III. United States

THE BATTLE IN THE UNITED STATES

LaRouche's Physical Economy vs. Clones of Soros and Schacht

by Harley Schlanger

Nov. 30—In analyzing the reasons for United States President-elect Donald Trump's resounding victory in the 2024 U.S. presidential election, the consensus is that the major factor was widespread dissatisfaction with the results of "Bidenomics." While Vice President Kamala Harris pledged to continue President Joe Biden's "success" in "taming inflation" and job creation, Trump correctly ridiculed the idea that the Biden Administration had put the nation back on sound economic footing. He pointed to the continuing effects of inflation, deindustrialization driven by "Green" policies, and diversion of hundreds of billions of dollars to endless foreign wars as key factors in fueling dissatisfaction.

It is therefore somewhat surprising that there has been little scrutiny thus far of the implications of Trump's nomination of hedge fund billionaire Scott Bessent as U.S. Treasury Secretary. Bessent, who was a major contributor and fundraiser for Trump, served as an "economic adviser" to the campaign, advocating deficit reduction and deregulation as the most urgent tasks for the new administration.

On the surface, it appears that the main reason for the choice was to send a message to the banking/financial corporate sector that Trump's economic policy will not represent a break with the Wall Street system. Elon Musk, who is playing a large role in shaping the incoming administration and is calling for major restructuring of the U.S. economy, confirmed this when he dismissed Bessent as a "business as usual choice."

On closer examination, however, Bessent's nomination should be ringing alarm bells. He made his fortune working for George Soros as a fund manager, and played a leading role in Soros's speculative assault on the British pound in 1992, and the Japanese yen in 2013. From 2011 to 2015, Bessent ran the Soros Fund Management office in London. When he left, he borrowed $2 billion from Soros in 2015 to set up his current company, Key Square Capital Management LLC.

While Trump praised him for being involved "in some of the largest and most profitable trades in hedge fund history," the main beneficiaries of these operations were the traders themselves, as little real value was added to the economy from those assaults.

The alarm bells should be ringing even louder over Bessent's statement to the City of London's *Financial Times* Nov. 25, that he intends to make a "big push in bank deregulation." Successive waves of banking deregulation have been a major cause of systemic inflation and the "boom-bust" economic cycles since U.S. President Richard Nixon's attack on the Bretton Woods system in August 1971.

Trump noted this in his 2016 campaign, when he called for introducing a "21st-Century Glass-Steagall law." According to a leading official in his campaign, Paul Manafort, Trump personally intervened in the Republican Party Platform Committee hearings in July 2016, to demand that banking re-regulation be included in the platform.

False Choices

Once in office, though, the revival of Glass-Steagall [1933 U.S. Banking Act separating commercial and investment banking] was shelved, a victim of the phony "left-right, liberal-conservative" dualism dominating economic policy in the 21st Century. Regulation is scorned by "conservatives" as an infringement of the "free market," and is demeaned as a tool of "big government"; while Democrats have been responsible for too many frivolous regulations which undermine economic growth. What is covered up by this phony dualism is that the repeal of Glass-Steagall, under President Bill Clinton in 1999, was backed by a majority in both parties, and had been implemented piece-by-piece by every administration since President Nixon, until its final repeal in 1999.

Each step along the way, deregulation of banking led to a boom-bust cycle, of speculation-driven stock appreciation fueled by low interest rates, then reversed by a swing to "tightening." As new hedge funds and other private equity funds created new "financial instruments" such as derivatives, to increase their profits, the economy went through a series of inflationary "booms" followed by recessions.

Mega-speculators such as George Soros made tens of billions of dollars from "trading"; that is, betting on winners and losers. In the bust cycle, the losers among the big banks were reclassified as "Too Big to Fail" and were bailed out, while increasing numbers of small- and medium-sized productive enterprises were forced out of business, and indebted home owners lost their homes in the 2008 mortgage-backed securities blowout.

While the "little guys" lost everything, the large corporations were bailed out. Over the period since the "dot-com" bust in 2000-01, these bailouts added trillions of dollars to the overall debt, with corporate debt and government debt soaring to record levels. The resulting inflation forced millions of middle-class and working-class families to borrow to make ends meet, including accruing unpayable interest fees from using credit cards with ever-higher interest rates, to pay for housing, food, transportation and medical care—thus leading to a rejection, by many, of the status quo represented by Harris in the 2024 election.

'Left' and 'Right' Keynesianism

The fraudulent conception of left versus right was exposed by the American economist and eight-time presidential candidate Lyndon LaRouche, who advanced the idea of a Leibnizian/American System of *physical economy* as the basis for growth of the real economy. LaRouche's conception of physical economy is in stark contrast to the prevailing doctrine of monetarism, which measures an economy based on monetary valuations, rather than the value added by physical goods production based on scientific and technological progress. In taking on leading advocates of monetarism, he provoked admissions from leading "left" and "right" economists that they advocate the policies imposed by Hjalmar Schacht as Hitler's Economics Minister and central bank governor.

In December 1971, LaRouche debated "liberal" Keynesian economist Abba Lerner in New York City. He accused Lerner of proposing "Schachtian austerity" as a solution to the financial crisis which had triggered Nixon's break with the Bretton Woods system three months earlier. In his defense, Lerner blurted out that "if Germany had accepted Schacht's policies, Hitler would not have been necessary."

Seven years later, the "conservative" economist and advocate of radical de-regulation, Milton Friedman, was asked during an interview with an Atlanta, Georgia radio station whether he was a "Keynesian." After Friedman stated that Keynes "was a great economist"[1], the host said—

> I just had a caller who compared your policies to Hjalmar Schacht, who he tells me was Hitler's Finance Minister.

Echoing Lerner's response to LaRouche, Friedman stammered—

> That's a terrible, terrible question; it comes from a very confused individual.... Dr. Schacht cannot be held responsible for the crimes of the Nazis.... Had his [austerity] policies succeeded, Hitler would not have come to power.[2]

Hjalmar Schacht himself had shown the absurdity of Abba Lerner's and Milton Friedman's excuses for his fascist policies. The elite top banker Schacht entered the German political arena in 1932 and 1933 to campaign enthusiastically for the Nazis, and collaborated with Fritz Thyssen and other corporate officials in raising money to bring Hitler (and himself) to power in 1933. Schacht was obviously convinced that Hitler *was* "necessary" for Schacht's policy. As LaRouche in-

1. On Dec. 31, 1965, Friedman had declared, "We are all Keynesians now."

2. I was the caller who posed the question, relayed to Friedman by the host on WGST radio station in Atlanta. I had identified myself as a reporter working with Lyndon LaRouche.

sisted in his debate with Lerner, Schacht's policy was "*fascist* austerity."

Will MAGA Accept Soros's Man?

The embrace of Schacht by liberal and conservative economists is highly relevant, given the endorsement of the Schachtian Friedman, in turn, by Elon Musk, who is serving as co-chair with Vivek Ramaswamy of Trump's Department of Government Efficiency (DOGE), with a mandate to dramatically downsize government. Musk has praised Friedman twice recently: On Oct. 24, he attached the comment "100%" to a video circulated about Friedman's approach to eliminating waste; and on Nov. 20, he posted on X, "Milton Friedman was the best."[3]

3. For more on Friedman, and his proclivity for fascist economics, see LaRouche's *The Ugly Truth About Milton Friedman*, co-authored by David Goldman (New Benjamin Franklin House Publishers, 1980). Among those sharing LaRouche's view on Friedman is economist Arthur Laffer, who was an economic adviser to President Reagan. Laffer said, "You want to prove that Milton Friedman is a fascist? It's easy. Quote him."

Despite Musk's initial disparaging comment about Bessent as being for "business as usual," Bessent shares his basic commitment to knock out regulations that stand in the way of speculation. There is an ambiguity in Musk's enthusiasm for Friedman, as Musk has made much of his fortune through ventures based on physical production, with an emphasis on new technologies. Bessent, on the other hand, owes his personal wealth to an alliance with Soros, and a career of speculation.

There is a chance that MAGA supporters of Trump may rebel against the choice of Scott Bessent, since Soros's funding of "liberal" social policies and his support for coups and "color revolutions" abroad has made him a MAGA target.

Bessent's monetarism will not bring about a hoped-for economic recovery. For that to occur, the starting point would be adoption of the Four Laws of Lyndon LaRouche, the first of which is the return of Glass-Steagall banking separation.[4]

4. Here is a link to LaRouche's Four Laws.