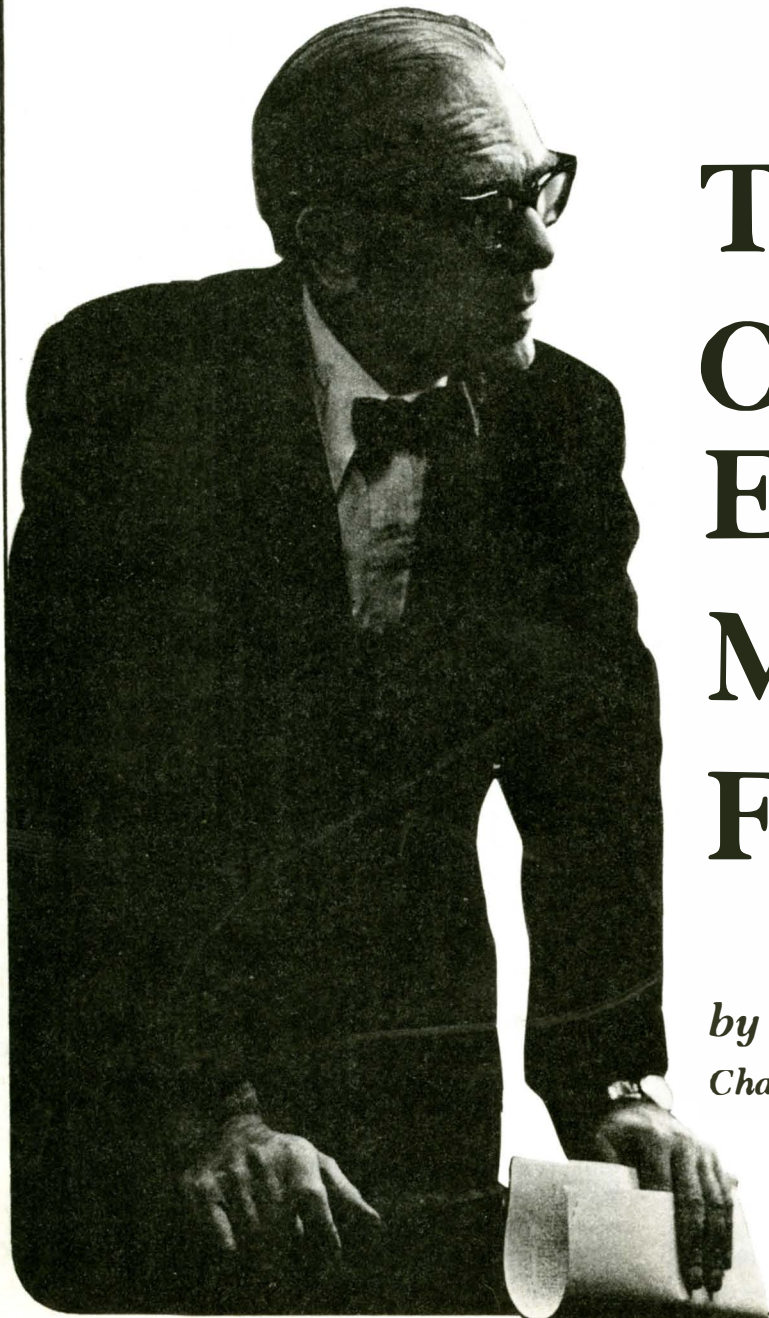


# EXECUTIVE INTELLIGENCE REVIEW

Supplement  
October, 1978



## The Theory Of the European Monetary Fund

*by Lyndon H. LaRouche, Jr.*  
*Chairman, U.S. Labor Party*

## About the author

Lyndon H. LaRouche, Jr. is National Chairman of the U.S. Labor Party and its candidate for President of the United States in 1976 and 1980. Born: 1922, Rochester, New Hampshire, raised in Lynn, Massachusetts.

Mr. LaRouche's meteoric rise to a position of public, if grudging, recognition as the world's leading economist and socio-political theorist is based on a series of unique conceptual breakthroughs. By the late 1950s, he had gained notoriety among American left for his detailed forecast of a global depression developing out of a succession of monetary crises in the later 1960s. In 1966, he founded the National Caucus of Labor Committees as the intellectual cadre force trained in the rigorous scientific method that led to his 1950s analysis and dedicated to achieving the most rapid rates of social and industrial growth.

By 1973, he had destroyed the theoretical underpinnings of the "left" with his critique of Karl Marx's and Rosa Luxemburg's fundamentally flawed explanation of the laws of social reproduction, in particular Marx's efforts to apply linear mathematical models to nonlinear social processes. And with the publication of "Beyond Psychoanalysis" in fall 1973, he shifted the notion of the lawful evolution of human society, redefining it in terms of *energy throughput* and *human creative mentation*.

Mr. LaRouche's groundbreaking work in the science of human mentation, made possible through his close study of the 19th century mathematicians Georg Cantor and Bernhard Riemann, laid the groundwork for the Labor Party's subsequent fundamental theoretical contributions to the physical and biological sciences. By applying the same approach to the study of history, art, music, and economics, Mr. LaRouche and his associates have most recently succeeded in resituating the entire course of human history as a struggle between two global conspiracies: one made up of Neoplatonic humanists dedicated to the progress of society; the other, a monetarist, nominalist conspiracy bent on looting the world's human and material resources.

Mr. LaRouche is one of the prolific writers of our time, and has authored three books, *Dialectical Economics*, *The Case of Walter Lippmann*, and his forthcoming autobiographical *The Power of Reason*, as well as innumerable articles.

### EXECUTIVE INTELLIGENCE REVIEW

is published by New Solidarity International Press Service  
P.O. Box 1922, GPO  
New York, N.Y. 10001

*Executive Intelligence Review*, Supplement October, 1978:  
*The theory of the European Monetary Fund*

Copyright © New Solidarity International Press Service, 1978

# The theory of

It is now a virtual certainty that a new, gold-based world monetary system will be emerging into world dominance by January 1, 1979. The correlation of forces behind this effort has already generated sufficient motion to provoke outright panic in the London press. It is estimated that nothing could stop this but a Carter Administration replay of a 1962 missile crisis scenario.

The indicated missile crisis danger is a very real possibility during the short-term period ahead. As long as Kissinger, Brzezinski, Schlesinger, et al. continue to dictate Carter Administration policies, the danger of general thermonuclear war during the weeks ahead is very real, very menacing.

However, unlike 1962, the Soviets now have a marginal war-winning advantage — chiefly an advantage in civil defense capabilities and a superiority in current strategy. Furthermore, continental European leaders frankly, if privately, regard the Carter Administration as having gone insane since mid-August, and are prepared to take extraordinary precautions to sabotage any attempted thermonuclear confrontation, including sabotage of any Brzezinski-Kissinger efforts to exploit either the Middle East crisis or the "China card."

The indicated danger is real, and must be fought if the danger is to be prevented. On balance of probabilities, it is reasonable to say that the new world monetary system will be going into place by January 1, 1979, and there is probably nothing the Carter Administration or its London script-writers can do to prevent this.

It is not necessary, at least, not for the purposes in view here, to specify some of the "nasty surprises" in store for Messers Kissinger Brzezinski, Schlesinger, et al. in this connection. It is sufficient to note that those gentlemen have badly miscalculated the overall strategic-political-economic situation, overlooking several crucial points of major importance.

It is essential to add this. The EMF is the keystone institution of a new, gold-based world monetary system efficiently bypassing and replacing the IMF, World Bank, Eurodollar market, and ending the control of world finance which the City of London has enjoyed since the 1772-1773 crisis of the Geneva and Amsterdam banking systems.

# the European Monetary Fund

*The new monetary system is also the basis of a new world economic order, which will conform in every essential feature to this writer's International Development Bank proposal.*

That connection poses an intriguing and important problem. Although *the writer's IDB proposal, first issued during the Spring of 1975, has performed a key contributing role in creating the climate for bringing the EMF into being*, it would be incorrect to argue that the bulk of the persons influenced by the IDB and its side-effects have proceeded from the theoretical-economic principles embedded in that proposal. *Rather, they have responded to their agreement with the policies embodied in the IDB, an agreement which is primarily pragmatic.*

As the new monetary system comes into operation, it will quickly become clear that those pragmatic premises of agreement with the IDB proposal are not adequate. *The theoretical-economic basis for the IDB will then begin to appear in its true importance.*

Although this writer has reported the crucial theoretical points in other published locations, those points have not been developed in the specific way and in the specific topical setting — the EMF — which will be accomplished, in summary form, in the following pages. Moreover, however egregiously shocking such a claim may appear to be to some readers at first glance, *what this writer accomplished in his theoretical-economic work embodies one of the most fundamental scientific breakthroughs of the present century. That will be directly substantiated here.* The mere fact that such a fundamental breakthrough is embedded in the basis for the IDB proposal properly suggests the nature of the difficulty the typically mis-educated economist must experience in first encountering this theoretical work. It is necessary to address, and attempt to remove, that specific difficulty. It is necessary because *the theory is the only set of intellectual apparatus which comprehends the world in which we shall all, most probably, be living beginning January 1, 1979.*

This account has the further, secondary importance of removing any legitimate grounds for mystifying the U.S. Labor Party's accomplishments. Once it is understood that the U.S. Labor Party was developed on the basis of a crucial scientific breakthrough, and the

assimilation of that methodological breakthrough by the kernel of the organization's leadership, there remains nothing properly astonishing in the fact of the Labor Party's distinctive accomplishments in various specialties.

---

## The pragmatic view

---

First, as a rather indispensable background point, let us summarily review the basis for the pragmatic view shared among EMF supporters. By outlining that point, we show where the competence of the leading EMF sponsors tend to terminate at present. That, in turn, defines the point at which the added theoretical competence is required.

In general, every progressive farmer, every competent industrialist knows that the ultimate source of increases in per capita production of wealth is capital-intensive technological progress. Any financier, industrial manager, or farmer who imagines otherwise, should be quickly reassigned to some other, harmless profession — perhaps as a clown.

This does not mean that competent industrial managers always follow such principles. As in the case of General Motors' Murphy, who we are persuaded is ordinarily an eminently qualified industrial manager, other considerations intervene to impel some among them toward the silly sort of "productivity" policies Murphy has currently embraced. These other considerations include, at present, the dictate of the financial interests controlling corporate policy, or the reality of the anti-capital formation policies of both New York financial circles and the Carter Administration. Denied the opportunity to pursue a capital-intensive, high-technology profit-building policy, an industrial manager will turn too often to the short-term expedients of looting his employees and asset-stripping.

In West Germany and Japan, leading industrialists are fighting for an industrial-capitalist policy. In the USA, under pressures of Wall Street and the Carter Administration, many industrial corporations have — at least, temporarily — given up that fight.

The essential, pragmatic feature of the EMF and re-

lated policies is that the industrial-capitalist interests of continental Europe and Japan decline to join the Carter Administration and Wall Street in the latter circles' current binge of "fiscal austerity," zero-growth lunacy. Rather than seeing industrial-capitalist policies destroyed to save the appearances of a bankrupt monetary system (IMF, World Bank, Eurodollar market), they have elected to build a new, gold-based monetary system appropriate to the needs of continued industrial-capitalist development on a global scale. Instead of enslaving production and investment to a bankrupt, counterproductive monetary system, they demand that a new monetary system be developed, such that credit and monetary policies are enslaved to the purpose of expanding world trade, and developing the purchasing power of Third World markets through economic development.

Taking the basic constituency of the EMF — bankers, industrialists, allied political forces — that pragmatic outlook is the rule.

Among these circles (at least, some of them) and among key forces of the developing sector, the 1975 issuance of the *International Development Bank* proposal struck a response, such that the U.S. Labor Party was quickly escalated into an intellectual force of some global significance during that year.

Some leading London circles corroborated this directly to us, adding, "However, we shall beat you, because the Third World governments are a pack of fools we know how to manipulate. You shall see." We did see. Too many foolish Third World governments swallowed C. Fred Bergsten's imbecilic proposals — laundered through the Geneva UNCTAD office and other channels. After the Colombo Resolution of August 1976, the effort for a new world economic order collapsed under assurances that an incoming Jimmy Carter would somehow fix everything. The U.S. Labor Party and its allies suffered thus a major defeat at the hands of the British — as the British advised us would occur.

However, the effect of the approximately year-long influence of the IDB proposal was not eradicated. Our forces were temporarily shattered, but the pieces flourished in various spots of fertile political soil.

In one sense, the IDB proposal was not seen as entirely new. The effort around the Eisenhower Atoms for Peace, the efforts of President Charles de Gaulle, of Italians such as Mattei, the aborted effort around the Rogers Plan, were all in the same direction. It was among the circles which had been involved in or attracted to these earlier efforts that our IDB found readiest reception and interest. To many, the IDB appeared as essentially a fresh attempt to revive the earlier efforts, an attempt in the same direction, with the advantage of some distinctive, important features overlooked in earlier proposal.

In certain influential circles in continental Europe, the 1975 IDB proposal and the 1977 *Private IDB* addendum were regarded as the most effective version of the policy yet formulated. This included cer-

tain key political circles, and certain key financial circles. It was these continental European circles which most directly mediated the IDB proposal into the EMF policy. (It would be inappropriate to name names at this time, but it should be understood that there were persons and groupings at the highest levels.)

Key London circles have taken the opposite view of the IDB and related proposals. Their respect for the special competence of these proposals was of an adversary quality — hence the great importance London and allied circles give in practice to asserting widely, loudly and persistently that the U.S. Labor Party's importance is exaggerated. Hence, the two recent assassination threats from London-centered forces against this writer.

---

## Hamilton's Report On Manufactures

---

Although few among the predominantly typically miseducated economists, historians and leading governmental and other circles in the United States know this today, the success of the United States has been based on the same essential, "dirigist" policy outlined in the IDB proposal, and embedded by implication in the EMF. This policy was articulated in Treasury Secretary Alexander Hamilton's 1791 *Report on Manufactures*. This has been the policy, together with "dirigist" national-banking policies, through which every essential foundation of U.S. economic power was developed by the point of the assassination of President Abraham Lincoln.

Although Hamilton's crucial theoretical conception in his *Report on Manufactures* is neither original to him nor unique among leading economic thinkers since, his rigorous proof of this central thesis is classical, both in the excellent clarity of his argument and in respect to the importance this document performed in shaping the policy of the United States under Washington, John Adams, Monroe, John Quincy Adams, and Abraham Lincoln. It was those administrations that account for every foundation of American greatness. At its best, every other good U.S. Administration, such as the Eisenhower Administration, is distinguished for its efforts to move toward the Federalist-Whig "dirigist" policies of fostering technological progress and prosperity.

It is during those periods the U.S. has moved away from Hamiltonian policies, making concessions to the opposite, British doctrine of "free trade," that our economy has retrogressed — as during the 1815-1818 period, under Jackson and Van Buren, under the treasonous Buchanan, and so forth. Since the Specie Resumption Act of 1879, when we surrendered our national sovereignty in respect of credit to Morgan

and Rothschild agents of London, we have been coasting downhill in our overall *rate* of increase of general advancement relative to the best earlier periods.

This is not to say that our national output has not increased since 1879, that our technology has not advanced, and so forth. However, there is a rigorous and most meaningful basis for the judgment just registered, as we shall discover in due course here. We shall see that *the rate of increase of the rate of progress*, and *not the mere rate of absolute growth*, is decisive in determining the health of an industrialist-capitalist economy. It should be noted that our views on this matter were paralleled by not later than the late 1960s among certain leading Japanese circles. The conclusions so to be adduced from Japanese sources is by no means an egregious one — as a comparison of current U.S. with current Japanese economic performance ought to suggest.

The crucial feature of Hamilton's *Report on Manufactures* is his proof that the sole source of wealth of nations is *technological, capital-intensive advances in the productive powers of labor*. The crux of Hamilton's argument is a rigorous discrediting of the absurd physiocratic doctrine embedded in Adam Smith's *Wealth of Nations*. It was this repudiation of the "free trade" and related policies of the *Wealth of Nations* which enabled the United States to achieve greatness.

The same principles were maintained by Benjamin Franklin's collaborator Mathew Carey, and Carey's and Franklin's close collaborator Friedrich List (later the author of the German Customs Union). The same policies were argued by Mathew Carey's son, Henry Carey, and were the economic and monetary policies of President Abraham Lincoln, himself a Clay-Carey Whig.

Even so, despite these and other comprehensions of the principle of increasing the productive powers of labor, no equivalent of a formal solution to the representation of such an economic theory in quantitative-deterministic terms was solved until this writer's initial discoveries to that effect during the 1952-1954 period.

---

## The problem

---

The writer attacked the theoretical problem from the standpoint of attempting to correct the fundamental flaw in Karl Marx's *Capital*.

There are numerous important errors in Marx's *Capital*. In general, the theory given is approximately correct if one assumes that the 19th century British economy is the model-of-reference for a matured industrial-capitalist economy. This point should not be astonishing, since Marx based his *Capital* on precisely that mistaken assumption. This was the reason Marx

disagreed, wrongly and incompetently, with Henry Carey concerning the U.S. economy and economic history — apart from the fact that Marx was ignorant of pre-1848 U.S. history except for a credulous acquaintance with British gossip on the subject. This is the reason Marx's economic theory collapses in face of reality wherever the assumption of the British model fails to correspond with reality. Respecting the differences between Carey and Marx, Carey was right and Marx was wrong.

Once we have taken that sort of error into account, one further, crucial flaw remains to be examined in *Capital* as a whole. This error appears in most concentrated form in what Marx's editor, Frederick Engels, presents as the concluding chapter of *Capital II*. This error has been the principal topic of every Marxologist-economist who attempted to make a name for himself or herself since the second volume of *Capital* was published. Among those, only Rosa Luxemburg, in her *Accumulation of Capital* and *Anti-Critique*, comes to the generally correct conclusion, that the assumption Marx employs is an absurdity. The problem of correcting that absurdity was the writer's immediate focus in his attack on the problem in 1952.

The problem is not peculiar to Marx. It is the common, crippling flaw of all of the best efforts to develop a deterministic solution to the same problem among all economists prior to the writer's own solution to the problem. Once the writer's solution to the problem is understood, the singular importance of the *International Development Bank* proposal is understood. Once that is understood, the fundamental policy-problem of an EMF-dominated world monetary environment is also understood.

A summary outline of Marx's procedure adequately reflects the absurdities embedded in all linear economic models.

Marx begins with an initial effort to construct an economic model for what is termed *simple reproduction*. This is the case in which all net profits of production are consumed in ways other than expansion of the economy's productive capacities, in which the capital consumed by production is merely adequately replaced to effect status quo ante. This assumption admits, of course, of a simple model employing linear equations.

Marx then attempts to arrive at a model for *extended reproduction*, the case in which net profits of production are invested in expanding productive capacity and output. In these constructions, Marx leaves out of account, as he repeatedly emphasizes, consideration of technological progress. For that reason, because of the very nature of any linear model of economic processes, Marx is never able to arrive at a deterministic model which coincides with the reality of the economic process.

Although Marx's blunder on this point is unexceptional, the fact of his blundering is the most interesting of the cases to be considered. Not only did

Marx recognize that no conclusive deterministic model could correspond to reality until it took technological innovation into account *as a constant element* in the process of reinvestment, but his best conceptions concerning capitalist economy *taken as a whole* are premised on insights directly contrary to his failure to arrive at a linear-deterministic model. For example: the middle chapters of *Capital III* on the subject of internal contradictions of the process of accumulation, and the crucial treatment of the interconnection of Necessity and Freedom in the concluding section of that same volume.

Since, unlike British or Vienna economists, Marx defined his goal correctly, the blunders which prevented him from achieving that goal are more interesting and more fruitful of consideration than similar methodological blunders in other writers.

*Blunder* is perhaps a misleading term, as we shall see. It was not a blunder in respect of ignoring extant professional knowledge in that field. It was a blunder only in the sense that the problem could not be solved except by isolating the crucial problem and by defining the scientific breakthrough needed to solve that crucial problem. Until that problem was solved, no competent insight into the problem of a deterministic economic model could be achieved.

---

## The germ of the solution

---

It occurred to this writer, even before 1952, that the general solution to the problem of deterministic economic models depended upon making *only* technological progress itself the primary *ontological* parameter of economic processes. It should be obvious what results occur whenever one attempts to embed that assumption within an ordinary sort of mathematical-deterministic model. The obvious egregiousness of such an assumption from the standpoint of both the mathematical physics and biophysics known to this writer blocked him for a time from further progress in that direction.

The solution first presented itself through a prolonged bout with Georg Cantor's notion of the transfinite, during 1952. Undoubtedly because of the writer's adolescent training in Descartes, Leibniz, and Kant, and because of the nagging preoccupation with the notion of a self-developing process as ontologically primary, the writer developed a more profound insight into Cantor than he has found generally among writers on that subject. By seeing immediately the connection between Cantor's notion of the transfinite and the central point of G. Riemann's habilitation paper on hypothesis, the soundness of his own approach to the economic problem was established.

The two preceding paragraphs are perhaps not entirely clear to any but the most advanced specialists in the epistemological questions of scientific method.

That must be forgiven; it is necessary to give such a summary statement of the crucial point. To nonspecialists we have described the matter to be considered. To specialists, we have given a rigorous statement of the point at issue. The conception involved is older than Plato's *Timaeus*, but the significance of the conception has been too rarely comprehended.

A few additional summary statements in the domain of the epistemology of scientific method help to situate the same point more rigorously. This is admittedly only descriptive for nonspecialists, but it is essential here to give a rigorously meaningful statement suitable for the needs of specialists.

If we take Riemann's habilitation paper and certain correlated, published writings as our point of reference, then it is factually absurd to term the Einstein-Weyl program of relativistic physics as "Riemannian." This judgment has been corroborated by a collaborator's scrutiny of the Riemann unpublished archives and by scrutiny of unpublished archives of Cantor. Or, more exactly, the Einstein-Weyl model represents one of several alternative degenerate cases of a Riemannian universe.

Furthermore, it is absurd to think of Riemannian physics as a form of non-Euclidean physical geometry. The absurdity is the correlated assumption of aprioristic notions of scalar magnitudes of axiomatic space, time, mass, and so forth. The hierarchical orders of physical space corresponding to the  $(n + 1)$ -self-evolving principle of Riemannian physics are not equivalents of dimensionalities in the sense of non-Euclidean physical geometries, but are successive orderings of transfinites.

These conceptions are indispensable to solving the problem of a deterministic economic model. It was Marx's inability to master such conceptions which caused the blunder to which we have referred.

The specialist and nonspecialist alike must not permit this discussion to become a digression in their minds. The problem under consideration is that of conceptualizing the creation of a deterministic model for the thesis proven by Alexander Hamilton, the thesis which Hamilton and Carey (later) adequately prove empirically as well as abstractly. Put otherwise: what conceptions do we require to enable us to determine economic policy with scientific certainty that actual results will correspond generally to theoretically projected results? Without plunging into the realm we are outlining here, no solution to that challenge is feasible.

Let us now examine the significance of one of the terms we employed in the opening paragraphs of this section. What do we mean by the proposition: *making technological process ontologically primary in economic processes?*

This means saying that a rising social productivity determined by continuous advances in technology is the primary concrete fact of an economic process.

This means that prices, wages, production coefficients in the particular, and so forth cease to be the primary facts (parameters) of economic models. Instead of treating the rising productivity caused by technological progress as a dependent feature of economic processes defined in terms of prices, wages, other coefficients in the particular, that a certain rate of technological progress, interpreted in a definite way, is the primary determinant of the process, which determines the value of prices, wages, and coefficients in the particular. We have inverted the ordinary conception of processes, in which particular objects are viewed as ontologically primary, and have made the process primary, reducing the "definite objects" to ephemerals, in the Platonic sense of that latter term.

An example, which we have given several times in recent years' pedagogy, helps to understand the implications of this.

Our present knowledge of our universe is divided into three distinct categories of phenomena: *inorganic physics*, *organic physics*, and *reason*. Organic physics is not organic chemistry, but rather processes characterized by life as primary. *Reason* corresponds empirically to negentropic advances in man's willful mastery of the lawful ordering of the universe, which is the empirical proof of the self-development of the creative-mental potentialities of our species.

Let us designate these three categories of empirical knowledge of phenomena by the subscripts  $n$ ,  $n+1$ , and  $n+2$ , respectively. These correspond, respectively, to an ascending hierarchy of transfinities, not "dimensionalities." The phenomena of each category are determined members (predicates) of that category as a subject.

The ordering is "historical." Living processes emerged from an earth ostensibly dominated by the phenomena of inorganic physics. Reason (man) emerged from the living biosphere. The distinct domains are mutually efficient, although each is ordered as a category of phenomena by different, distinct, invariant principles of internal ordering.

Working backwards in this hierarchy, we have the following characteristics.

The paleontological, archeological and historical record of human existence is characterized thermodynamically, in first approximation, by a secular increase in the per capita energy-throughput in the mode of production of the material conditions for human existence. In the finer approximation, this increase is exponential. The cause for this exponential increase is scientific and technological progress effected through both individual (creative-mental) innovations, and the development of the creative-mental powers of persons generally to the level required to assimilate such innovations for social practice.

A similar process occurs in the evolution of the biosphere. Here species-differentiation within the bio-

sphere, rather than reason, determines a rising mass of energy-throughput and secular tendency for increasing energy-density of the biosphere's self-development.

In both processes, we are confronted not only with exponential trends for increasing energy-density (in the crude sense), but this usage of "energy density" means an accompanying tendency for increase of the ratio of per capita free energy. The rising ratio of free energy to total energy-throughput, under conditions of exponential (secular) growth in energy throughput, is a phenomenon to which we apply, restrictively, the term *negentropy*.

Hence, we say that the characteristics of both reason and living processes are negentropy, but determined in different ways. Conversely, we cannot determine human behavior according to determinations appropriate to the biosphere otherwise. Hence, reason is a distinct category ( $n+2$ ), distinct from the biosphere otherwise ( $n+1$ ).

In energy-dense plasma processes, there appear phenomena such as solitons, which are not determinable from the standpoint of the inorganic physics ordinarily deemed adequate for the inorganic-physics domain in which the relevant experiment begins. The characteristics of such phenomena as solitons intersect those of so-called elementary particles. This suggests that the paradoxical qualities of elementary particles (the field-particle paradoxes) arise chiefly from the fallacious assumption that such particles are elementary. This is corroborated to a significant degree by exceptional (e.g. scattering) reactions by "ordinary" particles under the appropriate conditions in which our assumption of their determined (nonelementary) nature would anticipate such exceptional behavior.

If we assume that the apparent paradoxes occur because we have erred in attempting to fit two distinct but intersecting spaces into a single, homogeneous space of the lower order of the two involved, the paradox disappears, and becomes a singularity. This we know cannot be merely a plausible assumption, since the universe of inorganic physics is also the universe of organic physics and reason. *Our universe is necessarily Riemannian* in the sense specified by applying the Cantor notion of the transfinite to the essential point of the habilitation paper on hypothesis.

The instant we comprehend the significance of that point, the "big bang" doctrine of the universe's development vanishes — noiselessly, and also the doctrine of the pulsating universe, according to the goddess Isis.

More important for present purposes, characteristics such as a constant speed of light are exposed as merely the degenerate form of the actual characteristics of the inorganic universe, and the conception of energy as a scalar similarly falls under the heading of the degenerate conceptual form of the processes actually expressed as energy.

The history of our planet, the emergence of the biosphere and the emergence of reasoning man from the biosphere, shows our planet itself to be ordered according to some *transinvariant* primary principle, and shows the impossibility that a relativistic physics associated with a constant speed of light and scalar energy notions could be the actual ordering of the universe.

From this one returns to Plato's considerations afresh (*Timaeus*) and the notion of the ontological primariness of *necessary existence*, vis à vis the ephemeral quality of the particular sensuous object.

From this developed vantage point one returns to economic processes as such. The essential solution to the previously unsolved problem becomes clear, and the solution effected in that way is readily demonstrated empirically.

---

## Interpolation: psychology

---

If we consider Plato's *Timaeus*, and such antecedents of Plato as Heraclitus and Parmenides, and also the work of Proclus, certain questions properly occur to us. This set of questions is strengthened in importance by study of the 11th-century Ibn Sina, one of the most influential intellects of the past 2,000 years, and by the powerful influence exerted upon two succeeding centuries of scientific work by Cardinal Nicholas of Cusa's 15th-century methodological scrutiny of the work of the Platonic Archimedes. How is it possible that the methodological outlook of the most fruitful scientific thought strayed from the conceptual outlook of such seminal influences?

The usual explanation given among the credulous is that the Cecil family's notable hoaxster, Sir Francis Bacon, founded modern science, superseding the old, "metaphysical" methods with the "practical," empiricist method. In point of historical fact, the contributions of the sodomist Bacon and his school to scientific achievement are either nonexistent or exist only as frauds. Looking more generally at the overall history of the problem since Plato, we find that no natural occurrence in the course of scientific progress explains the digression from the Platonic method. The primacy of the axiomatic-deductive and inductive methods has consistently originated historically from only one source: the successors of the Babylonian priesthood — the cult of Apollo, the cult of Isis, Stoicism, Gnosticism, and such disguised forms of Gnosticism as "Aristotelianism."

The case of Bacon's frauds is exemplary. The single main focus of Bacon's most persistent attacks was the British scientist, William Gilbert, who discovered the magnetohydrodynamic plasma in the candle's flame at the close of the 16th century, and who reflected this discovery in his *De Magnete*. The school Bacon attacked was otherwise prominently represented by

the physician Harvey, reputed as the discoverer of the circulation of the blood and a graduate of Padua, Johannes Kepler, and Galileo. The same school was represented by René Descartes, by Huyghens, and by Leibniz, and thereafter by Leonhard Euler and the Bernouillis. The Carnots and Fourier were also extensions of this current of Bacon's adopted ("continental") adversaries, as were Weierstrass, Cauchy, Riemann, Cantor, Felix Klein, Schroedinger and de Broglie. To suggest that Bacon made any contribution to scientific method from his standpoint is a grotesque absurdity of assumption.

The fact is, Bacon's purpose was to sabotage the progress of science. If the reader objects to this, the reader thus displays his entire ignorance of all the circumstances involved.

Bacon was a member of the Cecil family (currently, most prominently represented by the Duke of Devonshire on the side of aristocratic titles). This was a family which enriched itself by borrowing from Genoese bankers, the same bankers who had launched the Inquisition (of Torquemada et al.) in Spain. The Genoese bankers involved were representatives of what we term today the "black nobility" of Italy, and were during that period competitors to the Fuggers and Welsers, and leaders of that is known as the *oligarchical faction* — the faction represented today by the Mont Pelerin Society and its U.S. appendage, the Heritage Foundation. The oligarchical faction, which originates (ostensibly) with the Babylonian priesthood, and is transmitted through the cult of Apollo, the cult of Isis, Stoicism, nominalism, British Aristotelianism, and Vienna positivism and "energeticism" into the present time, has been consistently determined, over 3,000 years of its known history, to halt scientific and technological progress. It has been "environmentalist" since the bucolic, reactionary cultist Hesiod.

As a state force, the oligarchical faction could not permit itself to be willfully at a military-technological disadvantage to states committed to generalized scientific and technological progress. Its policy has been consistently reflected by James R. Schlesinger since his first published "environmentalist" utterance of 1960. They have demanded a concentration of the prevailing levels of technology in their states' military establishment, while also attempting to halt technological progress — except as competition forced them to the contrary, and have aimed at establishing a world order in which further scientific and technological progress was halted.

To accomplish this dual policy — of assimilating existing technological knowledge, while also working to halt scientific and technological progress in general — the oligarchists developed a special method, typified by the classical works of the Peripatetics. Essentially, this amounted to a deductive organization of existing knowledge, restated in such a way as to eradicate evidence of the method of hypothesis by



which that knowledge had been created. Hence, Newton's "hypothesis is not necessary." Hence, the Encyclopedia Britannica project of the Scottish branch of the British monarchy's Secret Intelligence Services; hence Ashmole's incorporation of the pagan goddess Isis into his syncretic construction of the Scottish Rite of Freemasonry.

The doctrine of the elementary particle did not arise from any natural course of developments in scientific work. The epistemological questions which present-day plasma physicists confront were already conceptually formulated by Plato and his immediate, principal predecessors, as well as anticipated in terms of physics by the combined work of Cauchy, Riemann, Weierstrass and Cantor during the last century. It arose, not from experiment (not as an "elementary" particle in the ontological sense), but from the axiomatic characteristics of the deductive-inductive system of argument and instruction imposed by Bacon and his successors, based on the combined models of the Peripatetics and nominalists. The notion of the "elementary" particle did not arise from experimental reality but from the imposition of an arbitrary, deductive-inductive conceptual scheme upon the experimenters and their observers.

To the developed scientific thinker, the notions of higher hypothesis and transfinite expressed by Plato, Proclus, Ibn Sina, Cusa, Riemann, and Cantor are the natural consequence of mature development of the mental processes in scientific work.

If we examine this point from the vantage point of economic history, the importance of the argument is most accessible to our judgment.

The proof of the development of the creative-mental potentials of mankind is the secular negentropy of the thermodynamic relationship of entire societies (e.g., cultures) to the lawful ordering of the universe, as expressed in the processes of nature mastered by the corresponding, ephemeral level of technological advancement of that moment. If we abstract from this process a study of the specific inventions which, as a series of groups of inventions, account for increased negentropy, we have isolated thus the evidence we must scrutinize more deeply to discover what methods of formulation of hypothesis lead generally to fruitful, as distinct from unfruitful results in terms of increasing the negentropy of human practice.

We also note that no existing body of knowledge, corresponding to an existing level of technology, can be in direct correspondence with the lawful ordering of the universe—except as a degenerate case. The correspondence between the lawful ordering of the universe and human knowledge exists for mankind only in terms of what appear, at first appraisal, as the advance through successive approximations, through that sort of perfection of human knowledge.

As we examine the same evidence more rigorously, it must occur to us that truth lies not in any specific body of existing logical knowledge. Truth lies in the

process by which successive advances in knowledge are ordered, with ordering determined by the standard of increased negentropy of human existence. So, it is clear that truth does not lie in existing empirical knowledge; it also does not lie in the creation of the hypothesis which is proven to correspond to empirically sound current knowledge. Truth lies, rather in the hypothesis which orders the successive, qualitative transformations in knowledge, the hypothesis which properly orders hypotheses bearing upon empirically verifiable current knowledge. Precisely as Plato insists: the *higher hypothesis*, the hypothesis of the hypothesis.

It is only those criteria of synthesis of hypothesis which correspond to the higher hypothesis which represent a necessary correspondence between human knowledge and the lawful ordering of the universe.

*That is the key to the solution to the problem of deterministic economic models.*

The question of knowledge is not an abstract, ivory-tower sort of issue. It is a practical question of human existence as a whole. The practical question is one of increasing mastery (negentropy) of the lawful ordering of the universe by man as a species. It is that process of increase which is true knowledge, which is practical knowledge of the lawful ordering of the universe.

*Hence, a competent theoretical economics is the foundation of all scientific knowledge.* It is only as we prove the connection between the progressive advancement of scientific discoveries and technological advancement of the negentropy of human existence, that we have demonstrated that our method of creating and judging knowledge leads to true results.

The solution to the cited theoretical-economic problem only requires that we invert that principle. Having determined how the advancement of knowledge is determined, we must next inquire how we trace the influence of advances in scientific knowledge in terms of the social relations of production and consumption. In this, we must not violate the principle that the reality expressed by the higher hypothesis is the only aspect of human knowledge which is in direct correspondence with the lawful ordering of our universe. Therefore, the self-developing process, in terms of negentropy, of the higher hypothesis (i.e., *reason*) is ontologically primary, is the only reflection of *necessary* (non-ephemeral) *being* in the economic process.

To represent this graphically, we must employ appropriate phase-space metaphors in which negentropy (the material parameter corresponding to *reason*) is the transinvariant, the world-line of reference. *From that standpoint, and only from that standpoint, we can arrive at determinate solutions to the problems of economic models.*

If we take the outline just given, taking into account

the preceding development as background for this purpose, and then turn to Plato, Parmenides, Heraclitus, Proclus, Ibn Sina and Cusa's *Non-Other*, we can reduce the history of this conception, from Plato to the present, to a single conception. All the "mystical," "metaphysical" aspects of such terms as "higher hypothesis" and "necessary being" fall away.

The same overview of the history of this conception — now adding the cases of Descartes, Leibniz, Riemann, Cantor, and others to the array — shows us that this conception is a recurring necessary conclusion among those scientific thinkers who have been the watersheds of general scientific advances. It is, in that sense, the natural world-outlook of the most matured scientific intellect, the quality of outlook which most consistently distinguishes the creative intellect from the educated mediocrity.

---

## Psychological problem two

---

Plato also enjoys a precedence (in known literature) for analysis of the second aspect of the psychological difficulties of comprehending essential conceptions of economic processes. We refer to the "Phoenician myths" of the *Politeia* (Republic), that mankind is divided into three principal gradations of mental development: golden souls, silver souls, and bronze souls.

The golden soul is exemplified by the kind of scientist we have indicated above, the scientist who has not only mastered the conception of the higher hypothesis as reflecting necessary being, but who has located his or her sense of personal identity in terms of those criteria of judgment in respect to both public and personal life. This is the person who views himself or herself as embodying the quality of universal reason, and who acts on behalf of reason as a universality through particular discoveries and acts which are efficiently aimed at producing a beneficial universal result for humanity. Exemplary is the discovery of a scientist, a discovery which is universal, because it contributes to the social practice of every human being, and because, embedded in the universality of current social practice, it provides part of the permanent foundation for subsequent, higher achievements by that person and others.

The golden soul is capable of conceptions which are psychologically impossible for the lower, silver or bronze souls. To be emphasized is the ability to conceptualize a process as ontologically primary with respect to relatively ephemeral sensuous objects of perception. *The person whose moral development is no further advanced than the silver or bronze souls cannot conceptualize this, and hence, is unqualified to be an economist.*

The problem is associated with the way in which the mind forms conceptions. "Objective thinking," as

most academics define that, does not exist. Every form of human judgment, perception of sensuous objects included, is entirely governed within the mind by the most intimately personal of subjective considerations. The way in which the person preconsciously defines his or her personal identity in society defines his or her perception of every specific sense-experience. To the extent that a person defines himself or herself as primarily a biological individual *with added features*, his or her conceptual relationship to sense-objects cannot break out of the geometry of paradoxical "field-particle" relationships among persons and sense-experiences perceived as an array of elementary objects in space. The sense that the biological individuality of self is ontologically primary prevents the individual so afflicted (so underdeveloped morally and intellectually) from conceptualizing process as ontologically primary. This problem assumes different forms in the cases of the silver and bronze souls respectively.

The lowest general condition of mental and moral development is the bronze soul, the closest approximation to an existentialist. This condition corresponds broadly to either the bestial creature of Hobbes' "each against all," or the pacified bestiality of Locke's or Rousseau's "social contract."

This is the morally infantile "noble savage." This is a miserable creature, superstitious, probably a believer in astrology, perhaps a regular gambler. He or she has never matured beyond the moral and mental level of childhood in his or her perception of social relationships in general, or in respect to the notion of a lawful ordering of the universe. (Gambling, belief in astrology, and other forms of infantile superstition, are exemplary of this degraded condition, this irrationalism.)

This person is essentially egoistical-sensual. Like a two year-old child, which he or she tends to be emotionally, reality in the sense of cause-and-effect lawfulness does not extend a far radius from his mother's skirts. Only family, neighborhood, immediate cronies, local church, and so forth, are within the realm of real relationships for such a person. The larger world is alienated, seen as irrational, and his relationship to it is that assumed for Hobbesian, Lockean or Rousseauvian man.

The silver soul is the educated, cultured person, the type one associates with the professional engineer, the academic, the skilled worker, and so forth. The silver soul's *public* life is rational, governed by a perception of a universality of consistent cause-and-effect connections, such that he or she expects the individual's acts or omissions to redound ultimately upon the conditions of life of the person who acts or fails to act, through chain-reaction effects in the surrounding world. In that sense, the silver soul is a cultured, moral individual, who is able to think universally, but only in terms of fixed abstractions and deductive operations of the intellect.

The silver soul's difficulty is located primarily in his or her *personal* life. In family life, among cronies, and so forth, he or she may gamble privately — although not with company funds (which is the domain of public life, in which he or she is rational). In personal life, only a fragile veneer separates him or her from eruption of the overt irrationality of the infantile slum victim or backward rural type. His or her public self is not viewed by him as truly his or her sense of identity, but rather a public behavior and associated status which mediate his or her sense of personal (e.g., family) identity.

So, because the silver soul has not matured *in personal life* beyond the infantile egoistical-sensual under the veneer, because his or her “unconscious” processes are egoistical-sensual (“neurotic”) babbling accompanying his or her rational, conscious thought, the silver soul can not comprehend process-conceptions as ontologically primary.

It was for these reasons, and only these reasons, that Plato prescribes the rule of societies by “philosopher kings,” a term interchangeable with *golden soul*, in the sense that a philosopher-king must be a seminal teacher among the ranks of golden-souled persons of a society generally. This notion is inseparable from the notion of a republic, including the notion of a democratic republic.

The correspondence between the higher hypothesis and the lawful ordering of the universe constitutes the basis for a notion of universal “natural law.” The essential political content of this notion, which was the intent of the authors of our Constitution, is that the nation exists to a purpose, not only in behalf of its citizens as a whole and their posterity. With respect to the nation itself, the nation must further the process of progress, not only advancing scientific and technological levels of knowledge and practice, but increasing the quality of education and liberty of practice of the citizenry to the ends of progress. The nation, in turn, exists also to advance the condition of the human species generally. What the fulfilment of these conditions means in practice is a matter of judgments ordered according to the higher hypothesis. That is the standpoint of Leibniz on natural law, and the standpoint of Leibniz was that of the founders of our republic on this matter.

The institutions of our Federal Republic, the Presidency, the Congress and the Federal courts, were founded on the presumption that golden souls must predominate in these institutions, and the checks and balances included, including the provisions of the Electoral College, were intended to ensure the continuity of dominant influence of golden souls in the interrelations among Executive, Congress, and Court. For obvious reasons, the most *sacred* position in the constellation is the Supreme Court. Unless the majority of the judges of the Supreme Court are Neoplatonic humanists, committed to the conception of natural law governing intent of constitutional law

associated with Leibniz, our government does not function to its intended purpose.

It was hoped that the selection of elected officials and appointed justices would combine a proportion of the most dedicated citizens — men and women of public life, placing the good of the nation above particular interest — in which election to high office would accelerate the individual's growth in intellect and moral outlook according to the universal duties embedded in the nature of the office. It was assumed that with a Supreme Court of Justices dedicated to natural law — as bitterly opposed to British and Roman law — would intersect the dominance of nobler officials in the Congress, so that the scalawags, pettifoggers, and particularists slipping into office would be a contained minority within the government as a whole.

It must be assumed, in a well-ordered and durable form of republic, that the silver souls will predominate numerically in the electorate over the bronze souls. Although the silver souls are generally unable to conceptualize the universal interest of the nation in a creative way, their education and culture will be adequate to recognize an appropriate policy once that policy is adequately formulated and adequately propounded to them. In this way, the silver souls can also distinguish between good and bad policies and laws, and thus act efficiently to select those nominees to office who exhibit the best qualities in respect of policies offered. It is upon that assumption that the durability of a democratic republic depends. If the republic falls into the capricious, particularist, sectional hands of the bronze souls — as it did in electing Aaron Burr to the Vice-presidency, or Jackson and Van Buren to the Presidency — the republic is in grave peril on that account.

This is the basis for judging the necessary features of economic policymaking. Only golden souls can comprehend the principles of competent economics. Yet, with aid of those principles they can offer policies which are comprehensible, if suitably argued, to the general citizenry. Today, a majority of U.S. citizens know that capital-intensive job-creation is the only policy which produces skilled jobs, thus enabling improvements in wages and working-conditions, and expanding the tax-base for the general benefit. They may not be capable of formulating a competent national economic policy, but, *under proper conditions* they can distinguish between a good and a bad economic policy. Unfortunately, if those who seem to represent power and influence offer only wretched economic policies, the poor ordinary citizen will choose among bad policies just as readily as he might otherwise choose a good policy were such offered to him *in a way he deems credible*.

For just these same reasons, accountants should never be permitted to interfere in the process of making economic policy or offering theoretical criticisms of economic policies.

So, the fact that a competent economic theory is beyond the comprehension of silver or bronze souls is no argument against its adoption and use. Do we not have today “experts” whose “theory” is a babble which no one, including themselves, could make sense of? Some fool translates his ignorant prejudice into a linear equation, sticks that concoction into a hapless computer, and out comes an “objective test of cost-benefit performance.” What rot! What hideous fraud! The fact that a purported expert gained a PhD in gibberish does not make him a qualified economist — except in the eyes of those credulous enough to be swindled, or those corrupt enough to abhor any exposure of fraud lest that precedent fall upon them next. All of the known existing academic programs or economics instruction in the United States (some overlooked exceptions allowed) are nothing but hoaxes. What most people, including congressmen and corporate officials, accept as economics expertise is sheer buncombe. Let us not then quibble at the point that the assimilation and practice of a competent economic theory requires special qualifications.

---

## How to analyze an economy

---

According to the British, who could not conceivably be mistaken in absolutely everything, the existence of Sigmund Freud is chiefly explained by the extraordinary concentration of oedipal hysteria among the adult male population of old Vienna. On this point, the British may, indeed, be correct; we have extensive corroborating evidence in the ranks of those Viennese emigrés who donate their oedipal babblings to our university classrooms under such disinformational rubrics as “philosophy,” “scientific method,” and “economics.”

Austria being a small country, Viennese philosophy and economics deal with the small — when the preferred nonexistent is not immediately available to them. Hence, their economics is principally based on the non-existent (von Neumann and Morgenstern’s *Theory of Games*) economy of Robinson Crusoe, or the smallest soiled smudge of reality their myopic vision can discriminate. This is all very useless, and perhaps proportionately harmless. Occasionally, neurosis goes over into psychosis, and we have such a small mind as that of Milton Friedman attempting to crush entire monetary aggregates into a smallness of oppressive concentration — as in his beloved Pinochet’s Chile.

It is perhaps little noticed that the chief economic policymaking instrument of the U.S. government, the National Income Accounting system authored by Soviet emigré Wassily Leontief et al. is a blend of Bukharinite Vienna-circle economics and the Blavatskyian “long waves” of Kondratieff. The whole system is entirely rubbish. Worse, by adapting U.S. governmental monetary, fiscal, and economic policies

to the intent of saving the appearances of the GNP statistics, the imbecility intrinsic to the GNP system is such that the worse the economy becomes under that regime, the better the GNP figures purport it to be.

How does the GNP system work? By deducting the price of sale of a final or intermediate commodity from the price of materials, supplies, depreciation, amortization embodied in the production or inventorying of that commodity, one arrives at an accounting datum bearing the ominous rubric of “Value Added.” The National Product and National Income statistics are all constructed around this axiomatic assumption of the nature of “Value Added.”

If Senator Edward Kennedy has his way, illegal drug traffic will be legalized. Gambling has been increasingly legalized. Prostitution is among the additional candidates waiting in the wings for serious treatment — which should legalize even Senator Kennedy at last. It is all very British. Inquiring of a British law-enforcement official concerning the state of crime in Britain, the reply (at the recent International Association of Chiefs of Police convention) was that Britain has no crime problem. True enough: they legalized it.

The mere fact of legalizing illegal drugs would immediately inflate the GNP by tens of billions, perhaps well over a hundred billion. Does this represent an increase in national wealth? Does Value Added from legalized gambling represent an increase in national wealth? Does one begin, then, to smell a certain aroma of hoax in this National Income Accounting business?

Let us continue. If the XYZ Corporation fires all its production employees, but replaces them with additions of clerks to the payroll, the XYZ Corporation has made no net contribution to unemployment. Is this a policy for full employment? Then, the increase in National Income arising from administrative, service and certain other non-productive forms of employment, including employment in administration of legalized gambling and drug traffic, is not a parameter of national economic health.

What is administrative and service employment economically? When it is not corruption or waste, it is a nonproductive, but *necessary indirect cost* of operating firms and other aspects of economic life. However, whereas the productive employment of a skilled operative axiomatically (statistically speaking) adds to national wealth, the employment of a clerk or service employee does not.

Consider a special sort of case: a public school teacher. Assuming that the teacher is qualified, he or she is contributing to the potential productivity of the students. However, the teacher is not intrinsically productive, does not increase national wealth, but represents an indispensable indirect cost of maintaining and improving the potential productive

powers of labor. If the teacher's students are not suitably employed in due course, the teacher represents a form of economic waste.

Some years back a large number of long-eared gentlemen busied themselves reiterating optimistically the faddish utterance that the U.S. was shifting from a blue-collar economy toward becoming a services-oriented economy. Not long afterward, a series of disasters struck the U.S. dollar in international markets.

We could continue the listing without delving into insignificant illustrations. For our present purposes the point is made. The existing National Income Accounting institution is a useless hoax as a guide to policymaking and assessment of policymaking performance.

This line of critical review suggests an approach which goes in the direction of a significant improvement, but which — as we shall see — is not an adequate remedy. Let us limit the definition of national wealth to tangible output of useful product, and treat all other elements of cost as indirect costs. In this approach we compare only the Value Added as represented by the deduction of direct production costs of labor, plant, materials, from the final selling price of the total tangible product.

This approach aids us by implying the following study of the indirect costs (as this approach defines indirect costs of national output of tangible product). First, we compare the ratio of indirect costs to productive costs. Second, we compare the growth of indirect costs to Value Added (as we have defined it in this illustration). Third, we compare the ratio of net profit to direct costs, and study the way in which coordinated fluctuations in ratios of (a) Value Added to direct cost, (b) indirect costs to direct costs, affect the determination of the net profit magnitude and ratio (c) of profit to direct costs.

That is an inadequate measure of the performance of the economy, but brings us closer to the required sort of performance-measures, in place of the absurd present form of National Income accounting.

In using such a rough, improved model of National Product and Income accounting, what we would study would be, primarily, how the process of reinvestment of profits in expanding and technologically advancing productive output affects the changes in ratios.

In fact, it would be most educational for political parties, trade unions and corporations to reexamine the postwar U.S. performance by these rough standards, and then to reexamine, on the same basis, comparative data on other economies, including the Soviet economy. (This was a feature of the process by which this writer, in late 1956, forecast the timing and character of the 1957-1960 recession, and in early 1958 forecast the outbreak of a series of international monetary crises of generally increasing severity beginning the middle of the 1960s.)

For more rigorous analysis and policymaking

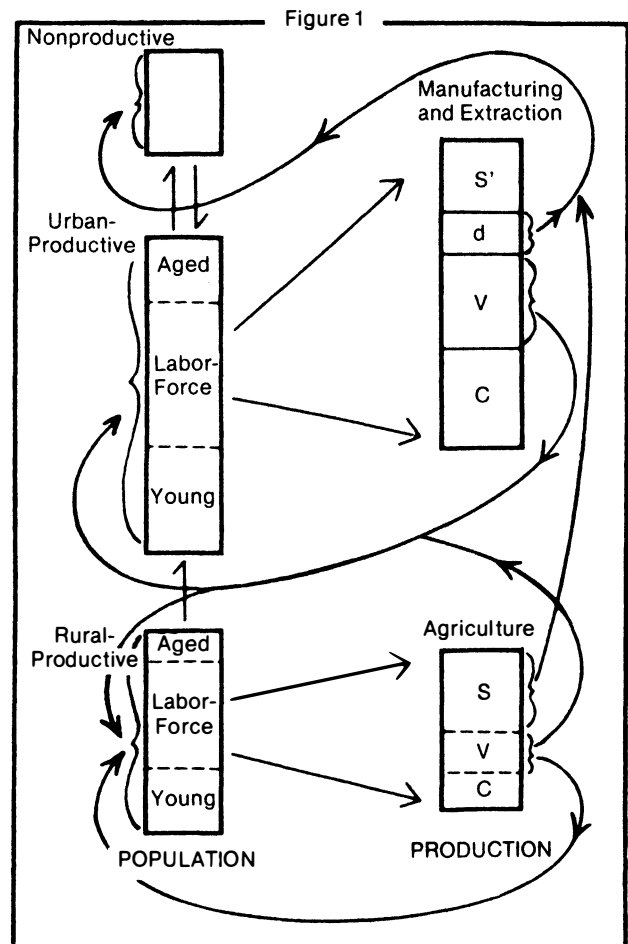
purposes, another method is required. The pedagogical presentation of this method used by this writer since 1966, the bar-diagrammatic heuristics, is employed again here.

First, we must exactly reverse the usually employed method. Instead of attempting to aggregate a whole economy from its particular components, we must start from the economy as a whole. The economy as a whole is our primary datum, and all particular statistics are relatively ephemerals.

As we shall show, the productivity of a national economy is not the mean value of the productivities of individual enterprises. Nor, can we use aggregates or prices, wages, man-hours competently to arrive at measures of national productivity. An economy is a mediating process by which a population *as a whole* produces and develops its material conditions of life *as a whole*. What we must measure is the *negentropy* of the transformations of the society through successive epochs of the production-consumption cycles.

As *Figure 1* illustrates, we have the following organization of the society taken as a whole.

Our first division is the division of households as a whole into three principal categories: *Urban-*



*Productive, Rural-Productive, Nonproductive.* This determination is made on the basis of the principal mode of income of the population segment considered, with the qualification that the unemployed in the first two segments are accounted in that segment as unemployed, rather than transferred to the Nonproductive category.

Within each segment, we perform a sub-segmenting of aggregate households, as follows. We deduct the juridically young and juridically aged to arrive at an age-interval which includes persons who should be, modally, part of the labor-force.

In the simplified model represented by *Figure 1*, we do not depict the employment of persons modally potential members of the labor-force from Nonproductive, but leave that matter to discussion in this text. Otherwise, we show the labor-force from Urban-Productive and Rural-Productive as an input of the productive powers of labor into the production of tangible wealth. We then analyze the allocation of the output of production of tangible wealth as both: (a) inputs to the three population-segments; and (b) improvements in the material prerequisites of production. We subsume replenishment of depleted prerequisites of production under the principal category of improvements, except as they occur as maintenance work accomplished within firms by “captive” means.

This illustration emphasizes several related points of great importance. *First*, the labor-force input to the productive process is not labor-time: an hour’s effort by a New Guinea highlander in a Ford assembly plant is not equivalent — by a long shot — to an unskilled worker hired from the streets of Detroit. It is the productive power of labor, not labor-time, that is employed. When this is overlooked, explicitly or implicitly, disaster hovers over the economy. *Second*, the cost of the productive power of employed labor is not the cost of the persons employed, or even the costs of the households of employed persons. *The social cost of labor is the cost of all of the households represented by the potential labor-force.* All of these households must have incomes and cultural conditions of life comparable to the quality of productive power of labor required throughout the coming generation of employment. Otherwise, if this principle is not honored in practice, the nation is producing a lumpenized or subskill-potentials stratum which will be in various ways a social cost (at a loss) to the state, and, in periods of economic pinch, will tend to be viewed as “useless eaters.”

For example, the “reforms” in public and university education introduced at the beginning of the 1960s are not only counterproductive; they transform potentially useful students into useless persons, or nearly useless persons, in respect of cultural values and skills. All of this “social work” and related “behaviorist psychology” refuse ought to be taken off the public payroll immediately, and

replaced with a basic education with emphasis on technological skills and a rigorous classical education.

A person of higher social-productivity potential costs more to develop than one with less potential. This means that *relative to a fixed level of productive technology*, the total social cost of households producing the labor force must increase. It is infantile, under such conditions, to say that rising wage costs are gobbling-up profits. The fault is not wage costs and equivalents, but rather an insufficient rate of capital-intensive capital formation (with emphasis on technological advances in modes of production).

The secular history of mankind since paleolithic times shows that the yield on technological advances is greater than the required growth in social cost of the labor-force. The only possible source of a declining social productivity in an industrial-capitalist national economy as a whole is an inadequate rate of capital formation in productive capacities and tangible-output rates. That is, provided that the labor-force is being culturally developed at rate consistent with the requirements of advancing technology.

The footwear, garment, and textile industries are prime examples of sectors dominated by degenerate policies — including the lunacy of “free trade,” and resort to labor-intensive, rather than to technologically oriented, capital-intensive, production policies. In these decayed industries, the finance of marketing operations dictates the rule of financial-mercantile speculation at the expense of further degradation of sick industries. Then, Lo and Behold, the managements and labor unions which have connived at turning these industries into technological garbage heaps do lobbying tantrums blaming their woes on “unfair foreign competition.”

Agreed, “free trade” policies are lunacy. A nation which does not protect essential industries will find itself ultimately in the poor-house. Mathew Carey produced a masterful analysis of this issue which is worthy of serving as a reference text on the matter at the present date. However, as Carey emphasizes, the proper function of protective measures is to foster the rapid technological progress of an industry, as well as to prevent dumping of products at below their cost of production as a way of making us dependent upon the dumpers. To provide protection to an industry for the purpose of licensing its labor-intensive imbecilities is not defending the national interest, but feeding a policy of national economic cancer. The garment and footwear industries should present a credible policy of capital-intensive transformation or go out of business.

In any case, the sort of refuse generally proffered as footwear, including the high-platform ankle-breakers, are unfit for human consumption, and the conditions under which some of this refuse is produced in the United States represent wages and working conditions unfit for a U.S. worker. The U.S. government has too long subsidized the New York garment industry, New

York slumlords, and other parasites through mounting welfare costs arising chiefly from the economic practices of such "industries."

Notable in the social composition of labor-force households is the increased educational level required to advance new members of the labor force to adequate cultural standards for more advanced technologies. In fact, it could be efficiently argued that the present public-school curriculum is massively wasteful, to the effect that a person completing a university sophomore year knows less in net than should have been mastered before the completion of secondary school. Even so, accelerating the benefits of education would involve substantial increases in per-pupil costs, which ends up being about the same in cost as extending the period of education to achieve a comparable net result. The social composition of the household in age-group terms, together with the per capita cost of maintaining households as technological requirements advance, are a direct cost of all such households, which must be borne, *in one disguise or another*, by the industries and farms which produce tangible wealth.

As we have indicated above, this rising social cost is not properly something to be combatted by cost-reduction — excepting waste elimination. This rising cost is to be made a reduced social cost in net effect through adequate advances in the negentropic benefits of technological progress.

Let us now turn our attention to the output side of production. The ratio,  $S'/(C+V)$ , is obvious, and also "d" as the cost of all forms of indirect costs of state and private sector, associated principally with the employment of nonproductive categories — including, of course, military costs. (Whoever thought of adding a straight tax, military costs, into GNP accounting, is perhaps the same idiot who would regard the legalization of the drug traffic as miraculously adding a hundred billion or so to our GNP. However, capital investment in creating industrial plants, developing farms, which produce a military product is — for reasons which should be obvious, a contribution to national wealth, which is nonetheless eroded through depreciation and amortization, etc., in respect to direct production for military purposes.)

The following internal relations of these ratios are also properly obvious at this point. "V" as a percentile of total labor-input, 1.00, is declining as a ratio of cost with technological advances (while rising in cost relative to earlier social costs of production), and is also declining relative to the portion of direct cost represented, as a labor-input cost, corresponding to C, except that the combined cost of  $(C+V)$  is declining as a ratio.

The ratio  $S'/(C+V)$  should also be rising, although  $d/V$  should be increasing (e.g., as teachers, scientists, engineers and related categories of essential indirect cost rise per capita as technology advances).

The comprehensive interpretation of this set of ratios is effected once we apply calories per capita for the population and productive labor to the expressions, and take into account the mass of caloric throughput, its energy-density, and the intensity of both to per capita ratios. Each element of  $S'$ ,  $d$ ,  $C$ ,  $V$ , is thus to be redefined, so defined with respect to the population as a whole.

What we are now considering is the (*mass × energy-density*) of the throughput for the society as a whole, and this as associated with a rate of negentropy as represented by increases in the value of  $S'/(C+V)$  in respect to changes in the (*mass × energy density*) value for the society as a whole.

This must be situated with respect to one crucial, additional consideration.

For the hypothetical condition that a population exists in a fixed mode of technology, the mere persistence of that population on a fixed scale, at densities significantly greater than hunting-and-gathering densities, signifies a depletion of some essential prerequisites of production as such prerequisites are determined by an existing technology. The marginal depletion of such prerequisites (e.g., resources) takes the form of a required increase in the "reducing power" of the society, which shows up as a rising per capita cost of C even for no change in technology, and a reduction of S.

Hence, each form of society must collapse of internal decay unless it effects scientific and technological progress at rates of negentropy exceeding the rate of required increases in "reducing power" associated with each epoch of the development of the society.

These tendencies, expressed in combined *per capita, energy-density* parameters, are the map of the internal relations of the process to be mastered.

The expression required can be simplified for purposes of discussion. Since effective realization of profit as extension of productive investment in a generally capital-intensive mode, and under the impulse of technological advancement, results in an expansion of the negentropic mass of the economy, we can concentrate on the characteristic which can be represented in terms of the ratio  $S'/(C+V)$ .

The negentropic content of V is increasing, but the per capita social cost of producing that is decreasing, such that V is declining as a required ratio of the productive process.

The value of C is rising relative to V, both in terms of negentropic content and in terms of the aggregate ratio of total social cost represented.

The "d" is rising relative to V in social cost, but is expanding more slowly than S and S', such that the ratio  $S'/(C+V)$  is rising.

This fulfills the specifications for economic policy identified by Gottfried Leibniz.

Subject to those restrictions and restrictive assumptions, rising values of the ratio  $S'/(C+V)$

reflect the required negentropy of the economic process as a whole.

The specific values represented by ephemeral successive states of the ratio, provided that they represent negentropy, represent a *world-line* which is in correspondence with the notion of technological progress as ontologically primary.

This process, in one crucial phase, is bounded by nature in general. This bounding is expressed in first approximation by energy relationships: the amount of energy usefully commanded per capita by a culture. The *negentropy* of this energy relationship per capita can be roughly interpreted to a useful purpose as the increasing "reducing power" of the culture relative to nature — *relative to the lawful ordering of the universe*.

However, as the energy-density of a society's relationship to nature increases, the required *absolute* rate of increase of the "reducing power" rises. Hence, the relationship is not a fixed relationship of biological man to nature, but of the self-development of the negentropy of the social process.

The focal point of this point is not biological man viewed as another species of the biosphere, but *the process of self-development of man's powers of reason*. This is where the essence of the matter lies.

Why, one properly asks, does the secular record since the paleolithic exhibit a negentropy in cultural progress measurable against the standard of  $S'/(C+V)$  as we have outlined that principle? From the standpoint of simplistic notions of the conservation of energy the whole record must tend to appear fortuitous, even magical.

If we look at the three states of the planet ( $n, n+1, n+2$ ) using conventional notions of energy relationships merely as means of description, the description itself does not seem to challenge the ordinary assumptions of inorganic physics of today. When we shift our attention from the description to the fact that the emergence so described is *ordered, self-ordered*, a certain sort of intellectual crisis is confronted. From this standpoint, we are confronted with the phenomena of the *self-ordering of energy* as negentropic *in the whole*. *There's the rub*.

Once we measure action in the universe according to the yardstick of negentropy, as the conclusive empirical evidence of our planet's history obliges us to do, and so discard the notion of action according to scalar notions of energy and conservation of energy, we should begin to see the true nature of the problem — and the directions for solving the problem.

The conceptions associated with the notion of scalar magnitudes of what is deemed ontologically primary in respect to *work done* (action) by the universe upon itself are exposed as the root of the difficulty, of the apparent paradoxes.

The first reaction has often been the assumption of a *teleological* principle in the sense of *predestination*, the sense of *prophecy* in the cult-practices of the worshippers of the pagan deities Apollo and Isis.

Within the Aristotelian (deductive-inductive) mode of argument, the issue is historically posed in just that mystifying, lunatic fashion. By reducing the evidence to the lunatic dialogue between believers and non-believers in *teleology*, the whole issue of fact is covered over by imbecility, thus saving the appearances of the Stoic and allied obsessions.

It should be obvious that the teleological hypothesis arises necessarily from the very assumption which the evidence discredits: the assumption that the self-evidently particular, the scalar principle of action among particulars, is ontologically primary. Hence, the hypothesis of the *deus ex machina*, external to the universe, is posed to save the appearances of the Aristotelian system.

The issue so posed is classical. The current running through Plato, Ibn Sina, and apostolic (Neoplatonic) Christianity insists that God is Necessary Being, the necessary being *consubstantial* with the universe, a *substantial* self-developing creative principle, *whose lawfulness as a creative process* is reflected in the higher hypothesis. The oligarchical current running through the priests of Babylon, Isis, Apollo, into Oxford and Cambridge of today, attempts to rid itself of the empirical evidence proving the existence of necessary being by placing God as omniscient *but impotent, outside the reality of the universe*.

Viewing that ostensibly theological difference between apostolic (Neoplatonic) Christianity and Isis-worship from the vantage-point of science, the content and implications of the issue are not only clear on empirical grounds, but the relevance of the theological issue for the fundamental questions of scientific knowledge today is also directly demonstrated. The progress of scientific knowledge through such seminal influences as Plato's Academy, Archimedes, Ibn Sina, Ibn Sina-influenced Roger Bacon (13th century anti-Aristotelian and antinominalist), and the seminal influence of Padua and Cusa's work into Gilbert, Harvey, Descartes, Leibniz, Riemann, Cantor, et al., is also of direct and important relevance.

This same consideration (or, set of considerations) prompts us to consider the importance of the notion of *phase-space* in the development of modern scientific knowledge. The case of the study of complex numbers since Cardano is a useful reference-point. Once we shift the inquiry into the notion of phase-spatial relationships away from aprioristic notions of physical geometries, in the manner indicated by applying Cantor's notion of the transfinite to the kind of Riemannian physics epitomized by the habilitation paper, the light begins to dawn on the matter.

Properly defined phase-space *heuristics* are *metaphors*, are *transfinite conceptions*. Where it is not feasible, on principle, to arrive *inductively* at an adequate solution of the ordering of a certain class of phenomena, a transfinite discrimination affords us the means to examine the matter in terms of *the characteristic relationships*. By arriving at new



conceptions which are proven to be *efficient knowledge* in an extended mastery of the physical domain, the empirical validity of the transfinite conceptions is established beyond the authority of the hypothetical, methodological soundness of construction.

The power of these metaphorical conceptions, proven in that general way, also demonstrates their superiority over notions directly associated with the ordinary perception of sense-data. These metaphors are not convenient constructions, but, as demonstrated in practice, are closer to the ontological reality of phenomena than a sense-perceptual inference of the matter. This is broadly identical with Plato's distinction between the primary, ontological reality of necessary being, as distinct from the determinate, ephemeral quality of ordinary objects of sense-perception.

Truth, as we have emphasized above, is not the repeatability of sense-perceptual observations of nature. Truth is expressed only by man's increasing willful power over the lawful ordering of the universe. Once it is comprehended that ontological reality of knowledge, and truth so defined are complementary, the difficulty in grasping the notion of the distinction between the *noumenon* and *phenomenon* is overcome, by ceasing to look for the *noumenon* as some sort of *Ding an sich* within the *particular* phenomenon.

Truth and natural law are one and the same thing. The notion of the primariness of the isolated sense-phenomenon is precisely the axiomatic fallacy of composition reductionism describes itself to be. The attempt to build up to wholes as aggregates of particulars deemed self-evident, primary, must produce nonsense. If we reverse the order of conception, beginning with the *characteristic, lawful organization of whole processes as ontologically primary*, and the particular relatively ephemeral, the paradoxes of the reductionist view are fully explained, and a correct view of the ontological character of our universe unfolds for us.

The reality of the universe is not an aggregation of particularities, but is expressed by the lawful processes governing the ordering of the universe as a whole. If one says, "Because particularities must behave so, the universe must therefore be consistent with what we have rigorously inferred from small agglomerations of particularities," what should be an obvious sort of absurdity has been introduced to science. The correct view, even within physical science, narrowly self-defined as inorganic physics, it is axiomatic that the coordinate study of micro-physical and astrophysical domains as wholes is the key to making any real sense of the domain of ordinary sense-perception. This is not achieved by comparing the microphysical domain with the ordinary domain of sense-perception, but only by proving the coherence of the astrophysical and micro-physical in accounting for the fallacy of "self-evident" sense-perceptions in the domain of ordinary observation and experimentation.

It is but a further, indispensable conceptual step forward to comprehend the fact that the lawfulness of the universe in its ordering is what is in fact ontologically primary in the universe: that law, properly comprehended, and substance, are one and the same. That the lawful comprehension of the universe is the only competent comprehension of its substantiality.

Again, the same point we emphasized above. The coherence of the  $n, n+1, n+2$  domains in the record of our planet's existence demonstrates that the attempted separation of the notion of energy from a negentropic ordering-principle is the root of the inadequacies of prevailing notions of inorganic physics. The proper substitute for the *fictitious entity*, energy, is *negentropy*.

From this standpoint the negentropy of reason no longer appears suspect. Man derives more negentropy from the development of the creative-mental powers of mind than the negentropy consumed in effecting that advancement of creative-mental powers. That is the significance of the crucial-experimental evidence of the secular course of progress of human existence since the paleolithic.

This quality of reason as a process, the perfectibility of reason which apostolic Christianity terms *atonement*, is an expression of the manifest trans-invariant principle which governs the successive development of our planet from an ostensibly inorganic through biospherical and human development. It is this quality of reason's self-development which is in converging agreement with that transinvariant, and hence with the lawful ordering of our universe. That lawful ordering of our universe is what is ontologically primary in our universe.

The essential problem of economics is that of rigorously adducing the *higher hypothesis* identified by Plato. That higher hypothesis represents the degree of comprehension of the transinvariant lawful ordering of nature accessible to us at our culture's present condition of progress. This knowledge of the higher hypothesis determines for us what constitutes an efficient advancement of science and technology. What that determines, respecting the development of the mental powers and related means of practice of human individuals generally, is the only proper economic policy.

The examination of the internal relations of the economic process, relations defined in respect to the principle of negentropy, is the means for translating the generalized expression of necessary scientific and technological progress into a specific, concretized economic policy. The policy must fulfill all the conditions indicated in terms of those internal relations.

If, then, we translate the energy-relations of production into their corresponding negentropic expression, we have the following access to predetermining the results of economic policy.

The society at a given moment represents a certain level of negentropy (which may be negative). The same economic means, more fully utilized according to existing general human needs, represents a second measure of the negentropy of the economy taken as a whole. This negentropy, the latter, must now be increased.

Increased in what degree? We have a few concrete references which inform us of how much increase is required. First, we know that the level of culture of the peoples of the developing sector must be brought quickly to that to be reached by the most advanced industrial sector during the coming decades — somewhere between 25 and 50 years. (It is not necessary to repeat our earlier outline of the case for that here.) To accomplish this, we lack the energy-resources required in terms of nonnuclear modes. The problem is not merely that we lack adequate caloric volumes of energy resources, but that the energy-density of existing modes is inadequate. Only nuclear fission, fission-fusion hybrid, and fusion modes can supply the expanding quantities and energy-density of energy-output per capita globally to satisfy the combined requirements of developing and industrialized sectors.

Once this is taken into account, we must also account for the marginal depletion of what are termed resources today. This can be overcome with an adequate growth in per capita reducing power of the economy, which requires not merely higher ratios of energy deployed, but qualitative increases in energy-density, on the order of those available only through what might be usefully described as “second generation” commercial fusion processes.

So, we have outlined the necessity which bounds the required determination of higher rates of negentropy. This appears not merely as a rate, but as a required rate of increase of the rate of increase of negentropy.

This expression can be translated into a phase-spatial expression of negentropy in terms of the expression  $S'/(C+V)$ . In that general way, and only in that general way, can a deterministic solution for the problem of economic models be achieved.

---

## The theory of The Labor Party

---

Over the past two years or more, a cumulatively large number of persons have challenged this writer and his immediate associates with words to the effect: “Why do you call yourselves a ‘labor party’?” We refer only to the overwhelmingly predominant case, in which the query has been posed with the warmest friendliness from political leaders, bankers, industrialists and so forth.

The grounds for the challenging query are obvious

enough. The writer and his immediate associates constitute a Neoplatonic *elite*, politically and intellectually among the most privileged strata of the world today (a status unfortunately not reflected in respect of financial resources). In terms of our policies for the nations of the capitalist sector, we are leading procapitalist forces *in practice*, and thus appear with justice to progrowth capitalist and capitalist political circles as an increasingly significant element of the capitalist intellectual elite.

In Europe, the question has a somewhat different significance than in the USA. The case of the currents of the German Social Democracy associated with Chancellor Helmut Schmidt make the illustrative point. Europe is accustomed to the existence of labor parties which act as an essential part of a labor-industry political alliance in behalf of progrowth policies of technological progress and high rates of capital-intensive capital-formation. In the United States, the case of President Abraham Lincoln’s base among working people is the exemplary point of political history; in the USA, the political interests of labor have been chiefly expressed through the Republican and Democratic parties.

Therefore, in the USA, many friendly persons mistakenly view our building the U.S. Labor Party a hindrance to our political influence as a leading intellectual component of the elite. The rebuttal of that mistaken, if amiable criticism, is twofold in first approximation. The two aspects of the rebuttal then converge to form a single conception.

Addressing the progrowth industrialist, banker, political figure, and so forth, we make the first point as follows.

You and we, together with our associates, constitute a ruling elite. We are, in respect of U.S. traditions, a modern continuation of the same American Whig ruling elite best associated with John Quincy Adams and Abraham Lincoln, as well as Benjamin Franklin’s close collaborators. We are a continuation of that American Federalist-Whig elite which was intimately allied with the Marquis de Lafayette up through his death, such that our own natural alliances in Europe and elsewhere are exemplified by the networks of Lafayette and also by Lincoln’s allies among the heirs of Juarez in Mexico today, and the forces behind the Meiji Revolution in Japan.

As an elite, we are directly opposed to an enemy elite, the oligarchical faction centered in the British monarchy and reflected in such British agencies as the Mont Pelerin Society and the so-called “Zionist Lobby.” These are our principal enemies and, in our correct judgment, the modern continuation of the age-old enemies of the human species — the worshippers of the pagan goddess Isis and similar forms of evil.

As an elite, we, like our adversaries, are a small proportion of the population of our nation and of the human population generally. Therefore, we cannot determine the policies of society in our own name,

merely on the basis of our intellectual authority. Just as our enemy recruits his environmentalist and pro-terrorist sansculottes among the morally backward and degenerate of society as his mass forces, so we must determine our own appropriate close allies within the generalities of the human population, and must adopt the vital self-interests of our allies as our own immediate self-interests.

The only principled social stratum among the mass of the population which is a durable and potentially faithful ally of our principles is the labor movement constituted as an independent political force in its own interest as a *whole*. These are not only our most appropriate allies, but the only substantial force of allies which is in deep principled agreement with our own principled objectives.

That brings us to the second point to be made, the reality underlying Karl Marx's approximately correct notion of the "labor theory of value." This "labor theory of value," properly defined and comprehended, represents our most vital interest as an industrial-capitalist elite, as well as the most vital interest of working people generally.

The political problem which immediately confronts us is that the working people of the United States are not generally conscious of their own most vital interests in a general, political way. Rather, their consciousness is fragmentary on this point, and is inclined toward a misconception of localized forms of labor's interest. This localization, otherwise obviously to be recognized as a fallacy of composition, is the political problem of labor — the disorientation which has permitted the agents of British intelligence and the Zionist lobby to exploit the "social democratic" networks within U.S. organized labor to lead labor into directions fundamentally contrary to labor's most vital interests.

The only remedy for this is to create an independent political movement of labor in the USA (among other places) on the basis of an accurate programmatic conception of the vital interests of labor as a whole.

The existence of even an organized nucleus of a mass-based such Labor Party, provided that party expresses the programmatic interests of the nation and labor in a coherent way, is an indispensable, catalytic precondition for influencing the fragmented political labor movement to recognize its need for an independent labor party, as the means for expressing such programmatic conceptions of national self-interest in an effective way.

This does not mean a Labor Party in the static sense. It does not mean a party which, as a nucleus of a mass-based party, simply repeats over and over again a set of proposed statutes and theory. What is required is a small party which acts day-to-day as a leading force in tactical issues on a nationwide scale, or at least on a scale sufficiently broad to exemplify the principle of a nationwide political force. It is the demonstrated appropriateness of the method and

outlook of that nucleus-party to variegated specific situations which serves to demonstrate in practice the superiority of that approach and its governing outlook and method, over the pre-existing forms of political organization of the labor movement.

In principle, this is not new in U.S. experience. It was the success of the intellectual-political elite centered around Benjamin Franklin, in fusing an urban alliance of business and labor forces, which enabled the organization of progressive farmers to the cause of building a new nation. Lincoln's immediate political base among American working people, and the progressive grain farmers of the north-central and emerging Western states. The working man and woman and the progressive farmer are the rock upon which the nation was created, the Constitution adopted, and the great struggles against Britain through the 1775-1865 period ultimately won for that time at the conclusion of the Civil War.

It is not to deprecate scientists and professionals to say that the rapid mobilization of the independent political forces of labor and the progressive farmer is the only possible means by which we can save our imperilled nation from the forces currently centered around the Zionist Lobby. (It is only necessary to emphasize that the leadership of the Zionist Lobby is not that of an organization representing the interests of Jews, but exactly the contrary: an organization created by the British monarchy, which has incidently duped many credulous Jews.)

It is the proper understanding of the "labor theory of value" which puts the two outlined conceptions into the required, coherent unity of focus.

The popularized, but imbecilic and false representation of Marx's "labor theory of value" is the report that Marx defined the average labor-time required for production of a characteristic form of commodity as determining the value of that commodity. Although Marx's theory of labor-value is defective on the same counts as his blunder in respect to economic determinism, his actual conception was in the correct direction. His conception was not one of *labor-time* but *labor-power*. *Labor-time* represents a measure of something only to the extent that what is measured in the laboring-time of a definite quality of *labor-power*. Marx's definition of *labor-power* is identical with Alexander Hamilton's *productive powers of labor*. Hence, Marx, however unwitting of that particular fact, did not make a new discovery in this connection, but restated basic U.S. national policy, as established 30 years before Marx outgrew his diapers.

Marx's definition of labor-power is sometimes most defectively argued in his own writings, including *Capital*. However, the fact that his explanation is correct in the gist of the matter shows that he was thinking in the right direction, and governed by a better conception than he succeeded in putting to paper. Marx specified that the quality of labor-power is expressed by *its ability to produce a profit*. If we

take this notion away from the contaminated monetary realm into which Marx was so often lured, and resituate the notion in the framework we have outlined above, the correct solution to the problem posed quickly appears.

A better term than *labor-power* at this moment of writing is *negentropy*. Given the costs of producing labor of a definite quality of mental and physical development, and also assuming the other direct costs of production, including the costs of producing machinery, equipment employed, the quality of labor-power can be examined without regard to the complicating considerations of prices — in terms of social costs defined from the standpoint of the economy taken as a whole. In this improved view of the essentials of the matter, we may now repeat the formulation: labor-power is manifest as the power to produce a profit — after the costs of production, as identified, are paid. It is the *negentropy* of labor-power that makes it labor-power.

The common interest of industry and labor is defined by this. *It is not sufficient to hire existing labor; it is indispensable to employ a definite quality of labor-power, a quality of labor-power which must be itself produced in order to become employable.*

*That principle defines the absolute difference in policy and practice between capitalism and fascism.* That defines the Mont Pelerin Society as fascist out of its own mouth, defines the leadership of the Zionist Lobby, Senator Jacob Javits, Secretary Blumenthal, Vice-President Mondale, Senator Edward Kennedy, and Fed Chairman Miller as fascists.

The fascist, such as Milton Friedman, proceeds from the argument that profits could be increased if wages were reduced and the physical intensity of labor-employment adequately increased. This such fascists as Friedman insist, making blackboard calculations in accounting terms to illustrate their argument, would result in higher rates of “productivity.”

They go further. They propose to avoid high-priced labor by orienting production toward low-priced requirements of labor, by deemphasizing capital-intensive employment in favor of more primitive labor-intensive employment. They are obviously as much imbeciles as they are Nuremberg-indictable criminals.

What they propose to do in the USA today, as the Nazis did in 1930s Germany, is this. *Debride* capital-formation in the economy generally. Maintain a small, cartelized base of high-technology industrial production in aspects of industrial production closely associated with military goods production. (As the Carter Administration, the IMF, and Israel propose currently for hungry Egypt. They propose to eliminate all economic development, to have been aided by Saudi Arabia, France and West Germany. They propose, instead, to build Israeli military goods production in Egypt — Hitler’s “guns not butter”

program exactly.) The rest of the population, outside the cartelized core of military-related industry, is relegated to increasing emphasis on labor-intensive employment — Hitler’s policy exactly, the policy which led lawfully into the slave labor and death camps, to the extermination of the uneconomical “useless eaters” — as a “fiscal austerity” measure à la Milton Friedman and the Heritage Foundation.

This is the implication of the Carter Administration’s and Miller’s current policy of upward spiralling interest rates. That is the policy of the British monarchy, of Bronfman, of Barings, of Barclays, of Lloyds, of Rothschild, of Lazard — and of too many swinish fools in New York City’s financial community — for the United States.

*It is happening here;* that has been Carter Administration policy since the mid-August 1978 review of U.S. monetary and economic policies. *The current monetary and economic policies of the Carter Administration are fascist. The Zionist Lobby in the USA is a fascist political formation* — as Israel’s current alliance with the Nazi Lebanese organization, the Falange otherwise indicates.

To get at the kernel of the matter, it is sufficient to develop further Hamilton’s argument against Adam Smith’s physiocratic imbecility on this same point.

At first glance, the point is made to any industrial employer by proposing to him that it would be cheaper to employ New Guinea highlanders than a present staff of skilled toolmakers. This would please Ralph Nader on two counts; it would send trade unionists onto welfare and slave-labor, Humphrey-Hawkins-type jobs, and would eliminate the production of industrial goods in the USA.

Going further, we have a conclusive proof that labor-time as such contributes no value to production. Without a given level of technology, and labor-power adequate to that technology, the human species could not survive. Thus, the value which man might have produced in past ages at a lower level of technology is wiped out entirely as a source of value today. Hence, all the value which labor is able to contribute through production is the cumulative result of advances in the mental powers of the households from which modern, skilled labor is recruited. It is not anything in the nature of man as a mere biological individual which enables him to produce value, but value is the product of development of the creative-mental powers of mankind, expressed as productive labor.

Labor-power is the expression of the negentropic development of the negentropic powers of the human creative-mental processes, that developed quality of man which absolutely distinguishes human beings from environmentalists and other forms of moral and biological bestiality.

It is this negentropic quality of the development of the creative-mental powers which determines that the effect of developing those powers is potentially a

greater rate of profitable output from labor than the costs required to effect this advancement of mental powers.

Thus, the profitability of capitalist (or socialist) production in general and the self-interests of working people and progressive farmers is identical at that common point. The production of profit demands technological, capital-intensive advances in industry and agriculture, and also demands educated, cultured working people and farmers who can assimilate and improve upon new, more technologically advanced outgrowths of scientific and technological progress.

In the narrowest sense, it may seem that the interest of labor on this account is located in material consumption, improvements in leisure, opportunities for advancement in employment, employment-security, and so forth. These conditions are necessary to the continued improvement in labor as labor-power. They do not adequately represent the interest of labor as human.

The fundamental interest of a human being is to perfect himself or herself as a human being. This means first of all the development of his or her potential creative-mental powers; it is also those forms of liberty through which he or she, as a human being, may fruitfully contribute the results of such creative-mental development to the general good. It is only in that fashion that a person may say that he or she contributes something of universal value to society, through the benefits of development and fruitfulness of creative-mental development, and can regard himself or herself as no mere biological, greedy individual, a beast-like individual. He or she thus achieves universal importance to all other human beings, and fosters a society fit for human beings, in which men and women enter into a brotherhood premised on recognition of the universal value of each to all.

The labor movement constituted as an independent political force, and constituted so on the basis of a recognition of these principles, is the force in society which has no other interest but that of serving these principles. It is the only reliable constituency on which the Neoplatonic elite of a republic can premise the security of the nation.

Such an independent political labor movement is dominated numerically by working people of such con-

victions. It is not otherwise a movement of a social class, but rather a humanist political formation which is the appropriate political home for all individuals of the same humanist outlook and commitments.

*That is the meaning of a labor-industry alliance.* To have a labor-industry alliance one must build an independent political movement of labor on the basis of the principled conception of self-interest we have outlined here. That is the only proper meaning of a Labor Party.

From this vantage point there is nothing properly mystifying in the U.S. Labor Party, nor any proper doubt of its crucial importance in influencing the affairs of the world today.

The extraordinary intellectual achievements of the U.S. Labor Party and its immediate collaborators in various specialist domains, including political-intelligence work, is derived from the founding of the organization, beginning with preliminary phases of mid-1966, on the basis of the scientific breakthroughs outlined here. The results, in various fields of work, of such a superiority of training and development, are thus to be understood as analogous to the advantages of the recipient of a doctoral degree in physics or biological sciences over a person whose education ended with secondary school.

This arrangement is no longer adequate. We are entering — at least, in all apparent probabilities of the present moment — on a new age, to begin approximately January 1, 1979 with the institutionalization of the first phase of regular operations of the New European Monetary Fund. Henceforth, the making of policy in the world must be governed by a theoretical apparatus adequate to the emerging new world monetary and economic order. All old versions of economics and still persisting (presently) ruling opinions in many specialist fields must be relegated to appropriate museums (including “black museums”), and a new governing theoretical outlook, typified by what we have outlined here, must become the prevailing standard of professional competence.

The breakthrough in scientific method we have outlined here is the basis for developing the new conceptions of professional competence which must rule the world’s policymaking during the emerging period before us.

# EXECUTIVE INTELLIGENCE REVIEW

## ... GIVES YOU

the intelligence you need to be making policy whether your responsibilities are in government, the labor movement, business, education, or elsewhere.

## ... COVERED WHAT WAS

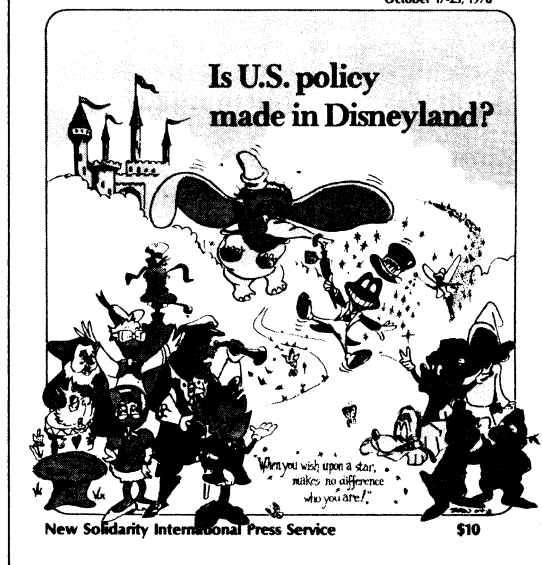
really negotiated at the July 1978 Bremen and Bonn summits of industrialized countries . . . and how the European Monetary System launched at Bremen was *modeled* on a 1975 proposal by the American political economist Lyndon H. LaRouche, Jr. as the "seed-crystal" of a new, development-oriented world monetary system . . . how the United States can get into this system and out of the depression . . .

## ... REPORTED HOW

fusion energy researchers in the United States achieved the milestone breakthroughs reported in August, 1978 from Princeton, and what other advances are coming in this clean, cheap and virtually unlimited solution to the world energy crisis . . . how and why there was a massive sabotage attempt against the U.S. fusion program, and who's backing fusion now . . . what were Japan's and the Soviet Union's offers in 1978 to the USA for joint fusion R&D.

## EXECUTIVE INTELLIGENCE REVIEW

October 17-23, 1978



## ... DOCUMENTED

what's behind the world outbreak of terrorism . . . the names of the global networks that deployed both "left" and "right" terrorism to kill Juergen Ponto, Hanns-Martin Schleyer, and Aldo Moro—and plan an even bigger terror wave for the United States . . . Executive Intelligence Review provides the first-hand documentation from the world's press, including accurate translations from non-English sources, showing how continental Europe, Japan, the East bloc, the Arabs and developing sector countries are seeing and acting on events.

### PRICE CHART

Area	3 months	6 months	1 year
U.S., Canada & Mexico	\$125	\$225	\$400
Central America, West Indies, Venezuela & Colombia	\$135	\$245	\$450
West Europe, South America, Mediterranean & North Africa	\$140	\$255	\$470
All other countries plus South Africa	\$145	\$265	\$490

3 months       6 months       1 year

Name .....

Address .....

City ..... State ..... Zip .....

Signature .....

amount enclosed .....

Make checks payable to:  
New Solidarity International Press Service  
G.P.O. Box 1922, New York, N.Y. 10001

[ THIS PAGE IS INTENTIONALLY BLANK ]