II. LaRouche: Principles of Development

May 16, 1975

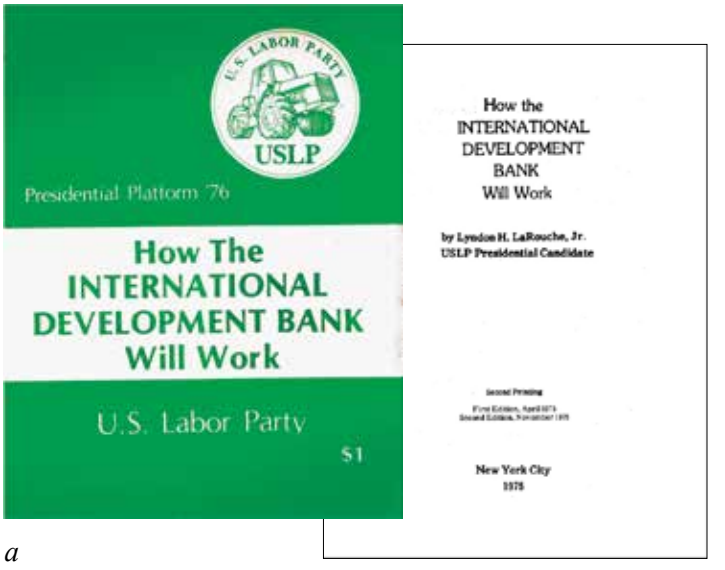
How the International Development Bank Will Work

by Lyndon H. LaRouche, Jr.

May 14, 2022—In 1975 Lyndon LaRouche, well-known for forecasting during the 1960s that the Bretton Woods monetary and credit system would be destroyed by the British—that event had occurred in August 1971—published this pamphlet outlining an International Development Bank (IDB). LaRouche was essentially proposing to begin recreating the Bretton Woods system as President Franklin Roosevelt had intended and designed it, with the industrial and agricultural development of the underdeveloped nations as its central focus. Within a year, the 1976 conference of the Non-Aligned Nations in Columbo, Sri Lanka adopted LaRouche's IDB outline, and Henry Kissinger, an ally of the British Foreign Office and the Rockefeller family, made LaRouche and the IDB anathema as a result.

This battle between policies of world economic development and perpetual war continues today. LaRouche's IDB proposal of 1975 can be taken, still today, as a powerful and detailed explanation of the importance and the operation of an international credit institution for infrastructure projects and industrial development. Do you want to know how a new monetary system could emerge from the major Eurasian nations in this crisis of economic breakdown and war, and how it could be the basis for a "Peace of Westphalia" involving the United States as well? Lyndon LaRouche's proposal of a half century ago still works.

This republication of the 1975 International Development Bank pamphlet is excerpted, leaving aside LaRouche's political situation reports of that day to present "the IDB as such." It concludes with his description of Iraq's economy as a paradigm for "Third World" development potential at that time. LaRouche's planning of the IDB had begun during his extended visit to Iraq in 1975, at the invitation of its political leadership.



Editor's Note: This proposal was first published in June 1975 as the lead article in a 74-page U.S. Labor Party pamphlet. At the time, Mr. LaRouche was campaigning as the candidate of the U.S. Labor Party for U.S. President.

The IDB As Such

No competent professional financier should find it difficult to understand the merits and workings of all the principal short-term features of the International Development Bank. It is merely necessary that we appropriately identify those points. It is the longer-term perspectives and policies of the Bank which go beyond the finan-

cial specialist's education and experience. On that aspect, we are obliged to clarify the essential scientific points.

In the view of the U.S. Labor Party generally, our concern to inform financial specialists on these points is essentially that of competently instructing specialists who will function *de facto* as employees of working people. From our standpoint, financial specialists will be functioning as administrative technicians assigned to conduct the day-to-day business of our centralized instruments of credit and monetary circulation. The pro-capitalist supporters of an IDB policy may envisage the role of the financial specialist differently, of course. However, here we are presenting the situation and proposal from our standpoint. We leave it to the pro-capitalist supporters of an IDB proposal to argue the policy from their own standpoint.

From our standpoint, it is essential that these prospective employees of our banking system clearly understand the practical implications of the policies by which their performance is to be governed.

Formally, the IDB comes into existence in a manner analogous to the effective financial reorganization of any major bank being rescued from illiquidity collapse. A new bank is created to continue the essential operations of the old, while major categories of unpayable carried-forward indebtedness are placed in a moratorium "deep freeze" and negotiations for future liquidation of that debt conducted separately from day-to-day operations of the new institution.

There are two general approaches to such a financial reorganization. In one approach, which we are rejecting for the problem before us, the administrators strip the operations of the illiquid bank down to a hardcore of essentially sound categories and ranges of activities—an austerity policy of financial "debridement." In the second approach, which we are applying to the IDB policy, the object is to vastly expand the operations of the reorganized bank beyond the scope of the bankrupt predecessor, by focusing the activities upon development policies essentially free of the policy errors which led to the collapse of the former entity. The second approach is analogous to the case of the bankrupt manufacturing firm which is successfully reorganized for expanded operations by introducing a superior set of products to its existing productive capacities.

Our core policy is this. The worldwide material preconditions from agricultural, mining and manufacturing production are essentially sound. It is only the debt-ridden financial superstructure which prevents those potentialities from being realized in the form of rapidly expanded levels of output at progressively reduced net social cost of production per unit of output. In short, we reject the "Zero Growth" and "Limits to Growth" chimeras as dangerously disorienting fantasies concocted by charlatans and widely puffed by ignorant public relations agencies.

To this end, we have already identified—in consultation with some of the world's leading professionals and relevant governmental agencies—several major specific development projects which can readily (over a five- to ten-year period of development) yield a massive increase in the output and social-productivity of world agriculture, and thereupon premise the infrastructural basis for massive industrial development. We have similarly determined the feasibility of controlled thermonuclear reaction technology within the horizon of such development programs, such that no long-term "energy crisis" could exist except through massive incompetence by leading agencies.

Those two primary bases for development warrant a massive increase in levels of industrial output from the presently industrialized sectors. The realization of those combined objectives demands supporting activities in the form of both capital development of productive capacities and increasing the social productivity of the general population through improvements in material consumption, leisure and educational opportunities of households.

Hence, credit issued for the realization of such programs is secure and liquid, since the margin of total production obtained through the mediation of credit will significantly exceed the margin of credit issued to effect such production.

Although the decisive interconnections determining such results are international, the present mediating form of economic cooperation to such international ends is the form of *de jure* national economy. Moreover, the national economies principally to be considered are apportioned among states with capitalist and states with socialist constitutions. Hence, although the objectives to be realized are global, the mediation of the process of reaching those objectives must be treaties of economic cooperation to such ends among participating groups of states.

To maintain a stable international trade as the means for implementing those treaties (rather than an awkward "barter agreement" system), such treaties among states and groups of states must be directly incorporated into a single international credit agency, through which world commodity prices can be rationally pegged to the exchange values of principal commodities in

terms of the most stable major currencies.

The proposed International Development Bank is therefore essentially an international treaty organization of the participating national economies (states). It acts as a planning forum for the negotiating of extended treaties of economic cooperation, and functions as an international rediscount agency in connection with those letters of credit and bills of exchange in international trade authorized by treaty agreements.

Bank Operations

Each treaty negotiated within the purview of IDB operations directly subsumes corresponding "master letters of credit." For each unit of bookings and deliveries subsumed by such master letters of credit, specific letters of credit are automatically processed through the bank as the ultimate rediscount agency of international trade. Bills of exchange against those letters of credit are similarly routinely processed.

The global effect of this operation is to issue credit to the account of the producer and purchaser national sectors. This IDB international central bank credit provides the means for issuing domestic credit to relevant specific producers and purchasers within the national economies affected.

Hence, provided the level of aggregate international trade is sufficiently high, the rates of production in all participating sectors are raised to levels above those prevailing in the high-points of the pre-depression period.

Provided credit is restricted to commodities of the classes directly relevant to development and at non-inflationary prices, the aggregate operations of the bank are in balance except for one major category of long-term credit balances held by the advanced sector against the development of the developing sectors. Provided that this long-term credit does not exceed the aggregate exportable social surplus product of the industrialized sector, the enlargement of such balances has no adverse effect on the industrialized sector. Rather, from traditional banking viewpoints, this mass of credit has the form of 10- to-15-year investments in the developing sector, under the conditions in which initial repayment is postponed to a forward date of maturity 10 or 15 years hence.

Other imbalances among industrialized nations are settled in an ordinary way, through creating gold-denominated reserve balances in the IDB itself. Imbalances developing between various developing-sector nations would be, in part, settled in an ordinary way, or would be absorbed within the general long-term credits issued to the developing sector as a whole.

An Illustration: Japan

There are two approaches to be taken to the long-term credits issued. The case of food-short Japan provides an excellent example of one problem.

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In the relatively primitive (labor-intensive) communal mode of village agriculture production, workers are tending crops near Dharwad, India, October 11, 2009. With proper inputs, the subcontinent could feed the entire world.

Among most industrialized nations—North America, Europe, Australia, New Zealand—the domestic potentials for food production within regions as a whole are more than sufficient to meet domestic or regional needs. In North America, we have our famous grain belt as well as other agricultural potentials elsewhere in the region. Europe and Northern Asia (the U.S.S.R.) has a magnificent grain belt, requiring only sufficient application of industrial technology to satisfy the wants of a growing population. In Japan, pending the hydroponics techniques of the age of fusion technology, this is not the case.

However, one major portion of Asia, the subcontinent, has the potential of feeding a population equal to

the entirety of today's human race. Not overlooking the work to be done in the Mekong region, Indonesia, and so forth, if Japan can perform a major role in developing the potential of the Brahmaputra-Ganges region in particular, it can assist that region to generate a food surplus. With general concentration on such opportunities, significant results would appear within five to six years and be substantial in the period of 10 to 15 years. This can be restated: by aiding India, Bangladesh, Pakistan, etc., today, Japan's industry can contribute to the nourishment of Japan's next generation of children. That is a case in which the meaning of IDB long-term credit is clear and close to traditional views.

Yet, in the more general view of long-term credit, there would be no objective problem in issuing most of that credit as outright development grants. If such a grants policy were adopted, it would be no sentimental act of charity or otherwise economically unsound. If we succeed in bringing a major portion of the population of the developing sector up to a level of social productivity comparable to the advanced sector within 10 to 15 years of development (aided by fusion technology), the benefits of this result to the advanced sector are so enormous that we should then require no repayment for past aid.

The problems—the purely mental problems—which seem to arise in connection with such thoughts are the result of attempting to interpret global economic processes in the arbitrary terms of outlived concepts of national economy.

To illustrate: Full expansion of U.S. and Canadian industrial and agricultural potential will require the importation of approximately five million Mexican workers and their families (20 to 25 million persons) into the U.S. and Canada during the next five years! To realize the benefit of this labor, we must house, educate and otherwise train it for modern forms of industrial technology. As trained labor-power, these Mexicans will contribute substantially to the total social surplus. Everyone in the U.S.—including those Mexican workers—would thus be richer as a result of the "development" effort surrounding their assimilation into industry.

Yet, expenditures to the same effect for Mexicans in Mexico would pose the heated issue of "How will the Mexicans repay us?" Obviously, the problem is purely a mental one—the same thing done within national borders is seen differently than if it were done to the same essential resulting benefit to us outside those borders.

It is our view that most of the development credit never need be repaid. However, for those who wish to be sticky about the point, we assure them that the developing sector would have little problem "repaying" after 10 to 15 years of serious development.

The issue is not a small one. By 1979, the U.S. sector alone could readily—and should—export the equivalent (in 1973 dollars) of approximately $200 billion annually in long-term development projects. The rest of the industrialized sector should add about $100 billion to that total. To get some comparison figure, consider the total military budgets of NATO and Warsaw Pact countries during the past decade. Considering the feasibility of eliminating the military budgets under IDB *détente* arrangements, the amount proposed is obviously not "horrendously large." Yet, otherwise it is a whopping sum. Against this, we have the immediate prospect of approximately doubling total U.S.-sector productive output within a very short period.

Taking such levels of aid over a 10-year period, we are considering long-term development in the order of several trillions of 1973 dollars. Serious people should find the size of that investment ironically reassuring. Obviously, development on that scale should produce major results in the developing sector. The fact that we are approaching the problem in those terms also assures people generally that we are proposing serious development, not some harebrained "shoe-string" gimmick. In fact, that is approximately the magnitude of the effort needed to produce urgent results at the pace circumstances require.

Theory Behind the Bank

The kernel of the International Development Bank (IDB) will probably be a three-way basic treaty initially negotiated among a group headed (probably) by Algerian Prime Minister Boumédiènne, a Comecon plenipotentiary body, and a delegation representing various European and North American countries and Japan.

The suggestion of Prime Minister Boumédiènne, is not idle or speculative. Boumédiènne, is currently the foremost delegated spokesman of Arab (and some other) OPEC countries in attempting to induce Western Europe and North America to accept a three-point agenda covering energy, other raw materials, and food. He is also a leading spokesman of the so-called nonaligned nations group. Because of the key position of the Arabs in the strategic features of current energy negotiations, and therefore as leading spokesmen for the

cause of the Third World generally, the first thought of any intelligent representatives of the industrialized sector would be to propose to seriously reopen the agenda discussion with Mr. Boumédiènne, et al. as the path of least resistance for getting the maximum number of the right Third World forces' representatives around the negotiations table.

The inclusion of the demands of such countries as Sudan, India, Pakistan, Bangladesh in the discussions would require the addition of a fourth point to the previously proposed three-point agenda. The fourth point would be "development."

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Algeria's Houari Boumédiène, a leading spokesman of the association of Non-Aligned Nations.

It is our estimation—after consultations with representatives of various "Third World" governments and political forces—that the only important technical problem they would confront in attempting to negotiate the issue of "development" would be a controllable conception of what represents measurable performance for purposes of treaty negotiation. Some weeks past, we committed ourselves to detailing our solution to that problem, which promise we keep in this present setting.

Figure 1 is supplied to illustrate the following discussion of the theory of development. We introduce the hard kernel of the theory of long-term bank operations by prefatory qualifying remarks concerning, first, the relevant analysis of population characteristics and second, the connection of those characteristics to the economic process as such.

Population Characteristics

The history and pre-history of the human species is properly summed up as follows: In the Pleistocene period, the period during which our human genetic stock emerged, our ancestors had an ecological population potential in approximately the same order—millions—of magnitude as a gifted species of baboon or ape. Since then, the human population has risen at an overall accelerating rate of growth to three and three-quarters billion persons, with a population potential—on the basis of presently existing or emerging technology—of two or more tens of billions of persons.

During that ascent, our species was repeatedly confronted by absolute "limits to growth" of the population. If one applied the method of argument used by the proteges of John D. Rockefeller III to any period of human history or pre-history, it could be "proven" that the Earth has always been overpopulated with people! However, as history itself shows, Zero Population Growth conceptions have always been products of charlatanry.

The real problem of "overpopulation" threats has always been this. Any existing mode of technology always defines certain aspects of nature as "resources." These so-defined resources are always relatively finite in availability. Beyond a certain point of cumulative consumption, still remaining such "resources" are of a relatively marginal quality in quality or accessibility. However, this problem has been solved repeatedly, by the advancement of new technologies, with a resulting radical redefinition of resources. The discovery of animal herding and agriculture are as exemplary of a revolution in the definition of "resources" as the breakthroughs into the bronze, iron, or fusion-technology ages.

The overall effects of every general advance in technology and culture include a significant increase in the population potential and a tendency for acceleration in the amount of energy *per capita* consumed both in production and in households. These advances are also inseparably associated with qualitative shifts in what we term "population characteristics."

Let us leap ahead in our account to consider a special problem of today, the so-called overpopulation of India. In the relatively primitive (i.e., labor-intensive) communal mode of village agricultural production, there is an emphasis on child labor coinciding with high mortality rates. The result is that in households with the largest number of children, the per-capita income (and survival expectancy) is relatively higher! In this circumstance, without altering the culture of the rural agrarian population, displace a considerable portion of it into urban slums.

EIRNS

General advances in technology and culture foster an increase in population potential and acceleration in per-capita energy consumed in production and in households. Here, Lyndon LaRouche and Helga Zepp-LaRouche are visiting Mandi, India, April 1982.

EIRNS

"Worldwide, there has been no essential technological advancement in the mode of shoe-making machine process during the past 55 years." Here, Lyndon LaRouche is visiting a shoe factory in India, April 1982.

However, in industrial families, the survival of the individual depends upon a higher development of culture, a prohibition of child labor, and a longer period of maturation of the individual to economic maturity. The child costs more in both money and in cultural effort per capita by the adult population. In this instance, a lower household fertility yields a higher level of income and survival per family member, provided sanitation, nutrition and so forth properly reduce the mortality rates.

As we shall indicate, India today is not overpopulated by virtue of the size of its population as such. It is apparently overpopulated because it is a looted agrarian culture with all the burdens of the industrial age but with too few of the compensating advantages. The argument that the subcontinent could not feed its growing population is a charlatan's nonsensical assertion; in fact, the subcontinent, properly developed in terms of existing technologies, could feed the present world population!

To resume our account. It is not necessary to elaborate here the whole span of development of population characteristics. It is sufficient to know that the specific points we have to make concerning post-14th-century European society are exemplary of the same principles governing all preceding human cultural development. So, as we make summary statements in the form of a broad generalization now, we refer immediately to the period of European and other capitalist development from the 14th century to the present, but also insist that the principles so illustrated for immediate applicability are exemplary of the general case.

To determine the relevant population characteristics, we first divide the entire population (of industrial society) into three principal classes: the agrarian population, the working class, and other classes (capitalists, petit-bourgeois strata combined). Historically, the modern development of agriculture is the result of the benefits of industrial development upon agricultural technology. This connection is elaborated as an increase in the social productivity of agriculture, reducing the proportion of the total population required to produce the nutritional requirement of the same total population, creating an enlarged industrial population from surplus agricultural populations while reducing the effective social cost of industrial labor by cheapening the social cost of nutrition.

For this development to proceed, the populations involved must develop the cultural capacity to assimilate more advanced productive technologies, for which literacy is an appropriate exemplary parameter. This requires a longer term and cost of maturation of the new individuals of each class. This reduction in child labor requires an increase in the longevity of the individual, requiring higher standards of sanitation, nutrition, and leisure. Thus, the process of development demands (1) an increase in the industrial population relative to the rural population, (2) an increase in the term of maturation, (3) an offsetting increase in longevity. All of these require a substantial increase in the *per-capita* cost of producing the individual from the standpoint of the "consumption market-basket" of the preceding period. This therefore demands a tendency for acceleration of the effective energy throughput *per capita* for both household consumption and all modes of production.

Unless such policies are pursued, a crisis of overpopulation will constantly exist for all levels of population, in fact, becoming more acute as population levels decline significantly. The reason is that the continuation of any population in any relatively fixed mode of technology means a convergence upon the relative limits of resources defined by that technology. E.g., a turn away from capital-intensive forms of industrial and agricultural employment toward more labor-intensive forms aborts development, directly increases the social cost of producing an individual, and prevents society from superseding relatively finite resource limits. The more the population declines under such labor-intensive "Zero-Growth" programs, the more acute the resource limits become.

The third population category is a mixed case from a policy standpoint. As a category, this population represents non-productive "overhead" costs to society, which ought to be minimized on that account. However, exemplified by scientists, engineers, teachers, physicians, this category includes specialist activities of the form designated by Marx as universal labor, for which science is the epitome. It is the development of science which immediately determines human potential for positively shifting the apparent "resource" boundaries. As society develops, this requires an increasing ratio of scientists and engineers *per capita* of combined industrial and agricultural labor.

Economic Characteristics

Figure 1 depicts labor as the output (right side of the population bar) of the mature segment of each population, and thus as input to the corresponding production bar. The consumption upon which the existence of the population households depends is an input (left side of the population bars) from the output of production (right side of the production bars).

There are two production bars depicted, industrial and agricultural. On the input side, each bar represents simply the totality of the productive labor consumed. The segments of division within each bar are determined by qualities of output of production. In the agricultural bar, V represents the portion of total agricultural output consumed by farmers and agricultural labor, C represents seed, fertilizer, farm equipment, and so forth, S represents the social surplus of agriculture. In the industrial bar, the same general significance of the symbology applies. C is the proportion of total output consumed to maintain the equipotentiality for production of plant, equipment, machinery, materials, energy. V is the proportion of output consumed by households from which industrial labor is to be recruited. S is divided into three sub-segments: "d" is the proportion of output consumed by capitalists, petit-bourgeois, either as household consumption or as materials and equipment of their occupations (e.g., office buildings, computers, jet military aircraft, etc.). S′i is the portion of social surplus invested in expanding the production of that national sector; S′e is the portion of social surplus from that national sector exported as investment or aid.

The theoretical treatment of these categories is given in detail in Dialectical Economics, in which the determinate character of the relative magnitudes is demonstrated.

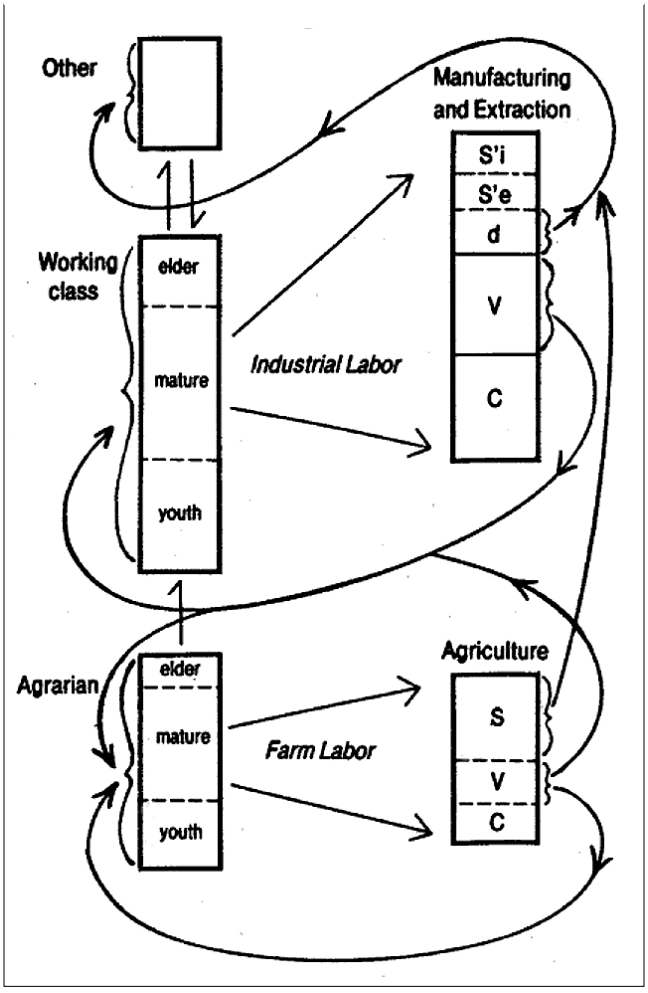
For description of the relationships to be considered, we derive the following expressions:

For agriculture: $S/(C+V)_a$
For industry: $(S'i+S'e)/(C+V)_b$

Our object is to increase both ratios, while increasing the scale of the population corresponding to b at the expense of the population corresponding to a.

However, this is accomplished by increasing the *per capita* value of C+V for both a and b in terms of lists of consumption in the preceding period. In short, we must

FIGURE 1



increase per-capita household and capital consumption while reducing the social cost of such total consumption! The means for accomplishing this result is advances in the technology of production in both agriculture and industry.

Since development must absorb the costs of relatively marginal resources, the rate of development which effects a constant rate of growth of the ratio S′/(C+V) must be the result of technological innovations which have an apparent "instantaneous" tendency to accelerate the growth of the ratio S′/(C+V). Hence, the central principal of development—and, hence even continued human existence—is what we term negentropy.

Where is this "factor" of negentropy located? It is located in self-development of the cognitive potentialities of the scientists, engineers, and industrial and agricultural workers. It is easily argued that the source of the negentropic advances in technology of production is the creative innovation of scientific work. It is more sophisticated but not less important or real that the possibility of the general assimilation of new scientific discoveries for productive practice depends upon advances in the cognitive competence of engineers and workers. It is also true that scientists do not develop out of test tubes, but reflect the developing cognitive ground prevailing in the general populations from which they are recruited.

This is the meaning of the conception of labor power in Marx. The source of the negentropy upon which the capitalist system in particular depends for its past accumulation is the cognitive powers of employed labor to assimilate and effectively realize new technologies. It should be readily seen that the notion of S′/(C+V) as a self-extending and self-developing magnitude is nothing but a notion of negentropy. Without new inventions and the power of labor to realize such new technologies, the rate of profits determined by the social ratio S′/(C+V) must fall to zero: 0/(C+V) and capitalist accumulation would not have existed except as pure looting of nature and conquered populations.

Thus, in the final analysis, development means rising ratios of S′/(C+V), which are the result of increases in the quality of productive technology, made possible by science and engineering and dependent in turn on the constant advancement in the cognitive powers of employed productive labor. This development in the cognitive powers of labor requires increased longevity, greater leisure, improved education, emphasizing an increase in the profundity of education, prolonged maturation of the average new productive individual, improved housing, etc.

Those general observations being true, the problem of development must be made concrete. What standards of sanitation, nutrition, and so forth are required to realize a certain quality of technology? What specific kinds of scientific and engineering accomplishments have relative priority in terms of their realizable benefits? and so forth.

The Concrete Situation

It has been established in other locations that provided we make an effective commitment to "brute force" development of CTR [controlled thermonuclear reactor] technology, the human race confronts no meaningful categorical limits to availability of either energy resources generally or any essential raw materials in

particular. Setting 1985 as the readily feasible target date for operating CTR facilities, and assessing existing energy and raw materials resources, we face no qualitative problem for the expansion of our useful industrial capacities to the limit of possibilities.

That taken into account, our immediate tasks for development are so clear-cut as to be elementary. In the developing sector generally, we have three major areas for massive agricultural development in addition to a number of small-scale fruitful opportunities. At the top of the list, from the standpoint of immediately accessible substantial results, is the Rio de la Plata region of Argentina, Uruguay, Brazil in which straightforward methods (fertilizers, tractors, etc.) will quickly yield major increases in output, immediately buttressing the social infrastructure of a sector ripe for massive development of one of the world's richest agro-industrial complexes. More stubborn, but ultimately enormously fruitful as well as immediately urgent, is the riparian and adjacent regions of the Asian subcontinent. The third, the potential breadbasket of Africa, is the Sahel. Both the latter two represent massive engineering projects as well as straightforward agricultural technological development. Extending the policy tailored around these three regions to other areas appropriately, we immediately have the basis for a major program sufficient to generate a worldwide production boom over the next five to ten years!

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LaRouche identified three major areas for massive agricultural development: the Rio de la Plata region of Argentina, Uruguay, Brazil; the riparian and adjacent regions of the Asian subcontinent; and the Sahel of Africa.

The concrete point is that the first step to solving the problem of Third World development involves nothing sophisticated from the standpoint of the lessons of the past four hundred years of European and North American capitalist experience. An abundance of cheap, balanced nutrition is the classical means for creating the infrastructure of rapid industrial development. In the three indicated areas, and in a number of smaller special cases, we have accessible a potential for agricultural development which, in terms of existing industrialized agricultural technology, is far more spectacular in its present potential short-term results than the history of the North American grain belt.

Fertilizers, hydraulic engineering, tractors, and agricultural equipment, together with biological work on seed stocks, and so forth, can effect a significant leap upward in the per-hectare and per-capita productivity of agricultural output with a relative minimum of initial development of the cognitive levels of the agricultural population. Provided we utilize that source of major gains in total output to generate the infrastructure for industrial development, over approximately a ten-year period we can utilize that one-shot agricultural development process to leap out of the present mess of underdevelopment, meanwhile expanding the output of the industrialized sector to new levels.

The social surplus generated from agricultural development must be largely plowed into housing, sanitation, education and related contributions to the desired shifts in population characteristics, with the specific goals of raising the cognitive levels of agriculturalists and also preparing future surplus agricultural (rural) populations for qualifications as semi-skilled and skilled industrial labor.

This process must be accompanied by the rational development of industries in the developing sector. A selection of industrial centers must be adopted, such that these centers together with expanding "guest-labor" employment opportunities in the advanced sector become the principal places into which we assimilate urban labor during the first decade of development. The object is to avoid wasting industrial infrastructure costs and to develop industries in the dispersion and sequence of development in which they represent the optimal immediate contribution to general development and to the

effective assimilation and development of industrial cadres.

For example, a meat-producing region is a hides-producing region, which suggests tanneries and footwear manufacturing, both industries well suited to assimilation of new industrial cadres. Local construction industries are obvious candidates for each region, whereas steel mills may or may not be.

Initially, traditional national development outlooks may tend to cause nations to exaggerate the number of local industries each national economy should have. Provided rational economic relations exist, it is better for a national region to have fewer good, productive industries than the highly variegated spectrum of semi-efficient industries which only suggest relative independence of foreign imports. Under conditions to date, there are powerful reasons why developing nations have tended to emphasize relative self-sufficiency respecting manufactured needs; we must remove the "incentives" for such wasteful practices and on that basis prompt participating national sectors to redefine the problem in terms of maximum regional economic yield per unit of capital and labor employed.

Unsplash/Ant Rozetzky

LaRouche conceived of an international economy in which local industries are organically suited for each region, whereas more capital intensive, more technologically complex industries, such as steel mills, may or may not be. Here, the ArcelorMittal integrated steel mill in Ghent, Belgium.

As the world ought to know, we face a critical shortage of productive capital, which will not be remedied if we foster major redundancies in creating industries or industrial infrastructures. We need trillions of 1973 U.S. dollars of capital for development and we are only on the verge of mobilizing several hundreds of billions.

The work of the Labor Committees in producing papers on specific development subjects is an exemplar of the much more expanded effort required to detail the concrete programs in full. However, there already exist a number of major projects for each national sector which have unquestioned merit and priority; while we get those under way, we must quickly sort out the rest.

Measuring Development

If, as is necessary for global development, the developing nations exploit their petroleum, natural gas, coal, and mineral raw materials resources to the extent required for industrial expansion in both the industrialized and developing sectors, how shall we determine both the price of those resources and the compensation for the implied depletion of such assets?

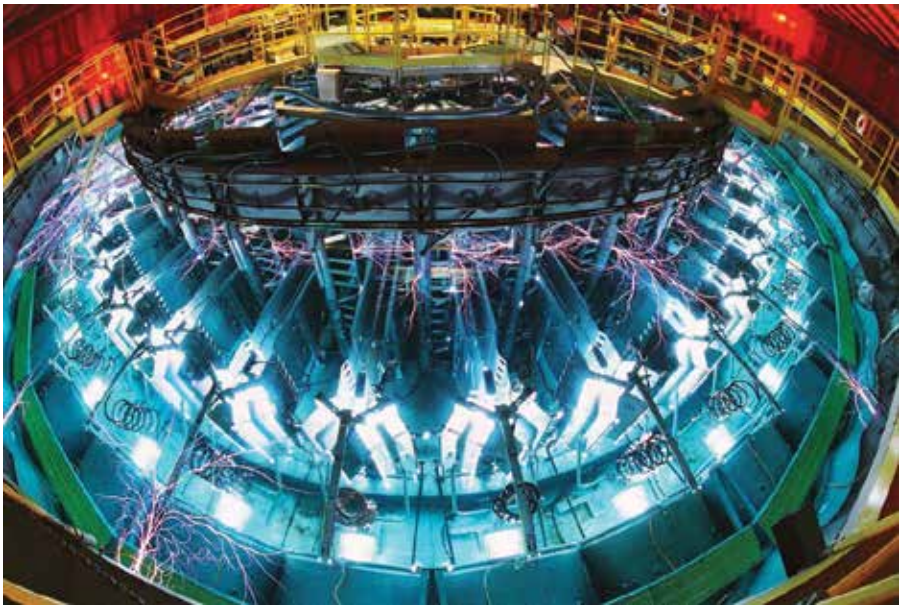
Without a "brute force" commitment to development of CTR technology, there is no price level or forward depletion compensation which could be considered "equitable." The general basis for treaty agreements covering prices and depletion compensation is fundamentally (1) a commitment to applicable CTR technology installations proliferating from 1985 onwards and (2) a commitment to bring those regions up to the level of employment of CTR-oriented technology by the 1985–1990 period.

It must be emphasized that unless there is an accompanying commitment by all treaty signators to "brute force" development of CTR technology, all other agreements on prices, development and so forth are ultimately unworkable and worthless. If we largely depleted existing known resources by 1990 without meanwhile developing a major new source of energy and raw materials, most development occurring during the 1975–1990 period would be transformed into unusable rusting plant and equipment. The proposals of "solar energy" and boiling water or breeder-reactor nuclear plants as alternatives, "geothermal" development, etc., are charlatanry from the standpoint of both the energy required to yield one kilowatt of output ca-

pacity and the amount of total energy which could, in fact, be provided by those means. Only CTR development can assure continued human existence beyond this century.

Hence, general agreement on "brute force" CTR development for 1982–1985 target dates for initial operating facilities must be the first term included in all general treaty agreements for development.

The solution to development problems is not found by cartel agreements which set extraordinarily high prices for petroleum and other primary materials exported from the Third World.



Sandia Labs/Randy Montoya

The U.S. Sandia National Laboratory's Saturn, a pulsed-power, high-frequency electromagnetic wave generator, designed to test materials at extreme temperatures and pressures—important for developing controlled thermonuclear reactors.

It would be a wild fallacy of composition to argue that the October 1973 OPEC agreements caused the present depression. The depression had been developing since at least the Winter of 1967–1968, and had been accelerating toward monetary collapse since the Summer of 1971. OPEC agreements did not cause the unprecedented general illiquidity ratios which have accumulated over more than a quarter century, especially during the past decade. OPEC agreements merely accelerated a process of monetary disruption, slightly aggravating a crisis which would have quickly developed into present catastrophic proportions even had there been no quadrupling of world-market oil prices.

Nonetheless, the present OPEC prices are both unwarranted and tragically self-defeating. Similar approaches to raw materials cartels would be similarly unsound. The present world glut of petroleum, coming with massive cutbacks in well production, show a tendency for OPEC nations' aggregate net accumulations to fall below the levels prior to October 1973. Excessive prices for energy resources and other primary materials tends to disrupt and so lower the rate of industrial development generally, a constriction inevitably affecting the Third World in general most cruelly.

This argument does not overlook the inequity of traditional raw materials prices and related income to Third World sectors. Equitable price-level formulas should be negotiated and approximately fixed by treaty. Prices should be calculated on the basis of modal levels of price of production of each such commodity for world, production of that commodity as a whole. Furthermore, the determination of the applicable calculations of price of production for Third World primary materials must be based on advanced-sector standards of wages for labor employed in Third World production. Equity signifies that the element of cost of production allocated for labor costs in the developing sector must be based on the standard labor costs per unit of output in the advanced sector.

Against this, it might be passionately and correctly argued that Iraq, for example, uses its capital accumulation from petroleum revenues for both internal development of agriculture and industry and for comparable forms of economic development assistance to other Third World nations. A more balanced picture of OPEC practices is found by tracing flows of funds through the operations of the "Seven Sisters" and by considering cases such as Kuwait. In both latter instances, additional capital accumulations from OPEC revenues have not flowed so much into useful development, but have been foolishly invested speculatively or in otherwise merely feeding the speculation and illiquidity-cancer-ridden financial structures on the verge of depression collapse. We need agreements which have the effect of Iraq's use of capital accumulations from petroleum, but without the countervailing irrationalities which are unfortunately the more general OPEC-"Seven Sisters" picture to date.

This does not mean that Third World countries should not exploit their national and regional control of primary resources as "bargaining chips" to force industrialized nations to the negotiating table. Unless a rational set of development agreements is reached, these nations are left with no alternative but to utilize any economic weapon available for getting some part of what they want. We insist that the only form of workable, rational agreements is treaties which set primary commodities prices according to price-of-production criteria, provided that the industrialized nations also commit themselves to corresponding development programs.

What the Third World must obtain from these development agreements is a process of shifting its overall population characteristics through the following steps.

(1) Levels of per-capita nutrition available in the order of 3,500 calories per day with appropriate levels of total and animal protein consumption included.

(2) Consequently, apart from short-term food aid from the developed sector, the initial emphasis must be on increasing the yield per hectare, increasing the number of hectares of arable land cultivated, and decreasing the average amount of labor-time required per hectare. The means for accomplishing these results are the development of the agricultural output of the industrialized nations and the use of industrial technology—fertilizers, drainage, irrigation, desalination, tractors, etc.—to effect a transformation of developing sector agriculture.

(3) Housing, sanitation, education, leisure-rates for the entire population, increasing the longevity of the population, and increasing the period of maturation of young toward industrialized sector standards.

(4) The assimilation of households of labor available to provide industrial manpower either into employment in industrial-urban foci of the developing sector or guest-labor employment of workers of resident households in the industrialized sector.

(5) The development of centers of industrial infrastructure in selected foci of the developing sector. The near-term development of industries, especially consumer goods industries, appropriate to the circumstances and to the needs of local populations.

These general terms of development can be summed up as representing both a favorable advance in the population characteristics and a provision of the material preconditions of production to realize the increased productive potentialities of that population. What is decisive is not the absolute level of progress attained at any time, but rather the manifest rate of development of both the population and its realized productive potentialities.

This means that the construction of a large number of office buildings and infrastructure for housing office workers in itself does not represent a satisfactory development performance. Nor does the siting of a warehouse, factory, etc., to "take advantage of cheap labor" represent development. The measure of development is the general rate of improvement of the population and productive employment of the population in general.

An Example: U.S. Footwear

Among the tragic curiosities one meets around Washington, D.C. currently, there is the "footwear lobby." This group is concerned to block imports of foreign-made shoes, on the specious premise that those imports are depriving U.S. footwear workers of employment. The truth is quite contrary to the arguments of those lobbyists, involving points directly relevant to the fallacy of "cheap labor."

The prototype of a good wearing shoe is a man's leather-upper Goodyear Welt. The first thing to do analytically in this connection is to price a good-quality man's leather-upper Goodyear Welt as a percentile of the modal weekly take-home income of a skilled or semi-skilled trade-union-waged worker. Compare the prices of comparable quality Goodyear Welts as a percentile of weekly take home income over the past three-quarters of a century.

Next compare the incomes of skilled and semi-skilled U.S. shoeworkers with mean workers' incomes over the same three-quarters of a century, especially for such relatively skilled occupations as upper-leather cutters, and lasting and making room machine operators.

Finally, note that world-wide there has been no essential technological advancement in the mode of shoemaking machine-process technology during the past fifty-five years! This is as applicable abroad as it is in the U.S. itself.

There is nothing arbitrary in the selection of the Goodyear Welt as the model of a wearable shoe. The Goodyear Welt is essentially the attachment of both the upper and the bottom (sole and heel) to a common connecting structure, the "rib" of an innersole. In this arrangement, the wearing characteristics of the upper portion of the shoe are less affected by distortion of wear in the sole. If the materials used are of suitable quality, the shoe retains its foot-fitting qualities for all its useful life. So far, no material developed has the healthful qualities for footwear of leather. Any other

type of footwear construction presently in existence is relatively junk by all quality standards of usefulness.

People have generally worn other inferior types of shoes either for special reasons of vanity (women's cement high heeled pumps; high-priced, comfortable, but not durable turns and kindred forms of slippers) or because they could not afford a good pair of welts. In general, the use of types of footwear other than Goodyear Welts—barring vanity and a few specialist uses of footwear—is simply for reasons of price.

What has happened is that the combined lack of significant technological development in methods of welt shoe manufacture and a real erosion of U.S. workers' effective take-home pay has priced good shoes out of the reach of general use by members of working-class families. Since the prevailing methods of footwear manufacture are distinctively backward today, the manufacture of "popular" inferior types of footwear within the price range of most households depends upon unskilled cheap labor.

This means that there is little demand for skilled footwear labor, and, consequently, qualified shoemakers are a vanishing species, limited to a tiny proportion of mostly aged and retired workers from that industry. The U.S. labor force is not reproducing skilled shoemakers! The proportion of total family income allocable to footwear purchases is too small to permit the U.S. to meet U.S. standards of skilled or semi-skilled incomes for workers in that industry. Or, in short, the U.S. is unable to produce its own shoes economically because the typical U.S. citizen can not afford to buy good shoes at today's state of technological backwardness of the world's footwear manufacturing technology.

In general, the footwear imports into the U.S.—chiefly imported by leading U.S. footwear manufacturers!—are junk, and are imported because the U.S. workers cannot maintain U.S. workers' living standards in occupations of producing junk footwear. By junk we mean typically Zories from Japan, sneakers from various origins, and those hideous, uncomfortable and actually unsafe "high platform" monstrosities assembled from some ungodly materials.

Conversely, if the U.S.'s workers generally were able to afford good footwear for their families, the ratio of foreign imports would drop automatically. Footwear workers in most foreign countries would have difficulty in producing high-quality shoes in competition with the skills potentials of U.S. workers, especially if our footwear technology were brought into conformity with current general technological potentials (eliminating the tacks, staples, and thread holdovers).

The point illustrated is this. "Cheap labor" is a vicious fallacy. The particular capitalist usually measures "economic productivity" as the ratio of value of product produced to the wages paid for that production. Hence, to the heteronomic individual capitalist, it may appear that cheap labor is relatively more productive. However, cheap labor perpetuates a low level of material culture within the population, and in the most extreme cases, depends upon a depletion of the living standards of populations contiguous to the employed industrial population.

This point is notably demonstrated in the recent history of Brazil. The once-touted "success" of the "Brazilian model" has led toward a virtual breakdown of the population as a whole. The case of epidemic-ridden Brazil today is an indisputable warning against the heteronomic yardsticks of economic development which were tolerated during, for example, the UN's first and second development decade programs. Brazil is the horrible extreme example of the point illustrated by the case of footwear consumption.

This does not mean that the world can presently afford the standards of U.S. skilled workers' incomes for unskilled labor in the developing sector. If all available capacities were oriented to producing consumer goods—an economic insanity, if it were possible—we could not provide such income levels. If such a policy were attempted, most production would occur at a massive labor-cost deficit. The cultural level of most of the world's labor is too poor to permit those persons to even approximate a U.S. standard of skilled productivity. Even if such an arrangement might be recommended on charitable grounds, it is physically impossible to implement.

However, it must be our policy to eliminate that discrepancy through development. We must pay labor in the development sector slightly more than its present productivity would warrant (in terms of combined household income and public services) in order to accelerate the development of the level of material culture, pacing that advancement against the introduction of modern industrial technology in the employment of labor generally throughout that sector. Every particular development effort in any part of the developing sector as a whole must be assessed in respect to its effect on the advancement of the material standards of living and quality of productive employment of the developing sector population as a whole, within especially that

nation and region.

The emerging policies of Iraq are exemplary of the proper direction of treaty programs. The Arab sector represents approximately 120 million persons which have sufficient agreement in language that any Arab is economically assimilable into any part of the entire Arab sector. At the same time there is a disparity in the relative concentrations of income-producing primary resources (especially petroleum deposits) and of Arab populations. Hence, it is irrational to regard present national boundaries as the basis for economic development programs. Arab Unity is a matter of elementary economic rationality.

Agriculture and industries must be developed where overall circumstances recommend their placement, irrespective of the location of the primary resources whose sale provides the bulk of development capital. Such "Arab nationalism" (using the other Arab word also translated into English as "nationalism") is imminently—properly—a kind of internationalism, implying and already leading in a preliminary way toward Arab close cooperation in the development of non-Arab Third World regions.

In sum, Third World agreements with the industrialized sector must be based on standards of continuous and accelerating rates of improvement in three interconnected parameters of development performance: shifts in population characteristics, real income per capita, output per capita measured in terms of the social ratio S′/(C+V).

The target objectives of development are the following: (1) To attain the population characteristics of the industrialized sector for the developing sector, including the ratio of the agricultural population generally, the period of maturation of the young, levels of education and leisure, and effective social-reproductive ratios of the form S′/(C+V) comparable to those of the present advanced sector. (2) To orient this development toward the infrastructure of CTR-oriented technology emerging during the 1985–1990 period.

The program must emphasize four general targets of immediate projects: (1) A crash development of agricultural potentials; (2) expansion of utilization of primary materials resources; (3) the development of urban centers around those consumer goods industries which are better located in that region, and which therefore afford an optimal catalyst for developing a qualified industrial working class from the ranks of unemployed urban populations and former rural residents; (4) the selection and development of major industries, including capital goods industries such as steel, in those foci of the developing sector according to rationalities of a world division of labor.

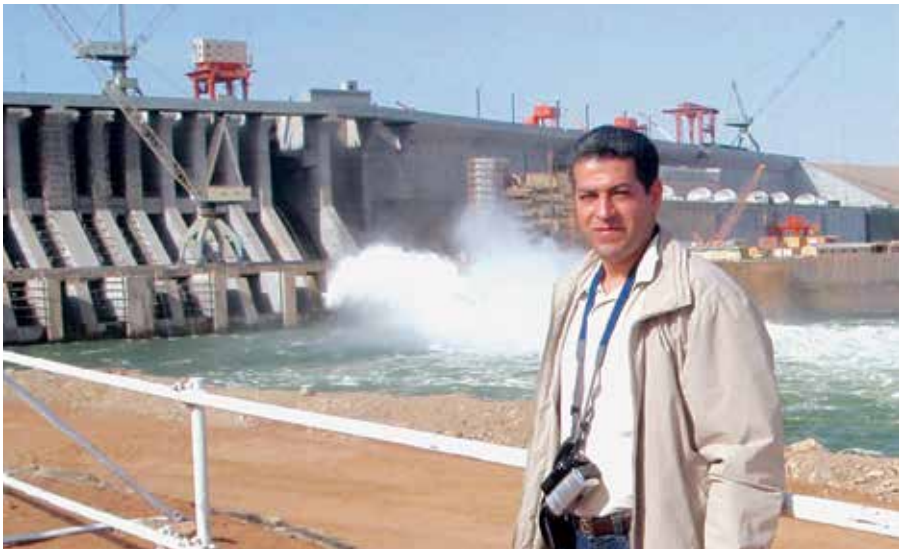
The 'Raw Materials' Fallacy

Some Arab socialists had made the important observation that while petroleum reserves are in one sense a source of immediate advantages, the associated habit of thinking in terms of a high-priced primary materials asset is also a dangerous obstacle to real development. Iraq, for example, is using its petroleum deposits, but it does not desire to remain a nation subsidized by its oil revenues. Iraq needs and desires an agricultural development which will make Mesopotamia—again, as during the reign of Caliph Harun al-Rashid—a region meeting the food requirements of 30-odd million people—instead of Iraq's present approximate 10 million. Iraq desires an industrial infrastructure based on a developed, proportionately large Arab working class. The OPEC manifesto of Algeria's President Boumédiènne reflects the same kind of Arab outlook.

This Iraqi outlook is not accidental. The postwar Arab socialist is predominantly a representative of a developing Arab intelligentsia. As a socialist he has a fragile social existence, because of the continued misery of the mass of poor farmers, large numbers of lumpenized Arabs, and a relatively tiny Arab working class. Politically, every Arab socialist is originally committed to the development of a strong Arab industrial working class and to the associated task of drastically raising the material conditions of life in agriculture. Petroleum—especially during the postwar period—has been the exceptional economic lever by which the Arab socialist has intended, attempted, and partially succeeded in mediating his real economic and social objectives.

In this respect, the Arab socialist is not unlike many Third World socialists. Oil has been predominantly the lever by which Arabs have been able to practically envisage accomplishments which other Third World sections have come to regard as almost hopelessly distant. This is the basis for the special strategic importance of the Arab socialist. Circumstances, a common Arab language throughout the Arab world, and petroleum have made Arab socialist internationalism and Arab development efforts a special sort of vanguard spokesmanship in behalf of the aspirations of the Third World as a whole.

The government of Mrs. [Indira] Gandhi, the gov-



EIRNS/Douglas De Groot

EIR's Southwest Asia Coordinator, Hussein Askary, at the hydroelectric Merowe High Dam on the Nile River, about 350 km north of Khartoum, Sudan, April 9, 2009.

ernment of Bangladesh, the government of Sudan, the present governments of Indochina are ultimately no less committed to the principles of agricultural and industrial development than Arab socialist forces. Yet, to a significant degree, those other Third World forces depend upon Arab spokesmanship in the struggle for global development policies which could give actuality to their general development aspirations.

In this process, there is the constant danger to which some Arabs have referred—the danger of thinking in terms of other arrangements for high-priced primary materials as the solution to all problems. In some cases, such a danger becomes extremely serious.

There is a dangerous fallacy infecting a significant strata of Third World thinking, a fallacy encouraged by pro-Rockefeller counterinsurgency agencies and their academic allies. In brief, this fallacy represents a resurrection of the naturalist metaphysics of the 18th-century physiocrats, in which view all wealth is obtained from primary natural resources. That nonsense, visibly emphasized in certain Third World circles, is aggravated by large doses of an even more primitive absurdity, an interpretation of national and international economic relations from the standpoint of either 17th-century or downright medieval versions of old mercantilism.

It is urgent that the counterinsurgency ingredient of such pathetic pseudo-economic thinking be stressed. To those who have studied the documents and practices of leading postwar Rockefeller-allied counterinsurgency agencies—such as the infamous RAND Corporation—it is well known that the essential strategic orientation of all counterinsurgency policy is the propagation and cultivation of 18th-century philosophies, in opposition to the scientific outlook which emerged during the 19th century. The resurrection of the "social contract," the emphasis on propagating 18th-century forms of parochialist autonomy as modern "radical'" demands, and the general emphasis on "pluralist diversity" are exemplary of the ideology willfully propagated by the CIA and allied political agencies. This policy has been hardened to the extent that it is frequently possible to infallibly identify a CIA (or similar) counterinsurgency "witting agent" at his work by the peculiar litany of RAND-Tavistock-resurrected 18th-century patter employed in attempting to recruit individuals to his enterprises.

"Primary materials"-oriented forms of Third World nationalism have been one expression of intensive "neocolonialist" counterinsurgency tactics. In general, of course, the physiocratic and mercantilist outlook tend to arise within the Third World autochthonously, mediated by a stagnant agriculture and by the situation of a "Western"-cultured petit-bourgeois governing stratum immediately resting upon a relatively undeveloped political-economic basis. In the same vein, it is historical fact that 19th-century capitalist development temporarily eradicated the metaphysical physiocratic and mercantilist views in consequence of the impact of the industrial revolution's demonstration that technological-productive development, not primarily materials as such were the actual basis for the proliferation of wealth. The denial of genuine development to Third World regions has merely been aggravated by a large proportion of pseudo-development. By pseudo-development we mean almost exclusive emphasis on large office buildings, hotels, and ideological monument-building occurring amidst an essentially unimproved broader political-economic and social base. These conditions admittedly provide fertile ground for propagating physiocratic and mercantilist metaphysical thinking among predominantly petit-bourgeois ruling strata in the Third World. However, as the Indonesian example of the "Berkeley Mafia" attests, bankrupt physiocratic and mercantilist ideologies have been not only deliber-

ately but intensively cultivated among educated Third World strata, substantially through the aid of the quack-ademic political-economic ideologues of those Anglo-American universities which function as principal centers for training future Third World governing strata.

This is a significant aspect of the general RAND-Tavistock "Zero Growth" ideological campaign to eradicate the longstanding belief in the idea of progress from the thinking of educated strata in the U.S. and Great Britain in particular, and to spread the filthy mass-genocidal ideology of Zero Growth through every UN agency which Rockefeller and his allies have been able to buy (e.g., the Economic and Social Council).

The fact of the matter is that Europe and North America were able to impose colonialism and imperialism upon the southern regions of the world precisely because primary resources in and of themselves do not represent wealth. The power of the advanced capitalist sector was essentially located in the relatively more cultured labor force and the associated industrial technology which were the means for transforming mere primary resources into wealth. More profoundly, these resources were a form of wealth only because they were wealth for an advancing industrial technology based on the advanced capitalist sector.

The principle historic issue of colonialism and imperialism is not that it extracted primary resources from the southern regions of the globe, but that in this process it failed to develop the quality of agriculture and an industrial labor force toward levels comparable to those in the advanced sector.

The unfortunately rather commonplace folly, to the effect that the Third World could redress the past by high prices for primary materials, would lead in practice to a mass-genocidal scale of deeper misery in the developing sector. The development of the productive (wealth-creating) powers of the developing sector's populations demands a massive infusion of especially capital goods from the industrial capacities of the advanced sector. At present, the rates of output in the advanced sector are insufficient to satisfy developing-sector requirements. Artificially high primary materials prices, especially under present conditions of world capitalist depression, merely aggravate the fall in rate of utilized industrial capacities. For example, pegging oil prices to a basket of industrial commodities is pure political-economic insanity, bringing inevitable economic disaster upon any oil exporting nation foolish enough to be lured into such pathetic agreements.

What the Third World requires is the ability to create wealth through massive infusions of advancing industrial technology. Unless this development reaches a level which exceeds present tendencies for collapse of Third World agricultural and industrial output rates per capita—that is, industrial development above a critical minimal value—even positive forms of industrial assistance are an inadequate, hence futile gesture in the right direction. The advanced sector is presently not geared up to meet that minimal level. Consequently, any wild-eyed mercantilist gimmicks aimed at redistributing existing world income must only worsen the situation throughout the Third World.

This means that insofar as raw materials are concerned, the prices should be set at levels which provide no margin of "cheap labor" advantage for extraction in the developing rather than developed sector. Prices should be set no higher than that, at the risk of disrupting commodity relations of world production. However, this also means that such agreements on pricing of primary resources must be inextricably tied to commitments by the advanced sector to increase its gross levels of output to the scale of exportable social surplus sufficient to meet Third World development requirements, and that the intermediate and long-term inter-sectoral imbalances generated by such export programs must be in the form of credit or outright development grants.

Without a massive expansion of advanced sector industrial output, especially for agricultural and industrial means of production, there is no hope for the development of the Third World. That expanded output and intermediate and long-term credits and grants arrangements for its Third World consumption must be the kernel of all inter-sectoral treaty-agreements related to the International Development Bank operations.

The fallacy of physiocratic view, including identification of the absolute disproof of that thesis, is elaborated in Dialectical Economics[1], and therefore the development of that argument afresh here is not necessary at this time.

What must again be emphasized is this. There is no basis in sane reasoning for the argument that the Third World could acquire sufficient capital from sales of high-priced primary materials to accomplish effective Third World development. Without drastic increases in

1. *Dialectical Economics: An Introduction to Marxist Political Economy*, by Lyn Marcus (Lyndon H. LaRouche, Jr.). D.C. Heath & Co., Lexington, Massachusetts, 1975.

Third World rates of social-reproductivity, increases impossible without massive (trillions of dollars) industrial investment from the advanced sector over a 10–15-year term, the Third World population faces a mass-genocidal depletion of its population by a combination of hunger and epidemics. The case of the attempt to increase government tax-revenues in the nations of the Sahel is exemplary—it was that fiscal policy which caused the Sahel drought. If the Third World attempted to blackmail the depression-ridden advanced sector with primary materials prices sufficient to command the necessary capital, the depression would only worsen, and the Third World's situation become far worse than at lower primary materials prices!

There is only one solution—as the case of populous India exemplifies. A massive expansion of the scale of production in the industrialized sector, to provide sufficient rates of capital infusion into the developing sector to transform its populations into a modern wealth-creating social force. The parameters of treaty agreements we have identified—shifting population characteristics, rising productive output rates—are the only sane basis for Third World policies.

This approach is defined in terms of projects. The outlined development projects for the Rio de la Plata, the Sahel, the Indian subcontinent, the Fertile Crescent, and the Andes "cap" are exemplary. The progress goals of these and other projects, as translatable into shifts in population and productive output parameters, are immediately translatable into forms of the expression, S′/(C+V), and in those forms provide an objective basis for assessing economic performance for purposes of evaluating accumulated credit issued through the International Development Bank.