

# The theory of the New World Economic Order

by Lyndon H. LaRouche, Jr.

*The following is the text of the speech by EIR founder Lyndon H. LaRouche, Jr., for the Founding Conference of the Club of Life, October 20 and 21, 1982 in Rome, Italy. Mr. LaRouche is also the chairman of the International Caucus of Labor Committees and chairman of the Advisory Council of the National Democratic Policy Committee in the United States. He is the creator of the LaRouche-Riemann economic model and has written many books on the interrelated subjects of economics, education, and statecraft.*

Since a fundamental shift in economic policy of the United States of America, over the period 1966-1969, the world as a whole has been moving at an accelerating rate, into not only a new world economic depression, but also depression-connected genocide against entire nations and people in many parts of the world.

At the moment we are assembled here, we are already inside the opening phase of a new economic depression worse than that of the 1930s. We are, at this moment, at the brink of a chain-reaction of collapse of financial institutions. If this collapse of financial structures occurs, the collapse of combined financial, political and social institutions worldwide will be as devastating as the collapse of Central Europe during the middle of the fourteenth century. Without a more or less immediate, and comprehensive reform of the world's leading monetary institutions, and a profound and sudden change in monetary policies, this combined economic and financial collapse cannot be prevented.

I can add the fact that many among the most influential and powerful financial executives of the world broadly agree with my characterization of the international, economic and financial situation, even though a majority of them continue so far to reject the specific policy recommendations I have

continued to propose since a Bonn, West Germany press conference of April 1975.

During 1966-1967, the British psychological warfare agency, the London Tavistock Institute submitted a report called the Rapoport Report to the U.S.A.'s Johnson administration. Tavistock expressed professed alarm at the psychological effects of scientific and engineering breakthroughs being accomplished chiefly under the auspices of the U.S.A.'s National Aeronautics and Space Administration (NASA). Tavistock warned that popular admiration for scientific achievements was fostering an excessively pro-scientific, pro-nationalist outlook within the U.S. population.

The Johnson administration accepted the recommendations of this Tavistock report and launched a program then named "The Great Society" as part of a policy of cutting back sharply on technological and scientific progress. This pro-neo-Malthusian policy was deeply embedded within institutions and policies of the United States under Presidents Nixon, Ford and Carter. Although President Reagan is professedly an opponent of neo-Malthusianism, large chunks of the U.S. government as well as influential private institutions of the U.S. are continuing a neo-Malthusian policy at the present time.

Although the recent decade eruption of neo-Malthusian dogmas did not originate within the United States, the acceptance of those policies by the U.S.A. government has tilted the balance of world political forces in favor of neo-Malthusian dogmas and policies of practice worldwide.

This widespread toleration and support for neo-Malthusian policies is an effort to overthrow the most fundamental tenets of Judeo-Christian civilization. Although the 1967 *Populorum Progressio* and the 1981 *Laborem Exercens* are specifically encyclicals of the Roman Catholic confession, in

their essentials these two encyclicals are to be adopted by the nations and peoples of the world, whatever their particular religious profession. These encyclicals are to be used as ecumenical doctrines, addressing the fundamental values of not only Judeo-Christian civilization, but all forces which adhere to the principles of the sacredness and dignity of human life throughout the world.

I ask you to focus your attention for a moment on the manner in which neo-Malthusian dogmas and the depression are interacting at this particular moment of history. Then, I shall stress the connection between the principles of *Laborem Exercens* and modern economic science. Finally, I shall summarize the scientific basis for the establishment of a New World Economic Order meeting the requirement of *Laborem Exercens* and *Populorum Progressio*.

### **Interconnection between neo-Malthusianism and economic depression**

If the leading institutions of the world still adhered to the human values generally accepted as recently as the early 1960s, the governments and political parties of most nations would judge the present and recent policies of the International Monetary Fund and World Bank to be a hideous failure. In former times, we rightly judged economic and financial policies by a certain standard of social performance, by the standard of developing the material conditions of individuals' human life worldwide, and fostering of that technological progress upon which the maintenance of human life depends.

In former times, men and women of goodwill judged economic and financial policies as good, bad, better or worse as the policies succeeded or failed in contributing to the development of the quality of life of the family and the individual in society generally. If we still adhered to those traditional Judeo-Christian values, we would regard the so-called "conditionalities" policies of the International Monetary Fund and other institutions as moral failures, and we would demand reforms of those institutions efficient to the purpose of correcting the evil being wrought by such "conditionalities" policies today.

Today, the spread of neo-Malthusian dogmas has destroyed the essential moral fabric of many governments and other powerful institutions. By spreading the false and evil dogma, that the world is overpopulated, we remove objection to economic and monetary policies whose effect is to savagely reduce the alleged overpopulation.

In some leading circles, including politically powerful circles in my own nation, the United States, it is much worse. The same powerful rentier financier families which supported Adolf Hitler's eugenics dogmas of practice back during the early 1930s are presently demanding that the United States adopt as its day-to-day military policy a doctrine of "population and raw materials wars" against the nations of the developing sector.

General Maxwell Taylor of the Draper Fund's Population

Crisis Committee is typical of but one of numerous powerful influentials, rooted among former Hitler supporters, who demand depopulation of the developing sector as a whole to about half or less the present population-levels by the turn of the present century. Two reports, named respectively *Global 2000* and *Global Futures* issued by the outgoing Carter administration, insist on the same genocidal policies as General Maxwell Taylor, although those two reports demand much lower quantities of population reduction than does a radical genocidalist such as Taylor.

This is not merely a Western manifestation. The purportedly prestigious International Institute for Applied Systems Analysis (IIASA) is prominent among vehicles which link neo-Malthusians of the OECD countries with neo-Malthusians of the Soviet bloc.

Among the fanatics such as Taylor and admirers of the Club of Rome, economic policies which cause genocide in developing nations are praised and supported as means by which savage population reduction will be accomplished. Many of such influential circles support the "conditionalities" policies of the International Monetary Fund because of the well-founded belief that such "conditionalities" policies will foster savage reduction in population-levels among the developing nations.

In the worst instances such as former OECD Director Alexander King, the support for savage population reduction is blended with shameless Anglo-Saxon racialism, demanding savage reduction in population of Turks, Greeks, Italians, and Spaniards as well as darker-skinned peoples of the developing nations generally.

Such conscious genocidalists are to be viewed as fully as evil as the Nazis' eugenics doctrine of practice. However, these evil ones are merely the center of a larger problem. Although most of the persons tolerating neo-Malthusian policies such as the environmentalists, have refused to think through the practical consequences of the dogma, their corruption with such neo-Malthusian belief provides a mass political base of toleration for the wittingly evil work of men and women such as Maxwell Taylor.

So, among the circles directing the IMF's "conditionalities" policies, no longer are economic and monetary policies judged from the standpoint of the sacredness and dignity of individual human life. Human life is now being tolerated or taken away as the convenience of existing monetary policies demands. The repeatedly stated policy-outlook of leading bankers and others has been, over the period since the 1975 Rambouillet Conference, that it is a regrettable necessity that present monetary policies will cause mass death in the developing sector.

### **Economic science**

My chief personal role in the effort to establish a just new world economic order has been to apply my special skills as an economist, to design policy-structures of economic and monetary policies, through which the general objectives of

*Populorum Progressio* can be brought into durable reality over the period of twenty-five to fifty years ahead.

My standpoint in economic science is essentially the policy adopted by the young constitutional republic of the United States, the policy which Treasury Secretary Alexander Hamilton was first to name "the American System of political-economy." This American System was based on the discovery of economic science by Gottfried Leibniz, and was channeled into the young United States through students of the Oratorian teaching-order, who had been among the leading defenders of scientific education in France and Italy during the eighteenth century. The further development of the American System during the first half of the nineteenth century was chiefly a benefit of the work of France's Ecole Polytechnique beginning 1794, the collaborators of Lazare Carnot.

There was a noble effort to revive this American System policy by President Franklin D. Roosevelt. Prior to his premature death, President Roosevelt had committed himself to a post-war policy of ridding the world of the institutions and vestiges of colonialism, and what Roosevelt described as the continuing evil of British eighteenth-century methods in the world's economic and monetary affairs. He projected what was then called an "American Century" policy for the post-war world, a policy centered around a system of great infrastructural building projects, such as transforming the Sahel region into the breadbasket of Africa.

After President Roosevelt's premature death, the United States discarded Roosevelt's policy, in favor of the policies demanded by Prime Minister Winston Churchill. With U.S. support and toleration, the post-war monetary order of Bretton Woods became a thinly-disguised neocolonialist order. While breakthroughs such as DDT lengthened life-expectancies among populations of former colonial nations, the prevailing monetary policies prevented those nations from consistently developing their economies at rates needed to sustain these populations.

After Roosevelt's death, there were a few leading circles which have attempted to revive policy-initiatives along the same lines. The efforts of France's President Charles de Gaulle and of Pope Paul VI are most notable. The great projects proposal of the Mitsubishi Research Institute illustrate the same direction of effort. Although there have been religious and other forces favoring such a change in policy among OECD nations, the principal political constituency for such an effort has been the so-called developing nations.

My own efforts, especially since my Bonn, West Germany press-conference of April 1975 on this subject, have been chiefly my own work as an economist, taking advantage of my success in developing a mathematical-analytical apparatus of the sort required for a more refined application of the American System.

For example, with aid of numbers of my immediate collaborators, beginning November 1979, we have published a regular quarterly forecast for the U.S. economy. This fore-

cast has been consistently correct, whereas all competing governmental and private forecasts published have been consistently wrong to the point of absurdity over the same period to date.

It is of practical importance that I indicate my accomplishments in economic science over other currents of political-economists, since the points that I have to report to you are not accepted among most economists today. Since my version of economics has produced consistently accurate forecasts, whereas my factional opponents have produced only consistent failures in forecasting, certain relevant conclusions follow logically.

All modern economic science originates with the injunction of the Book of Genesis: mankind must "Be fruitful and multiply, and fill the earth and subdue it." That is not only Judeo-Christian doctrine; any policy which contradicts that imperative is absurd on purely scientific grounds.

In economic science, beginning with the work of Gottfried Leibniz, we measure the performance of economies by their successful increase of the productive powers of labor. This was established as the centerpiece of the American System in Hamilton's December 1791 Report to the U.S. Congress entitled "On The Subject of Manufactures."

The quantity we measure is probably best named potential relative population-density. In other words, what is the average number of persons which can be sustained per square kilometer of habitable, improved land, solely by means of the changes in the material condition of nature effected by the labor of the population inhabiting the land.

In a primitive condition, such as that which the anthropologists name a hunting-and-gathering society, society can not exceed a level of about one person for an average ten to fifteen square kilometers of inhabitable land, which would mean approximately ten millions persons as the total human population of the world at any time. Without modern industry, the total population of the world could not exceed approximately one billions persons, most of which must be living in emiserated conditions.

Mankind rose above the hunting-and-gathering level about twelve thousand years or more ago, with the development of agriculture. The earliest form of true scientific technology was ancient astronomy used for navigation of craft like the Vikings' boats, and the adaptation of this astronomical science for the guidance of agriculture.

Through the development of the heat-powered machine, whose theoretical basis was first elaborated by Leibniz, the modern industrial revolution began in eighteenth-century France, and has brought the existing potential population-level of the world up to about ten billions persons or more, on condition we widely deploy the kinds of technology which are either already in use in some parts of the world or which could be developed for general use during the remaining decades of this century. If we develop commercial thermonuclear fusion as a source of heat-energy for general human use, which can be accomplished during this immediate period

ahead, that would raise the potential relative population-density of the human race to several tens of billions.

The chief among the long-term problems of economy is that without advances in technology, the depletion of certain kinds of natural resources in use raises the social costs of exploiting resources to the level that the potential relative population-density of society falls. If any society adhered to a zero-technological-growth policy sufficiently long, that lack of realized technological progress would by itself unleash the proverbial Four Horsemen of the Apocalypse upon such a misguided people.

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So, since Leibniz's discoveries, we define economic science as a study of the manner in which the use of technological progress maintains and increases this potential relative population-density.

There are several correlated facts of economic development essential to economic science. Since I have more fully elaborated this in recent publications such as *Operation Juárez*, I shall limit myself merely to identifying these points here, and refer you to my elaborated writings on this subject for fuller details. Here, I list merely a few of the most essential highlights of development policy, and then proceed to my concluding remarks.

The most immediate correlative of increase of potential relative population-density is an increase in the number of

kilowatt-hours used both per square kilometer and per-capita. Although scientific progress enables us to use each kilowatt-hour with greater efficiency respecting work accomplished per-capita, the quality of existence of the individual in a society is delimited by the level of average, per-capita quantity of kilowatt-hours used per square kilometer and per-capita.

If a society today relies upon so-called renewable resources of energy, as the misguided World Bank and Brandt Commission suggest, that society will collapse and die. Without so-called artificial energy-sources, which means increasing emphasis on nuclear technologies, the world's population must unavoidably collapse in level by several billions over the course of the coming decades. We require over the course of the coming two to three decades, about 3,000 billions watts of energy added by hydroelectric power generated as part of large-scale water-management projects, and between 7,000 and 10,000 billions watts of nuclear-generated energy, otherwise a new world economic order is unachievable—and hundreds of millions, or even billions of persons will die for lack of energy needed to sustain life.

Next to energy-development itself, we need great infrastructure-building projects. We need great projects of water management, great improvements in transportation-capacity, and consistent policies of improvement in the urban infrastructure essential to industrial development.

Although infrastructure does not necessarily produce end-product, consumable wealth in and of itself, infrastructure-building represents the necessary improvement of nature without which agricultural and industrial development can not prosper.

Finally, but not least, we must rid the policies of nations of those policies of practice which imply that the labor of men is the labor of a mere beast of burden. It is not simple labor which produces wealth, but rather the development of the productive powers of labor. We require populations which can produce and assimilate advances in technologies. Educational programs and correlated developments in popular culture are the indispensable human preconditions for use and improvement of productive technologies.

In economic policy-making and practice, we must never lose sight of fundamental principles. Economics is merely the indispensable means for producing the material conditions of life. It is the development of the power of reason within the individual which reflects the true, proper higher purpose of existence of nations. The individual needs the material conditions of life appropriate to the fostering of his or her divine potentialities, those potentialities which distinguish man absolutely from the beasts. The individual requires a society which gives the individual the opportunity to contribute good, a society which cherishes the good contributed by its members and at the same time discourages wickedness done by individuals. It is the good that must be served. Economics is but an indispensable means serving that higher purpose.

Yet, economics has a moral purpose even higher than providing the material preconditions for life. In technological progress, we express mankind's process of perfecting its knowledge of the lawful composition of creation. Through scientific progress directed to that purpose, mankind increases the individual's powers to employ the laws of the universe, but also brings the individual will into improved perception of the lawfulness of creation, and into more perfect submission to the ordering of continuing creation in the universe. In properly directed labor, in the development of the productive powers of labor, we foster reason within society as a whole and within the individual's development within society.

### **Finally, the monetary problem**

The center of the world's problems today is the great power exerted by agglomeration of rentier-financier family wealth, a wealth whose chief institutional basis is the practice of ground-rent and usury. These agglomerations of financier power associated with such families have controlled the forms of dominant financial and monetary institutions ruling most of the world over approximately a hundred years to the present time. Their instruments of power over governments and national economies have been both the privately-controlled central banking institutions of nations, and supra-national institutions such as the IMF, World Bank, Bank for International Settlements and GATT.

Through the predominance of such families in controlling leading financial and monetary institutions, the major portion of the world's supply of lendable credit has been concentrated increasingly in ground-rent and usury, checking and significantly preventing otherwise objectively feasible and sound investments in infrastructure, agricultural development and industry.

Exemplary is the case of the post-war United States. At the beginning of the post-war period, 62% of the total labor-force of the United States was employed as operatives, either in production of wealth or in transporting produced wealth. Today less than 28% of the total labor-force of the United States is so employed. This means, in social terms, that the ratio of economic overhead to production of wealth has been increased from 28/62nds to 62/28ths.

Similar trends exist in Western Europe and Japan, and have infected poisonously the urban culture of numerous developing nations.

The major portion of accumulation of internal and external indebtedness of nations, of combined public and private indebtedness, has been pyramided through lending-policies, and borrowing-policies, which increase geometrically nations' per-capita indebtedness, while contracting geometrically the wealth-producing power of the nations per-capita. Since the 1971-1972 monetary-policy actions and the 1975 Rambouillet monetary conference, the process of pyramiding debts while contracting production per-capita has accelerated. Since the usurious policies introduced by U.S. Federal Reserve Chairman Paul A. Volcker during October 1979, the

usurious pyramiding of debt has accelerated, while investment in long-term production of wealth has collapsed, also at an accelerating rate.

We have presently reached the point, that the existing "conditionalities" of the IMF, World Bank, BIS, and GATT policies, prevent the developing nations from earning the means of payment against usuriously pyramided debt-service obligations. It is not that those nations are unwilling to pay their debts, but that they can not pay those debts without resorting to the kinds of "conditionalities" measures which mean economic mass-murder against their own populations.

This imminent financial collapse of the world economy could be prevented within a proverbial several hours of deliberation by governments, if the will to do so existed. Two sets of measures would be indispensable.

First, governments must reorganize the world monetary order. Governments must bring down the prime interest-rates of banking-systems to between 2 percent and 4 percent by political decision. The existing debts must be reorganized, through establishing a cut-off date for existing obligations, and replacing existing obligations with issues of long-term bonds at low interest-rates.

Second, the ability of nations to develop economically, and hence to pay the new debts as payments come due, requires a gold-reserve-based international monetary order, and the issuance of Treasury currency-notes by governments, to be used for long-term lending in domestic and international development-investments of merit.

The highest priorities for development must be these.

In the developing sector generally, there must be an emphasis upon increasing both the per-hectare yields of agriculture, and the number of hectares included in effecting improved yields for the nation as a whole. This must be done through aid of infrastructural projects defining the environment of agricultural development, and through injections of modern agricultural technologies to improve significantly even the relatively most primitive modes of agriculture presently in use.

A network of great infrastructural projects, emphasizing energy-development, water-management, transportation and urban infrastructure.

A-fostering of capital-goods industries in both presently industrialized and developing nations.

In brief, we must undertake the American Century policy as exemplified by the vision of President Franklin D. Roosevelt.

We may hope that fear of the chaos now on the verge of erupting will bring some of the more sensible elements of the international financial community to their senses, at last. We must welcome such cooperation, but if we are unable to defeat resistance from those rentier-financier and neo-Malthusian quarters, our civilization will die, like Sodom and Gomorrah, for want of sufficient persons with the goodness of will to render this sick civilization of ours still morally fit to survive.