InSight

by Nora Hamerman

Mr. Miller's confession

Not since Nixon's Treasury Secretary John Connally uncoupled the dollar from gold in August of 1971—at the suggestion of Wisconsin Congressman Henry Reuss—have the various schools of monetarist economists been so candid about confessing their incompetence at running the economy, or so insouciant about prescribing more of the same "horse linament" that almost killed the beast.

Of course we are referring to the remarks that G. William Miller made on the CBS-TV interview show last Sunday, "Face the Nation." According to Mr. Miller, there is "no econometric model" that was capable of forecasting the catastrophic collapse the economy had undergone over the last four months, since his successor as Federal Reserve Board Chairman, Paul A. Volcker, decreed the first round of credit restrictions. "The economists have all been wrong," intoned President Carter's Treasury Secretary.

Miller vowed that the administration is committed to distributing a "fair share" of planned budget cuts to each sector of the economy that has failed to stop producing and consuming. "Austerity across the board" is the watchword to punish the U.S. population for the economists' failures.

Paul Volcker, in the meantime, has taken up the theme of New York City's Felix Rohatyn, stating that a "certain amount of pain is inevitable in this process." The credit squeeze will be in effect "as long as necessary and as short as possible." According to the Bank of England, which is calling the shots for U.S. policy anyway, this will be at least two years.

Mr. Miller and his fellow purveyors of austerity have not merely been wrong about the economy; they are also wrong in stating that no one was able to forecast the consequences of their behavior.

Last October this review, using the unique "Riemannian" econometric computer model developed by *EIR* together with the Fusion Energy Foundation on the basis of concepts put forward by Lyndon LaRouche, accurately forecast the impact of the credit restrictions to effect the "controlled disintegration" of the U.S. economy. We are now in the process of running the current measures through the model.

Sorry, Mr. Miller. Science does exist. And it is winning over a substantial number of the people whom you, Volcker, Reuss, and Proxmire are telling must undergo "prolonged pain," watch their jobs and businesses go down the drain, and turn American cities into medieval hellholes.

Part of what Carter and Co. will be confronting is the resurgence of the "anti-Volcker" movement that began last October. The legislatures of two key industrial states, Maryland and Pennsylvania, are considering resolutions demanding that Volcker cut the interest rates or step down.

More importantly, the issue of U.S. entry into the gold-backed new monetary system being shaped by West Germany's Schmidt and France's Giscard d'Estaing is fast becoming the "hottest" issue of the 1980 presidential campaign. As the late President de Gaulle's economic adviser Jacques Rueff noted, pegging the currency to gold is a vital prerequisite for investment in the kind of high-technology development projects which are absolutely essential to getting the world's economy moving again. The gold backing will give stability to the dollar, assuring investors that over the long term their initial dollars will not be eroded by monetary instability.

Creating that kind of long-term, low-interest credit for high-technology industry and agriculture is the only way to stop inflation, by making certain that real wealth grows at a faster rate than interest.

It's not very complicated in principle. If Miller, Milton Friedman, Rohatyn and the other austerity hacks cannot grasp this solution, it is because their primary loyalties to the "British System" of pain-and-agony economics have made their species of "economist" irreparably stupid.

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