

A Real Stimulus Requires Physical Economy, Not Money

by Marcia Merry Baker and John Hoefle

Dec. 18—The lives of the world’s people depend upon a global system of production, distribution, and consumption, a chain which connects those who grow food with those who eat it, and those who mine the ores and fuels with those who turn them into the products upon which we all depend. This supply chain is a physical, logistical wonder, an essential component of civilization, and it is breaking down.

To understand what this means for our future, and to comprehend what must be done to stop this disaster in the making, put aside thoughts of money, and turn to the study of physical economy. Most people have some instinctive sense of this, but have been brainwashed by the bleating of the herd of economists, analysts, and usurers deployed by the financier oligarchy to make us believe that finance and economy are synonymous.

There is a role for finance in modern life, but finance is properly viewed as a handmaiden to the productive sector. It is the productive sector which generates the wealth, and the productive sector to which we must direct our attention if we are to survive.

We begin with infrastructure, the power, transportation, water, public health, education, and related systems which create the conditions under which populations can grow and thrive. The more developed the infrastructure of a nation, the more efficiently its economy can operate; and the more developed the infrastructure of the world, the more efficient, global commerce. On top of this infrastructure, we layer the

improvements in agriculture, manufacturing processes, science, and technology which drive civilization forward.

This is real economics, to be ignored at our peril—and ignore it we have, as we have bought into the fallacy of monetarism. The result is decaying infrastructure, declining productivity, falling standards of living, and an accelerating decline in relative potential population density, which is a measure of the economy’s capacity to support people. When that potential rises, population can expand, but when that potential falls below existing population levels, as we are seeing now, the population falls, often in quite unpleasant ways.

The ‘Auto’ Crisis

In 2005, as the U.S. domestic auto industry was sliding deep into crisis, Lyndon LaRouche proposed to convert the major part of that industry away from the manufacture of personal vehicles, into the production of basic infrastructure, as a way of arresting the decline of the U.S. economy. That policy was blocked by fascist financiers Felix Rohatyn, George Soros, and others, who, instead, launched a drive to protect the *debt issued by the auto sector*, saving the paper while allowing the industry to continue its decline.

LaRouche outlined the consequences of that decision, in a recent briefing to his staff. We have passed the point where the Big Three auto companies can be saved through financial bailouts, he said. “First of all, you see there’s a collapse of the world market. Exist-

ing automobiles produced are not being sold, not being even delivered! And these involve industries which are much more productive, and can produce automobiles much more cheaply, in a sense, than we can in the United States. But all over the world, the industry is collapsing, *as it should collapse*, in point of fact.

“Now, what I had proposed in 2005, was that we take the major part of the automobile industry, and we convert that back into the production of basic economic infrastructure, which meant rebuilding the railway system, or magnetic levitation, which we had destroyed since the immediate aftermath of World War II; to fix our water system, especially the water system between the Alleghenies and the Rocky Mountains, which includes, of course, the main arc of the Mississippi River, but also the Missouri, the Ohio, and so forth, which desperately need the repairs to prevent this whole area from going to Hell; that we would also develop power stations, such as nuclear power stations; and as I said, mass transportation systems to replace congested highways, which are congested because they depend upon automobiles. The United States has been using *too many automobiles*. And this has become a negative factor in our economy. . . .

“What is desired, is to *decentralize* a lot of production, so we bring production back into areas which formerly *were* productive, such as the Midwest area, instead of over-concentrating production in a few hyper-concentrated areas, which are also otherwise known as ‘traffic jams.’

“So, the general principle is this: The productivity of any economy, such as a U.S. industrial economy, depends largely upon the degree to which power is concentrated, not only in infrastructure, but in infrastructure of increasing energy-flux density. That is, that human progress is largely measured, first of all, in the number of trees and similar green things that we grow, which is essential for the environment and to provide clean air and other useful things; but also to develop industries, and the infrastructure of industry and some habitation, which is necessary to provide for production.”

Without this kind of policy focus, and enactment of emergency measures for a national bankruptcy-type reorganization, we will continue to see a dramatic collapse of the means of physical existence day by day, to the point of a return to a Dark Age, and conditions for

mass death. Right now, there is a self-feeding downward spiral of worldwide reductions in industrial output, mining, farming, and even oil pumping; there are job losses and impoverishment. The world food supply is plunging further below need.

Stealing Steel

One metric of this decline in productivity is falling steel production. World steel production fell 12% in October over the year before. World steel production had been rising in recent years in total tonnage, but shrinking on a per-capita basis, a more accurate measure of productivity. In line with steel output cuts, mining has been cut back sharply for iron ore, and the speciality alloy metals—chromium, nickel and molybdenum. Iron ore shipments through the ports in China were down almost 21% in October 2008, from same time a year earlier, to a level of 30 million tons. On Dec. 8, the world’s biggest iron ore producer, the Companhia Vale do Rio Doce in Brazil, halted output at two ore-pelletizing plants at the Atlantic port of Tubarao, plants which represent half of all of Brazil’s capacity for pellets, the most efficient form of iron input into steel-making.

The lack of steel production is a serious impediment to global redevelopment. In the United States, for example, some 200,000 bridges are structurally unsound and must be rebuilt or replaced. While many of these bridges are made of concrete reinforced with iron and steel, they require steel for couplers, beams, and other parts. Production of stainless steel, which is the material of choice for food-handling and -processing equipment, medical equipment, and other precision equipment, has also been declining.

Reverse It Now!

We are staring into the maw of a new Dark Age, as the relative potential population density plunges, unleashing the Four Horsemen of the Apocalypse. This process is already well underway in the so-called less developed sector, as the world follows the bleak process already manifest in sub-Saharan Africa. Standards of living are plunging there, in parts of Ibero-America and Asia, and even in parts of Europe and the United States. The way the bailout is going, pretty soon people will be burning money for heat, just as they did in Weimar Germany. We can turn this around, if we set aside our fantasies about money and return to physical economy.