Rambouillet monetary conference.

Phase 4: The “Project 1980s” plan for “controlled disintegration of the economy.”

This project was prepared during the 1975-76 interval at the New York branch of Kissinger’s London (Chatham House) masters, the New York Council of Foreign Relations. The papers were assembled under the direction of future Secretary of State Cyrus Vance and future National Security Adviser Zbigniew Brzezinski. The Carter administration carried out the policies of these papers, including the 1979 appointment of a Federal Reserve chairman, the Paul A. Volcker who an-

nounced that he regarded “controlled disintegration of the economy” as an acceptable policy.

Phase 5: Deregulation of banking and transportation.

Circa 1978, the Carter administration moved to bankrupt the nation’s prosperous airlines and trucking industries, and many smaller communities of the nation, by pushing deregulation through the Congress. Today, we observe the results of that. Banking deregulation, the key to the 1980s wipe-out of the nation’s S&Ls, and of the leading commercial banks, too, was set into motion in 1978, by the proposal to allow the Hongkong and Shanghai Bank to take over the New York-based Marine Midland Bank.

The issue of the HongShang takeover was essentially this. By allowing the drug-money-laundering banking system of the British Commonwealth’s “off-shore” zones to take over U.S. banks without full audit transparency, the Carter administration, and Federal Reserve Chairman Volcker, opened up the U.S.A. not only for full-scale flood of illegal narcotics, but a takeover of our financial system by the financial institutions behind the Asian and South American drug-lords. It happened, just as this writer and his associates warned back in 1978 and 1979.

Phase 6: 1982 Deregulation.

The last major phase of the collapse of the U.S. economy was set into motion in 1982. Once that year had ended, certainly by the summer of 1983, the U.S. banking system was doomed to plunge into successive waves of bankruptcy, with ultimate results for the entire banking system, and the economy as a whole, far worse than President Herbert Hoover’s Great Depression of the early 1930s. By the second half of 1987, a new depression was in full swing.

August-October 1982 was the last chance to save the U.S. banking system in its then-existing institutional form. On that issue, this writer was on the front line, trying to save the banking system which did not seem to wish to be saved from its own acts of mass-suicide down the road.

During the months of June and August 1982, this writer produced a book-length special report, entitled *Operation Juárez*, which was delivered at the beginning of August that year. This report had been prepared at the May-June request of certain key officials of Central American and South American governments, as an action package for the case of a financial blowout which the writer had forecast to hit Mexico and other states no



EIRNS/Stuart Lewis

Henry A. Kissinger. “So long as the lunatic Kissinger and Bush financial policies of 1982 remain in force, the U.S. financial system must continue to fly ever nearer to the precipice.”

later than September 1982.

In August 1982, the crisis struck as this reporter had forecast throughout the preceding months. For several hours, approximately, the international financial system hovered at the precipice of a global chain-reaction collapse. U.S. President Ronald Reagan’s telephone conversation with Mexico’s President José López Portillo arranged stop-gap action to delay the crisis.

Mexico’s President acted at home, taking first steps along the lines proposed by *Operation Juárez*. Unfortunately, under pressure from a savage gang led by former U.S. Secretary of State and British foreign intelligence agent Henry A. Kissinger, the governments of Argentina and Brazil withdrew their backing for Mexico. Kissinger flew to Mexico, to meet with President López Portillo and his successor, Miguel de la Madrid. The measures which could have saved Mexico from usurious looting by Kissinger’s fellow hyenas were terminated. The collapse of the U.S. banking system, which *Operation Juárez* would have prevented, was merely postponed, and made inevitable.

A U.S. Congress apparently gone mad rammed through support for the policies of Kissinger and for the

insane banking deregulation measures supported by then-Vice President George Bush. So, as long as the lunatic Kissinger and Bush financial policies of 1982 remained in force, the U.S. financial system must continue to fly ever-nearer to the precipice. Beyond that is no mere depression-level financial collapse, nothing relatively as mild as Hoover's Great Depression of the 1930s. What is now visibly in progress, already at the verge of terminal collapse, is a disintegration of most among the principal financial institutions of the Anglo-American financial system—worldwide.

Since that autumn of 1982, we have already experienced the spring 1984 banking crisis, the October 1987 collapse, the 1988-90 collapse of those eaten-out carcasses which remained of the pre-1979 savings and loan industry, and now, a growing roster of leading financial institutions which are "brain dead" relics maintained solely by the Bush administration's taxpayer-funded life-support system.

The Intellectual Decay of Management

The mayfly celebrity of a dangerous idiot, Harvard University's economics professor Jeffrey Sachs, is, like a fresh, epidemic outbreak of herpes, a sign of a deep, perhaps mortal mental illness pervading the currently reigning "yuppie" generation of Anglo-American economic life. The quality of competence we associated with high-performance industrial-corporate management as recently as the early seventies, is past retirement age. Their replacements in top posts, during the late 1970s, were, on the average, intellectually inferior in every way; the next wave of promotions following that, during the middle to late 1980s, was chiefly pathetic by comparison with all predecessors. Sachs, and his milieu at Harvard, MIT, and elsewhere, typify the very worst results of this pathetic, downward trend in mental and moral qualities.

The nature of this mental and moral decay is typified not only by the phenomenon of a vicious ignoramus like Sachs; prior to the late 1970s, only a handful of querulous economics illiterates would have been duped into admiring something as banally fraudulent as Professor Milton Friedman's "Free To Choose" television series. In a saner time, when average concentration-span was significantly longer, the babbling of Britain's former Prime Minister Margaret Thatcher would not have been tolerated.

We have to consider not only the malignant, dangerous illiteracy of a Professor Sachs; we must account for

the dismal intellectual level of a relevant public opinion which tolerates such obvious rubbish as Sach's "shock therapy."

At first inspection, the cause of this collapse in the intellectual quality of our population has been neither genetic nor accidental. In short, the cause is "Buggery," perpetrated by "Buggers" ranging from William James and John Dewey, through Bertrand Russell, H.G. Wells, the American Family Foundation's roots in MK-Ultra, Brigadier John Rawlings Rees's London Tavistock Clinic network, and the Communist International project of subversion commonly known as Theodor Adorno's and Hannah Arendt's "Frankfurt School." The names of the projects by which the intellect and morals of the U.S. population were intentionally destroyed, include Hollywood, the "Radio Research Project," "soap opera," and the "rock-drug-sex counterculture," the "new math," "sensitivity training," and related mass-brainwashing modes.

This destruction of a large margin of the previously existing intellectual powers, and moral qualities of so large and widespread a ration of the post-1963 youth generations of the U.S. population, has been the explicitly intended result in a process of cultural subversion which began much earlier than CIA director Allen Dulles's adoption of a British intelligence-directed, mass-brainwashing project known by such official names as "MK-Ultra." The forerunners of MK-Ultra include such Communist International-designed subversion projects as the "Frankfurt School" of Theodor Adorno, Hannah Arendt et al., and also, related to the "Frankfurt School" the center of satanic orgies known as the mobster-directed Hollywood film and TV production colony. The 1963 launching of the mass-recruitment phase of the Tavistock-linked, Crowleyite, rock-drug-sex counterculture had roots older than the freemasonic "Young America" cult of satanic Giuseppe Mazzini and that treasonous degenerate Albert Pike.

The reader of approximately forty years of age or older, is aware of the greatness of the degree to which the average levels of mere literacy, concentration span, knowledge, and morality have collapsed during the past twenty-eight years. Twenty-eight years ago, an ideological quack such as recent British Prime Minister Thatcher would have been rightly classed in the same general category as Uganda's Idi Amin. A silly, but dangerous fascist, such as Harvard University economics professor Jeffrey Sachs, would have caused the

scandal-ridden collapse of any U.S. administration caught sponsoring such a wretch, as the Bush administration has imposed Sachs upon looted, defenseless Poland.

More and more, as the older generation dies out, hastened to “death with dignity” by the greedy heirs called their “baby boomer” generation offspring, the intellectual, cultural, and moral level of the U.S. population has sunk lower and then yet lower. That population, ever more ignorant, ever more suggestible, ever more “other-directed,” has succumbed more or less passively, to an ever-worsening pattern of atrocities in conditions of life, and in the Washington policies which foster those horrors. To read the daily newspapers and other popular periodicals of the day, to survey the preferred TV “news” and other mass entertainments, is to see so reflected the banality, ignorance, moral indifference, and worse qualities which the past quarter-century’s *directed* “cultural paradigm-shift” has induced in the majority of the population. Is this, perhaps, a population which shows itself thus, to be a nation which has lost the moral fitness to survive? Is such a people capable of both recognizing and adopting those specific, radical changes in both popular and governmental behavior which are indispensable to the medium-term survival of the United States in its present institutional form?

The famous, thread-bare aphorism is, “whom the gods would destroy, they first make mad.” In truth, whom the Satanists would destroy, they first seduce into destroying themselves. It is the same thing, in appearance, in the end. Your greatest enemy sits there staring at you, luring you to your mind’s self-destruction; it is your television set. That television set, and the imagined countercultural pleasures which it symbolizes, is your fatal, Faustian pact with Satan.

Satan Sells ‘Junk Bonds’

Your pension has been stolen. It was stolen by a set of accomplices which includes President George Bush’s cronies at Kohlberg Kravis Roberts, and which includes such Hollywood-styled news-media celebrities and predators as Ivan Boesky and Michael Milken. The way it happened is typified by the following actual case, featuring KKR and Minnesota State Attorney General Hubert “Skip” Humphrey III.

The prelude to this unpleasant little true story occurs during the late 1970s, when Washington decided to take the pension funds out of the control of wicked unions,

and put them under “professional” management. Next step, loot the pension funds, swapping relatively solid securities for “junk bonds.” The junk-bond scam hit the big time, when KKR and others discovered the way to loot pension funds, unloading junk bonds in the way a batch of this was dumped on Minnesota by courtesy of watchdog “Skip” Humphrey.

“Junk bonds” is a name with an historically appropriate ring of irony to it. During the 1968-82 interval, neo-Malthusian ideologues such as Zbigniew Brzezinski and James R. Schlesinger transformed our once-envied agro-industrial power into a wasting heap of obsolescent, “post-industrial” rubble. Out of this rubble came the worst pestilence of sociopathic financial predators since the fourteenth-century House of Bardi’s scalawags, Biche and Mouche. The “Burkes and Hares” of modern financial parasitism,⁴⁵ such as Kravis, Boesky, and Milken, brought the business ethics of the “resurrection man” to such forms of legalized theft as “hostile takeover” and “leveraged buyout.”

This business of “junk bonds,” and similar forms of wildly fictitious financial wealth, compares unfavorably with the John Law speculative bubbles of the early eighteenth century. It is fairly described as mass insanity. It is the essence of what the Thatcherite 1980s came to signify by such yuppie catch phrases as “deregulation” and “free trade.”

Back in the period 1966-73, when this writer was teaching a one-semester course in economics at various locations, one of the standard “professor’s jokes” which crept into my lecture routine, concerned the ideal business firm of the so-called “technetronic age.” Unfortunately, as years have passed since I last taught that course, in spring 1973, the reality has come to resemble that old joke.

I projected the trend of shifts in rations of employment, away from “blue collar” productive jobs, toward larger and larger proportions of employment in non-productive forms of low-skilled administration and services. If this trend, combined with merger trends, were to continue, one might imagine a not-too-distant time when all U.S. production was concentrated in a single firm, housed in a giant skyscraper, above ground, floor after floor filled with sales offices, executive suites, legions of clerks, and data-processing. The firm’s production would be concentrated in the basement, where a single little old man, using a simple craftsman’s tools, turned out daily the whole product

administered by the occupants of the floors above.

What happens to the U.S. economy on the day that little old man retires, I used to ask.

Naturally, it is 1991, and the U.S. economy is not yet near that extreme; millions are still employed in productive “blue collar” jobs in agriculture, mining, manufacturing, and infrastructure. So, like most good jokes (and poor ones, too), I exaggerated a bit at the lectern. Yet, things were going in that direction, and now they have gone far enough that the economy is collapsing as a result.

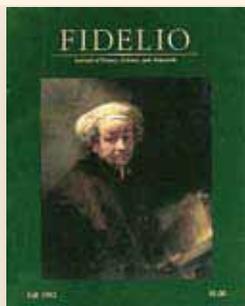
1966-67’s turn toward a hoax called the ‘Great Society’ was a step in the direction of Robert M. Hutchins’ *Triple Revolution* utopia. That was the first giant step downward in the direction pioneered by the ruinous British government of Prime Minister Harold Wilson. The 1967-68 wrecking of the original Bretton Woods agreements, and the later, 1971-72 scrapping of the indispensable gold-reserve arrangement, were giant steps downward.

The introduction of “environmentalism” and of “New Age” educational reforms, was a slippery road toward national bankruptcy. Secretary of State (and

British agent) Henry A. Kissinger’s 1973-74 petroleum-price hoax, was another major step down. The Carter administration was an economic and financial disaster from beginning to end, but all done under the direction of the “Project 1980s” package created by the real, Council on Foreign Relations creators and controllers of the Carter-Mondale administration. The two worst blows to the economy under Carter, were the launching of “deregulation” of transportation and banking, and the unleashing of newly appointed Federal Reserve Chairman Paul A. Volcker’s policy of “controlled disintegration of the economy” in October 1979.

Nineteen eighty-two was the year of crucial decisions. The Reagan administration entered a deadly financial crisis during summer 1982, with my *Operation Juárez* on one side of the desk, and the wildly speculative looting policies of Walter Wriston, Henry Kissinger, and George Bush, on the opposite side. When my policies were turned down, the U.S. financial and monetary system was doomed to collapse hopelessly a relative few years down the line.

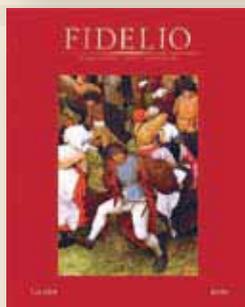
There we are at the brink, today.



FIDELIO

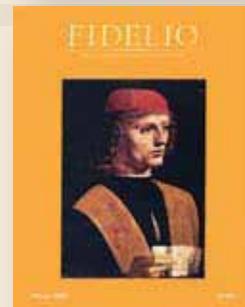
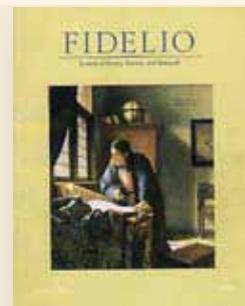
Journal of Poetry, Science, and Statecraft

From the first issue, dated Winter 1992, featuring Lyndon LaRouche on “The Science of Music: The Solution to Plato’s Paradox of ‘The One and the Many,’” to the final issue of Spring/Summer 2006, a “Symposium on Edgar Allan Poe and the Spirit of the American Revolution,” *Fidelio* magazine gave voice to the Schiller Institute’s intention to create a new Golden Renaissance.



The title of the magazine, is taken from Beethoven’s great opera, which celebrates the struggle for political freedom over tyranny. *Fidelio* was founded at the time that LaRouche and several of his close associates were unjustly imprisoned, as was the opera’s Florestan, whose character was based on the American Revolutionary hero, the French General, Marquis de Lafayette.

Each issue of *Fidelio*, throughout its 14-year lifespan, remained faithful to its initial commitment, and offered original writings by LaRouche and his associates, on matters of, what the poet Percy Byssche Shelley identified as, “profound and impassioned conceptions respecting man and nature.”



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