

Re-regulate, reindustrialize: It's the American Way!

by Susan Welsh

The Malaysian government on Sept. 1 announced a package of measures to defend the national economy against financial speculators and to insulate it from a crash of the worldwide monetary system. The measures include foreign exchange controls which absolutely prevent speculation in the Malaysian currency, the ringgit. These resolute moves by a sovereign nation, in its own self-defense, create a rallying point for all nations in this time of crisis.

The Malaysian actions occur in the midst of an extraordinary debate in every world capital, over how to deal with the systemic breakdown crisis. We provide documentation of this debate in the following pages.

In Russia, a battle is raging between those who favor the re-regulation and protection of the nation's physical economy, and those who still back the disastrous "free market" program. We publish here an interview with Russian economist Dr. Tatyana Koryagina, a representative of the former faction, who expresses optimism that Russia will indeed move toward Lyndon LaRouche's policies, and expects that LaRouche will become an adviser to the Russian government under such a new economic policy.

In China, efforts are intensifying to protect the nation from the global financial crisis. Hong Kong is battening down the hatches against the speculators, and Taiwan has barred all securities and investment trust companies from selling or buying hedge funds linked to billionaire speculator George Soros.

LaRouche was right

These exciting developments do not come a moment too soon. They demonstrate the validity of what LaRouche has warned about since before the breakup of the Bretton Woods

System in 1971: that if the policies of British monetarism were not scrapped, the world economy would head for a crash of hitherto unprecedented dimensions. Every year that has gone by, with the speculative financial bubble growing more and more inflated, has made the situation that much worse. LaRouche has mobilized support for a New Bretton Woods System: an agreement among sovereign nations to regulate

international financial flows, including fixed currency exchange rates—but with the proviso that, this time around,

national banking should replace central banking. This call has circulated far and wide, and is well known to the policymakers who are taking the audacious moves we see today.

Financial re-regulation is only part of what is required; it must be accompanied by a *reindustrialization* program, to rebuild the decrepit physical economies of nations that have been savaged by 30 years of monetarist looting. LaRouche has called for nations to participate in the construction of the Eurasian Land-Bridge, creating corridors of high-technology development across Eurasia, with "spiral arms" reaching to the other continents.

As LaRouche has emphasized, the approach required today is the *American System of political economy*. America's industrial strength was never built by British free market measures; it was a triumph of the protectionist factions, beginning with Alexander Hamilton and Benjamin Franklin, and proceeding through Henry Carey, Abraham Lincoln, and Franklin Delano Roosevelt. In this section, we provide excerpts from Carey's attacks on British free trade, and similar writings by Russia's Count Sergei Witte. The "American System" tendency was always an international effort, as it remains today.

LaRouche spelled out the policy required, taking Russia

Feature

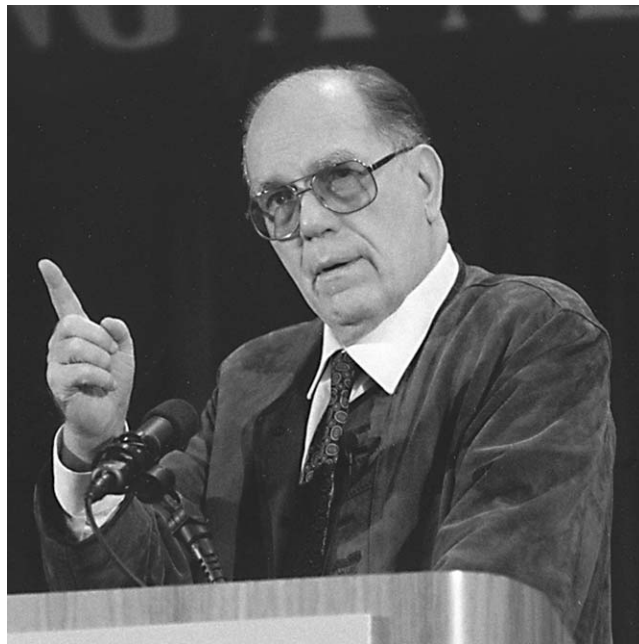
as an example, in a recent issue of *EIR* (“What Will Happen, If . . . ?,” Aug. 28, 1998). Starting from the initiatives taken by Malaysia and others, here is the direction in which the world’s leaders must now proceed:

“All of the most successful agro-industrial economies of the late Nineteenth and Twentieth Centuries,” LaRouche wrote, “modelled their successful performance upon the form of American System economics developed in the U.S. during 1861-1876. Indeed, this was also the model adopted as ‘American methods,’ with certain well-known qualifications, for the industrial development of the Soviet Union, by V.I. Lenin and other Soviet leaders. The U.S. economic-mobilization standards of 1861-1876, standards re-invoked for the U.S. economic mobilizations of the period of World Wars I and II, remain the bench-mark standards for determining the degree to which economic policy of practice is, or is not fostering the net growth of the physical economy of the nation as a whole. . . .

“In the American System, we compare Hamilton’s use of the notion of ‘productive powers of labor’ to Leibniz’s earlier definitions of the same functional notion. We include under ‘productive powers of labor,’ the level of improvement of all of the general territory, all of its basic economic infrastructure, all of the material and cultural standard of life of all family households, and the factors of power and technology. We compare those expenditures which are required to maintain the potential and actual productive powers of labor of the economy as a whole, per capita and per household, with the total useful output of the same qualities. We define ‘growth’ as the increase of the physical-economic output of the whole economy, per capita, over the expenditures which must be made to sustain the relevant productive powers of labor.

“Put to one side the usually misleading, and merely secondary issues of money, prices, and finance. Get back to basics; measure the performance of economies in those American System terms which I have just summarized. Apply these standards to the problems of today’s Russia.

“Put the relevant ‘voodoo economics’ of former President Bush, Wall Street’s bookmakers, and the Mont Pelerin Society’s freak-shows to one side. Before measuring anything in terms of prices, compare the total output of the productive forces of Russia, with the physical-economic costs of maintaining the continued existence of the present level of productive forces of Russia as a whole. By this standard, the so-called reforms imposed beginning 1989-1992, collapsed Russia’s economy, not only to levels far below break-even, but the failure to overturn those policies ensured the continually accelerated collapse of those ratios to beyond any breaking-point. The absolute breaking-point, a new quality of phase-shift in the process, has now either been reached, or nearly so. No matter how international bookkeepers juggle the financial accounts, the physical costs and physical output of Russia’s economy as a whole, and the balance of domestic and foreign accounts (as their effects are measured in physical-economic,



Lyndon H. LaRouche, Jr. has warned, since before the breakup of the Bretton Woods System in 1971, that without a fundamental change in economic policy, a global breakdown crisis would occur. Isn't it time to listen to LaRouche?

rather than merely financial terms), remain hopeless as long as present ‘free trade,’ ‘globalization,’ and ‘reform’ policies remain in force.

“There is only one solution; scrap the existing, ‘globalized’ international financial and monetary systems, and virtually outlaw any application of the doctrine of ‘free trade’ to international relations. Many will stubbornly, hysterically object to such an abandonment of the cult of ‘free trade.’ Ask them, ‘Are you willing to pay the price of your stubborn folly?’ Do you wish civilization to survive, as it will not, unless we now rid this planet promptly of the pestilences of ‘globalization’ and ‘free trade’? If not, the death of your children and grandchildren, caused by nothing but your own folly, often a horrible death, is on your hands. . . .

“Go to a new global system, modelled upon both the best features of the world’s experience with the so-called ‘American System’ of Hamilton, List, and the Careys, modelled upon the best features of the U.S. economic mobilizations of 1861-1876 and also World Wars I and II, and modelled upon the best features of the pre-1958 phase of the Bretton Woods, gold-reserve system. To Russia’s seemingly hopeless situation, apply the lessons of the repeated successes of the applications of U.S. Treasury Secretary Alexander Hamilton’s three celebrated reports to the U.S. Congress on the subjects of credit, a national bank, and manufactures. *Under those conditions, and only under those conditions, can the present ongoing, chain-reaction collapse of the world’s financial and systems be brought under control.*”