A Relevant Chronology

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An informed source told one of my associates, today, that the accumulation of international financial storms associated with the Iceland crisis of the world's so-called "carry trade," must be seen as a collapse of the Greenspan bubble," and thus viewed as a consequence of policies introduced in 1987 by now-retired U.S. Federal Reserve System Chairman Alan Greenspan. That source's observation is, of course, broadly correct, and does not differ essentially from the assessment of Greenspan's role which I had publicized widely during the recent decade.

Notably, during Spring of 1987 I warned of the high probability of an early October 1987 blow-out of the Wall Street market, which then occurred exactly as I had repeatedly warned. This October 1987 crisis erupted at the point Paul Volcker's term as Chairman of the Federal Reserve System was running out. Greenspan, the nominee to replace Volcker, intervened, saying, in effect: "Hold everything. I have a solution. Don't do anything until I come in." Greenspan's "remedy" was to flood the financial markets with Monopoly-style play-money, called "financial derivatives." It is the Greenspan "financial derivatives" bubble which I have described in my presentation of the "Triple Curve" imagery (**Figures 1** and **2**); it is that bubble which is now reaching the bursting-point.

Thus, Greenspan's policy replaced an October 1987 re-enactment of the 1929 stock-market crash, with a presently threatened hyperinflationary blow-out of the entire world's monetary-financial system. The informed source's conclusion was therefore correct.

Since my record as a successful long-range forecaster is unique among known forecasters of the recent forty-five years, I am situated in a position of authority in which I can and must state, that it is not sufficient to acknowledge the validity of an indicated source's tracing of the present crisis to the follies inhering in Greenspan's policies. Seriously competent forecasters and related policy-shapers today, must not limit themselves to the merely apparent success of some forecasts; the focus must be primarily upon defining a competent sort of relevant method for making and using forecasts, as I do here.

On that account: the relevant facts to be considered in light of the history of my forecasts, prior to and since 1987, are as follows.

1. My Original Forecasts

My relevant development as a physical economist dates from the 1948-1953 process of development of my original discoveries within the science of physical economy, discoveries which, subsequently, provided the basis for my first forecast based upon those discoveries, my 1956 forecast of the 1957 U.S. recession, and every long-range forecast which I have made since that time. The most notable distinctions of my method are:

a) my rejection of the notion that economic value can be located within a monetary system as such, and

b) my related condemnation of any reliance on linear analysis for attempted physical-economic forecasting.

I should explain this point. It is crucial that that be understood with a view to understanding the remedies which exist to be applied to this present set of breaking developments.

It is important to note, that the early roots of my original discoveries in this field can be located in my early adolescence, in my categorical rejection of Euclidean geometry, as lacking a physical basis; and, more than a decade later, my 1940s rejection of Norbert Wiener's "information theory," as ignoring the role of creative discovery of physical principle in generating the "non-linear" physical transformations associated with scientific and technological progress in increasing the productive powers of labor per capita and per square kilo-

FIGURE 1
LaRouche's Typical Collapse Function

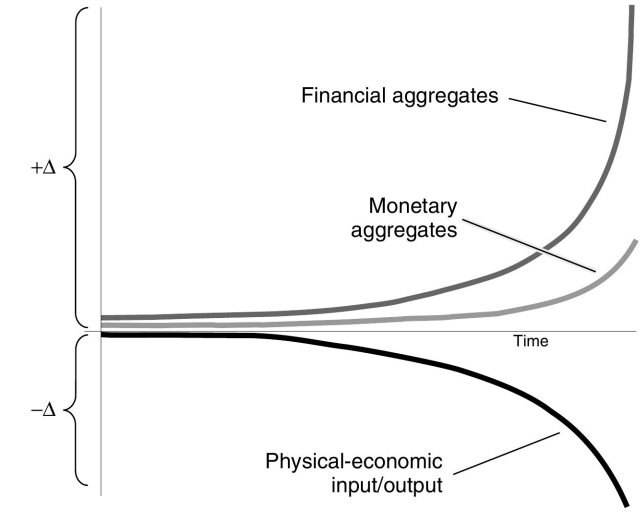
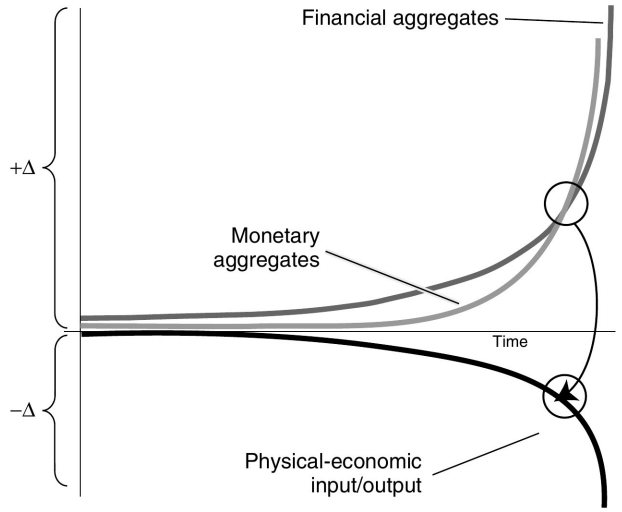


FIGURE 2
The Collapse Reaches a Critical Point Of Instability



meter of the total territory of a nation.

Although, at those times, I did not yet know the implications of the actually anti-Euclidean method of *Sphaerics* (e.g., *dynamis*) as associated with the Pythagoreans and Plato, during my experiences of the middle to late 1930s, and later, I had already adopted what was in fact an echo of *Sphaerics,* from Leibniz's writings. My rejection, on principle, of any notion of an abstract geometry premised upon aprioristic definitions, axioms, and postulates, has been the characteristic feature of my intellectual life since that rejection first occurred. These considerations from adolescence and early manhood have been the continuing foundation on which all of my forecasting has been premised.

Therefore, my standpoint in a physical science of economy must be identified as that of an *anti-Euclidean* physical geometry, as distinct from either a Euclidean/Cartesian, or so-called "non-Euclidean" option. It is a view of a universe controlled by physical principles as the elementary form of action, rather than idea of physical principles as merely used as explanations of causes and effects inhering in an assumed Cartesian or similar domain.

Therefore, in retrospect, to understand those consistent features of my intellectual life since adolescence, which are relevant to my economic forecasting practice over decades, one must look back from today, to the earliest premises of my approach to a science of physical economy corresponding to the standpoint of *Sphaerics,* as that standpoint is identified today with the Pythagoreans and Plato, and with the founding of modern experimental scientific method by Nicholas of Cusa and such followers of Cusa as (explicitly) Luca Pacioli, Leonardo da Vinci, and Johannes Kepler, and such followers of Kepler as Pierre de Fermat, Christiaan Huyghens, and Gottfried Leibniz. In all cases, in recent decades, my view of the work of these adopted predecessors has been the standpoint of an anti-Euclidean, anti-Cartesian physical geometry, in which universal physical principles are the form of action which is reflected sense-perceptual experience of the universe we inhabit.

My matured view of those connections to the pre-Aristotelean, pre-Euclidean basis in *Sphaerics,* is expressed by my recognizing Riemann's development of the notion of hypergeometric functions as a "return" to the Platonic standpoint of *Sphaerics* from a modern standpoint in physical-science practice. Hence, since 1953, when I first adopted Riemann's work as the proper basis in mathematical precedents for my own original discoveries in a science of physical economy, I have identified my method as "the LaRouche-Riemann" method, signifying my own original discoveries, made independently of knowledge of the relevant aspects of the work of Riemann, but now situated mathematically within the framework established by Riemann.

From that standpoint just described, any fixed mode of production in a society is inherently entropic, and would be ultimately disastrous if continued. It is only through the application of scientific and related technological and cultural progress, to increase the power per capita and per square kilometer, which is not merely the necessary basis for progress; it is indispensable as an offset to the destructive effects, per capita and per square kilometer, effects of the attrition caused by technological stagnation—e.g., by "zero technological growth."

Money, while more or less indispensable for exchange, is merely a means of exchange, and not a standard for measuring

the performance of the economy as a whole. Rather, the value expressed by money varies according to not only relative physical values per capita and per square kilometer of the economy as a whole; a constant relative value of money so measured in physical terms, rather than monetary terms, requires a rate of what is essentially scientific-discovery-driven increases in the rate of physical productivity per capita and per square kilometer.

Thus, lowering the relative physical standard of living, or investing less in maintenance and improvements in basic economic infrastructure, per capita and per square kilometer, for the population and its territory as a whole, must tend to produce a collapse of the real economy per capita and per square kilometer as a whole. On this account, all prevalent directions of change in U.S. policy-practice since 1971 have been a cumulative disaster for the economy as a whole.

My Forecasting

My own practice as a forecaster has been focussed on the characteristic features of the process of transition from the principles of the President Franklin Roosevelt recovery, into the disastrous, decades-long wave of decline toward a general, global breakdown-crisis, a crisis which is to be dated from the 1971-1972 dissolution of the original Bretton Woods monetary system, and the consequent shift to a floating-exchange-rate, radically monetarist, and intrinsically self-doomed global system of today.

My first forecast based on the principle of the LaRouche-Riemann method, was made during 1956, forecasting an approximately February-March 1957 deep recession in the U.S. economy.

As I have reported previously in various locations, my first long-range forecast was developed in 1958-1960, as follows.

I warned that if the U.S. economy continued along a trajectory consistent with the trends associated, typically, with the characteristics of Arthur Burns' influence during the 1954-1960 interval, we must expect the probable entry of the U.S. economy into an ominous decline during approximately the latter half of the 1960s, a decline leading toward, or even into a general collapse of the present international monetary system.

Both the 1956 and 1959-1960 forecasts were borne out in the way the principles of my forecasting were defined. These were, therefore, forecasts made within the bounds of the prevalent system of the time.

Now, since 1972, the U.S. and world monetary-financial and economic systems have been dominated by overall trends consistent with my view of 1968-1971, that a breakup of the Bretton Woods fixed-exchange-rate system, would set a trend toward an increasingly pro-fascist model of world economy, unless a return to the legacy of the design of the original Bretton Woods system were to prevent this outcome. Each forecast I have made since 1971-1972 has been validated by timely events.

Thus, since 1971-1972, my forecasts have been premised on changes in progress within the framework of a new, devolving system, rather than the Bretton Woods system of the 1945-1968, pre-1971-1972 interval. The principled features of the methods which I used during 1956-1961 remained the same; however, the subject so addressed since 1971-1972, has occurred within a functionally different economic system than that of the first two post-war decades.

2. The Perils of Forecasting

The common blunder of my putative rivals has been their predilection for attempting to forecast in a way consistent with a sterile, worse than merely Cartesian, mechanistic mode of statistical forecasting. For the victims of that persuasion, it is implicitly assumed that an event will either occur at a certain time, or it will not. Forecasts of that commonplace type are inevitably wrong, and therefore always incompetent, even when, by coincidence, they are not apparently mistaken. The commonplace forecast might, occasionally, appear to hit the mark in a timely way, but it does not locate the event within the process which actually determined that momentary outcome, and is therefore useless in practice.

Like living processes, all social processes are *dynamic,* not mechanical-statistical in characteristics. That is to say, that they conform, characteristically, to the Pythagorean notion of *dynamis,* and its modern, Leibnizian reflection, as Leibniz's explicitly anti-Cartesian principle of *dynamics.* However, in dealing with economic forecasts, we are dealing with the distinction of human from animal behavior. The human mind is governed by its potential for discovery of efficient universal physical principles, a power lacking in the animal species. Hence: the Pythagorean legacy of *dynamis,* as reflected by Leibniz's introduction of *dynamics* as the crucial principle of modern science.

Within the functioning specific to human beings, the *dynamics* are dominated by considerations lacking in the animal kingdom, by the factor of the human "free will," a "free will" which is rooted, ontologically, in the fact that human behavior includes both an accumulation of voluntaristic discoveries within society, and the voluntary powers of the individual human mind.

Thus, in attempting to forecast human events, we must limit ourselves to oncoming points of crucial decisions to be made, and the consequences of likely alternative decisions made in response to those challenges. All statistical forecasts are, therefore, intrinsically absurd scientifically.

Moreover, the human individual will is not "free" in the sense of the anarchist's outlook. We are free to succeed or to fail, to make "free choices" which cause a worse future, or to choose discovered alternatives which will satisfy the scientifically foreseeable requirements of success, even of survival of that society. There is no absolutely "free choice," no "freedom of opinion" in real history; there is only the opportunity

to choose available options which lead to progress of the human condition, or to prefer choices which tend to greatly injure, even eliminate societies which freely embrace such preferences.

In every society which brought doom upon itself, prevalent "popular opinion" was the relevant author of disaster; so, sophistry akin to the quality of sophistry prevalent, as trendlines, in the U.S.A. during the four recent decades, ensures the doom of the society which, like Pericles' already self-doomed Athens, clings to the propitiation of habituated standards of popular opinion.

Therefore, as my own relatively unique success as a forecaster attests, *competent forecasting, and therefore competent policy-shaping, is that which is governed by the relevant scientific comprehension of the lawful characteristics of the social process.*

Dynamics and Economy

One of the most commonplace follies in debating economic policies today, is the assumption that cheaper direct costs of production in Honduras mean it would be an advantage to the U.S. economy to move such production from the U.S.A. to Honduras. Thus, the commonplace foolishness of the popular argument in favor of "outsourcing' is, that, while less is paid for the product itself, the cost of maintaining the U.S. economy which had been part of the cost of U.S. production, is not reduced. Most notable are the costs of basic economic infrastructure, which had been built into the earlier production of the goods whose production was exported. The U.S. citizen may purchase the Honduras-produced articles at a lower price than earlier, *but the standard of living in the U.S.A. itself has been lowered by a greater amount than the mere apparent saving in the cost of the relevant products.*

Thus, any nation which accepts that fallacious assumption that production must pursue the goal of "cheapest price" is doomed by its own foolish support for that assumption.

The argument which follows from examining the causes for that ironical sort of observed effect of so-called "outsourcing," is twofold. That the firm which exports its production in this way is under incompetent management, and the government which promotes such practice is also incompetent in its judgment of economics matters. The precedent for this argument is Gottfried Leibniz's famous exposure of the incompetence of René Descartes and Descartes' followers in matters of physical science. This refers to the occasion on which Leibniz revived the fundamental concept of the physical science method of the ancient Pythagoreans and Plato, by use of the term *dynamics,* in a way corresponding precisely to the role of the term *dynamis* as the fundamental principle of physical science known to Plato et al.

The standard of living, including that of education, public health, quality and quantity of power per capita and per square kilometer, of a nation and its population is an intrinsic, undivestable component of the potential productivity of the population as a whole. To reduce the physical component corresponding to payment for those costs, is to lower the physical productivity of the nation per capita and per square kilometer. In effect, the promotion of production at prices corresponding to meeting those general requirements of the economy as a whole, is a way of absorbing the costs of maintaining the standard of living and productivity of the nation as a whole.

In general, therefore, every net change in average policy-trend in the U.S.A. since about 1968 has been a stupid one, for which our nation is suffering greatly, as a nation, today.

The indicated relationship between the level of development of national basic economic infrastructure and per-capita productive powers of labor in that nation, is expressed as *potential.* In former times, an intelligent majority of the government of a U.S. Federal state, would seek to bring *relevant types of employers* into the state, as a way of covering the costs of bringing up the conditions of life and productivity of the nation as a whole, through covering the costs of improvements in basic economic infrastructure.

Outsourcing based on "cheapest price" is no net benefit to the nation to which production has fled. The latter nation has adopted a policy which will ruin its national potential as a whole over the ensuing period.

Progress of national economies, such as our own U.S.A., depends upon science-driven increase of the net productive powers of labor per capita. This depends upon increasing the general physical-capital-intensity of production per capita. That requires emphasis on investment in scientific-technological progress, which means the increase of the relative "energy-flux-density," both per capita and per square kilometer for the national economy as a whole. It requires increasing emphasis on educational development for the entire population and its labor-force component, with the principal emphasis upon discoveries of universal physical principles and forms of cultural activity and development which emphasizes the expression in social behavior of those same creative powers of the individual mind associated with original discoveries of universal physical principles.

A higher standard of living, by those criteria, defines a successfully progressing economy. A contrary policy is characteristic of a nation ruining itself.

Potential, as so indicated, is the primary driver in the policy of a fortunate nation. Realization of that potential through its application to production and other relevant forms of expression, is the proper standard for measuring national-economic sanity.

3. Greenspan's Insanity

Financial derivatives are the purported capitalization of gambling debts. They have no more intrinsic value as financial capital than i.o.u.'s issued to one another by gamblers in a back-alley crap-shoot.

Alan Greenspan "traded off a mere Hoover-style collapse, for the glory of a crisis which would blow the financial world virtually out of existence."

The October 1987 stock-market crash was an event comparable to the 1929 Hoover crash. Within Andrew Mellon's system of that day, strict financial conservatism of those times meant a collapse of the real economy of the U.S.A. by approximately one-half, which the Hoover Administration achieved within approximately three years. The remedy would be to go directly to the kinds of physical-economic recovery measures which the administration of President Franklin Roosevelt had employed. The Roosevelt remedy was available, but was politically outlawed by the prevalent customs developed over the 1971-1987 interval to date; a Hoover reflex was implicitly required for purely political reasons.

Hence, Greenspan's great crap-shoot economy of 1987-2006.

What Greenspan did, in effect, and he did that most persistently, was to make financial-derivatives negotiable within the framework of both the U.S. Federal Reserve System and the International Monetary Fund. In this, Greenspan was in full complicity with Britain's Margaret Thatcher and France's François Mitterrand, and that of a Japan which had negotiated special "Plaza Accord" arrangements with the U.S.A. during the late 1980s time-frame. The Blair government of the U.K. has continued the same lunatic approach to matters, minus Thatcher's purse and skirt.

President George H. W. Bush was the first lucky recipient of Greenspan's folly. Ross Perot, trying a copy-cat of my Presidential campaign style, provided the margin which did in Bush's hope of winning re-election against Presidential candidate Bill Clinton. As James Carville said, "It's the economy, stupid!" The vast looting of the former Comecon and Soviet Union, and The Great Y2K information technology" bubble, carried the U.S. Federal Reserve and IMF system up to the time of the August-September popping of the "GKO" derivatives swindle. Since the Spring of 2000, the presently continuing downslide of the U.S. dollar and soaring of the U.S. current-account deficit, have been the masters of the field of financial speculation.

Amid all this, reality has been shown by my two successive portrayals of what I named a "Triple Curve" image of the presently ongoing, 1995-2006 process of general plunge of the world system toward a monetary-financial break-down crisis. The cannibalistic policies directed against the overall physical economies of Europe and the Americas have produced an accelerating decline in the physical productivity of these economies, but with soaring, hyperinflationary increases in the amount of monetary aggregate and financial turnover. In all of this, the creation of purely fictitious financial capital through a cancerous proliferation of financial derivatives, has been the source of apparent liquidity used to provide the apparent margin of fictitious financial profit by which the actual collapse was being delayed.

The time had to come, that the interaction among soaring rates of monetary-financial fictitious emissions, intersecting accelerating rates of physical-economic collapse, would define a phase of stretching of the inflationary balloon, at which that balloon must explode at the first occasion of a relevant sort of pin-prick.

In effect, Greenspan will go on record as the greatest financial swindler in all history to date. Perhaps he will enjoy the fact that that might be considered by some as a peculiar kind of accomplishment. He traded off a mere Hoover-style collapse, for the glory of a crisis which would blow the financial world virtually out of existence.

The more important conclusion to be considered, is that, whatever this says about Alan Greenspan, the really important development is what it says about the collective mind of the U.S. and other governments during the entire sweep of 1987-2006 to date.

4. A More Important Conclusion

The ability to forecast effectively depends upon the forecaster's ability to take two contrasting images into view. One image is that of the process as it actually functions. The other is the process as the relevant influentials of society believe that the process should function. In effect, the dials and gauges on the dashboard do not necessarily reflect the actual cause-effect relations which the operator assumes to be determining. Actually, the discrepancy between the "driver of the vehicle" and the performance of the vehicle itself is more complicated; some of the instruments do reflect the actual situation, but others do not.

Take the case of the way in which Pericles' Athens destroyed itself, by taking the plunge into what became the Peloponnesian War. The faulty set of dials and gauges in this case was the influence of a form of Sophistry akin to that which has prevailed, increasingly, in the U.S.A. (in particular) since the death of President Franklin Roosevelt, especially under the influence of pernicious, frankly evil opinion-shapers such as the Congress for Cultural Freedom (CFF). The latter's Paris branch is notable among corrupting U.S. influences of the CCF in poisoning the morals of Europe.

Go back to the time of President Franklin Roosevelt's death. Then go back a step further, to the 1931 establishment of the Basel, Switzerland Bank for International Settlements (BIS), when the drive to put Adolf Hitler into power gathered steam. Most of western and central Europe, led by Montagu Norman's Bank of England, was pushing for a fascist world order and a war intended to destroy both the Soviet Union and Germany, once and for all. By the time Franklin Roosevelt was inaugurated as President, in March 1933, Hitler had already been given dictatorial powers through the Reichstag Fire; fascism was already in power in Italy; the fascist bloc (the Synarchist bankers) were at the top in France, waiting for Hitler to give them the Laval and Pétain governments for which they dreamed; and, kindred evil thoughts about an overthrow of the Franklin Roosevelt government were circulating in U.S. financier circles. The U.S. economy had already collapsed by half under President Hoover. Yet, already, at the point the U.S.A. entered World War II, the United States had created the most powerful economic-development program the world had ever known. By the time of FDR's death, a U.S.A. committed to FDR's policy of a world free of empires seemed within reach.

From virtually the moment of FDR's death, the Wall Street and London crowd behind Vice-President Truman's affection for outgoing Prime Minister Winston Churchill, the financier crowd which had put Hitler into power in 1933, was moving to overturn Roosevelt's legacy. They could not succeed all at once; but, step by step, over two decades, they succeeded in bringing down the FDR legacy in policy-shaping, and, from 1971 on, sent the world careening along a course leading toward the virtual bankruptcy of the U.S.A. today.

To a significant degree, this treasonous undermining of the FDR legacy was fully conscious in the minds of figures such as Britain's Bertrand Russell, the man who, in concert with H.G. Wells, invented nuclear preventive warfare. To a larger degree, the same effect was achieved through the effects of a new wave of Sophistry, echoing that of Pericles' self-doomed Athens. The dupes did not have to know the reasons for the policies they either supported or merely tolerated; they believed the dials and gauges on the dashboard.

The duty of the economic forecaster is to discover and understand such things. Who has designed the system which links the machinery to the controlling dials and gauges faithfully admired by the dupes behind the dashboard? It is not necessary that the malicious figures exploiting this arrangement understand fully the destination implicit in their role in controlling the dashboard; it is better that they do not know too much, more than is good for them to know. However, this is precisely what the competent forecaster must search out.

Thus, although we can show that the ruin of the U.S. and world economies since 1971-1972 has been the result of a clear and conscious intention among relevant controlling strata, this does not mean that the same degree of culpable awareness can be attributed to the decadence of the 1945-1971 interval. The intention to destroy the Franklin Roosevelt legacy was clearly manifest under Truman from the time of FDR's death. The intention to plunge the world into a planetary new dark age down the line, existed with the circles of Russell, H.G. Wells, and their intimates. However, for most of the controlling circles orchestrating the policy-shifts, they were acting as sophists, discovering their intentions, as if impromptu, step by step along the way, more or less echoing, thus, the manner in which the Peloponnesian War led Athens to its doom.

For me, as a physical economist, the pattern is clear. The implicit intention is clear. However, this does not mean that the intended outcome was always clear among most of those who participated in shaping the relevant policy-changes. Only those rarer individuals who can see the broad evolution of this process, as if from above, can forecast in the way which is required, if doom, like that threatening the world today, is to be averted. We who adopt such chores as that, must look down upon successive, qualitative changes in the course of passing events, as I have done. Most of the time, the leaders in history were more acted upon than choosing their destinies. The rest reflected largely unconscious motives for the critical impulses which their actions expressed. The competent long-range forecaster's duty is to adduce those largely unconscious motives underlying the mechanisms of decision-shaping.