

Listen to the Only Competent Economist: Lyndon LaRouche

by Helga Zepp-LaRouche

Jan. 21—In spite of innumerable diplomatic efforts at war avoidance in the context of the situation around Iran and Syria, the world is inching its way toward a third, this time thermonuclear, world war. The trans-Atlantic financial system finds itself once again in a crisis which has all the symptoms of the situation before the collapse of Lehman Brothers in 2008—only this time the governments and central banks have already used up all the instruments that they used then for a short-term intervention. The euro could break apart within days or weeks; the European Central Bank (ECB) has become a “money-printing machine” (*Handelsblatt*), and popular resistance to the brutal austerity policies of the European Union, which are threatening to thrust all of Europe into depression, is growing in most member states.

Reflecting upon this brief summary of the strategic situation, you would really think that governments would be feverishly working to find solutions for these existential questions. Instead, they are clinging to the same flawed axioms which were responsible for the creation of the systemic crisis in the first place.

The World Bank warned, in its report for the first half year of 2012, in the understatement of the century, that the world financial system could be thrown this year into a crisis just as great or greater than the one in 2008-09, and the capital markets could freeze up. Exactly this has already happened: Inter-bank lending has practically come to a standstill; the European banks

have parked more than half a trillion euros overnight in the ECB, thus more than the EU500 billion that the ECB has placed at the disposal of the banks for the next three years.

The head of the International Monetary Fund, Christine Lagarde, is demanding an additional EU500-600 billion rescue package for the Eurozone, from countries including the United States, China, and Japan. The U.S. has refused this request, due to strong resistance in Congress; but insiders suspect that the swap arrangement between the Fed and the ECB is being used unofficially to put the required liquidity at the disposal of distressed financial institutions that have been affected by “deleveraging” due to the downgrading by Standard & Poor’s. This would be a “reverse leverage” by which the very same mechanisms that were applied to boost speculation, now intensify the collapse of speculation. The amounts that have been pumped at shorter and shorter intervals into the financial system, are accumulating in the capital markets in the form of “asset inflation,” whose true scope is still masking the developing hyperinflation. Nonetheless, inflation has already begun to eat up the real income of the population.

The relentless austerity policy of the Troika—the EU Commission, the ECB, and the IMF—has sent especially Europe’s southern states into a deep depression. Nowhere is the inhumanity of this policy, which has been developed only for the benefit of the bankers, seen more clearly than in Greece, where parents must

give up their children because they can no longer feed them; where hospitals can no longer care for patients because the pharmaceutical companies are no longer providing medicines; and where the suicide rate is rising. The young and the well-educated are fleeing their country, because they see absolutely no prospect of a future. Mass strikes are developing in protest against this insanity, which threatens to throw all Europe into the deepest depression—in Greece, Italy (in Sicily, there is the “pitchfork revolt”), Spain, Portugal, Belgium, Ireland, and surely soon in other countries.

The War Threat

It has become obvious that the British Empire’s financial oligarchy, threatened by a systemic collapse, is only ostensibly going after Syria and Iran. With the murder of the fourth Iranian nuclear scientist, Prof. Mustafa Ahmadi Roshan, and the war of words over the Strait of Hormuz, the situation has escalated to the point that the U.S. has postponed for six months the greatest-ever maneuvers planned for Israel, which were to include participation of American, British, and Israeli forces (see article in *International*). But this didn’t stop the American ambassadors in Moscow and in Beijing from signaling a policy of “regime change” toward those nations.

Russian TV reacted severely to the provocative activities of the new U.S. Ambassador, Michael McFaul, who, as his first official act, met with the U.S.- and British-sponsored opposition which is propagandizing for a “White,” or “Snow Revolution,” against the expected Putin Presidency. McFaul’s counterpart in Beijing, Gary Locke, gave a provocative interview to the American National Public Radio, in which he speculated on the collapse of the government of the country to which he has been accredited as ambassador. The Chinese population is very dissatisfied with their government, whose political situation is very delicate, Locke said. He then expressed his concern about corruption, lack of transparency, etc. Unfortunately, he said, calls for a Jasmine Revolution had not succeeded, and apparently something specifically tailored to the Chinese internal situation would be necessary.

Such provocative behavior from the Obama Administration against Russia and China can only be understood against the background of the Anglo-American relationship and regression into the darkest realm of geopolitics, just like the dynamic before the First World

War: The British Empire fears the economic development of the Eurasian countries, the so-called “Eurasian heartland,” which threatens the alleged interests of the “Atlantic Rim countries.”

European governments and media are making themselves complicit with this policy, by not taking a position against it. Especially scandalous is their silence about the numerous attacks on the American Constitution of which Obama is guilty, including his National Defense Authorization Act (NDAA), with its license for unlimited incarceration of people from all countries, including Americans; denial of due process; lists for targeted killings; conducting war without the approval of Congress; drone-warfare with massive “collateral damage” among civilians, etc.

In an article in the Jan. 17 *Atlantic*, Conor Friedersdorf wrote, after enumerating the long list of these offenses: “I submit that had Palin or Cheney or Rumsfeld or Rice or Jeb Bush or John Bolton or Rudy Giuliani or Mitt Romney proposed doing *even half* of those things in 2008, you’d have declared them unfit for the presidency and expressed alarm at the prospect of America doubling down on the excesses of the post-September 11 era. . . . Yet President Obama has done *all* of the aforementioned things. . . . Obama has transgressed against what is arguably Congress’ most essential check on executive power—its status as the decider of when America goes to war—and he has codified indefinite detention into law, something that hasn’t been done since Japanese Americans were detained during World War II. ‘But at least he doesn’t torture people!’ How low we’ve set the bar.”

Wrong Axioms

What lies at the foundation of all this is a continuous transformation of values in the past 45 years. The orientation has shifted away from production, in favor of speculation, and thereby away from a scientific conception of physical economy, in favor of monetarism and maximizing profit for the not-so-free market. So-called economic science has hardened into a dogma that would cause all the dictators of human history to go green with envy.

An article in the engineering publication *VDI-Nachrichten*, titled “Monoculture of Thinking Hinders Progress,” describes this problem. The crisis of the real economy has been with us for a long time, it says, but economics courses continue to teach their old formulas as though nothing had happened. That is why students

everywhere are beginning to resist the way economics is taught. Markedly divorced from reality, it is intellectually dry and shuts out alternative directions of thought; moreover, the courses don't include the history of the theories; hardly any time is spent on method; it subliminally treats human beings as calculable cogs in the gears of the economy; it reduces humans to "utility machines," thereby excluding all creative and unpredictable human abilities. Milton Friedman, the article states, defined the usefulness of theories as their capacity to make correct prognoses. So the current economic "turbulence" shows that the dominant monetarist theory stands "before the rubble of a reality-divorced and simultaneously useless theoretical structure."

This returns us to the problem posed at the beginning: As long as governments and leading institutions are not prepared to recognize their false axioms correct them, there will be no solutions for the existential problems we face, and these institutions will be swept away by the onrushing devastation. Only if we rectify the errors of the paradigm-shift of the past 45 years, and return to the kind of scientific thinking that characterizes physical science and Classical art, will we be able to correctly analyze the causes of the current systemic crisis.

The Italian TV channel RAIdue made the first step, by recently broadcasting excerpts of an interview conducted with Lyndon LaRouche in 2003, in which he precisely forecast the then-oncoming systemic crisis. LaRouche is on record as the only economist who correctly forecast the consequences of every incorrect decision made in economic policy, since 1971. It is therefore more than appropriate that the scientific method be investigated, which made him capable of doing so. And maybe it would be better, when talking about solutions to the crisis, to listen to the person who correctly forecast that crisis.

Only the combination of a return to sovereignty over national currencies, the reintroduction of a separation of banking, in the tradition of Franklin Roosevelt's Glass-Steagall law, fixed exchange rates, and the introduction of a credit system in the tradition of Alexander Hamilton—as the preconditions for a global recovery program—can show the way forward.

Ironically, it is precisely the Milton Friedman quoted above, who has confirmed the usefulness of the theory of Lyndon LaRouche!

This article was translated from German.