

# Franklin Roosevelt's Miracle

by Lyndon H. LaRouche, Jr.

February 12, 2005

At the present brink of the world's greatest monetary-financial crisis, the principal challenge to leading governments of the world at this moment, is to master and apply the lessons to be learned as the remarkable successes of the U.S. President Franklin Roosevelt Administration.

The present world monetary-financial system is no longer owned by a U.S.A. sagging under growing mountains of fiscal and current accounts deficits, but, nonetheless, the accounts measured in U.S. dollar denominations are the crucial bloc of monetary assets in the world system as a whole. A free fall of the U.S. dollar therefore means a hyperbolic curve of chain-reaction collapse of the world's trade and dollar-denominated principal monetary assets. Therefore, no timely measures are presently available, which could withstand the chain-reaction effects of a U.S. dollar collapse.

In turn, no sustainable recovery of the U.S. dollar could occur without a surge of dollar-denominated, *long-term* capital formation, an expansion led by investments in basic economic infrastructure in the public sector. Such measures would be both durable and beneficial to the world's economy only if that and related long-term capital formation is stabilized under a return to a dollar-based fixed-exchange-rate system. Without such a new arrangement, the looming present monetary-financial collapse would become a chain-reaction collapse of the world at large.

The irony is, that the world is as dependent upon the return to fungibility of the world's now collapsing dollar-denominated debt, as it was with the U.S.A.'s immediately post-World War II role as a then creditor nation.

Therefore, the feasibility, and adoption of a turn to a fixed-exchange-rate system akin to the original Bretton Woods system, is indispensable for all nations, at this time. This requires a United States which has returned to the kind of internal and foreign policies associated with the intention of President Franklin Roosevelt's launching of the original Bretton Woods system.

This means the trends in U.S. economic and trade policies associated with the internal U.S. economy under that Bretton Woods design, are now crucial for the family of nations.

Therefore, for these reasons, the first lesson to be learned, is that there were three turning-points in the begin-

ning of World War II which were most crucial in preventing the world as a whole from falling under an Adolf Hitler dictatorship. First, was Winston Churchill's appeal to President Franklin Roosevelt, to prevent the British Empire from becoming the Nazi world empire with which many of the leading rivals of Churchill were intent upon joining. Second and third, were the defeat of the Nazi war-machine at Stalingrad, and the defeat of the Japan navy at Midway. The result of these three developments was a U.S.-led alliance which was capable of that two-front world war, against which the Nazi cause was doomed at that time. These, combined, were the most crucial, 1940-1942 elements of a decisive turning-point in that world war.

The second lesson, is that both the creation and the success of that alliance with Roosevelt, would not have been made possible without a Roosevelt 1932 election which overturned all of the fiscally-conservative, radically free-enterprise policies of the Coolidge and Hoover Administrations.

The third lesson, is that we began to turn away from Roosevelt's strategic and economic policies almost as soon as he was buried, and that, during a period beginning with the installation of the first Harold Wilson government and the wrecking of the Roosevelt-created Bretton Woods system by the Nixon Administration actions of 1971-72, the long wave of post-war recovery in the Americas and western continental Europe was reversed, in ways which led into the immediately onrushing, post-1971 collapse of the world's present monetary-financial system today.

To deal with the historical outcome I have just so summarized, we must consider three lessons. First, the lessons of those Roosevelt Administration's successful reforms which made possible the U.S. recovery and the rebuilding of war-torn Europe, such as the great Social Security reform. Second, those principles of the same American System of political-economy, as defined by Treasury Secretary Alexander Hamilton, which President Abraham Lincoln had revived in establishing what became the powerful U.S. national economy of the 1876 Philadelphia Centennial celebration. Thirdly, last and most crucial for this report for today's occasion, is my own specific contribution to a present understanding of those lessons from U.S. economic history, on which I concentrate here.

On the third point, the hard core of my argument in this



*John Maynard Keynes addresses the Bretton Woods Conference July 4, 1944. Writes LaRouche: "The feasibility, and adoption of a turn to a fixed-exchange-rate system akin to the original Bretton Woods system, is indispensable for all nations, at this time. This requires a United States which has returned to the kind of internal and foreign policies associated with the intention of President Franklin Roosevelt's launching of the original Bretton Woods system."*

report, is to take us beyond mere acknowledgment of what were, rightfully, the globally exceptional achievements of the American System of political-economy of Hamilton, Lincoln, and Franklin Roosevelt (among others). It is not sufficient to acknowledge the historically demonstrated superiority of those traditions. It is necessary to know the truth of those principles scientifically. This third point is the pivotal argument on which my attention is focussed here.

### **The Confusion About Economic Ideas**

Despite the presently onrushing breakdown-crisis in the world's present monetary-financial system, not every U.S. person of influence is as incompetent in economics as the thirty-odd-year downslide of the U.S. into the presently spiralling, post-2000 collapse of the U.S. dollar, might suggest. There are still, even more than thirty years later, many influential persons in today's society, as we have seen, in the Congress and elsewhere, once again, during recent months, whose competence has been shown on particular issues. These include, notably, a large number of Democratic and some Republican traditionalists who represent a legacy of some notably appropriate ideas about the physical goals of national economic policy-shaping, especially the long-term goals in formation of physical and related capital. Yet, even among such relatively competent people, when the discussion is shifted to national monetary-financial systems, they most often lose the very competence they had shown on practical issues even just a moment earlier, and return to arguing in those same "free trade" terms which had caused the greatest economic catastrophes of the recent three-odd decades.

Frequently, those contradictory features of the economic behavior within that same person, are expressed as a conflict between the practical goals of economic policy-making, on which he, or she may be clear, and largely correct, on the one hand, but, on the other hand, their situation is still, presently dominated, by utterly incompetent attempts to explain the connection between means and ends in the form of academically popular, formal-mathematical terms. In other words, the social goals of economy, as expressed in physical and related terms, have been increasingly in conflict with goals expressed in terms of monetary and related nominal assets.

The typical result of this conflict, is that the conflicted person chooses, tragically, to support, or merely to tolerate today's prevalent incompetence in national monetary-financial policies, especially when discussion turns to the language of accounting. We often see them seeking to explain physical-economic results as the products of fi-

nancial and monetary action, rather than accounting for the way in which physical-economic developments determine the way in which financial and monetary behavior and policies must be judged. So, as we see in the case of the capable industrial entrepreneur or farmer, who foolishly supports "free trade" policies, it is the inclination to accept the monetarist's inherently usurious "free-trade" theories of national-income accounting, which impels the citizen to support the defeat of the purposes and principles of the citizenry's own, otherwise valid, practical goals for national life. In this way, his belief in what he believes to be "generally accepted, sound classroom theory," turns out to be the greatest source of his own self-inflicted suffering.

For example, it was not Herbert Hoover who caused the great suffering of 1929-1933; it was the popularity of the dogmas which had prompted misguided Americans to vote, foolishly, for Coolidge's and Hoover's elections.

That is the way in which a majority among our citizens were seduced, over the course of the post-war decades, into accepting notions of national economic practice which have been based upon an actually superstitious belief in "individual greed" as the driving force in economy.

To illustrate that point here, the most convenient illustration of this mixture of competence and incompetence in the thinking of leading circles of government and management of private enterprises, is the way in which the adolescents of the time of Franklin Roosevelt's Presidency were gradually, over the time of their post-war adulthoods, weaned from the growing experience of their commitment to the monetary-financial policies which produced the long wave of recovery

and per-capita physical growth of the national economy over the 1933-1964 interval. Under the new regime of President Nixon's term in office, and the radical degeneration of long-range national economic policy-making under Brzezinski's reign as National Security Advisor, the majority of citizens either chose to support, or simply did not oppose, the monetary-physical policies which have produced the collapse of the continually lowered physical-economic conditions of life of the lower eighty percentile of our family households over the entire 1977-2005 interval to date.

That collapse of the physical and cultural conditions of life of the lower eighty percentile, over the 1977-2004 interval, was matched by a degeneration in both basic economic infrastructure, in private productive investment, and in the losses in net real productivity of the physical economy as a whole, losses effected through shutting down U.S. internal productivity, for the pursuit of promotion of not only the lunacy of "free trade," but that mass-suicide of once-great nations known as "globalization."

Look at the history of the U.S. economy in physical terms. Measure economic welfare and performance in per-capita and physical, per-household terms, rather than financial terms. Measure wealth, so defined in physical terms, per square kilometer of territory of the U.S.A. Trace the rise in physical incomes under President Roosevelt, against the fifty-percent collapse of the U.S. economy which had just previously occurred in slightly more than three years under President Hoover. Look at the collapse of farms, industries, and so forth, since August 1971; observe this collapse in terms of collapse of agriculture, industry, county by county, over the 1977-2004 interval; compare the collapse of the level of income and quality of employment of the lower eighty percentile of the U.S. labor-force since 1977.

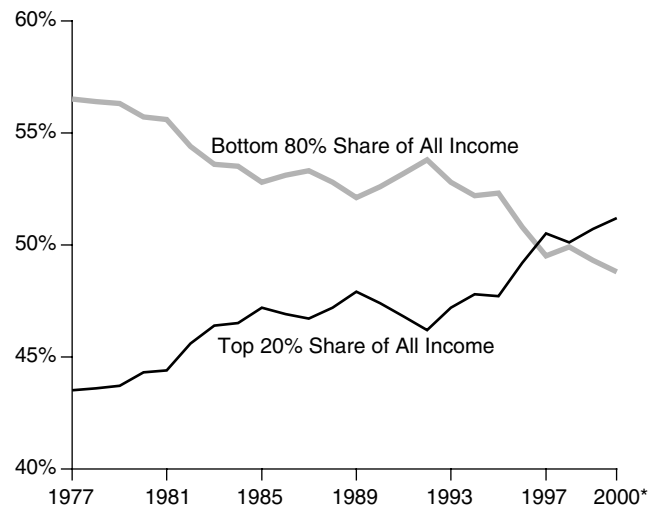
Admittedly, the October 1929 stock-market crash was chiefly the result of policies of the post-war period under Coolidge and Hoover, to that date. But, the fifty-percent collapse of the physical economy of the U.S. under President Hoover, during the years following that crash, was the result of Hoover's policy, just as the recovery was the result of the replacement of the failed policies of Hoover, under Franklin Roosevelt.

Now, as then, in 1933, today's awesome collapse of the U.S. internal economy, combined with leading factors such as the currently out-of-control U.S. fiscal and balance-of-payments deficit, have put the incumbent Bush Administration in a situation comparable to the post-1929 Hoover Administration, but also much, much worse than under Hoover. The increasingly shocking fact, that the current Bush Administration, otherwise known as the government by "the rubber room," is in an historically hopeless situation, creates the potential within the population for a shift like that we might recall from the early days of the Franklin Roosevelt Administration—even though Bush is nominally re-elected as President.

On these matters I can speak with richly proven, great,

FIGURE 1

## Top 20% of Population Have More Than Half of All After-Tax Income



\* = projected

Sources: Congressional Budget Office; EIR

exceptional, decades-long, intellectual authority. It is necessary that I invoke this earned authority here, and in similar locations, so that necessary changes are made in the way in which our Democratic Party, and others, think about the shaping of national and world economy.

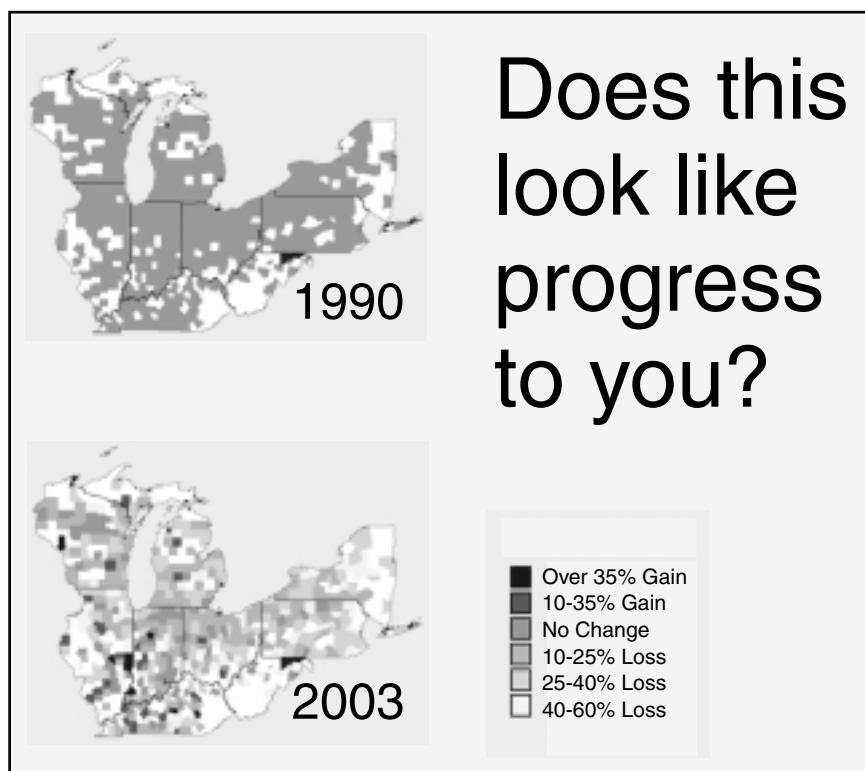
As I had repeatedly forecast, consistently, not only since August 15, 1971, but earlier, those changes, away from the Bretton Woods system introduced by President Franklin Roosevelt, have unleashed a stepwise, long-term process of threatened self-destruction of the U.S. and world economy. I warned then, and later, that without radical changes in economic policy, to undo the lunacy unleashed by the U.S. Nixon Administration's overturn of the Bretton Woods system, the essential threat would be the looming inevitability of not a mere world depression, but both a physical-economic breakdown-crisis of the present world economy as a whole, and a drive to bring the world under the control of fascist systems, as we have seen this, for example, in Chile under dictator Augusto Pinochet.

After a series of qualitative steps of intellectual degeneration of the leaderships, especially the financier circles, of the world economy at large, and despite some contrary impulses in parts of Asia, such as China and India, the world's present monetary-financial system has entered the terminal phase of a general, self-inflicted breakdown-crisis of the world's physical economy as a whole.

The decline did not begin under the reign of the dubious "Dubya." Since late August 1971, I have warned consistently, that if trends of policy changes introduced by the Nixon Ad-

FIGURE 2

## Midwest Counties: Rate of Gain or Loss of Industrial Jobs, 1990-2003



Source: EIRNS.

ministration were continued as policies in the same direction of successive, systemic changes within the IMF system, the world faced the threat of an ultimate plunge into a fascist world order. It would be, if allowed, an echo of the way in which the hegemonic monetary-financial policies of western Europe had generated the spread of fascism over the 1922-1945 interval. We are now faced with nothing other than a new, far worse, and relatively immediate threat of a fascist world order far worse, far more deadly, than the pattern of 1922-1945.

However, during 2001, things moved suddenly for the worse, probably even the worst. The evidence of President George W. Bush's currently pushing the neo-Nazi doctrines of Chilean dictator Augusto Pinochet in Social Security policies, typifies the current evidence that we in the U.S.A., and elsewhere are already on the brink of tumbling into a fascist world-order as deadly to mankind as we would have faced, but for the combination of the Soviet defeat of Nazi forces at Stalingrad and the U.S. naval victory at Midway.

### Since August 1971

Look briefly at some of the highlights of the record of our economy's long wave of degeneration which began approximately August 15, 1971.

Therefore, during the Summer-Autumn 1971, I, with my associates of that time, charged most of the leading U.S. university professors of economics with being "quackademics." I premised my charge on three leading facts.

1. First, these professors and their co-thinkers had confidently argued that a breakdown like that launched by George Shultz, Henry Kissinger, et al., through their control over the Nixon Administration, could never occur under the so-called "system of built-in stabilizers." That was the prevalent taught, and frankly lunatic, academic and related doctrine among economists and their duped students, then, as similar foolishness is widely and blindly accepted today.

Hundreds of thousands of influential, academically trained dupes, had accepted the practice of spreading that lunatic dogma as their virtual religious belief through brain-washing at universities and promotion, by Arthur Burns et al., in their places of influence in the nation's economic policies of practice. The only fair technical term to describe the stubbornness of such university professors was, and remains, "Quackademics."

2. Second, they had refused to consider the relevant clear evidence of the moment, evidence which should have prompted any honest academic economist to recognize, and proceed to correct his error: to dump the bankrupt dogmas which they persisted in teaching to the modern dupes of academic Laputas. August 1971 showed, beyond reasonable doubt, that there were no efficient, automatic "built-in stabilizers" in the post-1968 IMF system.

3. Third, in December 1971, when they finally did consent to face me with their adopted champion in public debate on this issue, Professor Abba Lerner, they were roundly beaten by me publicly. However, instead of accepting the lesson I taught them on that occasion, the circles associated with the Congress for Cultural Freedom mobilized a campaign of defamation against me, a campaign of defamation and denial which has persisted in many leading academic and related circles to the present day.

Thirty-four years later, these types of fellows are not likely to admit any of their important major mistakes. Rather, they have acted as if in explicit defiance of what is now my overwhelmingly vindicated assessments. Most significantly, they have done worse than merely defy my conclusively proven case; they have acted as if to enforce their failed policies of the past as the standards for future policy-making

at the present moment. Thus, because of them, we are now confronted not merely with a global depression, but the kind of general, planetary, breakdown form of chain-reaction collapse which leads immediately into a planet-wide new dark age.

They are now, Federal Reserve Chairman Alan Greenspan and all, at the verge of a general economic bankruptcy, which has been caused by their persistent intellectual-moral bankruptcy in policy-shaping.

What Federal Reserve Chairman Alan Greenspan represents today, is the physical effect of a terminal phase of intellectual degeneration, caused by a long wave of measures of degeneration in the U.S. economy and International Monetary System. That was the trend unleashed by the typical influence, already in 1971-1972, of the Nixon Administration's George Shultz. The issue of my argument against the notable Keynesian, Professor Abba Lerner, in a celebrated public debate with me, in December 1971, especially the Brazil policy for which I attacked Lerner on that occasion, is typical of the long-wave trend which has led the United States through the Nixon Administration's launching of the neo-fascist dictator August Pinochet in Chile by "Chicago Boy" Shultz.

My warning, that the policy-trends associated with Nixon Administration figures, such as Shultz, had moved the U.S. and the world into a long-wave trend toward a fascist world order, was already demonstrated in progress in the early 1970s roles of Shultz and Henry A. Kissinger in the South American "Cone."

---

## 1. The Birth of the American System

---

President Franklin Roosevelt's singular achievement was to have revived what had developed, since 1763-1789, as the "American System of political-economy," as that term is most prominently associated in economic history with names such as Benjamin Franklin, Alexander Hamilton, Frederick List, Henry C. Carey, and the revolution to restore that system which was led by President Abraham Lincoln during the interval 1861-1876.

To understand what "American System of political-economy" actually means, we must consider a few of the most essential features of the way in which that notion of an "American System," distinct from today's liberal parliamentary models, came into being.

### From Solon Through FDR

Since the time of Solon of Athens, the goal of moral persons in European society, has been to establish sovereign nation-state republics whose existence eliminates the distinction between ruling and ruled forms of strata within society. This goal has been premised upon the evidence that the human species is essentially distinct from and superior to all lower

forms of life. This means, for example, the outlawing of forms of societies based upon the assumption that the majority of society is composed of animal-like cattle, as did the Physiocratic dogma of Quesnay and Turgot. It also meant, as the 1648 Treaty of Westphalia specified, a system of sovereign nations united by the principled commitment of each to promoting the advantage of the other.

This view of the precedent of Solon of Athens was a central feature of the crafting of the design on which the existence of our republic was premised.

Through the history of this republican current in European history, this republican impulse has been based upon a certain specific notion of an essential distinction of the human individual from the beasts, a notion not inconsistent with the definition of man and women within the first chapter of *Genesis*. A notion of man with creative powers consistent with man's design as created in the likeness of the Creator. It is this notion of the human individual's creative nature, which supplies the notion of the intrinsic sacredness of the human individual, and those notions of rights and obligations which define the natural qualities of mutual obligations and rights uniting all persons in society.

It was this tradition in the span of European civilization since, for example, Solon of Athens, on which the 1776 U.S. Declaration of Independence premised a struggle for national independence. This was the constitutional principle expressed in the incorporation of Gottfried Leibniz's anti-Locke principle of the "pursuit of happiness" in that constitutional declaration. The Preamble of the U.S. Federal Constitution, which is the supreme principle of law of that Constitution, expresses the same principle associated with Leibniz's "pursuit of happiness."

The American System of political-economy, which is the crucial point of axiomatic distinction underlying the constitutional basis for the axiomatic difference in principle of law between the U.S. republic and the Anglo-Dutch Liberal systems of political economy of Europe still today, is premised on an essential interdependency of a notion of individual creativity, as defined by Plato's principle of hypothesis, and a notion of personal immortality of the human individual.

The development of what became the American System of political-economy, by name, began with the founding of the first expression of modern European society as the modern nation-state, in the Fifteenth-Century European Renaissance. The most notable intellectual markers of that Fifteenth-Century revolution in the form of society are two works by Cardinal Nicholas of Cusa, his *Concordantia Catholica*, which defined the modern sovereign nation-state in principle, and his *De Docta Ignorantia*, a work which launched modern experimental forms of physical science.

The emergence of the American System of political-economy occurred through developments defined by the following most notable markers. The development of the first modern sovereign nation-states occurred, in succession, as France under Louis XI and the English revolution, led by Henry VII

“Richmond,” modelled on Richmond’s experience of Louis XI’s France. Then came a long struggle, led by Venice’s internationally powerful financier oligarchy, to crush the Renaissance and its modern sovereign nation-state out of existence, through a process of religious warfare launched from Spain in 1492 by the Grand Inquisitor’s persecution of the Jews, and continued, under the influence of Venice’s financier oligarchy, as the religious warfare of the period until the 1648 Treaty of Westphalia.

The effect of the Treaty of Westphalia, which echoes Cusa’s *Concordantia Catholica*, was to unleash the rapid emergence of modern economy in the France of Cardinal Mazarin and his associate Jean-Baptiste Colbert. The revolutionary wave of scientific and economic progress which marks modern European civilization since 1648, was based, under the leadership of Colbert, on the specific, leading legacy of such followers of the principles of Cusa’s *De Docta Ignorantia* as Leonardo da Vinci and Johannes Kepler. This scientific and economic renaissance under the sponsorship of Colbert produced effects centered in the accomplishments of Gottfried Leibniz, accomplishments expressed in a central way by Leibniz’s definition of his calculus according to an infinitesimal calculus expressed by a catenary-cued physical principle of universal least action.

The principled influence of Leibniz on the subsequent history of modern physical science and society is marked by the discoveries and related work of Carl Gauss and Gauss’s own great successor Bernard Riemann.

As a result of the defeat of Venice’s power as an imperial form of nation-state, a defeat expressed by the Treaty of Westphalia and the immediate aftermath of the subsequent several decades, the power of the Venetian financier oligarchy found a new cloak and political expression in the rise of Anglo-Dutch Liberalism as what became known, during the Eighteenth Century, as the “Venetian Party,” otherwise known as the political party of the Anglo-Dutch India companies. The ruinous wars into which that Anglo-Dutch India Company faction lured France’s nasty and foolish Louis XIV, set into motion an Eighteenth-Century process through which the Anglo-Dutch Venetian Party acquired global imperial power through the February 1763 Treaty of Paris.

The mid-Eighteenth-Century emergence of American forces associated with Benjamin Franklin, the preceding Winthrop-Mather tradition of the Massachusetts Bay Colony, and the Leibniz tradition, became the “cynosure” of European resistance to the Anglo-Dutch Liberals’ imperial triumph of February 1763. This tradition, whose central expression became the 1776-1789 struggle to establish a viable form of independent U.S. republic, is the basis for that American System of political-economy of Hamilton and his followers to the present day.

## The Truth About the French Revolution

Through the launching, under direction of Lord Shelburne’s London, of what became known as the French Revo-

lution of July 1789, the project for establishing a constitutional model of France’s monarchy was drowning in bloody chaos. The rise of Bonaparte to Emperor, established effects, over the 1789-1815 interval, which led to that isolation of the U.S.A. by Europe, through the combined efforts of the otherwise rival Anglo-Dutch Liberal and Habsburg powers of Europe. It was only the triumph of the Lincoln-led U.S.A. over London’s Confederacy puppet, which secured the otherwise constantly imperilled, sovereign existence of the U.S.A.

Shelburne’s imperial London, which had used corrupt powers such as the Physiocrats of France, and Shelburne’s asset Jacques Necker, to drive France’s monarchy into the bankruptcy of 1789, ultimately subordinated the power of Metternich and his Habsburgs over the period into 1848, a development which greatly strengthened the power of the Venetian Party’s Anglo-Dutch Liberal system.

The 1863-1876 emergence of the U.S.A. under Lincoln, as a great agro-industrial power, as what his former sponsor, John Quincy Adams, had intended as one nation, sovereign within southern and northern continental borders, and from ocean to ocean, provoked a spread of the influence of those ideas of the American System. Following the 1876 Philadelphia Centennial Exposition, the ideas of the American System of political-economy spread in such places as Japan, Bismarck’s Germany, Alexander II’s Russia, and elsewhere. The Anglo-Dutch Liberal party’s reaction to the rise of new Eurasian economic powers based on the successes of the American System, was what prompted King Edward VII’s London to organize what his death bequeathed to the world as so-called World War I and, later, World War II. The untimely death of Franklin Roosevelt unleashed powerful Liberal trans-Atlantic forces into their effort to undermine, and ultimately destroy the work of President Franklin Roosevelt.

So, from the February 1763 Treaty of Paris, which established the British East India Company as an imperial power, through the present time, the principal monetary-financial power in the world has been usually concentrated in the hands of the Anglo-Dutch Liberal faction whose typical recent work is the imposition of the ruinous, spreading, so-called “stability pact” upon the nations of continental Europe. The exceptions were periods of exceptional power of the U.S.A., under and following the work of Presidents Abraham Lincoln and Franklin Roosevelt.

## Since the Death of FDR

Since the death of FDR, the effort to uproot the American System of political-economy led to the reforms, under National Security Advisors Kissinger and Zbigniew Brzezinski, and by Kissinger associate George Shultz. These reforms, especially those of 1971-72, have led to the self-wrecking of the U.S. as an agro-industrial power. This wrecking was done in favor of what has become the present drive toward eliminating all nation-state power, world-wide, in favor of a Venetian style of financier-controlled, ultramontane imperialism known today as “globalization.”

The crucial strategic issue today, is the need to free the world from the global doom inherent in the system of globalization, through re-establishing the global replacement of the Anglo-Dutch Liberal form of financier imperialism, once again, along the lines of the American System as typified by Franklin Roosevelt's launching of the Bretton Woods system. The point is illustrated for clearer understanding of the problem today, by the fact, that the current Tony Blair government of the United Kingdom is a projection of the Fabian Society's liberal imperialism.

That same liberal imperialism, as a reigning financier power in Europe today, is the source of the great and immediate threat which the presently onrushing economic breakdown-crisis represents not only to the U.S.A., but the world at large. The only presently available alternative to the presently rotten, imperial form of IMF system, is the old IMF system, that older IMF system which must be recognized as a reflection of the experience of the American System of political-economy.

---

## 2. Science vs. Mysticism in Economy

---

Under the modern Liberal system of global central banking, the value of money itself is determined by the accidents of "free trade." Under that Liberal system, governments are themselves subjects of control by so-called "independent central banking systems," banking systems which, like today's IMF, are treated as the reigning authorities over governments, with governments merely slaves of the mysterious whims of central bankers.

These central bankers are, themselves, a kind of monetary-financial "slime mold," an unwholesome aggregation of numerous individual financier entities, which act in concert to choose, or to submit to the current tyranny of some leading parts of that oligarchical aggregation. The central bankers, so defined, act in the name of the relevant collective financier interest, and use institutions such as the current, post-1972 form of IMF and central banking systems, as the higher authorities imposing their will upon mere governments.

When we consider the nature of such "independent central banking systems" with a clear head, we recognize that they are nothing but a modern extension of the model of that "slime-mold"-like, old financier-oligarchical power of Venice, which ruled, and ultimately ruined the so-called Middle Ages of Europe, the so-called ultramontane system, during the time of the Crusades and Holy Leagues, until the Fourteenth-Century "New Dark Age." Then, we are able to see more clearly, that the Venice-led insurgency against the Fifteenth-Century Renaissance and modern sovereign nation-state, was a revival of that "slime mold"-like phenomenon of usurious Venetian financier-oligarchical power, a "slime mold," such as that associated with the savagely anti-semitic Grand Inquisitor

Tomás de Torquemada, which was determined to uproot a system of modern, perfectly sovereign nation-states based upon the sanctity of the individual person, putting the power of that state above any attempted usurpation by a "slime mold"-like oligarchical financier power.

The Liberal's notion of a "return" to a system of sanctity of personal money, as a higher authority than that of the sovereign nation, is the essence of that modern Anglo-Dutch Liberal system which rules over the nations and peoples of Europe today. That notion is the delusion which has ruined and wrecked the U.S.A., among others, since August 1971. Understanding of this essential feature of the Venetian model of ultramontane financier-oligarchical rule, is key to understanding the monetary theory which dominates the academic textbooks and academic habits of today.

### Enter, the American System

From the standpoint of experimental physical science, since the ancient Pythagoreans, the distinction of man from beast is the power of the human species to increase the standard of living of all members of society, in a way which is not possible for lower forms of life, through the discovery of universal physical principles. These are principles, called "powers," as by Leibniz, which can not be seen directly through sense-perception, but which can be known and proven for practice by a crucial form of experimental methods.

The discovery and use of such powers was implicitly denounced as a Promethean evil, by the tradition of the Olympian Zeus, and, by the modern empiricist. Yet, it has been through the discovery and adoption of such discovered powers, that the potential relative population-density of the human species has been increased from the mere millions of any mere higher ape, to a world population-level of more than six billions today. This conception has been the central feature of all my own work in economics over the recent six decades.

The first goal of the pro-Leibniz American System of political-economy, is the promotion of the discovery and use of discovered powers, such as scientific technology, to increase the standard of living, and the potential relative population-density of the human species. The correlated notion is that the standard of living of the individual person in society must be increased over successive generations, as through investment in the discovery and application of discovery of new fundamental physical principles.

In the American System as described by Hamilton, attention is focussed upon defining the ways in which willful action among individuals can be coordinated in such a way as to promote the role of free-will individual human activities in ways which lead to that desired overall result for present and future generations.

In this system, the creation of lawful money, for this use and purpose, is an exclusive function of the sovereign nation-state. The constitutional state is therefore responsible to regulate the generation and circulation of money by those means



*The American System of political-economy created the greatest industrial power the world had ever seen. Here, a Corliss engine at the 1876 U.S. Centennial Exhibition.*

which ensure the desired result of the combined action of large institutions, including government, and individual free will. This is done by aid of the regulation of the circulation of money, regulation accomplished by means including the use of the power to set tariffs and to tax, or subsidize.

In a modern economy, such as that which the U.S. used to be prior to 1971, about half of the total capital throughput of a healthy national economy, is associated with investment in, and regulation of basic economic infrastructure, and the remainder in private enterprises. In a healthy modern economy, there is a preference for closely held private enterprises, over financier-controlled enterprises, and therefore the independent farmer and technologically progressive entrepreneur is always favored over the large financial enterprise.

The related objectives of government must therefore be the concern to ensure that the increase of the rate of generation and capital accumulation of useful wealth, must be to fulfill certain standards, and improvements of standards in each of all portions of the territory and population of the nation as a whole. The lunacy of de-regulation conducted during the term of National Security Advisor Brzezinski, is typical of the ef-

fects of setting regions of a national territory into economically cannibalistic price-competition, with the resulting collapse of the national U.S. rail and air transport capacity today. Thus, the Federal and other levels of government must not merely regulate, but must tax the system as a whole to ensure the necessary levels of development of basic economic infrastructure, at appropriate prices.

### 3. The Principle Involved

All currently popular ideas about economy, whether in the former Soviet Union, or transatlantic convention still today, are based on the same assumption popular in so-called "information theory," that there is no significant difference in principle between a man and a monkey. In that sense, some must regard the current President of the U.S.A. as an embodiment of proof of that assumption; an electronic simulation of a pet goat might produce a generation of robots among which, like the infamous Hamelin Ratcatcher's children, none, might be left behind.

In fact, mankind is the only species which is capable of discovering a universal principle of nature. This quality specific to the human individual, expresses the immortal soul of the individual, that which the person passes on, with his or her identity, to the benefit of future generations. It is the human individual's recognition of that kind of immortality which affords him, or her, the ability to face death with the courage which only such a rational kind of sense of immortality can supply, a quality largely lost among recent generations until the presently ongoing emergence of a new generation of adult youth.

These powers, which all generally taught varieties of economic dogmas deny to exist, are the only actual source of a durable form of net profit of enterprise. It is the process of discovering and developing new physical principles, as aided by the process of Classical artistic modes of organizing inspired cooperation of common intent within society, which distinguishes the man from the beast-man. Once we recognize that the possibility of a true net profit, as measurable in physical terms, occurs only through the kinds of sovereign mental action by individuals which produce fundamental discoveries in technology and Classical forms of culture, then we understand that only thus can a durable flow of profit be generated. The function of the economist is to show government how credit and prices must be organized to foster the kind of net profit consistent with those forms of progress of the economy as an indivisible whole.

In practice, therefore, the principal challenge immediately before the government of the United States today, is to define the necessary scope, components, and characteristics of what we usefully define as basic economic infrastructure, especially the role of government in financing and maintaining the rate of physical net growth, per capita, and per square kilometer, in each and all parts of the economy as a whole.