

Volcker's program . . .

Continued from page 19

44 percent below the early 1979 level. The rate of consumer credit issuance was down 40 percent from the third to the fourth quarter of 1979. These figures, of course, correspond to the disintegration of the auto and housing sectors of the economy, two of the economy's most important sectors. The comparisons between the 1974-1975 business and the present are extraordinary. Then, corporations borrowed massively to speculate on inventory stockpiles, lost, and liquidated inventories in a long, bitter runoff. Corporations are now borrowing merely to maintain the same inventory levels under conditions of near-20 percent inflation—which is where the rate of commercial borrowing stands.

What is particularly onerous about the Carter budget deficit is *not* its mere size, but its composition. Of course, policymakers have long since stopped listening to Keynesian economists babble about the “mutliplier” effect of government spending. There is no “multiplier” for the economy in this deficit, only deductions. This has everything to do with its Schachtian nature. Military spending is a drain on the most vulnerable, shortage-prone sectors of the economy, especially capital goods, as *EIR* demonstrated using the LaRouche-Riemann computer econometric model.

Under conditions of, for example, a three-year backlog in machine tool orders, and a 14 month backlog in orders for most steel forgings, increased military production is an inflationary bottleneck-maker. Production of Schacht-style synthetic fuels plants, which will churn out dirty energy many years from now at \$40 per barrel oil (in terms of the 1979 relative price of petroleum) to replace \$26 oil from Saudi Arabia, are similarly an inflationary drain on the economy.

Assuming that the shift away from productive activity is merely equal to the \$75 billion implied by the budget plus the \$26 billion asked by the Senate, the inflationary addition to Gross National Product would imply an additional 5 percent or so on top of the current 20 percent inflation rate. However, the spinoff effects of the Schachtian shift make this kind of estimate useless. What has to go is the civilian economy.

Bankers Trust, in a Feb. 25 commentary, is blunt on this point: “Talk of controls has helped the markets to function again. . . . The major concern of market participants over the near term, however, will not be the money supply or inflation, but the economy. The Fed is in the midst of another struggle similar to last October's. The goal is a sharp reduction in economic activity.”

What will remain after the dust settles is those “national priority” areas funded directly by the Department of Defense or the Energy Security fund, precisely as in Schacht's Germany.

The Republican endorses fascist

by Lyndon H. LaRouche, Jr.

The following statement was issued in February 1980 by Citizens for LaRouche, the campaign organization of the author, a Democratic presidential candidate. We reprint the statement here in full.

The darling of the Republican Party, Nobel prize-winner Milton Friedman, is a self-confessed promoter of the economic policies of Nazi Germany. Unfortunately, every leading Republican candidate for the presidency is committed to the Nazi-modeled “fiscal austerity” policies of the type pushed by Friedman.

It is true that the Carter administration is also committed to economic policies modeled on those of Hitler's Germany, but it is the Republican National Committee which is presently committed to a more vicious continuation of Carter's Nazi-modeled policies for the 1980s.

Milton Friedman

As an “economist,” University of Chicago's Milton Friedman is a bad joke. Even most professional economists of Friedman's own faction share the contempt for Friedman's mental abilities voiced in print by Cambridge University's Mrs. Joan Robinson. Mrs. Robinson characterized Friedman, quite correctly, as a degenerate Keynesian, and correctly sneered at Friedman's method of analysis as representing the “post hoc ergo propter hoc” school of monetary doctrine.

One could say more or less the same of another Nobel prize-winning pseudo-economist, Paul Samuelson of Massachusetts Institute of Technology. Samuelson made a fortune from the sale of his college undergraduate textbook. This textbook was used to indoctrinate millions of credulous college undergraduates and others in the dogma that the Keynesian “built-in stabilizers” would assure, eternally, that a development such as the August 1971 collapse of the U.S. dollar could never occur. Samuelson was given his Nobel award months prior to the total discrediting of his dogma by the events of August 1971.

However, the discredited Samuelson is unimportant

leadership economics

today. Friedman is, unfortunately, the darling of the Republican National Committee as well as the Carter administration.

Friedman's "fiscal austerity" doctrine is in fact a copy of the policies of Nazi Germany. Those policies were authored by Nazi Finance Minister Hjalmar Schacht, the individual who put Adolf Hitler into power for the purpose of implementing those doctrines. Friedman has publicly admitted that model for his own present proposals in the name of "free enterprise." That admission is perhaps the only instance in which Friedman's public statements have been correct.

The Nazis did exactly what Friedman and his admirers now propose for the United States. For most of the German economy, Schacht and Hitler imposed the kind of austerity the Carter administration is presently conducting and the Republicans are proposing. This wiped out independent German business en masse, maintaining only a war-economy prosperity among the Nazi Germany equivalent of the "Fortune 500." Schacht controlled Germany's continuing inflation by increasing the cuts in real income of the German population at rates corresponding to or exceeding the continuing rate of inflation. Those facts are documented in detail in a classic study of Nazi economics by the late Jacques Rueff, the leading economist of twentieth-century Europe.

It was this looting policy which impelled Hitler's regime to cut the proportion of the population to be supported through, first, euthanasia against the aged and seriously ill and, later, the "useless eaters" policy of more generalized genocide. Similarly, today, the Carter administration's Department of Health, Education, and Welfare, is currently continuing policies which aim to shorten the life-span of senior citizens—with the argument that this is necessary to prevent long-lived senior citizens from creating a financial drain through Social Security and Medicaid programs. The same genocidal policy is promoted by the Kennedy Center for Bio-Ethics at Jesuit Georgetown University.

This is also the genocidal doctrine of the leaders of

Hjalmar Schacht, Adolf Hitler's finance minister until 1937, the architect of the economic policies now adopted by the Carter administration, and endorsed by the Republican National Committee. Below, Schacht-imitator Milton Friedman.



the so-called zero growth organizations and their so-called environmentalist supporters. The fraudulent study, entitled "Limits to Growth," published by MIT professors Meadows and Forrester, was used as the basis for the proposal by the Club of Rome to reduce the world's population to between one and two billion persons by about the year 2000 A.D. These genocidal proposals are in effect in the so-called conditionalities policy of the International Monetary Fund and also the "appropriate technologies" policies of Robert S. McNamara's World Bank. Both policies are currently supported by the Carter administration.

A policy of "zero economic growth," or "zero-based budgeting," combined with an anti-nuclear energy policy and a "fiscal austerity" policy, is the most efficient means for committing mass genocide short of total thermonuclear war itself.

"Free enterprise" menace to capitalism

One should recall that Milton Friedman and his Nazi-modeled policies were the initial doctrine of the Nixon administration. Nixon dumped those doctrines—temporarily—during the spring and summer of 1970, and later declared himself a convert to Keynesianism. The reason was that Friedman's policies had brought the

entire U.S. economy to the edge of a chaotic financial collapse, as signaled by the bankruptcy of the vulnerable Penn Central and the crisis of Chrysler Corporation that year.

Friedman was revived by the incoming Carter administration. The “transitional administration” was occupied with administering indoctrination in Friedman’s Nazi-modeled economics to the legal profession and other bodies.

The next major promotion of Friedman’s Nazi-modeled doctrines began during May-June 1978. This time the campaign for Nazi economics was conducted through a British secret-intelligence front organization, the Heritage Foundation. The Heritage Foundation is jointly controlled, top down, by the London International Institute for Strategic Studies (IISS), and the Mont Pelerin Society, both agencies of British secret intelligence. This time the Nazi-modeled, anticapitalist dogmas were peddled as a consumer fraud under the title of “free enterprise.” The massively financed propaganda campaign in support of Nazi economics labeled “free enterprise” was conducted through such channels as the American Enterprise Institute, the American Conservative Union, the resources of the Olin Foundation, and a wide assortment of foolish prattlers and scribblers including the rather dumb former U.S. Treasury Secretary William Simon.

I was horrified, but not entirely astonished by the numbers of executives of industrial corporations who were brainwashed into regurgitating that Nazi-modeled buncombe.

The manifest stupidity of many such members of the business community was underlined by the fact that the Friedmanite doctrine of “free enterprise” was shamelessly described as proven by its recent, allegedly successful application in Great Britain. Since most leading business executives have first-hand evidence of the kind of industrial wreckage the British economy has become, their continuing admiration for this sort of policy was hardly evidence of tough-minded business judgment.

It is true that Friedman’s “free enterprise” doctrine is of British origins. In fact, it was the same British policy against which the founding fathers of the United States conducted the American Revolution against our British adversary. This is not inconsistent with the fact that Friedman’s economics dogma is Nazi-modeled.

The first edition of John Maynard Keynes’s “General Theory” was published in German, not English. It was published in Berlin in 1936, with an included special preface by the author—a preface discreetly omitted from the later, English-language editions. In this German-language preface, Keynes praised Nazi Germany as the most desirable form of nation for successful implementation of his policies. Keynes was not suffering any misunderstanding of the Nazi system. Schacht was a product of indoctrination in British policies, and the

economic policies which were—and are—the determining feature of a fascist state were developed for Schacht by his British patrons and advisers.

It could be argued that Friedman and the Heritage Foundation were not the first institutions to introduce Nazi-like economic policies manufactured in Britain into the United States. Throughout the early nineteenth century, there was a continuing fight between the procapitalist and the proslavery factions. The proslavery faction’s policy was called “free trade,” the policies of Adam Smith’s “Wealth of Nations.” The procapitalist faction was called “protectionist,” because its policies used tariffs as well as fiscal and monetary incentives to promote fair rates of profit and fair wages for independent farmers and developing industries. The procapitalist principles of the American System were set into motion under George Washington, by the reports to Congress on credit, banking and manufactures of Treasury Secretary Alexander Hamilton. It was that American System which made the United States the great power it was until the liberal subversion of the recent two decades of our nation’s decline.

The idea behind the British doctrine of “free trade,” the policy of the proslavery faction in American history, was to use cannibalistic forms of competition among farmers, among business, and among the ranks of labor to keep down the rate of reinvestable profits of farmers and manufacturing. Reduced wages lowered the cultural level of life of the general population, thus slowing down the rate at which the labor-force could generate investable savings or assimilate new productive technologies. This ensured that the British aristocrats and their private-banker allies would be able both to loot production more successfully and prevent farmers and businessmen from achieving sufficient strength to overturn the rule of world trade and finance by the allied forces of feudal-minded “blue bloods” and their usury-minded banker accomplices.

As Hamilton understood, capitalist development requires a gold-based currency whose stable values are assured through national banking institutions outside the control of private interests such as the London and Manhattan bankers. Through national banking and a gold-based currency, the federal government is able to ensure a supply of credit to local private banks and their clients at prime interest-rates of between four and six percent. The point is to keep the prime interest-rate to sound investors well below the average rate of profit of sound businesses and farms. It is the soundness of the investments to which such credit is lent which provides security for the credit generated by the gold-based national banking system. By combining this credit with the savings channelled through local private banks, high rates of capital-formation are encouraged in agricultural improvements, in manufacturing, in mining, in construc-

tion, in transportation, and in commerce in the product of agriculture and manufacturing. By also fostering high rates of scientific and technological progress, and high standards for compulsory public education, the optimal rate of improvement in the productive powers and productive output of the labor force are achieved, ensuring noninflationary growth, an ever-stronger national currency, and a demand for labor slightly in excess of the total labor-force. That is the American System, as opposed to its enemy, the British System of Adam Smith, et al.

The British System of Adam Smith, John Stuart Mill, Keynes and Schacht is an anticapitalist system of political-economy. It is the increasing influence of the British System which has caused the accelerating decline of the United States since the 1957-1958 recession, and especially since the wrecking of the U.S. dollar under President Johnson and Federal Reserve Chairman W. McChesney Martin during 1965-1966.

The point is to get back to the American System of Hamilton, the Careys and Friedrich List.

Unfortunately, the forces which control both President Carter and the Republican National Committee, the forces associated with the New York Council on Foreign Relations' Trilateral Commission gang, define Hamilton and List as the chief adversaries of the United States. You find this incredible? I refer you to the current publication by McGraw-Hill of more than 20 books belonging to a collection entitled "Project for the 1980s." These books represent policy-papers written under the supervision of Cyrus Vance, W. Michael Blumenthal, Zbigniew Brzezinski, and others for the Council on Foreign Relations during 1975-1976, and completed just in time for the Carter inauguration. These books outline every policy followed by the Carter administration since then, and also define every policy currently adopted by the Republican National Committee. The entire policy of the Carter administration and of the present, Kissingerian Republican National Committee is based on the presumption that France, Germany and Japan—not the Soviet Union, or Communist China—are the chief enemies of the United States. The pretext for defining France, Germany and Japan as the Carter administration's chief strategic adversaries in these books is the observation that those nations, especially Gaullist France, are dedicated to the "neomercantilist" policies of the George Washington administration, whereas, the Manhattan Tories take the side of King George III!

Worse, rather than give up treasonous, Tory policies, the "blue bloods" who run puppet-President Jimmy Carter are prepared to put the United States under the Nazi economic policies of Adolf Hitler and Hjalmar Schacht. Milton Friedman and the British-intelligence conduit, the Heritage Foundation, are the leading voices for this Nazi doctrine.

Two professors revive the policy of Goering

The following is a critical review by Lyndon H. LaRouche of the work of St. Anselm College professors Dr. Richard Gabriel and Paul Savage, authors of Crisis in Command.

The Nazi side to Gabriel and Savage leaps out at the moment one poses of them the question of developing the civilian-economic basis for an adequate military capability. The answer they give is not only exactly the same answer Nazi Hermann Goering gave in the 1930s; Gabriel and Savage are fully aware that they are resurrecting the Nazi policies of Goering.

Gabriel and Savage have flatly insisted that the United States can build a powerful military economy while allowing the civilian economy to collapse. This is the gist of Goering's 1930s "guns not butter" policy, and the policy of the candidacy of Republican George Bush today.

Both President Jimmy Carter and Republican George Bush are candidates for a Nazi policy for the United States. The differences between the two candidates are identical with the differences between Nazi Finance Minister Hjalmar Schacht and Nazi military-economy boss Hermann Goering during the 1930s. Not only are the differences between Carter and Bush identical to those between Schacht and Goering, but the key think-tankers behind the policies of Carter and Bush are fully aware of this connection.

Fundamentally, there was no difference between Schacht and Goering in overall policy. Both started from the Nazi economic doctrine of Schacht. So, today, both Carter and Bush accept Nazi-modelled 'fiscal conservatism' doctrines of Schacht imitator Milton Friedman. Starting from that point of agreement, Carter's and Bush's backers diverge in the way in which they propose to apply the Nazi doctrines of Schacht and Friedman. Carter's backers are now committed to a limited growth of the military budget, while collapsing a great deal of the U.S. civilian economy. Bush's backers, like Goering of the mid-1930s, propose to go all the way to the kind of military economy which the Nuremberg trials identified as the special characteristics of the Nazi regime over the 1936-1945 period.

The military doctrine of Kissinger, Schlesinger, and Brzezinski was aptly described during 1975 by James R. Schlesinger as 'the aura of power.' Challenged on the growing inferiority of the U.S. military capability to