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## III. Real vs. Fake Economics

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# Why Are Nearly All Economists Quackademics?

by Lyndon H. LaRouche, Jr.

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Veteran draft-avoider and quackademic Senator Phil Gramm, and House Speaker Newton Gingrich, are not the only consumer frauds rampant in university faculty lounges today. Although a small minority among today's professional economists is composed of both literate and insightful professionals, virtually everything taught as *principles of economics*, is an illiterate's hoax.

The legendary, pervasive incompetence of most leading and other campus economists, is emerging, once again, to be a timely topic of public opinion. The presently insurgent contempt for the official economists, should remind us of moods which erupted after August 15, 1971, when a global monetary collapse, which Paul Samuelson, like others, had said could never happen, triggered abandonment of the Bretton Woods gold-reserve agreements. Today, as the storms of an on-rushing international banking collapse darken the skies, we might expect, soon, that all we shall hear from under the crack in the door of the Economics Department, will be a mewling murmur: "No one here but us visiting ditch-diggers."



EIRNS/Stuart Lewis

*Sen. Phil Gramm. His mass-murderous policies are those which Lyndon LaRouche warned, in 1966-71, would emerge as a result of efforts to stave off the imminent bankruptcy of the trans-Atlantic monetary system with a purported solution not based on fostering a productive economy.*

Those who recall the period of the 1971 monetary crisis, may also recall the face-to-face and literary debates which this writer conducted with some among the most famous U.S. economists, during the closing months of that year. Every trend which this writer then

warned was likely to happen, unless policy-decisions of the 1966-1971 period were reversed, has become the ugly truth of today, inside the U.S.A., and world-wide. The mass-murderous policies of Phil Gramm, Newt Gingrich, and Pennsylvania Governor Tom Ridge, today, are the policies against which this writer, in 1971, forewarned the public, in prophetic detail, as the fascist trends implicit in 1966-1971 policies. What experience, since then, teaches, is, chiefly, that what most of today's high-ranking students of economic policy—at the *Wall Street Journal*, *Washington Post*, in the Republican Party, and Yupiedom elsewhere—appear to have learned best from the experience of the past thirty years' economic decline of the U.S.A. and world economies, alike, is how to surpass their parents of the World War II veterans' generation, in transforming the disasters of the past into the catastrophes of the present.

Admittedly, there are important differences between the putative leading economists of 1971 and

those of today. Like kitchen con-man Phil Gramm, or Newt Gingrich, most of today's populist economists tend to be low-budget imitations of such higher-priced models of Mont Pelerin clansmen as Friedrich von Hayek and Milton Friedman. Whereas the economists of the 1950s and 1960s blundered in their representation of the processes of production, Gramm and Gingrich typify those popular economists of today's mass media and foundation circuits, who have rejected any serious attempts to understand the productive process itself.

The notable point of difference is, that the thoughts of today's Yuppie economists, dwell, as byte-afflicted hesychasts, in the caves of "cyber-space." Ideologue Malthilde Ludendorff would have been greatly embarrassed to foresee, that the aging Yuppie of today, has rejected modern European civilization's traditional functional standards of physical performance, out of preference for the cultural determinists' coddling consolations of fantasy-life, those of the proverbial, twice-weekly, psychotherapy circle's Orwellian "group think." It is but a reflection of this point of difference, that, for today's Generation X'er, Hannah Arendt's beloved, the leading Nazi ideologue Martin Heidegger, and other German and French, existentialist co-thinkers of Hitler-prophet Friedrich Nietzsche, are the preferred symbols of most of today's university philosophy departments.

The crucial point to be made here, is that every scrap of innovation in generally accepted classroom teaching of economics, since about 1966, must be recognized for the certifiable lunacy it is. For example: Those twin pillars of psychotic cyber-space, "information theory" and "systems analysis," must be purged, outrightly, from the policy-shaping discussions. Attention must be focussed upon correcting the prevailing errors of an earlier generation, when professional economists were more or less sane, even when in grave, axiomatic error. We must address the hereditary impact upon today's economies, of those blunders which prevailed during an earlier generation's time, when economists still lived in the real world, where physical, rather than merely financial or monetary performance, per capita, per household, and per square kilometer, were the yardsticks to which professional standards for economic-policy discussion obliged us, ultimately, to return. In that former time, monetary and financial systems were judged by the physical-economic performance they were arguably proposed to have fostered: the exact reverse of the standard employed by today's hegemonic pack of professional lunatics.

Only when we have stated the problem in such, admittedly, rude and insensitive, terms of plain speech, do we escape the prison-yard of "politically correct" babbling, into the fresh, free air, where sane men and women enjoy healthy respect for the realities urgently to be addressed.

### **The Abba Lerner Debate of 1971**

For those who remember, and others, consider the circumstances and outcome of the writer's celebrated Autumn 1971 debate with Professor Abba Lerner, then considered the leading Keynesian economist of the United States. That turned out to be a bench-mark, a turning-point in the history of the U.S. economics profession. On that account, certain essential features of the debate are of signal importance, for understanding the leading economic policy-issues of the U.S. today.

Following the events of August 16-17, 1971, the author's associates deployed in numerous university campuses of the U.S.A., challenging the economics departments on three key points. First, that virtually all among them, had been proven incompetent by the August 16-17 events, on the principal point of their teaching to their students, up to that point in time. On this account, we described the relevant such professors of economics as "quackademics." Second, that their teaching would lead, in practice, into introducing forms of economic austerity, world-wide, against labor, and others, echoing the measures of fascistic economists such as Hjalmar Schacht, in 1920s and 1930s Germany. Third, we, as critics, were willing to meet any challenge from the accused economists, by offering the author of these two charges, the present writer, to debate publicly any champion the offended academic economists might select.

In short, the New York academic economists selected Professor Abba Lerner to be that champion. An audience of under 1,000, chiefly faculty representatives and students, attended. Throughout, this writer focussed upon the charge which he had made publicly against Lerner: that Lerner's economic theory had already impelled Lerner to propose, or to support otherwise, measures of austerity modelled upon the fascist measures imposed in 1930s Germany by Nazi Minister Hjalmar Schacht. In the end, Lerner conceded, in effect, by delivering what most in the audience heard as a shocking admission, Lerner's apology for the policies of Schacht: He stated, that had the German Social-Democracy supported Schacht, "Hitler would not have been necessary." The quotation is exact.

Afterward, Lerner's closest political associate, the

noted John Dewey clansman and former Communist, Professor Sidney Hook, avowed: Yes, LaRouche had defeated Lerner in the debate, but LaRouche would pay a price for that success. On one point, Hook proved accurate: Since that time, no U.S. academic economist has been willing to risk his skin in a public debate with this writer.

Although, many among those relevant, professional economists of the post-August 1971 decades, would have rightly insisted that they were not personally fascist ideologues, the characteristic tendency of their policy-shaping always moved them in the direction of either recommending the kinds of fascist trends in economic policy against which this writer had warned in August 1971, or making excuses for those who did so. Just as this writer had first warned, in late August 1971, the consistent trend in U.S. academic and governmental economic policy-shaping, since then, has been toward the kind of fascist austerity presently typified by either Newt Gingrich's co-thinkers, or the utterly shameless neo-Nazism of the fuzzy-tongued former Colorado governor, Reform Party pre-candidate Dick Lamm.

Thus, were Hitler alive and running as candidate of the Nazi Party in Germany—or, in the United States, today, even among most liberal academics, it would be forbidden, on grounds of “political correctness,” to describe that candidate Hitler, or Pennsylvania Governor Tom Ridge, as promoting “Nazi-like” policies. Among radical conservatives, “neo” or other, in today's U.S.A., the charge of “Nazi-like,” or simply “fascist,” strikes too close to home for comfort. Not only arguable fascists, such as Newt Gingrich or Phil Gramm, have reason to be sensitive on this issue; most so-called “liberal” economists are carriers of the epidemic trends in thinking, not only in economics, but on social policy generally.

Go back to 1966-1971. *Why* did most liberal economists of that time, as Professor Abba Lerner typifies the case, take the first baby-steps, leading toward what should have been visible to them as today's GOPAC and kindred threats of full-blown American fascism? What was included, or perhaps missing, from their comprehension of economic processes, which has led into mass-murderous fascist policies such as those of Gingrich's “Contract on Americans,” and of the man



EIRNS/Alan Yue

*The 1971 debate between Professor Abba Lerner and LaRouche (with bowtie). Since that time, no U.S. academic economist has dared to risk his skin in a public debate with LaRouche.*

classified variously as “apparent,” or “aberrant” candidate for the Republican Party's Vice-Presidential nomination, the “Nuremberg criminal” Pennsylvania Governor Tom Ridge?

The present writer has identified this specific problem, repeatedly, within policy analyses published earlier in editions of *Executive Intelligence Review*, and other locations. We bring that issue into sharper focus upon the specific topic posed here.

### **Prince Philip Says He Is a ‘Higher Ape’**

While his wife has been otherwise occupied, the co-founder of the World Wildlife Fund, Britain's Duke of Edinburgh, Prince Philip, has insisted, repeatedly, that he is neither a man, nor a horse, but a “higher ape.” As it was for Charles Darwin, since long before both the Duke and the U.S.A.'s “Unabomber,” that is the kernel of neo-Malthusian philosophy, to which today's World Wide Fund for Nature is devoted; it is the kernel of the issue of economics upon which our attention is focussed here.

The characteristic feature of all physical economy, from the most remote point of pre-history of mankind, to the present, is the increase of human potential rela-

tive population-density, from the level of several millions living individuals, the maximum for any imaginable higher ape, such as Prince Philip, to several hundred millions, and then billions, as the consequence of a succession of changes in typically human behavior, as exemplified by scientific and technological progress in both the development of inhabited areas, and in the productive powers of labor. This measurement of productive powers of labor, is expressed in terms of physical contents of market-baskets of output, and of consumption, per capita, per household, and per square kilometer of relevant land-area.

Converted into the language of classroom thermodynamics, this increase in life-expectancy, standard of living, and potential density of population, depends upon an increase of the level of the potential productivity of the imputable labor-force of society, per capita. As Gottfried Leibniz specified, in founding the science of physical economy, in his 1671 *Society & Economy*, this level of productive potential in the member of the labor-force, depends upon a corresponding standard of material and cultural existence, among the family households which produce the members of the labor-force. This also requires appropriate levels of physical improvement of basic economic infrastructure of the society taken as a whole, and increased levels of expenditure, per capita, in capital facilities, and in materials invested in the individual work-place.

Continuing to examine the history of physical economy, from earliest known times, in these same terms of reference, we have the following notable results.

Identify the aggregation of those costs (and related investments) necessary to sustain a certain level of productive powers of labor for a society, as corresponding to “energy of the system.” Identify any margin of output in excess of those costs, as “free energy.” Thus, we are presented with the notion of some ratio of “free energy” to “energy of the system.” This ratio, as expressed in physical terms, not monetary or analogous terms, provides society a standard of measure of performance. This standard is composed of the relationship between two elements: 1) absolute “energy of the system” per capita of labor force, as measured in relative physical content of market-baskets of standard necessary consumption; 2) ratio of “free energy” to “energy of the system.”

The increase of the productive powers of labor, is expressed initially, in terms of increase of the required physical content of all market-baskets: production, in-

frastructure, and capital investment in production. These are measured threefoldly: per capita of labor-force, per household, and per relevant square kilometer. The associated, required condition, is that the ratio of “free energy” to “energy of the system” must not decline, despite the increase (in physical terms, and as measured in terms of the division of labor) of the capital-intensity of required “energy of the system” (per capita, per household, and per square kilometer).

That latter restriction (“constraint”) may be termed, conveniently, the characteristic required function of the economy considered as a whole, or, simply, *Characteristic Function*.

The commonplace, fallacious assumption, even prior to 1966-1971, was that economics must proceed from the “microcosm,” as of the individual farm, factory, or trading-house, to build up to the level of considering the society as a whole.<sup>1</sup> For those of such opinion, thus, productivity must be measured, first, at the point of production within the individual firm, and that in respect to ratios of prices of sales versus prices of necessary purchases. The question whether the gain of the individual enterprise came as a loss to the society as a whole, was not considered. This attempt to derive a general theory of political-economy from an assumed microcosmic “cell form,” was the usual situation, and is the essence of the fallacious approach taken by the followers of the British East India Company’s Haileybury School, such as Adam Smith, Jeremy Bentham, Thomas Malthus, David Ricardo, Karl Marx, et al. In more recent decades, it was argued that this was the “capitalist,” or “free society” approach, supposedly as distinct from the Soviet approach.

During the late 1940s through 1960s, there came an epidemic of lunacy in the military and security institutions of the U.S.A. The case of the FBI under the Hoover-Tolson dynasty is notorious. The military side of the problem is more interesting, and more directly relevant to the concerns we have expressed here. It began, as an invasion of silly varieties of so-called “social science,” invading the newly created U.S. Air Force, during the late 1940s: as through RAND and MIT channels, such as those associated with Margaret Mead and her sometime husband, Gregory Bateson of MK-Ultra notoriety. During the 1960s, this plague took over West Point Military Academy. This invasion by “mind snatchers,” included a strong emphasis upon

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1. As by aggregating “Value Added” of the economy’s individual parts.

the pseudo-scientific cults of “cybernetics” and “systems analysis.” It spread through leading universities, and prominent military suppliers and influential “think tanks”; it was purveyed widely through the forums of the American Management Association and kindred circuits, and through the “technical” textbooks of the notorious “how to deceive your neighbors into thinking you are a genius, all in less than one hour a day, all in your spare time” variety. The notorious cult text, *High Frontier*, is an example of this latter sort of charlatantry.

This infusion of pseudo-science provided a medium for the spread of a hyperventilating mantra: “Free economy versus command economy.” That mantra has served as the predecessor of the fascist (anti-“big government”) communitarianism cult adopted by Speaker Newt Gingrich and his fellow-clansmen of “Contract on Americans” (those considered by Gingrich, Ridge, their supporters, et al. to be “useless eaters”).<sup>2</sup> The wild-eyed fanaticism associated with that mantra, has contributed a significant part to the incompetence of taught (and practiced) economics today.

More significant than that mantra, has been the popularization of “material incentives,” a doctrine whose impact upon quality is typified by a visit to any gallery offering an exhibition of what passes for modern art among the wealthy, and would-be-wealthy decadent classes of today. The same sick minds have supplied us the related dogma of “psychological” (as distinct from “material”) incentives (e.g., a more resonant job-description, in lieu of a pay raise). In short, the influence of pathetic varieties of so-called “social science” upon economic policy-shaping, has been to impose a Hobbesian, morally degraded conception of “human nature,”

2. “Communitarianism,” as typified by former Columbia University denizen and Professor Amitai Etzioni, is an explicitly fascist movement derived from the Nazi Party circles’ traditions met in Schumacher’s *Small is Beautiful*. Etzioni’s “communitarianism” was initially presented, during the mid-1970s, under Etzioni’s rubric of “fascism with a human face.” Obviously, the attack upon “big government” is part of the movement to replace national governments by UNO world government, and national economies by a single, “global economy” controlled by world government.



*Newt Gingrich and fellow revolutionaries, January 11, 1995, when their Contract for America was issued.*

upon the practice of the firm, and the society as a whole. “Lure people into being ‘more productive,’ through material and other psychological incentives.”

The crux of the matter is implicit in the assertion: “No amount of bananas or stroking, could induce baboons (or, perhaps, Prince Philip) to invent the wheel.”

The widespread, credulous toleration of the outrageously anti-scientific, axiomatic assumptions, underlying the work of such followers of Bertrand Russell as Norbert Wiener (“information theory”) and John von Neumann (“systems analysis”), exemplifies the nature of the incompetence pervading economics teaching even prior to the 1966-1971 interval, and even more so after that. Von Neumann’s assumption, as set forth publicly by him in 1938, was that all economies can be reduced, for purposes of analysis, to the terms of solutions for systems of simultaneous linear inequalities. Wiener’s fatal presumption, was that human intelligence could be reduced to an expression of Ludwig Boltzmann’s statistical thermodynamics of a linear kinematic model, the so-called “H-theorem.” The absurdity of Wiener’s assumption subsumes the identical quality of foolishness in von Neumann’s views of both economies and the human brain.

As we have summarized the fact, above, any successful economy must satisfy the requirement, that the productivity must be increased, through such means as emphasis upon investment in scientific and technological progress. However, although this requires an in-

crease in the relative (physical) “energy of the system” of the economy, taken as a whole, per capita, per household, and per square kilometer, the ratio of “free energy” to “energy of the system” must not decline. That is, a true “not-entropic” process, whose very existence suffices to demonstrate that the universe, taken in its entirety, is, similarly, “not-entropic.”<sup>3</sup> This fact has crucial economic implications; it also has, as Bernhard Riemann showed implicitly, in his 1854 habilitation dissertation, the most profound implications for both mathematics and mathematical-physics in general.

Whence this “not-entropic” impulse, so indispensable to the continued existence of the human species? It is derived, ultimately, from valid, axiomatic-revolutionary qualities of discovery of principles of nature, in both science and Classical art-forms. These discoveries, by their nature, can not be communicated, in the form of what Wiener presumes to be “information”: by means of a mathematical or other language based upon levels of knowledge existing prior to that mental act of discovery. Such discoveries can be communicated, only by prompting a replication of the original discovery within the sovereign precincts of the individual mind of the student, et al. It is in this process of evoking reenactments of original discoveries of principle, that knowledge is imparted to the present generations from the past, and valid new discoveries of principle added to the stock of human knowledge.

As Riemann emphasizes,<sup>4</sup> the incorporation of any valid new principle into mathematical physics, requires us to depart the domain of mathematical formalism for the realm of experimental physics, and, thereafter, to redesign mathematics to accommodate what the old

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3. The fact, that mankind’s potential relative population-density has been increased through valid, axiomatic-revolutionary discoveries of natural principle, demonstrates, the universe is prone, by its implied principle of design, to submit to the properly developed human powers of cognitive discovery of principle. Hence, the characteristic feature of that process of higher hypothesis, which subsumes a series of successful discoveries of principle, is a reflection of the lawful design of the universe as a whole. Since, an efficient realization of the “not-entropic” series, in economic development, expresses the mathematical form of Riemann’s 1854 habilitation dissertation, and since this series is in correspondence with scientific progress, the ordering subsumed by mankind’s cognitive powers for successive, valid, axiomatic-revolutionary discoveries of principle, reflects the “not-entropic” ordering-principle characteristic of the universe to which man’s successful efforts at discovery are addressed. An elaboration of the principles involved will be found in the forthcoming publication of this writer’s “Leibniz From Riemann’s Standpoint,” *Fidelio*, Fall 1996.

4. E.g., 1854 habilitation dissertation.

mathematics could never develop, or represent. That quality of invention, is the only source of the “not-entropic” upon which all economy depends.

In mathematical terms, the pathway of economic meta-equilibrium demanded by the characteristic function of physical economy, is described by what is known as a “Riemann Surface Function,” a succession of physical geometries, ordered in terms of advances in Gaussian curvature, each employed to represent the characteristic of that stage of advancement of the economy.

Thus, for any competently designed economic policy, the following leading rules apply:

1. There must be a universal Classical form of education (e.g., the Humboldt model formerly used, for the more fortunate students, in Germany), for all young members of society. (Not merely trade-school, or other so-called “practical” education. No John Dewey, or “New Math” permitted. Lots and lots of “dead, white, European males,” and others, are required for all.)

2. The standard wage-income or substitute for all households of society, must conform to the cultural level of something better than the presently desired productive potential of the labor-force.

3. The improvements in infrastructure and workplace, per capita, per household, and per square kilometer, must conform to the Characteristic Function of physical economy.

4. The rate of development of, and investment in scientific and technological progress, and in Classical cultural development, must be sufficient to satisfy, in effect, the Characteristic Function of physical economy.

The beginning of economic science is to be found in the appropriate Biblical location: *Genesis* 1:26-30. The scientific evidence is, that man and woman are made in the living image of the Creator, by virtue of that developable creative power of the human individual through which mankind’s power over the universe is increased without limit. A science of economy, is the branch of physical science which premises itself upon the increase of the physical power of survival of mankind, through reliance upon the development of those creative mental powers, for valid, axiomatic-revolutionary discovery of principle, which sets humanity absolutely apart from, and above, all other creatures.

That is the essence of the matter. That, therefore, is the point of reference from which to discover the cause for any economic affliction which mankind imposes upon itself.