December 1971: LaRouche Stopped British Takeover

by Gerald Rose

EIRNS/Alan Yue

Leading Keynesian economist Prof. Abba Lerner of NYU in debate with Lyndon LaRouche (seated, left) on Dec. 2, 1971. The shocking British "coup" of Aug. 15 that year had forced Nixon to break up the Bretton Woods System—LaRouche, alone, had forecast it.

May 24—It is hard for people today to imagine the stunning impact of the total vindication of Lyndon LaRouche's forecast that day—Aug. 15, 1971—when Richard Nixon pulled the dollar out of the Bretton Woods system by severing it from the gold-reserve standard. Within hours, the headquarters of the Labor Committees—LaRouche's political organization—were flooded with phone calls recognizing LaRouche as the only economist on the planet who had forecast the end of liberal economic theory. All of the "built-in stabilizers" had failed, and in order to stabilize the dollar, Treasury Secretary John Connally had declared wage-and-price controls for the first time since World War II.

On Sept. 30, 1971, over a thousand people gathered at Columbia University to hear a lecture by LaRouche on what had just happened.

Paul Samuelson, 1970 Nobel Prize winner, and the leading economist of the post-war period, wrote in his *Economics: An Introductory Analysis*: "The modern fiscal system has great inherent automatic stabilizing properties. All through the day and night, whether or not the President is to be found in the White House, the fiscal system is helping to keep our economy stable."

An editorial in the Aug. 30, 1971 issue of the LaRouche organization's newspaper *Solidarity* was headlined, "100% Off: Experts for Sale Cheap." Both the "conservative" economists and those of the "Left" had agreed a breakdown crisis was impossible. Only LaRouche had forecast in the late 1960s that this breakdown—which, he had specified, would include the breakup of Bretton Woods—was not only possible, but inevitable, given the policies that were being pursued.

And, in the same forecasts, LaRouche had foreseen that the breakup of the Bretton Woods system would be accompanied by fascist measures against the living standards of the labor force.

Now this had actually occurred. The British had ended the Bretton Woods system, and with it the credit system that had dominated the post-war development of Europe and Asia. We had gone to a floating-exchange-rate system. In the wake of the British assassination of President John F. Kennedy, this was designed to destroy the United States.

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Preface

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did it. Both Left and Right had agreed that the "restraints" of the Bretton Woods system had to be gotten rid of.

These moves were a direct takeover of the U.S. economy by the British.

Only LaRouche immediately understood the fascist implications of these policies. At Queens College, he drew Lerner out on just that question.

Lerner started the debate with the simple Keynesian description of "inflation as too much money chasing too few goods." He went on to insist that by wage-and-price controls, you could increase employment, and that more people at work would create more demand, and that by freeing the dollar from the gold-reserve standard, you could print more dollars as employment rose. He made the argument that it was too high wages for productive workers, which had caused the inflation.

This is the context in which LaRouche's debate with Prof. Abba Lerner, took place on Dec. 2, 1971 at Queens College in New York City.

The Debate Begins

LaRouche, the individual genius who had come seemingly out of nowhere, had become one of the most prominent economists in the country. He had forecast the 1957-58 U.S. recession as well as the 1971 breakdown crisis. It was no wonder that Abba Lerner, the leading Keynesian economist and visiting professor at Queens College, would have to debate Lyndon LaRouche. It became clear later that Prof. Sydney Hook of New York University and the Hoover Institution, one of the founders of the Congress for Cultural Freedom in the United States, and others, had chosen Lerner to try and stop LaRouche.

A big mistake, as Hook was later to admit.

Lerner had taken courses with John Maynard Keynes himself at the London School of Economics and was a student of New Left economist Paul Sweezy, who was also a leading Keynesian. Lerner had supported Nixon's pulling the dollar off the gold reserve standard, and the imposition of wage-and-price controls. Lerner, a radical leftist, had supported the Brazilian junta in imposing wage-and-price controls, though he did not like the totalitarian "Bonapartist" regime that

LaRouche's response should be quoted in full:

"The trouble … which Professor Lerner doesn't seem to grasp, is that, in the ordinary course of events, economic teaching in universities, is more like the practice of a priesthood than anything to do with reality. It's simply something you learn, you don't use it in business much; in point of fact, most business economists, or, most practicing economists in business, do not have an economics training, but usually an industrial engineering, or some other type of training. However, in the course of the crisis, these abstractions, which are the priestly affairs of economics education—which you have to learn to pass the course, primarily—become something more than abstractions. They become something related to concrete policies which affect the *lives of people*. And, they have consequences for people.

"And thus, people who are too divorced from reality, seeing these abstractions merely as innocent intellectual toys, lack a grasp of the blood-concreteness that these abstractions sometimes lead to in practice; and therefore, since the lives and well-beings of millions, and even billions of people are at stake, that an error in the domain of abstraction, is not an intellectual error; it can be a bloody crime against humanity.

"A professor who says innocently, 'The economy, from my point of view, would be better organized if certain administrative arrangements were made,' does not necessarily think *out*, to the kind of administrative arrangements which in practice *realize* that very innocent practice. Professor Lerner may attempt to divorce his economic policies from the policies of the government of Brazil, and see them in abstraction and detachment from that; however, you can not carry out the economic policies, which are recommended for Brazil, without having the kind of government which makes those economic policies work. You could not have the kind of policies which are recommended, which he has recommended as a classic austerity policy for increased unemployment.

"Now, this is classic, in the sense that this is precisely the policy of Schacht [German central banker and Hitler's Economics Minister Hjalmar Schacht—ed.] from 1933, on, in Germany, in which wages were frozen to prevent the inflation, and in order to increase employment. He may personally detach himself from that, but it's not possible for the politicians to accept his advice, to detach themselves from the kind of government, and the kind of procedures, which enable those abstractions to become reality.

"And, that has to be grasped; because, now, no longer is economics merely a plaything of an obscure corner of the academic priesthood. Now economic policy is that which determines the lives, and daily lives and conditions of people. The form of economic policy, determines the kind of government, which is necessary to carry it out. And, the only kind of government which can carry out the kind of policy which Professor Lerner recommends—in all well-meaning, all good intention—would have to be a Bonapartist or fascist government.

"He may be opposed to fascism with every fiber of

From the Debate: LaRouche on Schacht

"If there is future real production to meet this promissory note, all is well. However, if production is declining, relative to the rate of expansion of these promissory notes, then obviously what you get into is a simple process of refinancing promissory notes. And, when this refinancing process reaches the point of inflation that threatens long-term credit, then the refinancing of these promissory notes means the conversion—or, it tends to mean conversion—of long-term credit into short-term credit.

"And that, of course, leads to bankruptcy, which is precisely the problem we face, that when you get bankrupt, you hock somebody; maybe your grandmother, if you're a certain kind of businessman. And, essentially what the capitalist system is proposing to do, is to hock the wages of the working class to pay these promissory notes, under conditions in which it is no longer possible to issue the damn things.

"That's precisely what Schacht did.

"As I said, Professor Lerner attempts to divorce, again, Schacht's proposal from the kind of government that Schacht represented. The reason the German financiers supported Hitler, was not because they had any affection for Hitler. No capitalist, no financier, no Rockefeller, wants some pig like Göring coming in and grabbing up whole sections of his industry; or support legions of SS. But, if that's the only way that the policy that Professor Lerner proposes can be implemented, and people run to it; if there is a fascist school in the United States, then the American financiers will support it, just as they did Hitler—not because the abstraction itself seems to imply a fascist state, but in order to impose these policies on the working class, the working class has to be atomized and suppressed; and there is only—under modern systems, there are only two kinds of government that do that:

"In an underdeveloped country, you can do it with a Bonapartist regime, like that in Brazil. In the advanced sector, where you have a very large working class, which is well organized, which has a trade-union tradition, you can break the working class only by atomizing it and suppressing it.

"And therefore, the *only* way that the kind of policies that Professor Lerner is talking about can be carried out, is by a Brüning and von Papen regime, succeeded by a Hitler regime, or its equivalent in the United States.

"And that's what the practical issue is."

his being; this was also true in Germany, where many economists, liberal economists, proposed austerity, who also opposed the Nazi regime. But, nonetheless, there are men who will take up these policies and carry them out, and they will be Bonapartists or fascists; but not Professor Lerner. So, he must understand, that sometimes his good intentions do not insure, that his policies, carried into practice, will work out as he sees them, in human terms."

No Fascist Economics Without a Hitler

Professor Lerner attempted again to defend his thesis: "I would agree with that. If by Capitalism I mean, the kind of behavior or policies which are responsible for the depression of the '30s. We said [then], we must not print any more money, even if it is needed, because we don't have gold.

Finance Minister Hjalmar Schacht looked uncomfortable with his dictator. Schacht's Keynesian "MeFo Bills" policy created employment at declining wages during the mid-1930s. Could his "liberal fascism" be separated from Hitler's Nazis?

"Now, among the people who did not do this, was Adolf Hitler, who in fact increased prosperity in Germany, gave people jobs; and if it's so, I don't think it is funny, for it was very unfortunate, for these good things led people to support him. . . ."

LaRouche interjected, "That is precisely what Schacht did . . . and that is what the practical issue is."

There had been no *faux pas* on Lerner's part. Indeed, his mentor, John Maynard Keynes, in the preface to the 1936 German edition of his book, *General Theory of Employment, Interest, and Money*, had stated that "The theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state."

Yet on a more profound level, LaRouche had demonstrated that inflation is caused by the severing of *useful economic production* from money, and the heaping of debt service and speculation on production—*not* increases in labor costs. It is to be noted that within 15 days of the Aug. 15, 1971 attack on the United States, LaRouche had written a newspaper article, "Why the Monetary Crisis Happened," read by political activists around the country. It included a clear discussion of the profound difference between money and value in the economy as a whole.

It is precisely monetarism, LaRouche wrote, that caused fascism in the attempt to defend "values" that had no basis in real productivity or energy flux densities. These fictitious values had to be looted from labor, capital, and farm incomes, and finally, in Nazi Germany, from the very bodies of the labor force itself, in hard labor on 1,000 calories a day: "The Final Solution."

'Liberal' Fascism

At the end of the debate, Lerner was forced to defend his position with a fatal claim: that "If Germans had listened to Schacht, then they wouldn't have needed Hitler."

This attempt to defend Schacht's "liberal fascism" brought a gasp from debate audience.

Two weeks later, Prof. Sidney Hook was confronted on Lerner's admission. Hook indicated he knew what had happened, and swore that LaRouche would never get another debate on any campus in the country.

LaRouche went on to forecast the political demise of President Nixon, since it had been he who was used to sever the last relationship to Franklin Roosevelt, in an assault on the institution of the Presidency. Nixon was the fall-guy of George Shultz and Henry Kissinger, LaRouche wrote, both of them, admitted British agents.

I have interviewed several participants at that debate. Their universal impression was that LaRouche was not making "debaters' points," but was forcing Lerner deeper and deeper into the actual argument, and ruthlessly pursuing the truth of the issue. Those interviewed were all individuals who said they had joined LaRouche's movement after that debate—a demonstration of the power of truth.