

EIR Political Economy

How great minds thought about the Great Depression

by Jeffrey Steinberg

In a radio interview with “EIR Talks” on March 11, Lyndon LaRouche warned that no governments today comprehend the magnitude of the present global financial crisis or see clearly the kinds of urgent measures that must be adopted if a new Dark Age, lasting for several generations, at minimum, is to be avoided.

“The fact is,” LaRouche began, “that there is no government on this planet presently, which is prepared to take measures which are effective responses to the crisis. That is, in this round of crisis, as it stands now, every government in the world will bungle, or worse, the handling of this coming crisis, pretty much the same way they bungled the last round, that is, in mid-October to mid-January. Every government, including the United States government, bungled that thing mercilessly. There were some good suggestions made by Treasury Secretary Rubin; a number of other people, including Sakakibara in Japan, had made transient good suggestions, and have made some since of some notability.

“But, overall,” he continued, “governments as a whole: there isn’t a single government on this planet which has responded competently, to either the preceding year-end crisis, or the one which is breaking out now.”

LaRouche then launched into a discussion about how two great minds of the 1920s-30s approached the grave global crisis with which they were confronted, and urged today’s elected leaders to follow their example.

“Now, there are two points of reference in modern history, that is, Twentieth-Century history, for looking at this crisis,” he stated. “And I shall indicate both. One is the approach taken by Franklin Roosevelt. Now, there are a number of people, including President Roosevelt’s Assistant Secretary of the Treasury, Harry Dexter White, who had an understanding of what they were doing, both during the 1930s and during

the wartime period, and immediately afterward. Now, in Bretton Woods, Harry Dexter White was very important, and on some other things.

“But you go back a bit, you go back to the late 1920s, very early 1930s, and you have two reference points. One, is a *Foreign Affairs* article written by soon-to-be President of the United States Franklin Roosevelt, on the issue of how to approach this crisis in relations with other states, breaking entirely with his dirty, distant cousin, Teddy Roosevelt.

“The second one, which is quite related to what Roosevelt did in dealing with the Depression, particularly during the wartime period, is a paper which was adopted in a secret proceeding of the Friedrich List Society in Germany, in 1931. The presenter of this was a Professor Wilhelm Lautenbach. And Lautenbach was one of the people who, if his policies had been adopted adequately, and if the von Schleicher government had not been overthrown by the British with the help of the Social Democrats, thus in early 1933 allowing the British and some of their American supporters to bring Hitler to power in Germany, we might have avoided the war with Germany, had Lautenbach’s philosophy been adopted.

“Some elements of Lautenbach’s policy were adopted in a limited way by Hjalmar Schacht and others, in the role of economic and finance policies, under certain parts of the war mobilization in Germany during the 1930s under Hitler. But Lautenbach was entirely of the opposite persuasion, himself.

“These are typical of the kinds of thinking which can be found in the Twentieth Century, relating to the policy issues of the 1930s Depression, which are relevant today. That is, although there is no comparison between the 1930s Depression, which was a cyclical, or a business cycle depression, although of a very deep kind, and the present crisis; presently, we’re not in a cyclical crisis, we’re in a systemic crisis. That

is, the whole system is on the way down. And you can't get out of the crisis, without getting rid of the system, and going to a different system.

"Now, the different system is what Lautenbach referenced, and, to some degree, what Roosevelt referenced, and people around him of this American patriotic tendency."

For the purposes of providing our readers with a window into the approaches taken by Roosevelt and Lautenbach, we publish here three reports. The first offers a summary of the critical features of FDR's *Foreign Affairs* essay and the impact those ideas had upon his Presidency. The second, which is taken from a recent speech by Helga Zepp-LaRouche, focusses upon the Lautenbach policy cited above. The third report, by Michael Liebig of *EIR*'s bureau in Wiesbaden, Germany, provides crucial background on the American System economic policies of the 19th-century German patriot Friedrich List, which prepared the way for the explosive industrial development of America sparked by the policies of President Abraham Lincoln, and which later educated both FDR's and Lautenbach's approach to the crisis of the Great Depression.

FDR's American System diplomacy

by Jeffrey Steinberg

Although the present financial collapse is of a qualitatively different character from the Great Depression of the 1929-1933 period, it is nevertheless of considerable value for today's policymakers to revisit how the great 20th-century American System patriot, Franklin Delano Roosevelt, responded to those earth-shattering events.

By no later than 1928, FDR had already begun to elaborate the policies that would be the hallmark of his Presidency. In the July 1928 edition of *Foreign Affairs*, he contributed an essay on a Democratic Party view of American foreign policy. Although he carefully avoided any personal attack against former Presidents Theodore Roosevelt and Woodrow Wilson, his essay was a clarion call for a repudiation of the shared Roosevelt-Wilson policies of employing American gunboats to collect Wall Street debts from other nations of the Western Hemisphere—what FDR referred to as "Dollar Diplomacy . . . which placed money leadership ahead of moral leadership."

FDR did not merely repudiate such self-destructive policies. In the essay, he called for a revival of the American System approach to relations among sovereign nation-states, particularly during periods of profound economic or political crisis. Once Roosevelt became President in 1933, he moved immediately to put these ideas into practice, particularly

within the Western Hemisphere, with his "Good Neighbor" policy.

Ironically, one cornerstone of FDR's Good Neighbor policy was a return to the original principle of the Drago Doctrine, named after Argentina's turn-of-the-century Foreign Minister Luis María Drago. In a note to the U.S. government on Dec. 29, 1902, Foreign Minister Drago had solicited American collaboration in a multilateral prohibition against European military intervention into the Western Hemisphere to collect overdue debts. Drago's immediate concern was British threats to use military force to collect Argentina's debt.

President Theodore Roosevelt rejected the Drago Doctrine, which had been put forward by the Argentine diplomat as an economic corollary to the Monroe Doctrine, on the specious grounds that the Monroe Doctrine was a unilateral United States government policy. TR, instead, fostered the "Roosevelt Corollary," which claimed U.S. unilateral authority to counter European imperial designs on the Western Hemisphere, but, by implication, left the door open for the United States to deploy gunboats to collect Wall Street debt.

The noted American diplomatic historian Arthur Whitaker, in his 1954 book, *The Western Hemisphere Idea: Its Rise and Decline*, distinguished between those American anti-isolationists who favored the Drago approach of collaboration among the hemisphere's sovereign nation-states, and the "national imperialists," like Theodore Roosevelt, who chose instead to have the United States "go it alone." Whitaker drew a conceptual distinction among the multilateralists, the national imperialists and the isolationists, that, appropriately, de-emphasized the partisan differences among Democrats, Republicans, and Progressives, and focussed, instead, upon underlying policy axioms.

The American ideal

Franklin Roosevelt began his 1928 *Foreign Affairs* essay by defending the notion that the United States has a unique role to play in world affairs, a view, he charged, that had been abandoned by the previous decade of American Presidents. "An analysis of our own history," FDR wrote, "disproves the accusation that this selfish spirit is the real American spirit. In the debates during the war of the Revolution and in the long discussions immediately preceding the adoption of the Constitution, it was plain that careful thought was being given to every conceivable form of government, in the hope that what the United States finally adopted might serve as a pattern for other peoples, especially in regard to the spirit that should govern the relations of one state with another. The words of the Declaration of Independence itself invoke a "decent respect to the opinions of mankind."

"Through more than 20 years of turmoil following the French Revolution, our course was a pacific one, marked by a growing understanding of the old-fashioned evils of privateering, impressment and interference with neutral commerce by belligerents," wrote FDR. "After the general peace of