Guest Commentary

'There will, too, be a U.S. recovery!'

by Euphemius G. Quackenbush

I am outraged at *Executive Intelligence Review*'s repeated insistence that the U.S. economy will not recover in the second half of 1982. I think that if *EIR* were to consider the arguments that I list below, it would find them most persuasive. I don't think *EIR* should hold against me that I have been predicting a recovery since October 1979. The Reagan administration and many econometric forecasters have also predicted a recovery. It hasn't happened; but this time I know it will.

First, let me cite the work of an Oxford professor, Dr. Hugh Turn, a follower of the work of Isaac Newton in physics. Dr. Turn has come up with the remarkable theory called the "springback theory." The idea is that in order for there to be a recovery, the ground must be well prepared. That is done by collapsing the economy first. This may seem elementary, but it took Dr. Turn 40 years of work to put this theory into scientific form.

Now, it seems to me that Paul Volcker, chairman of the Federal Reserve Board, has followed this theory (I think he is a closet admirer of Dr. Hugh Turn, you know). What Volcker has done is to give the economy a good thrashing, in line with Dr. Turn's Fifth Law, "The strength and direction of the recovery is in inverse relation to the force of collapse." But while American businessmen were screaming that they were going under and the unemployment rate neared 9 million last December, many people suggested that Volcker should take his foot off the neck of the U.S. economy—so to speak—and lower interest rates. Ah, there they, and *EIR*, are wrong.

Had Volcker relented then, there would have been little "springback" counterforce to launch the recovery. Between July and December 1981, industrial production had only fallen by 7.1 percent. What Volcker has done is to allow the collapse to proceed unabated, and in fact, to speed it up, to lay the ground for a very robust recovery.

A new aggregate

Second, *EIR* has often stated that even before the level of industrial production crashes to zero, the financial system will blow out under the force of Volcker's high interest rates, thereby aborting the recovery.

Here it seems to me, *EIR* has overlooked the breakthroughs in economic theory that were put together by Dr. Milton Sleazeman, the eminent monetarist who for years taught at the University of Chicago and now is a fellow at the Hooter Institute in California.

Sleazeman has made major contributions to the science of economics by showing that money supply M-1, is always greater than money supply M-2, but less than money-supply M-3, whenever inflation is greater than 5 but less than 6 percent, and GNP is growing in proportion to the gravitational pull of the moon upon the earth. Dr. Sleazeman has given us a wide variety of symbology—M-1's, M-2's, M-3's, M-16's, M&M's. Recently he made a breakthrough in showing why the U.S. economy will never have a depression: the stability and monetary, or S&M, aggregate.

The idea of the S&M aggregate is to give the Federal Reserve chairman a blunt instrument, so to speak, to whip inflation and the economy into line. Nothing beats it. The index shows that once the economy has received its kicks, and become almost lifeless, then the reduced level of economic activity brings down the inflation rate. The theory is based on the idea that a dead man doesn't spend lots of dollar bills, and therefore inflate the money supply. This theory, like that of Dr. Turn's, may seem self-evident, but it took the penetrating mind of a Dr. Sleazeman and a lot of hard work by Paul Volcker to prove that it is true. If we can allow Volcker to constrict money supply just a bit more, the chance of a financial panic will be nil.

Finally, the *EIR* has entirely overlooked the work of Timothy Neerbottom, the noted psychic, who has been known to levitate 10-ton trucks, and therefore could certainly get the recovery off the ground. Neerbottom's theory holds that the economy will turn out well only if we think good karma about the economy. If we think negative thoughts about the economy, it feels rejected and goes off into a corner where it sulks itself into a state of uncontrolled depression.

Neerbottom has already had a positive effect on the government's approach to the current collapsed economy. First of all, on Neerbottom's advice, every three months, Treasury Secretary Donald Regan chants, "We've hit bottom, I can feel the economy gaining strength." Then there is the work Neerbottom has done with Budget Director David Stockboy and the Council of Economic Astrologers. Periodically, Stockboy and the CEA are removed to Bohemian Grove where they take off their clothes and chant "free enterprise, free enterprise," under the full moon. Stockboy also catches the moonbeams and uses them for economic projections.

I think I have exhaustively shown that there is much reason to believe that the recovery of the U.S. economy in the second half of 1982 is imminent. Were *EIR* to open its eyes to the viewpoints of these distinguished gentlemen, I believe *EIR* would see that the recovery lies just beyond the horizon.