

U.S. REPORT

*A statement from the editors
of Executive Intelligence Review*

Is the Fed's Volcker actually insane?

The time has come to balance the accounts on Federal Reserve Chairman Volcker's recent depressing measures. No matter what deceptive label Volcker and the Carter administration choose to stick on the bottles of Dr. Volcker's horse linament, Volcker's package is by no means "anti-inflationary." Directly the opposite: it is the old "stagflation" President Nixon's Friedmanite period carried to extremes.

The foremost question in many people's minds is: what effect will this have on the November 1980 general elections—and on the primary elections now coming up fast. Among businessmen, trade union leaders and many other sorts of responsible spokesmen, the question is asked, is Volcker's bumbling the result of mere incompetence, or the result of something worse?

Already President Carter's re-election effort has been badly damaged by the spreading anger against Volcker's measures. Otherwise, comparisons of 1980 to 1929 will fill the media as well as private conversations around the nation.

A sign from New Hampshire

Two events, outside Manchester, New Hampshire, during the past week, highlight the kind of devastating effects the Volcker measures are already beginning to have on President Carter's re-election effort.

The first incident occurred in the context of White House staffer Stu Eizenstat's recent trip to New Hampshire, presumably to bolster the Carter-Mondale effort. The incident in question occurred at the outset of the question period, as Eizenstat addressed a meager gathering of about 40 locally prominent and other figures who were presumably supporters of the Carter re-election effort. After the third question, all three focused on the Volcker measures, Eizenstat rudely closed the meeting.

One former Carter supporter announced his intent to switch to LaRouche, another proposed to discuss making such a switch, and other members of the audience simply walked away in disgust.

Eizenstat's departure was followed by a rush trip by Vice-President Walter Mondale. Mondale scheduled a series of events. As the questioning began during the first of the scheduled events—again, on Volcker's measures—Mondale closed down the meeting. It was announced that the remaining scheduled events were cancelled.

How bad is Volcker's recession?

If we consider only the surface of Volcker's announced measures, his actions will cause approximately 15 percent recession of the U.S. economy during 1980. The contraction will not occur in the area of churning speculation, not in the inflationary flows within the internal economy—the contraction will cut flesh and bone out of basic production and employment.

If a significant further increase in oil prices charged by the multinationals occurs, as is probable, the recession will probably reach a 30 percent decline during 1980, most of this directly reflected in increased unemployment. If Volcker goes all the way, as he appears to be doing at the moment, if he institutes capital controls, blocking foreigners from loaning or investing in the U.S. economy, the U.S. dollar will become equivalent to "counterfeit cigar coupon money," and anything could happen as a result of the kind of chain reaction this would trigger.

It is important to emphasize that Volcker's measures will not halt the growth of inflation. As businesses are reduced in sales volumes to mere or below the breakeven point, they will be left with no other alternative but to go bankrupt or to raise their prices sufficiently to cover

the usurious borrowing costs they face merely to maintain turnover of essential operating capital.

There might appear some leveling off of the rate of inflation growth over some weeks. This could be the perceived effect of large-scale inventory limitation by cash-strapped firms. The present dumping of automobile inventories is an example in this period. However, once inventories are reduced, the combined effects of rising energy costs, rising borrowing costs, and a contracting market for consumer capital goods will force prices up at faster rates than during previous phases of the Carter administration to date.

The best possible estimate at this moment is that a new skyrocketing of rates of inflation will begin to take off during or at the end of January 1980.

Causes for hyperinflation

It is merely economic common sense that measures like Volcker's must cause the rate of inflation to skyrocket.

Since approximately 1957-58, the overall trend inside the U.S. economy has been of shrinkage in the percentile of the total labor force which is productively employed as operatives in agriculture, industry, mining, construction, and transportation combined. Meanwhile, early 1960s rates of increase in productivity of operatives, then approximately 7 percent improvement per annum, has slipped because of lack of capital-intensive investment, growing obsolescence and related considerations.

The result is that the portion of the labor force allotted to administration, services, and sheer waste has grown at the expense of the percentile of the labor force producing tangible, real values. Although administration and certain services are necessary overhead costs in both private firms and society otherwise, these costs are not costs for production but are overhead costs. So, the ratio of overhead costs to produced value has been rising at an increasing rate since about 1957-58. This is the underlying structural cause for the inflationary trend in the internal economy.

There is also a second cause for inflation. This involves not the average costs of production, but it involves monetary inflation outside the realm of production. In addition to money flowing through the economy for wages and other direct and indirect costs of production and distribution there has been a monstrous self-feeding growth in the ratio of money and credit flowing to areas of speculation which have no cause-and-effect relationship to production of wealth.

Curing inflation means, first, bleeding away money flows from speculative, nonproductive areas. This is the first, indispensable, short-term measure for halting the

present world hyperinflationary spiral. Second, while halting the purely monetary problem, we must reverse the post 1958 trend in employment back to emphasis on high-technology employment of skilled operatives in job places based on capital-intensive investment.

Every percentile of the labor force shifted to operative categories in high-technology, capital-intensive employment has a double effect in reducing structural inflation. It not only lowers the ratio of overhead costs, but converts the same overhead costs into wealth-creating production.

Volcker's measures have directly the opposite effect. They savagely contract employment in production of real, tangible new wealth, and concentrate a much larger portion of total money flows in the economy into the hyperinflationary churning mass of high-yield sheer nonproductive speculation. We saw the cruel logic of this in Nixon's "stagflation." Carter and Volcker have carried Nixon's Friedmanite blunders to a wild and deadly-dangerous extreme.

There is only one way in which Volcker's measures could lead to a halt in inflation: a depression worse than that of the 1930s. Such depressions stop inflation to exactly the extent that they bankrupt pension funds, wipe out savings and loans associations, eliminate perhaps two-thirds of our savings in commercial banks, and wipe out hundreds of billions of paper capital, especially real estate investments, with help from unemployment rates along 1931-1933 lines.

***"There is only one way
in which Volcker's measures
could lead to a halt in inflation:
a depression worse than
that of the 1930s."***

Therefore, watchful observers tend to ask themselves whether Volcker, Miller and Carter's economic advisers are merely incompetent or downright insane.

Is Volcker insane?

Paul Volcker may be incompetent. He is incompetent in the same general sense that economist Lawrence Klein, John Kenneth Galbraith, and Milton Friedman are rightly to be regarded as "quacks" in their chosen

profession. Their so-called economic theory is not only wholly unscientific, but any government foolish enough to follow strictly the kind of advice flowing from such theories will sooner or later find its economy in the sort of miserable mess ours has attained.

It would be a mistake to go no further than that in explaining Volcker's hideous policy. In one sense, Volcker is all too competent. The inflationary misery his policies will bring to the United States during the early 1980s is not the result of Volcker's miscalculations. He has plainly stated earlier his adoption of a policy of "controlled disintegration" for most of the world's economy as well as the economy in the United States itself. Volcker is engaged in the deliberate sabotage of our economy, and of our national security.

For that, Volcker should be promptly impeached. Unfortunately, the policy of "controlled disintegration" is not Volcker's alone. It is the stated and argued policy of the New York Council on Foreign Relations (CFR). A neo-Malthusian ruin of the U.S. economy as well as the world economy, is the stated objective of Cyrus Vance, Zbigniew Brzezinski, W. Michael Blumenthal, and the other principals supervising the 1975-76 writings for the policy of "controlled disintegration" which presently govern the Carter administration as a whole.

Behind Volcker and the CFR's "controlled disintegration" policy stands that same neo-Malthusian policy which led the notorious Club of Rome to propose that the world's population must be reduced in the order of as low as one billion persons by the year 2000. The London Royal Institute for International Affairs (RIIA) also adopted that same policy of mass genocide in its "Project Year 2000" policy guidelines. The CFR was created as the U.S. branch of the RIIA at the close of World War I, and the CFR remains de facto a branch of British foreign secret intelligence to the present day. That is not opinion or interpretation, that is simple, massively documented fact.

What is the purpose behind such criminal forms of moral insanity? Although the London crowd and its CFR allies are adequately power-hungry, their outlook and motives cannot be explained in terms of the simple motives of fear and greed one might expect to locate among ordinary people. Behind the policies of CFR, and hence of Volcker, there stands a quality, profoundly evil, which exceeds all comprehension by the standard of what we view as wickedness among the ranks of ordinary acquaintances. Genocide against up to three-quarters of the human race over a 20-year period is monstrous enough, if unintentional. As a conscious

policy-objective, it represents a quality of evil beyond the comprehension of the ordinary citizen.

Such evil men and women as those witting guides of the RIIA and CFR far exceed the late Adolf Hitler and Heinrich Himmler in the magnitude of their monstrosity.

Such genocide is the inevitable consequence of the "conditionalities" policies of the International Monetary Fund, and the "appropriate technologies" double-talk of Robert S. McNamara's World Bank. Such genocide is also the conscious intent of those monsters in Peking who planned and directed the mass murder of more than a third of the population of Kampuchea (Cambodia) during a three-year period. The less severe correlative of Third World genocide is the sort of literally fascist (Schachtian) "fiscal austerity" Volcker and his accomplices are currently working to impose upon the United States. This same genocide in the Third World and fascist austerity in the United States is the inevitable consequence of tolerating the "small is beautiful" cultism of Zen Buddhist governor Edmund "Jerry" Brown, Jr., or of tolerating the antinuclear and related antics of Jane Fonda and her friends. Without nuclear energy for the Third World, hundreds of millions there will die of economic genocide. Without nuclear energy in the United States, our nation will die as a nation.

The best-known example of the kind of evil underlying Volcker's policy is the case of the late Bertrand Russell. Russell, the intellectual father of modern Luddism, and international terrorism, typifies, like Aldous Huxley, in the extreme, that extreme "one-world" pseudo-philosophy which proposes not only to return humanity to pre-Raphaelite medieval barbarism—before the rise of the nation-state—but to destroy language's cognitive content and to saturate populations with drugs and evil cults as means for keeping barbarized populations under least-cost forms of social control.

Antinuclear fanatics, promotion of marijuana, LSD, and so forth are the hallmarks of the modern kooks bent on turning the clock back to barbarism—at least, for most of the survivors of neo-Malthusian genocide.

Relative to bankers of the likes of Volcker, Russell appears a fanatical extremist. Nonetheless, the comparison is valid insofar as the extreme case of the evil Russell aids us in comprehending the direction of Volcker's own ideology. Russell proposes to ruin humanity in his own evil way: Volcker and his ilk act to push the world a significant step in the direction Russell proposed.

Effects on the election

Perhaps most of the voters, even most of the approximately 75 percent who are essentially moral, will be reluctant to think through the issues to those underlying points we have just summarized above. American voters during this century have adopted pragmatic habits of thought for matters of daily life. They will vote against Volcker and what Volcker represents, not because they have comprehended the underlying evil Volcker's policies represent, but because most ordinary citizens reject the hideous, depression measures Volcker has set into motion.

In fact, Volcker's policies are fascist, in the sense the late Jacques Rueff, as well as LaRouche, have denounced Schacht's fascist economics. The average voter will perhaps not worry whether or not the label "fascism" is attached—they will vote against anyone aligned with Volcker because they rightly hate Volcker's policies, and despise any banker or politician wicked enough to seek to impose such "controlled disintegration" policies upon our nation and its people.

One hopes that that angered majority of our citizens will not make President Carter the scapegoat of their just wrath.

In former days of European censorship, the periodicals of the region created the institution known as the "responsible editor." This functionary did nothing. He did not write, he did not investigate. He simply sat, waiting to go to prison whenever the censor might be considerably annoyed at some part of the periodical's contents. Mr. Carter might be aptly described, in that context of reference, as our nation's "responsible president."

If we consult the policy documents produced by both the CFR and David Rockefeller's Trilateral Commission during the 1975-76 period, it is properly made clear to us that Mr. Carter did not initiate a single important policy conducted through his administration. Those policies were devised during 1975-76 chiefly under the direction of such persons as Cyrus Vance, Zbigniew Brzezinski, W. Michael Blumenthal, Samuel P. Huntington, and other luminaries of the CFR and its Trilateral subcommittee. Mr. Carter has been, very much indeed, merely the "responsible president."

This focuses our attention on the fact that Carter, Kennedy, Mondale, Connally, Bush, Reagan, Baker and so forth are all merely protégés of the same producers, directors, and script-writers. Exchanging Mr. Carter for one of that sort of putative competitor is merely to

substitute one actor for another, one "responsible president" for another mere "responsible president." The plot and the plotters managing the presidency remain essentially unchanged.

Admittedly, the game has continued for decades since the death of FDR. Some presidents have managed to have some impact on policy, President Eisenhower's administration most notably, or have been at least occasional conduits for constituencies whose outlook is more or less counter to that of the CFR crowd, as Secretary of State Rogers and Attorney General Mitchell functioned in part under Nixon.

Many say, "This cannot be changed." Stochastic reasoning! Under conditions of grave crisis, the majority of the people in this nation can rise up as they have at times during our past. This was the key to the success of the American Revolution, to the establishment of our Constitutional Federal Republic, to the elections of Monroe, John Quincy Adams, and Abraham Lincoln. Now, we face the worst crisis in a century, far more deadly than that of the 1930s. This fact will become apparent, at an accelerating rate, to more and more of our citizens during the coming weeks and months.

"Unfortunately the policy of 'controlled disintegration' is not Volcker's alone."

In such a mood, we shall see in November 1980 the kind of electoral manifestation we have not experienced since November 1932. The people will be moved to vote the New York Council on Foreign Relations out of continued control over our government.

The CFR inner circle knows this. That is why they, under the coordination of Britain's Sir Keith Joseph, the Svengali of Prime Minister Margaret Thatcher, ordered the Heritage Foundation, the Anti-Defamation League, and the *New York Times*, to coordinate a massive, international harassment, libel and slander campaign against Democratic presidential candidate Lyndon H. LaRouche, Jr.

They dare not confront LaRouche on the issues. They are obliged to resort to "dirty tricks," and will probably try, once again, to orchestrate his assassination. They know that the majority of the American voters are becoming ready to choose LaRouche.