

Sedate That Accountant!

by Lyndon H. LaRouche, Jr.

The following was released by the LaRouche in 2004 campaign committee on July 8, 2003.

Herbert Hoover's foolishness of 1929-1933 has now been running the U.S. economy once again, for more than the past three, ruinous decades. The present result of that is, that the mental vacuum in the top ranks of the leading U.S. political party organizations, is now the source of that "great sucking sound" to which Ross Perot referred prophetically in his own 1992 campaign against the insanity of NAFTA. So, the U.S. economy is now sliding downward, toward a threatened early disintegration of the world's presently bankrupt, post-1971 "floating-exchange-rate monetary-financial system."

Admittedly, as of the date of this writing, we have not yet gone over the cliff; but we are presently sliding, at an increasing speed, down the steep slope toward that yawning precipice. Federal Reserve Chairman Greenspan's 1988-2003 financial bubble-blowing practices being what they are, no one can predict mechanically what hour, day, or week that final collapse will occur, but it could come as a gigantic, global explosion at almost any time. More important, if we do not make certain radical changes which I have proposed, the collapse will become inevitable, soon. Meanwhile, most of my silly rivals among current candidates squat, lugubriously, promising the greedy suckers a miraculous midnight recovery in Alan "Dracula" Greenspan's hopelessly rotten financial investors' markets.

Therefore: When, and why, under such circumstances, should anyone throw his or her money away as financial contributions to any of the leading parties, or their presently approved lists of Presidential pre-candidates? For example: What price should you be willing to pay, as campaign contributions, for the kinky, gutless, eternally boring "adagio rave dancing" of the joint political-campaign of the Democratic National Committee's list of nine pirouetting lame pretenders?

Therefore, the present economic crisis is warning you that the time has come to sedate your financial accountant. Let him continue to record the figures as honestly, promptly, and as calmly as his skills and sedated passions allow, but do not take today's popular financial accounting's business-investment advice as a substitute for the work of competent economists. Mercifully, still your financial accountants' occasional "bottom line" tantrums! Put their tantrums aside. Focus your

attention on choosing a policy which will successfully end the wasteful economic habits most of you had come to accept during the course of a more than thirty-year down-trend, the long-term economic down-trend in the rate of physical growth of the economy per capita and per square kilometer, the down-trend traceable since U.S. Fiscal Year 1966-67.

Now, ask yourself, how could a Presidential election campaign actually earn the money it spends for its cause? Did you ever think of measuring the relative value of a candidate's campaign by that standard? What is the value of a campaign which convinces you to make necessary changes in your political habits? Do you actually know why I, dollar for dollar, more than beat, easily, even the relatively best—or less bad—of all visible rivals, most of whose campaigns have a markedly negative net economic value to the nation? I shall identify the scientific standard of measure required, in the following pages.

When Money Goes Mad

To illustrate the point: Look again at pedagogical curves covering trends since 1966-67. Concentrate on the admittedly simplified pedagogical curve which I have often used for classroom purposes; but, also check the simplified data-trends of that chart for fairness against the detailed data (**Figures 1 and 2**). In short, over the course of 1966-2003, the per-capita nominal valuation of financial assets and monetary emissions has increased more or less hyperbolically, while the net physical output per capita has declined at an accelerating rate. In other words, under 1996-2003 trends in policy, generally accepted standards of financial accounting have provided a monstrosity dishonest measure of performance of the real

FIGURE 1

The Collapse Reaches a Critical Point of Instability

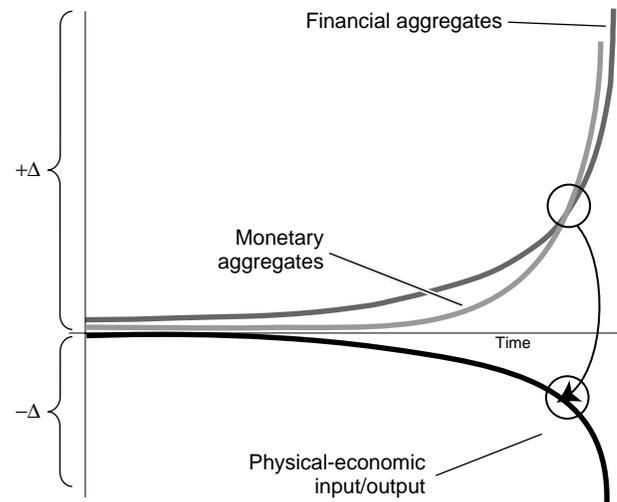
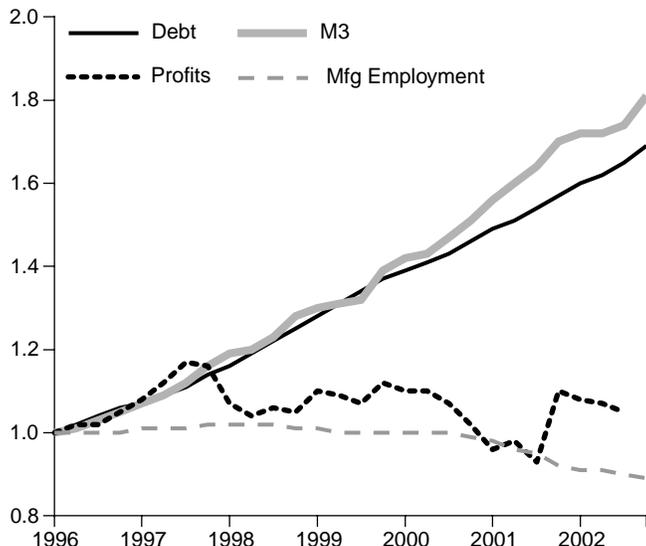


FIGURE 2
**The U.S. Economy's Collapse Function
 Since 1996**

(Indexed to 1st Quarter 1996 = 1.00)



Sources: Federal Reserve; U.S. Dept. of Commerce; U.S. Dept. of Labor; EIR.

economy. This has been true for the U.S. economy itself; it has been the characteristic feature of the world economy since the 1971-72 introduction of the so-called “floating-exchange-rate” form of the IMF-dominated world monetary-financial system.

Those charts show you that the present bankruptcy of the world’s actual monetary-financial system is dwarfed only by the moral and mental bankruptcy of the majority among “free trade”-style academic and related economists and their treatises and textbooks.

In the history of modern economy, the causes for this present moral and intellectual bankruptcy of existing national financial accounting systems, can be efficiently understood only by contrasting the U.S.A. constitutional, Hamiltonian national banking system to the *fondi*-controlled “independent central banking” systems of today’s Europe, such as the Anglo-Dutch Liberal, “Keynesian” models of parliamentary government. If we also recognize the existence of the U.S. Federal Reserve System as the outgrowth of an anti-constitutional reform imposed upon the U.S.A. by the overreaching influence of Britain’s King Edward VII and his New York sub-agent Jacob Schiff, the U.S.A.’s victimization by quasi-European methods of central banking should begin to be clear.

The positive feature of post-1400, modern European civilization over the opposing Physiocratic and kindred, ultramontane relics of feudalism, is the adoption of the notion of

perfectly sovereign nation-state republics, which were committed as the natural-law doctrine of the Preamble of our Federal Constitution prescribes our fundamental law. Our Constitutional system devotes the sovereignty of our republic to the obedient service of promoting the general welfare of the entire population, and the dedication of that population to the improved welfare of our posterity.

With relatively rare, and only temporary exceptions, that policy was almost never actually adopted in the constitutional forms adopted in post-1648 Europe generally. In opposition to that true republican principle, the emergence of sovereign forms of modern nations in European post-feudal institutions, was generally of the form which became what we know today as that Anglo-Dutch Liberal model of parliamentary government, a form lately typified by the curiously fertile financial folly of John Maynard Keynes. This model was shaped under the overreaching influence of a pack of financier parasites known either as Venice’s *fondi*—the so-called “Lombard banking system,” or imitations such as, most notably, the post-1688 Dutch and British models of private-financier-controlled central banking.

The practical result of that difference is the following.

Money is an absolute idiot, by definition. Under the world’s best system, the so-called “Hamiltonian” American System of political-economy, the creation and control of the circulation of money is a Constitutional monopoly of the Federal Executive, a monopoly subject to the consent of the Congress. The official currency is nothing but a special kind of indebtedness, whose value in circulation is set and defended by action of the U.S. Executive branch as conditioned by the laws set by the Congress. Indeed, there is no form of money, metallic or other, which has intrinsic value. Money has only a relative value, as determined by the care or recklessness with which it is issued, circulated, and regulated.

As the pedagogical charts should suggest to the reader, the chief business of our republic’s national Treasury and law-making, is to regulate the issue and circulation of money in ways which promote useful employment and capital investments, and which intervene in markets to keep monetary and financial values within the bounds of fixed, or improved physical value of the content of circulated goods and services. The appropriate intention of the policy of a modern republic, is to maintain a steady increase in the relative physical value of the purchasing power of a national currency, and to effect that result through fostering capital improvements in science-driven forms of productive and related technologies. The latter policies are integral to the use of the market as an instrument which mediates the population’s disposition to save.

The policies of a true republic such as that intended by the Preamble of our Federal Constitution, rest upon a notion of the nature of the human individual as set absolutely apart from and above the beasts. This sublime quality of superiority of the human individual’s potential, is expressed typically by the accumulation of experimentally validated universal

physical principles, from which we derive the technologies through which the average physical-productive powers of labor are increased. A “zero-growth” economy is a design for monkeys, not men and women.

Thus, value is not determined by the assigned price of a product or service, but by the role of the consumption of that item in fostering increases in the average productive powers of labor, as a relative valuation which is measurable in useful objects, or improved cultural conditions of life.

The difference between the value of a currency under the American system, and the inflationary trends inherent in the European style of “independent central banking system,” is as follows.

In the Venetian model of “independent central banking system,” an inherent price-inflation is the result of what is described as the “multiplier factor” in a Keynesian system, such as that of Keynes’ Bank of England. An arbitrary discount factor is added into the capital financial expansion of both productive investment and trade. The relatively most vicious form of this development occurs in what Herbert Feis described as a sick global system of international financial loans, such as the post-1971 IMF “floating-exchange-rate” monetary-financial system. The usual result is a compound-interest piling-on of inflationary charges built into the cost of both physical goods and financial instruments generally. The result is that illustrated by the referenced pedagogical charts.

Thus, the financing of financial-capital expansion by the mechanisms of a Venetian-style “independent” central banking system, is inherently inflationary, with resulting, increasingly powerful, recurring tendencies toward inflationary financial expansions which lead toward a purging of the financial system through large-scale, collapse-driven waves of deflationary bankruptcy. On the contrary, a protectionist Hamiltonian system of national-banking-orchestrated credit expansion, is characteristically deflationary, but nonetheless expansionary, most of the time. This advantage tends to be prominent in a well-regulated, protectionist form of fixed-exchange-rate monetary-financial system.

Thus, the economic policy-shaping of a rational form of government, tends to focus on using monetary expansion as a driver for modes of technology-driven, long-term capital formation in basic economic infrastructure and production of physical goods and science-related services. This should be done on the assumption that money is an idiot, and money circulated by an independent central banking system, a dangerous lunatic. This should be done under policies of protectionist fair trade and monetary-financial regulation which combine effects to act as a deflationary trend in long-term value of necessary market baskets. It is therefore the responsible function of government to promote and regulate monetary processes and total investment within bounds which foster long-term deflationary trends in net physical expansion of both total and per-capita market-baskets.

Under a sane government, about half or more of the throughput of a national economy is represented by cycles

of investment in generating and maintaining basic economic infrastructure, and approximately half in the entrepreneurial sectors. Government manages its monetary and financial policies, through aid of regulation, to encourage increases of intensity of productive capital formation, and physical standard of living of households, through emphasis on scientific-technological progress in quality of infrastructure and expressed ingenuity of entrepreneurs and their employees.

Such is what is known, alternately, as “The American System of political-economy,” or, as by the German-American Friedrich List, “The National System of Economy.”

The proper objective of today’s urgently needed, drastic reforms of the international monetary-financial system should be to the effect of ending the hegemonies of Venetian-style “independent central banking systems,” and “invisible hands” groping in your purse, in favor of the American System of political-economy.

The possible economic value of a Presidential candidacy lies in the candidacy’s contribution toward the latter class of desired results.

My Campaign, For Example

An election-campaign’s economic function does not lie within the sale of objects, such as periodicals, canned goods, snake-medicine-man rallies, or what-not. It lies in those actions which induce useful changes in thinking and cooperation among our citizens. If those changes, so induced, would result in an improvement in the average conditions of life of present and future generations, that campaign has delivered a net positive economic value to the nation. If not, it is probably a net waste. Today, most of the money contributed to, and spent for the Republican and Democratic campaigns is a monstrous mass of such economic waste, a vast expenditure which does far, far less than nothing of benefit to the economy as a whole.

The economically useful function of a Presidential campaign is to propagate those changes in policy which contribute to reversing the economic-social trends of the recent three-odd decades, and putting our nation back on that track of net physical growth which was bequeathed to us by President Franklin Roosevelt’s recovery. This work must go further, to present those proposed great tasks which are, first and foremost, the visible requirements for the coming two generations on this planet. It means, most urgently, a vast expansion of productive employment in needed items of basic economic infrastructure, which are the most immediately accessible, relatively large-scale programs of upgrading of a burgeoning sea of unemployed, infrastructure programs urgently needed to bring the total income of the labor force above national economic break-even. It must include long-range mission-orientations toward developing the needed technologies of the future.

In such ways, an appropriate Presidential or comparable election-campaign makes the same kind of contribution to the general welfare of a nation’s economy, as an important break-

through, or set of break-throughs in technology. That, implicitly, is the way in which the economic impact of an election-campaign itself should be estimated.

The present package of policies of the U.S. government, and of the nine referenced rival Democrats, are the policies which have continued to lead the nation down into the sink-hole of a global monetary-financial-economic calamity. Therefore, what the nation and its people need, most urgently,

The principal long-term source of growth of the U.S.A. and other national economies, will be an aggregation of vast programs of development of basic economic infrastructure throughout the planet. The largest single new world market for long-term capital investment lies presently in the great concentrations of population-growth of East, Southeast, and South Asia.

is the immediate scrapping and replacement of the defective financial-monetary system which has brought the present calamity upon us.

This immediate national task is coupled with urgent changes in global relations among states. We require a return to the kind of fixed-exchange-rate, protectionist model of international monetary-financial system which served us so well during the immediate post-war decades. We also require a new system of cooperation among a community of respectively perfectly sovereign nation-state republics, a community of nation-states united by a common principle of cooperation.

Look briefly at some leading features of such a change in policies.

The principal long-term source of growth of the U.S.A. and other national economies, will be an aggregation of vast programs of development of basic economic infrastructure throughout the planet.

The largest single new world market for long-term capital investment lies presently in the great concentrations of population-growth of East, Southeast, and South Asia. A combination of massive investments in transportation, power, water, and related basic economic infrastructure, combined with emphasis on high rates of gain in scientific-technological prog-

ress centered on Eurasia, will be the keystone-driver of world-economy growth for two generations to come.

The fact, that relatively high rates of scientific-technological progress are being generated within the indicated Asia markets, means that the rate of increase of productivity worldwide should be the result of combining new technologies developed in various parts of the world, into the designs of products and processes generated from many other parts of the world. We are thus now entering a new phase of world economic history, in which export of technology-transfer overtakes the role of export of finished goods.

If we are sane, we shall build the needed revival of the principle of the original, fixed-exchange-rate Bretton Woods system, on the basis of this long-term perspective.

This presents us with an interesting paradox. "Globalization" must be scrapped as an idea whose time to be never was. The sovereign nation-state is the only form of economy which has any long-term viability. However, the shift of world trade from export of relatively finished goods to technology-transfer exports, places a much greater emphasis on the need to return to a fixed-exchange-rate monetary-financial system. In other words, a fixed-exchange-rate monetary-financial system becomes the urgently needed form of general economic-treaty partnership among respectively sovereign nation-state economies.

This means, in practice, a long-term, deflationary trend in capital loans of between 1-2% simple interest, with emphasis on capital formation of basic economic infrastructure over terms of one to two generations: 25 to 50 years.

For example, the case of China.

The characteristic feature of China's development during the coming 50 years will be a two-phased process. First, an infrastructure-based shift of population and production, from the coastal toward interior areas. The first generation will build up that infrastructure in its initial phase; the succeeding, second generation will see China emerging among the world's absolutely leading national economies.

Similar, related development is now getting under way in the Mekong water-development region of Southeast Asia, in the North Asia corner of Japan, China, Korea, and Russia, and in the trend toward extensive cooperation with the Asia subcontinent.

We in the U.S.A. have an analogous challenge, in our part in rebuilding the economies of Central and South America. We in Eurasia and the Americas, have a common duty to bring about the economic development of Africa, especially Sub-Saharan Africa.

Overall, this means a global shift away from the cheap-labor orientation of the 1971-2003 period, toward emphasis on upgrading employment toward both more technology-intensive and science-driven advanced-technology rations of total employment. The present U.S. crisis on its border with Mexico, should warn us of the sheer lunacy of the NAFTA and related orientations toward destroying Mexico, which has been done in service of ultra-cheap labor roles for both the

population in Mexico, and the spill-over into the U.S. labor markets. In a world economy oriented increasingly to the export of technology-transfer product, there is no place for a continuation of cheap-labor policies in employment. This means relevant changes, immediately, in educational and capital formation policies, and labor-force upshift policies.

An After-Thought: My Youth Movement, for Example

My rivals repeatedly express their awe and fear of what has become known internationally as my youth movement. Unlike some youth movements of the recently remembered past generations, the fear does not come from a sense that these youth are violence-prone; quite the opposite. What frightens my rivals is the manifestly superior intellectual qualities of those youth, youth recruited from all walks of life.

Admittedly, most political-party organizations have what they regard as their own youth movements. That means errand-boys and errand-girls for passing out cookies and lapel buttons at party functions: not spectacularly intellectually challenging occupations. My youth have been organized around the thematic topic of a 1799 revolutionary paper by modern history's greatest mathematician, Carl F. Gauss: Gauss's initial definition of what is called the "complex domain." That challenge sets the intellectual standard for the movement, and its political expression as a whole.

The point is, these youth are oriented toward building the kind of future society which fits the now-oncoming agenda of global technology-transfer. What those youth dispense, as their campaign materials, are ideas which are aptly designed to meet the requirements of a general recovery, from the presently onrushing global monetary-financial crisis, to the work opening up for us now.

My movement and I represent actual ideas for building the future. My campaign is already worth far more to every U.S. citizen than the dollar spent to conduct it. Could any rival campaign dare to claim as much? What the rivals appear to be producing, is chiefly waste-materials.

