

Rosa Luxemburg and LaRouche's Triple Curve

by Matthew Ogden

The following LaRouche PAC-TV feature, posted on Aug. 7, 2009, can be viewed at www.larouchepac.com/lpactv. Subheads have been added.

On June 27th, 2009, Lyndon LaRouche conducted a webcast dialogue with what remains of America's political intelligentsia. In this discussion, LaRouche emphasized to these leaders that they must prepare themselves intellectually, to step into the void of power in Washington, which will be created when the Obama Administration self-destructs, to enact the sudden shift in policy necessary to save the world from the ongoing general breakdown crisis of the world economic system. This characterization of the current economic collapse as a systemic breakdown crisis, is not some sort of generalized terminology original to LaRouche, nor is it in any way hyperbole. LaRouche made this point clearly, that this crisis is, in fact, none other than a general breakdown crisis of the entire planetary system.

In a question asked of Mr. LaRouche, by a fellow leading American economist, this economist made the crucial point, that the recent trillion-dollar bailout of the banks foretells a hyperinflationary situation in the United States, resembling what occurred in Weimar Germany. Yet, at the same time, the collapse of produc-

tion and employment in the United States threatens deflation worse than that which we faced during the Great Depression. So, this adds up to a unique situation: We seem to be facing a mixture of inflation and deflation, different than anything the United States has faced before, and requiring, therefore, a different response.

Not Depression, But General Breakdown

LaRouche replied: "Well, as I've often said, in covering this thing, the problem is, we're not in a depression. We're in a general *breakdown crisis of the entire planetary system*. This was discussed hypothetically, in the 1890s, and the beginning of the 20th Century, that such a thing could occur. And it is occurring. We are in a general breakdown crisis, in which, in fact, yes, there is inflation and deflation at the same time. But if you look at my Triple Curve [Figure 1], you see exactly what that means. It's there. That's the problem.

"So, the problem is, we have to define the thing as a breakdown crisis. That means, there's no solution within the terms of the parameters which are currently operating. In other words, you can not take the dimensionalities of the present situation as parameters, and by adjusting the parameters, or even throwing in a new parameter, you're not going to prevent the thing from collapsing."



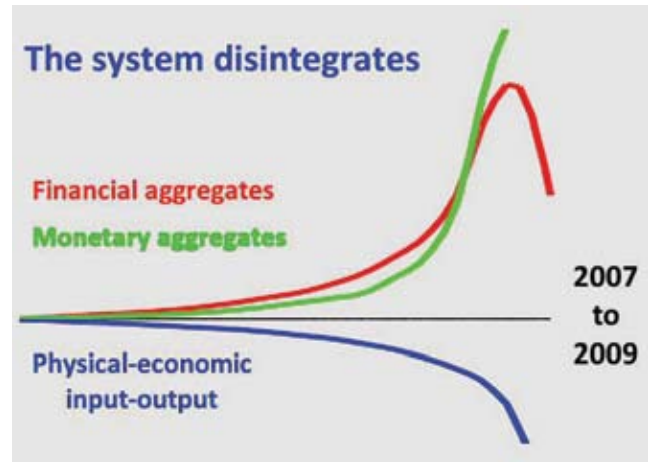
Photographie

Rosa Luxemburg in 1910, three years before she published *The Accumulation of Capital*.

The hypothetical idea of the possibility of such a general breakdown crisis of the system, originates in the work of two profoundly insightful economists of the 19th and early 20th centuries. These two economists, Rosa Luxemburg of Poland, and Jean Jaurès of France, stand out, still today, as head and shoulders above the present generation of economists, politicians, and academics generally. Lyndon LaRouche has repeatedly identified Rosa Luxemburg's 1913 book, *The Accumulation of Capital*, which, as he says, provides the appropriate starting point, for understanding the origins of the general global economic breakdown crisis, currently in progress today. Her insights in this book will provide us the grounding from which to look at the true cause of the economic nightmare looming today.

Since the victory of the American colonies over the British in 1783, the world has been divided between two systems: The ancient system of imperialism, and the newly established system of American-style republicanism.

FIGURE 1



Lyndon LaRouche's updated Triple Curve, illustrating the general breakdown crisis.

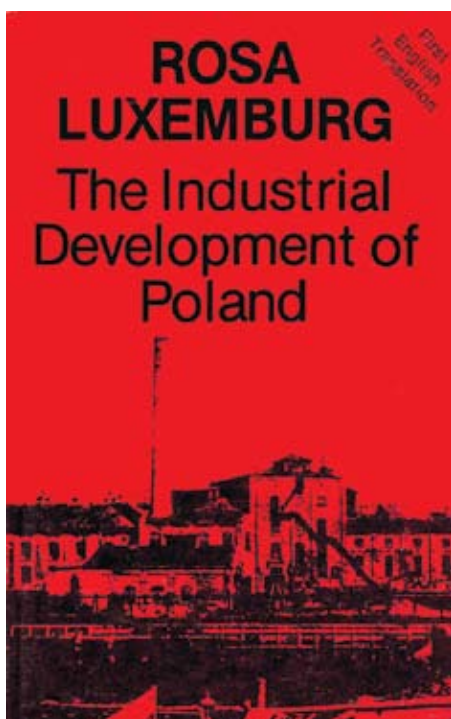
lic. All of the conflicts and all of the wars since that time, globally, have been caused by the turbulence created by the impossible coexistence of these two opposing and contradictory systems.

Rosa Luxemburg's Genius

In 1871, a few years following Abraham Lincoln's defeat of the British-sponsored Confederacy in the American Civil War, Rosa Luxemburg was born. Her home was the Polish town of Zamosc, a beautiful 16th-Century city in the eastern part of the country, diverse in culture and known as the home of the Jewish Enlightenment in Poland. Zamosc was the home of leading Jewish poets, mathematicians, writers, including the famous I.L. Peretz, known as the father of the Yiddish Renaissance. These various Jewish intellectuals were all politically organized as members of the Jewish Bund, an underground labor movement, whose clandestine meetings were often broken up by Tsarist police, its members sent to prison, or exile.

One prominent member of the Bund in Zamosc was Abraham Luxemburg, the father of Rosa. Crippled, treated as an outcast, Rosa Luxemburg spent her childhood studying the ideas of Friedrich Schiller and other writers of the German Classical movement, influenced by the intellectual and political movement surrounding her father in the Bund. By the age of 16, she became politically active, immediately rising to a position of leadership in the political movement that she joined. But when her party was cracked down on by the authorities, its leaders either hung or imprisoned.

In 1898, Luxemburg published *The Industrial Development of Poland*. In 1977, the LaRouche movement published the first English translation.



Campaigner Publications



Jean Jaurès of France. He, as well as Luxemburg, did original work on the hypothetical idea of the possibility of a general breakdown crisis of the system.

oned, Luxemburg left Poland for Zürich. In Switzerland, she enrolled at university, studying mathematics, natural science, political economy, and law.

Writing as her dissertation, a book-length economic study of her homeland, *The Industrial Development of Poland*, Luxemburg decided to begin to organize around her political and economic theories, immediately upon leaving university. She went directly to Germany, where the labor movement had reached an advanced stage of organization and influence among the industrial workers in that country. But when she arrived, she found that this movement was being splintered and disorganized by a faction, calling themselves “reformists,” who were attempting to subvert the political identity of the Social Democratic movement. These reformists advocated the adoption of the British parliamentary system of government, as their political model for Germany. Luxemburg knew that any compromise with the British system of both government and economy, would eliminate the entire reason for the existence of the Social Democratic movement itself. Knowing that such a compromise would be deadly, and that the Social Democratic movement would eventually just be assimilated into the very system of empire, which they were supposedly fighting against.

‘The Accumulation of Capital’

As World War I broke out, Luxemburg’s fears about the weaknesses of the Social Democrats of Germany were vindicated. Instead of resisting Germany’s involvement in the war, a war instigated by the geopolitical manipulations of the British Empire, the Social Democratic leadership threw their whole-hearted support behind the war effort! The political identity of the Social Democratic Party was lost. Germany was bankrupted and destroyed, on the track to be gutted and crushed by the British-organized Versailles Treaty after the war.

Luxemburg published *The Accumulation of Capital* in 1913, on the eve of the Great War, and her famous follow-up piece, the so-called “*Anti-Kritik*,” shortly after the war began. In these two writings, she presents a uniquely scientific approach to the subject of modern imperialism: Luxemburg identifies the principle of empire, beyond mere particular cases, in a way that

allows us to trace the genetic history of such a system, like we would with a disease from the current-day British Empire, all the way back to its ancestral roots in Venice, Rome, the ancient empire of Babylon, and beyond.

This is where our insight into the nature of the systemic breakdown crisis begins to be enriched by the work of Luxemburg. Her work on the subject of financial imperialism, was, at one time, understood among some American political intelligence circles, including the well-known economic historian Herbert Feis, economic advisor for international affairs at the State Department under Franklin Roosevelt. Herbert Feis documented the case for this same argument on the subject of modern imperialism, in his book *Europe, the World's Banker*, published in 1930, which shows that Rosa Luxemburg, in her analysis of imperialism, was absolutely correct.

Although she is almost forgotten in today's academic and political life, Luxemburg is important for us, as American patriots, to remember and review, for the reason that she published a uniquely original and correct treatment of the subject of British imperialism, as an expression of the true notion of the principle of imperialism, generally.

Exposing the Empire of Usury

Empire is primarily financial: a usurious system of international loans, run by a supranational, oligarchical interest, to loot both the natural and cognitive resources of colonized countries, and subjected peoples. From this standpoint, customary, but ignorant conceptions of empire go out the window. Empire is not, as is commonly believed, a logical stage of nationalism. It is not the inevitable secretion of an ambitious nation, driven by popular greed for broad-reaching power over other nations. It is not something created by the fantastical lust for power of one deranged dictator or tyrant. Even the traditional notion of empire, being primarily a global military occupational force, is shown by Luxemburg to be merely a secondary consequence of the necessity for the financial empire to enforce its system of economic colonialism, and international loans.

In her *Accumulation of Capital*, Luxemburg devotes an entire chapter to the subject of international loans. "Usurious foreign loans," she says, "are the surest ties by which the old capitalist states maintain their influence, exercise financial control, and exert pressure on



Library of Congress

Luxemburg's work on financial imperialism was once understood among by American political intelligence circles. Franklin Roosevelt's State Department economic advisor for international affairs, Herbert Feis, documented the case for this same argument on the subject of modern imperialism, in his book Europe, the World's Banker, published in 1930.

the customs, foreign and commercial policy, of the young capitalist states." In order to reveal to the foolish Social Democrats in Germany, the true nature of the imperial system, which had created the present crisis and world war, Luxemburg documents the behavior of the British Empire, controlling large segments of the planet through a system of international loans, using as a case-study, the economic events spanning the 20 years leading up into the occupation of Egypt by the British in 1882.

When the British-sponsored Confederacy seceded from the Union, sparking the American Civil War in the 1860s, the price of cotton, which had been the primary cash crop of the southern United States, began to hyperinflate, increasing in price by almost 1,000% by the end of the war. With the supply from America interrupted, the British turned their eyes toward Egypt. A fever of speculation on cotton as a commodity took hold in Egypt, with massive loans coming from Eng-



A sugar cane plantation in the 1870s. British and French bankers looted Egypt with a sugar cane bubble, after their cotton bubble in the Confederacy collapsed.

An 1870s sugar cane “factory” in Africa.



land to finance its cultivation. Diving into the bubble headlong, soon almost the entire territory of Egypt was brought under the cultivation of cotton.

As Luxemburg describes it, everybody was planting cotton, including the Viceroy of Egypt himself. His estates grew fat, forcibly appropriating land from the peasants, without any legal excuse. Within an incredibly short time, all of Egypt’s farms were planted with cotton. But this bubble in the price of cotton collapsed in the following year, crashing by half in just a couple of days, and finally losing almost the entirety of its value, once the American Civil War was completed. As quickly as it had begun, the cotton bubble was over.

However, along came a new fever of speculation, now in sugar cane, to replace it. “For a second time,” Luxemburg says, “Egyptian agriculture was turned upside-down. The peasants were driven to forced labor on the sugar plantations in the thousands.”

Factories and transport for the sugar had to be built. The money for this construction was supplied by loans from British banks in 1872. But it proved to be simply impossible to supply enough cane and enough labor to support the financial bubble. The working staff was completely inadequate, since the peasants, accustomed to forced labor on the land, could not be transformed by the lash of a whip into industrial workers overnight, the

venture collapsed, even before many of the imported machines had been installed, thus ending the sugar speculation just as quickly as the cotton gamble had ended just a few years before.

“What had provided the capital for these enterprises?” The capital, Luxemburg says, came from international loans. The first of these loans was floated in 1865, by the Anglo Egyptian bank. As this loan and others came due, the cotton bubble had collapsed. To consolidate this debt, which was now unpayable, another loan was issued in 1868. The sugar gamble necessitated another loan in 1870, two more loans came in 1872 and 1873, but none of these were repayable. Finally, by 1874, Egypt’s total public debt had grown from £3 million to £94 million, and, as Luxemburg says, “collapse was imminent.”

Take It Out of the Peasants

“These operations of capital, at first sight seem to reach the height of madness. One loan followed hard on the other, the interest on old loans was defrayed by new loans, and capital borrowed from the British and French paid for the large orders placed with British and French capital. While the whole of Europe sighed and shrugged its shoulders at [Egypt’s] crazy economy, European capital was in fact doing business in Egypt on a unique and fantastic scale. There was an element of usury in every loan, anything between one-fifth and one-third of the money ostensibly lent, sticking to the fingers of the European bankers. Ultimately, the exorbitant interest had to be paid somehow, but how?—where were the means to come from?”

From the peasants. From their land, from their labor. Working on the cotton plantations, working in the sugar plants all without pay, switched over from one job to the next, as the need arose. The greater the European debt became, the more had to be extorted from the peasants. All over Egypt, people were leaving their villages, demolishing their dwellings, no longer tilling their land, all to avoid the payment of the exorbitant taxes that had been placed on their heads! Ten thousand Egyptian peasants are said to have starved in one year, because, no longer being able to come up with the money for the irrigation tax for their fields, they had killed all of their cattle, to avoid paying it.

Eyewitness newspaper reports of the conditions in Egypt at that time, documented, “People are starving by the roadside. Great tracts of country are uncultivated, the farmers have sold their cattle, and the usurers are filling the mortgage offices with their bonds, and the courts with their suits of foreclosure.”

The peasant was drained of his last drop of blood. Used as a leech by British capital, the Egyptian state had accomplished its function and was no longer needed. Now, British commissions to regulate the finances of Egypt went into action. Strangely enough, European capital was not at all deterred by the desperate state of the insolvent country, and offered again and again to grant immense loans for the salvation of Egypt. The country and all of her productive forces were to become the prey of European capital.

October 1878 saw the representatives of the European creditors landing in Alexandria. British and French capital established dual control of the finances, and devised new taxes; the peasants were beaten and oppressed, so that payment of interest to the banks, tem-

porarily suspended one year, for lack of revenue, could be resumed in the next. Now, the claims of European capital became the pivot of economic life, and the sole consideration of the financial system. In 1879, all of the finances of the country of Egypt were brought under the permanent control of European capital.

Finally, an opportune pretext for the final blow was provided, by a mutiny in the Egyptian army, starved under European financial control, and by a revolt engineered among the Alexandrian masses who had been bled to the bone. The British military occupied Egypt in 1882. The military occupation was merely the enforcing arm of the debt collectors on the international loans. “Militarism,” Luxemburg says, “is merely the executor of the accumulation of capital, lurking behind international loans.”

The ultimate and final step, had been reached, in the process of liquidating the peasant economy in Egypt, by and for the Empire’s capital.

“It should now be clear, that the transactions between European loan capital and European industrial capital are based upon relations which are extremely rational and sound, for the accumulation of capital,” Luxemburg wrote, “although they appear absurd to the casual observer, because this loan pays for the orders from Egypt and the interest on one loan is paid out of a *new* loan! Stripped of all obscuring connecting links, these relations consist in the simple fact, that European *capital* has largely swallowed up, the Egyptian *peasant economy*. Enormous tracts of land, labor, and labor products without number, accruing to the state as taxes, have ultimately been converted into European capital, and have been accumulated.”

LaRouche’s Triple Curve Shows Usury

Since the principle of usury and extortion is at the root of all financial empires, what does this, then, tell us about the nature of a general breakdown of such an imperial system? As LaRouche said in his June 27 web-cast statement, “We are indeed, in a general breakdown crisis of precisely this type of empire system, a crisis in which we do face inflation and deflation at the same time. But,” he said, “if you look at my Triple Curve, you will see exactly what this means.” Lyndon LaRouche’s unique identification of the Triple Curve breakdown function today, as the inevitable consequence of this empire model, is clear, in light of Rosa Luxemburg’s discussion of the character of breakdown crises.

LaRouche’s analysis of the Triple Curve was pub-

lished in graphic form in the 1990s, as a pedagogical visual representation of LaRouche's economic forecast, which he publicized at that time, a forecast which is gaining increasing attention among economists and policymakers today, because of its unique accuracy regarding the current crisis. But, the concept which it illustrates, the concept of the Typical Collapse Function, as it is called, can be found in LaRouche's economic writings going all the way back to the 1960s and 1970s. Take his "In Defense of Rosa Luxemburg," published in 1973, as an example:

"In the imperial system, the notion of monetary value replaces the concept of real economic productive value. Debt, assets, money, property titles, all possessing nominal value in the form of paper, begin to overshadow the capital possessing real value, as determined by rates of social reproduction for the nation as a whole. As the nominal value accumulates in the hands of those holding the paper, he must either be able to use these debts he holds as security for new debt, or he must convert the paper into cash. As this debt breeds more debt, outside of any growth in the real productive capital in the system, soon a point is reached, at which no direct correspondence between the two magnitudes is possible.

"To judge the potential of a crisis of such a system, we ask the question, *whether this mass of nominal wealth, represented by the aggregate price of these property titles could, in any way, be converted into real wealth, of the social productive/reproductive form.*

"To the extent that this correspondence does not exist, we see that the portion of the total mass of the accumulated debt in such a system, for which there is no corresponding real wealth, represents what should be seen as a body of fictitious debt. Or the claims by the holders of that paper to what are, in fact, fictitious assets.

"This is the most crucial point, which serious econ-



A 19th-Century cartoon of Egypt weighed down by British and French imperial debt.

omists must take into account today. Any attempt to honor those claims will lead to the looting of the productive economy by the parasitical financial class, with no legitimate claims to wealth. Only in this, to be seen as a continuous process of looting, and collapse, can we find the functional relationship between the hyperinflating financial curve, and the deflation in jobs and production."

To underline LaRouche's authority as an economic forecaster, economists today should observe, that a clear description of this form of Typical Collapse Function was provided already in a very clear way by Lyndon LaRouche, as early as 1973, in which he already forecasts the possibility of such a breakdown crisis, as we are experiencing today:

"Since debt itself is a form of self-expanding value, the expansion of the credit monetary system, must provide for future augmentation of this fictitious capital. The debt form of fictitious capital pyramids additional fictitious capital, at the same time that new masses of the same, are already being generated. As the ratio of fictitious capital to real production increases, an increasing rate of unemployment will tend to be associated with equal rates of credit expansion."

As the Triple Curve shows, the longer this process continues, the more potential for a dramatic discharge

between these inversely accelerating curves is built up. This function of crisis potential embraces the entire system, both financial and productive. The breakdown of any part, represents the breakdown of the whole. The whole can not survive the breakdown of any part. And any attempt to operate according to the old rules of investment, will render opposite and destructive results.

“The process of rising potential illiquidity in the entire system, proceeds in the guise of inflationary prosperity, until the relationship between the actual rate of productive accumulation, and the total accumulation, reaches a critical point. That point, roughly speaking, is the juncture at which further efforts to maintain approximate full employment, by credit expansion, must cause rising rates of inflation, an inflationary acceleration of the sort which leads towards an early general collapse of the entire system.”

Empires Inevitably Collapse

We stand now at the end-point of this model. We find ourselves at the inflationary/deflationary stage of a general breakdown crisis of the entire planetary system. As Rosa Luxemburg showed, this sort of crisis is the inevitable outcome of a system of empire. Imperialism leads inevitably to the economic breakdown crisis which we’re experiencing today.

This ancient model of imperialism has always operated according to precisely this same system. The empire, in attempting to offset the illiquidity of its accumulated fictitious debt, will try to service that debt by means of looting the resources and production of the undeveloped sector, turning the economies of these de facto colonies, into merely industries for the production of liquidity, to bail out a fictional mass of debt. In so doing, the empire will consume all remaining productive wealth, directing it to the bailout of inflationary debt, and away from necessary reinvestment in the means of reproduction of the source of that material wealth.

There is no end to this economic cycle, except doom.

Bailout for London, New York Bankers

As LaRouche pointed out in his Aug. 1 webcast, “We’ve had a skyrocketing increase in the amount of monetary obligation. We’ve also had an increase in the financial aggregates. Now, what has happened, is, we have moved to a period in which these values, as you’ll

see, the financial aggregates have begun to fall. This decline in financial aggregates, which has occurred just recently, in this last period, is the onset of the breakdown crisis. . . . Either we fix this problem, as I described it, or we don’t make it as a nation. . . .

“Look, now: Here we are! Go back to 2007, where I made this proposal, for reform. I said, we propose a reform, on the basis of the authority of the Constitution of the United States. That would have worked. Anybody who’s intelligent, who understands the system, would have known, that what I proposed *then*, would have worked. We would not be in this mess today!

“But, who the hell came up with this other idea? Of getting the United States into debt, for obligations it didn’t owe?! In order to bail out London, to bail out the international monetary system! At the expense of the United States! To loot the United States and its Treasury, for the benefit of an international monetary cartel! What about “bailout”? Whom, did we bail out? Did we bail out our industries? Did we save the auto industry, or put it into equivalent form, something else besides autos? Did we *save* the American farmer? Did we *save* the infrastructure, of the cities of the United States and the states? *Whom did we bail out?*

“We bailed out the London bankers and their New York extension. We don’t owe them anything. We just happen to have a government that says that.

“This is our nation. And the law of bankruptcy of our nation is our authority. If I were President, I would end this thing right now. And I’m sure, I could get the support of the great majority of American citizens, very quickly, simply by making clear what I intend to do: Put the whole thing in bankruptcy. You guys are going to live. We’re not going to kill you—like Obama’s doing. We’re not cutting you off from health care, we’re not trying to accelerate your death, we’re not trying to get you to kill yourself. You’re going to live. You’re going to be employed. We’re going to rebuild our industries. We going to *cancel* this filthy debt! Which we never really owed in the first place. Only some crooked traitors, or traitorous kinds of people, gave us this kind of debt. It’s not real. We don’t owe it. We’re going to go back to a credit system. And we’re going to get some power. . . .

“Go right to the core of the matter. *What is the future of humanity? What is our relationship to the future of humanity? What must it be?* And start from there. And I’m confident that *that’s the only way to go.*”