How Promptly To Bankrupt the British

by Lyndon H. LaRouche, Jr.

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The following analysis was issued on February 12, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Developments over this past week show that the British monarchy is activating its last monetary option: triggering an immediate world monetary collapse, causing a world depression. Most recently, this is what London did over the 1928–31 period, in organizing the 1929 U.S. stock market collapse from London, and the subsequent 1931 floating of the pound sterling.

Since almost no leading politicians and very few leading bankers in the U.S.A. or continental Western Europe understand adequately the ABCs of this kind of problem, it is urgent that I summarize the knowledge of myself and of my specialist collaborators in the form most useful to those responsible political, banking, industrial, and trade union officials. Against this background of information, I develop the two-fold counteroffensive approach to bankrupting the City of London's merchant banking and Crown agent forces.

In form, the following remarks are written as a national intelligence strategic estimate to the highest levels of the Carter Administration and to key commercial banking circles in Manhattan, Detroit, Chicago, Atlanta, Texas, Oklahoma, Denver, and the U.S. West Coast centers.

It is intended, however, that key political and financial circles known to me in France, Italy, Belgium, the Federal Republic of Germany, and Japan should, in a matter of speaking, look over the shoulders of the American readers to whom this special intelligence report is addressed most directly. It is necessary that American and allied forces mount an effective international conspiracy to do immediately what should have been done during the last quarter of the 18th century—bankrupt the City of London merchant banks and Crown agents for once and forever.

I present the basic facts in the following order. First, I summarize the technique being used —once again—by the City of London: selling the world short, with the intent to control international credit. Next, I shall turn to discuss the problems presented from the standpoint of American vital economic and monetary interests. In this connection, I state the point to be made from the standpoint of economic fundamentals without yet considering, at that point, the problem of saving the relevant commercial financial institutions. Under the same general heading, I take up next the policy for saving the infrastructure of essential financial institutions. Finally, I outline the two-fold approach we must adopt. The first short-term option we must follow is that of creating a bull market speculative defense of the U.S. dollar, a basic tactic for bankrupting the British bears. At the same time, we must maintain what seems to be the opposite option, of selling the London interests short—to outdo the British in what they propose to do to us.

Although the two latter options might seem to be directly opposite, and mutually exclusive, I shall show that they can be pursued in a way which is coherent and mutually compatible.

An Old British Tactic

The origins of the tactic being used by London are traced most significantly to the 1783–1818 period. During this period, an economically and financially bankrupt City of London hoodwinked and swindled the entire continent of Europe, chiefly by sheer bluff and fraud.

With the complicity of traitors centered in the Manhattan banking interests, under Martin Van Buren and his puppet President Andrew Jackson, London destroyed the credit and economic power of the United States during the 1829–37 period, culminating in the London-directed panic of 1837. Skipping over some earlier and intervening cases, the British repeated this operation against the United States in 1873, 1877, the 1890s, against the world during the 1904–07 period, and during the 1926–31 period.

The technique is elementary. Selling the world short does cause a collapse in total nominal valuation of outstanding aggregate of instruments, including instruments held by London itself. However, the force which runs the successful bear market, although collapsing inclusively the nominal aggregate valuations of its own holdings, gains two decisive monetary benefits. First, it comes out of the bear market with an increased percentile of the total surviving value of aggregate. Second, if it manages the affair properly, it emerges with crucial control of the available disposable liquidity.

In short, it gains increased control of the world financial markets, and is able later to run up the nominal value of aggregate, recovering perhaps more than it has lost—at the expense of those on the losing end of the bear market swindle.

The British way of thinking is exemplified perversely by the current, tottering condition of the British economy. The current valuation of the pound sterling is utterly fraudulent. The value of the pound for international trade purchases from England is grossly exaggerated with respect to the hard-commodity trading value of the dollar, French franc, deutschmark, yen, and so forth.

In terms of investments in the British internal economy, the value of the pound is converging on a value less than zero—except for "asset-stripping" forms of investment. The current nominal value of the pound is maintained principally by short-term speculative leverages of the London market, aggravated by a fraudulent overvaluation of North Sea. petroleum prospects and, also, by short-term asset-stripping activities against the British economy itself. The nominal value of the pound sterling is nothing but a hoax, a pure speculative bubble, and a bluff.

The problem from the standpoint of the London merchant bankers and royal Crown agents, is how to use such an inherently worthless currency, the pound sterling, to take control of the world economy and international credit.

The bluff depends chiefly 1 upon playing the dominant circles of the United States and continental Western Europe for credulous donkeys.

The essence of the method employed is British empiricism, British pragmatism. The British induce the credulous fools—governments, commercial banking interests, industrialists, trade-union leaders, and so forth—to limit their practical actions to a selection of short-term "choices" as defined by the British and British agents-of-influence in the relevant nations.

Control of the major press—such as the *Washington Post*, the *New York Times*, NBC, CBS, Reuters, UPI, etc. in the U.S., *Le Monde* in France, and the liberal Hamburg and other press, plus other media in West Germany—is crucial to this manipulation of the credulous. This press control is supplemented by those various think tanks and policy associations of various nations which are entirely or predominantly controlled variously by British agents or agents-of-influence. The U.S. Council on Foreign Relations, the Trilateral Commission, RAND Corporation, the Georgetown University CSIS, the Brookings Institution, the networks of the Institute for Policy Studies are prominent, excellent examples of British policy and intelligence agencies' interests in the U.S.A., just as most members of the London International Institute for Strategic Studies (IISS) are wittingly or unwittingly British agents or agents-of-influence in their respective nations.

British-influenced corrupt attorneys in the U.S. law profession are integral to this operation as subsections of those same British-oriented networks of attorneys are key in deploying international terrorists. The special importance of British-influenced members of the legal profession is the corruption of law into conformity with the various subversive, anticonstitutional doctrines of law associated with Justice Holmes, Thurman Arnold, Joseph Rauh, the subversive British philosophical outlook of Karl Popper, Max Weber, and the legal philosophy of the prize philosopher of law, Carl Schmitt.

Through such channels, including corrupt but influential elements of the law profession, the victim nations are conditioned into a "Maginot line policy" respecting short-term defense of nominal valuations of instruments and contracts. This sets up the victim nations for easy subversion and defeat by British bear market operations. In other words, the effort of nations to defend the nominal valuations of speculatively inflated real estate or other financial markets by short-term monetary means, diverts liquidity away from capital formation into inflationary spirals, setting those nations up for a British bear market, bubble-pricking operation.

One of the most important associated political weapons of British intelligence is the "environmentalist movement" and that movement's international terrorist complement. Since all economic development centers currently around nuclear energy development, the British are able to destroy the economic value of the currencies of victim nations through the activities of the British intelligence-created "environmentalists" and terrorist movements pressing the attacks against nuclear-centered, job-creating capital formation, and weakening those economies with the slave-labor ("labor-intensive") methods associated with the proposed Humphrey-Hawkins bill in the United States.

Defense Against London

In general, a fixation upon short-term defense of the nominal values of, for example, dollar-denominated debt, has the same effect as a nut in a Malayan monkey trap has on the monkey. The effort to grip firmly the nominal valuations of all outstanding, inflated debt valuations secures the paw of the credulous monkey within the British monkey trap constructed to trap the monkeys of U.S. commercial banking interests. If one lets go of this bait and approaches the task of obtaining the nut by smashing the trap first, both the nut and freedom can be secured.

The additional, vital, conceptual point to be cleared away in connection with the present British option is the following. The fact that the British engineered most of the depression crises of the 19th and 20th centuries must not be understood as indicating that no lawful economic monetary processes underlie the development of the preconditions for such depressions. It is merely indispensable to get rid of the notion that depressions can be predicted in point of time from a purely economic or purely monetary standpoint of mathematical analysis.

In the first public circulation of my own economic strategic, conjunctural thesis in the Spring of 1957, I stated the following. That, as of that point, February–March 1957, a major recession was in progress. (Official agencies did not concede the fact of the recession but argued to the contrary, until autumn 1957.) I emphasized, however, that this 1957 recession would not lead directly to a general depression. I emphasized that capital formation in Western Europe and Japan would continue general prosperity, under conditions of industrial stagnation and capital formation in the U.S., until following 1965, at which point a series of monetary crises would inevitably erupt, leading *toward* a world depression.

This general monetary crisis erupted as I had predicted, during 1966–67, leading to the devaluation of the pound sterling in November 1967, and the crisis of the dollar during February–March 1968. In effect, the Bretton Woods monetary system collapsed at the two crisis meetings—in Switzerland and Washington—of that 1968 crisis. This crisis of 1967–68 represented, objectively, from a monetary economic standpoint, the preconditions for a general depression. However, monetary or economic processes do not exist independently. What exists is *political economy*. Through political means, including use of the credit resources of nation-states, the 1967–68 crisis was rolled over and, in a generally similar political way, each succeeding imminent depression collapse was rolled over to this present moment.

The objective point of collapse-ripeness of the Bretton Woods monetary system occurred first during the November–March period of 1967–68. This then-worsening crisis of the collapsing old monetary system had been successfully postponed, notably during the autumn of 1971, through the aftermath of the 1973 petrodollar crisis, in the wake of the Rambouillet 1975 and the subsequent Jamaica agreement, always by *political means*. The credit of nations has been corrupted to the purpose of feeding a pyramid of inflationary bailout, a bailout of a growing mass of debt which must have been wiped out through bankruptcy without such looting of the credit of national governments.

On the basis of these successive bailouts of the bankrupt monetary system, some euphorically deluded politicians and economists have advanced the doctrine of the indefinitely postponable crisis. “We can continue resorting to these methods indefinitely,” such foolish people assure themselves and their credulous admirers.

That view is utter nonsense. “See,” the wise fools insist, “there was really no crisis. We successfully prevented the crisis.” Their argument is nonsensical. They did postpone the *reckoning* of the crisis—in one sense. They evaded Third World debt moratoria, both by rollover schemes and, more importantly, by various successes in blackmailing and corrupting Third World governments. (On the latter point, I can name names, supply dates, and detail the operations—that is not, however, necessary here.) However, did they actually solve the crisis, or [did they] trade off today's threatened monetary collapse for a more disastrous threat of monetary collapse at the next round?

The 1971 crisis was worse than the 1967–68 crisis; the 1973–74 crisis worse than the 1971 crisis; the imminent collapse of 1975 worse than the threats of 1973–74; the threatened collapse of September–October 1976 worse than the autumn of 1975 crisis; the 1977 crisis worse than the 1976 crisis; and the 1978 crisis monstrously worse than the 1977 crisis. The crisis must either be resolved by resolving the fundamentals of the matter, or, rollover simply means exchanging a collapse today at the price of a much worse threat of collapse tomorrow.

In general, the 1964–68 turning-point in post-war OECD economies represented a shift away from productive capital formation toward pure monetary speculation. The attempted rollovers of 1968, 1971, 1974, 1975, and so forth have each worsened that trend by qualitative leaps. The diversion of credit from long-term capital formation investments into the Eurodollar real estate and other speculative orgies, was an inflationary trend. This was an accelerating inflationary trend, which lawfully drove up interest rates, shortened the average maturities of outstanding indebtedness, and drained the capital funds of industrial and agricultural production, including maintenance of materials and circulating capital. All of this was for the purpose of leveraging on hyperinflationary pyramids of intrinsically nonperforming debt.

The correlative of this process was therefore a contraction in productive investment in industry and agriculture, associated with a contraction in employment, real purchasing power of populations, and of capital formation. This led, especially after 1973, into an accelerating contraction in world trade, and an accompanying shrinking of the real tax base of those national economies whose credit was fueling the supply of liquidity diverted in to a bailout of the pyramiding mass of nonperforming debt. In effect, the mass of the current debt service burden is expanding at an accelerating rate while the productive base of the world economy is contracting. Consequently, we have an exponential growth in the ratio of debt service to industrial and agricultural production at a point—now—that the average level of world trade and production is essentially below the breakeven point.

In short, the method of bailout employed since the 1964–68 turning point has led to a circumstance in which the net profit of combined production in the capitalist sector is now below the breakeven point—the point at which existing plants, farms, and labor forces are barely maintained in preexisting quantities and quality overall. This means that the capitalist system as a whole is operating below the zero-level of profit from real productive output. Yet, debt service, which must be paid out of profitable margins of real social revenues in a healthy economy, is exponentially increasing the taxation on profits, at a time when the real profit of the capitalist sector is below zero!

At this point, the bailouters have two basic choices. First, they may elect to go into a new rollover effort, an effort proposed, for example, to the Bank for International Settlements during 1977. This would mean a hyperinflationary growth of useless and dangerously excessive liquidity, combined with fascist (Schachtian) austerity on a nearly global scale. That is the McNamara approach. This means adopting an explosive situation, in which the slightest disturbance to the flow of payments can trigger a chain-reaction form of monetary collapse. Or, the second choice, one powerful faction within the collection can decide to prick the bubble. The most successful bears in a bubble-pricking operation wipe out and take over their competitors, under that approach to a Schachtian world order.

That is the British method. The British promote financial pyramids among those "areas" they have marked out for looting. At the crucial point of their choice, the British then prick the bubble they have fostered and usually clean up in the bear market washout.

Thus, the underlying determinant of a monetary collapse and general depression is "objectively" ascertainable, even with respect to the timing of crisis points. However, which of the crisis points is accompanied by a rollover postponement of the crisis, or a bear market bubble-pricking is predominantly a matter of political subjective choices.

I and my associates have attempted over the years to get through the skulls of obstinate politicians, bankers, and so forth, just that point. What can be predicted, first of all, is the tempo and principal features of a new crisis. What can also be predicted is the range of policy choices available to various forces and collections in that crisis. In general, these choices are (a) create a bear market against the credulous victims; (b) attempt a possible new form of rollover swindle to postpone the reckoning another round; (c) undertake a fundamental solution to the causal problems governing the crisis process.

Economics and politics are not domains suitable to computer analysis or other foolish sorts of crystal-ball gazing. Economics and politics are domains in which science determines what choices confront us at what points, and what the consequences of the alternative choices will be. The present crisis is always the lawful consequence of previous choices; that is its first "objective" aspect. Economics is then a matter of defining the new policy choices; that is its "subjective" side. Economics is then a matter of showing that the lawful consequences of a policy choice must be; that is its second "objective" aspect.

If the United States and other nations stick to the British rules of the game at this point, London will win.

However, if the United States and other nations resort to economic fundamentals of the sort I identify, those economic fundamentals afford the powerful U.S. and allied OECD economies with two general options for bankrupting the London merchant banks and the British Crown agents, either by a bull market monetary effort or by, in effect, selling Eurodollar paper against the rising real value of the U.S. dollar.

The former monetary approach uses the strengthened position of the dollar to bankrupt the bear market speculators, to catch them with their short positions hanging out. The latter option produces a selective collapse of the debt pyramid.

The basic approach to either option is identical. One properly deploys to the purpose of being in an advantageous position to apply either/or a combination of both as circumstances recommend such a course to be most advantageous.

There is nothing the British can do effectively against the method we propose. At least, on condition that the United States and its allies follow through in the proper way.

The British have threatened to sequester assets of Arabs (for example) in case of a run-out from the London market. What a pathetic bluff! Should they resort to such tricks, we would simply appropriate equivalent values from British assets within our reach. British petroleum assets, for example, can be seized in a number of nations in the Middle East and elsewhere—all in an excellently legal fashion, and on short notice, wherever governments are disposed to foster speedy justice in such matters.

Should the British peddle North Sea petroleum or other exports, they can be paid with drafts on sequestered assets in their possession. There is a large list of options appropriate to various combinations. If the United States acts to support politically and militarily those of its allies put into that course of action, there is nothing the British could do—except capitulate to U.S. terms. In determined action, London could be brought to its knees, begging for terms, within a week or so.

So let us do that.

It will not injure the ordinary people of Britain. Indeed, I most strongly recommend that we term the action "Operation Cromwell"—since the Dudleys are less popularly known. Some forms of oppression must be cut off at the top. As in all well-designed wars, the proposed economic warfare against the royal Crown agents and their appendages will be the greatest imaginable boon to the industries, agriculture, and ordinary people of the United Kingdom.

Economic Fundamentals

The value of a major currency, such as the U.S. dollar, is in first approximation of a two-fold character. This two-foldness is then properly understood to represent subordinate aspects of a higher determination of value, in which the doubleness of immediate valuation is coherently resolved into a single conception of valuation.

The ordinary value of a principal nation's currency is approximately its competitive value in terms of what it will buy domestically and for purposes of international trade. In general, no currency which is backed by a payments balance on its hard-commodity export account is to be valued below the amount indicated by the pricing of its exports. In particular, there is no objective reason that U.S. hard-commodity exports could not be increased by $30–$50 billion annually or at this rate to an increment of $100–$200 billion annually in the inside period, 1978–1980.

The investment value of a nation's currency is not the competitive prime interest rate in the money markets. That prime interest rate may or may not happen to correspond to the profitability of international capital investment. If not, the short-term fluctuation in currency valuation associated with shifts in competitive interest rates is merely a short-term deception.

The most immediate determinant of relative levels of profitability of investment, in the short term, is the relationship of current production levels in industry and agriculture to breakeven levels of output.

Thus, activation of the U. S. EXIM Bank to foster increases in exports in the order of $30–$50 billion annually has the following threefold effect. First, the hundreds of billions of overseas dollar valuations outstanding, especially the liquid portion of these overseas holdings, become convertible rapidly into discountable hard-commodity paper in U.S. and other exports. Second, it puts the trading position of the U.S. dollar into approximate balance or better. Third, it brings export sections of industry and agricultural production up above the breakeven point into profitable production and has a "chain-reaction," regenerating effect on industry supplying the firms and farms producing for export. This enhances the profitability of capital formation and maintenance of industry and agriculture, solves the first big margin of the unemployment problem, and expands the tax base of government.

The mere commitment of the U.S. government to such policies, with emphasis on cooperation with other industrialized nations to develop nuclear energy production-centered "nuplexes" (urban-agricultural development projects built around new sources of essential energy production), would in itself make possible conversion of large amounts of overseas dollar balances into long-term debt in U.S. or financial institutions. Such a firm policy commitment by the U.S. government would itself send the value of the dollar up toward the 2.5 deutschmark (DM) range in the short term and toward DM3.0 over the intermediate term.

If we put aside, for a moment, the existing financial debt of developing nations, sufficient rival high-technology transfer projects exist for immediate action in that sector to absorb levels of investment in the order of $200 billion annually from industrialized nations. As such investments begin to take root, they increase the purchasing power of developing sector economies, and thus provide the basis for a secular expansion of the annual levels of ability to absorb sound investments. That is, the new debt created on account of these investments will be imminently sound as a whole.

Two fairly widespread illusions exist in this connection. First, some misguided people think that the United States is intrinsically in competition with France, Japan, West Germany, and so forth, for such investments and markets. On the basis of individual firms and so forth, such healthy competition does and should exist. On the basis of national economies' gross volumes of high-technology exports, in general there is no such pie-dividing competition. In fact, the more each of these capital-exporting nations contributes to the whole, the better and larger the opportunities for total investment becomes. In other words, if France, West Germany, Japan, and so forth, are properly exporting at high levels to these importing nations, the total opportunity for U.S. exports to these nations is higher than if the United States held them as captive markets.

We shall return to develop this point further, but first, we shall summarize the second point.

Some trade-union leaders, among others, agree that such an export policy would immediately increase U.S. employment. However, they wish to know whether or not the U.S. would be exporting jobs in the long run. If one means a reduction in the ratio of exports from some more backward branches of industry, the answer is "possibly so." If one means a net export of jobs as a whole, the answer is "absolutely not."

The point here is that if the U.S. stagnates technologically, deemphasizing skills, then cheaper foreign labor will indeed take away U.S. jobs under any circumstances. However, if the U.S. is constantly advancing technologically, then the effect of exporting high-technology capital is to shift the composition of the U.S. labor force away from lower-skilled forms of employment toward higher ratios and amounts of employment of technicians and skilled workers. The future of U.S. labor's employment lies in shifting the pattern of U.S. production and employment to emphasize the U.S. role as a leading high-technology capital-goods producer for the world market. The worker who might lose a job in a textile mill secures an employment opportunity for himself—and for his son as well—in a higher skilled employment in a modern advanced industry.

The case of the footwear industry is exemplary.

The true problem of the American footwear industry is not foreign competition. I am fully informed of all the fallacious arguments of the footwear lobby, and know the industry intimately.

The problem of the American footwear industry, first of all, is that the manufacture of quality footwear—e.g., quality men's Goodyear Welts—has collapsed, and that the industry has turned to emphasize the production of literal junk. By adjusting U.S. marketing of footwear to the sale of junk, the U.S. footwear industry invaded an area in which foreign junk producers could gobble up much of the kind of footwear market the American footwear marketing chains had defined.

Key is the effect that the inflationary devaluation of the real content of the average household income has caused the price of a good pair of leather shoes to run into the $100 vicinity.

At the turn of the present century, the skilled American shoemaker—leather cutters, lasting and making operators—were among the better-paid categories of workers. Despite the incidental improvements in shoe manufacturing machinery and some new subsidiary processes and techniques, there has been no significant qualitative improvement in shoemaking techniques since the takeover of the Tom plant by the United Shoe Machinery Corporation, no significant advances since the 1920s.

It is notable on the same point that in continental Western Europe, quality off-the-shelf shoes do not exist. The range of sizes, widths, and combinations or variations which correlate with decent-fitting quality shoes do not exist in European mass footwear production. In the United States, the ordinary workingman used to be able to break in a new, quality pair of shoes. In Western Europe, the ordinary citizen does not break in the shoes, he breaks his feet. This difference essentially reflects the qualitatively lower levels of popular income. The economy has not developed the capability to provide the ordinary citizen with good shoes.

What has happened more recently is this. Those in the industry who have continued technological progress have cheapened the total cost of the product while improving the quality of products. Agriculture—big agriculture—is a crucial part of this technological progress. Through cheapening the social cost of production, some improvement in the standards of household consumption was made possible overall even though the operative wages complement of production has dropped substantially. In those industries that have stagnated technologically, there is no such compensating reduction in social costs and improvement in the quality of commodities produced. The shoe industry is an example.

So, as the social content of the total household wage decreases, the social content of the manufacture of a pair of shoes does not decrease in an approximately comparative fashion. Thus, as a portion of the wage, a pair of shoes one could have afforded in 1956 or 1960, one can no longer afford. One buys junk; foreign producers can make junk more cheaply than American producers.

However, add to this the fact that only American firms have proven themselves formerly able to mass produce quality men's and women's Goodyear Welts and other quality footwear construction in the range of sizes (and style choices) which good-quality footwear represents. If we were still producing such and other good footwear, no nation in the world could match the desirability of the American footwear product.

That case illustrates the general principle to be applied. It is the production of what is relatively junk and the continuation of obsolete methods of production which loses American jobs to foreign competition. With the best-educated labor force in the world, the highest standards of income, the highest level of technological potential of any labor force in the world, nothing can compete with American production if we stick to those principles, if we concentrate on using our advantages for broadly based technological progress in selecting what America produces for the world market.

This intersects the first point considered. By developing the developing nations, we increase the economic pie of those nations, including their buying power for imports, their rate of savings for capital investment—and we import more from them. The most essential feature of this process is the increase in social productivity effected through technological advances (capital-intensive technological advance) in the mode of industrial and agricultural production.

What is to be refuted in this connection is a combination of two fundamental, but popular, fallacies. The first of these two, interrelated fallacies is typified by the notion that the amount of natural and other wealth in the world is more or less a fixed and shrinking pie, such that anyone who consumes or sells is acting contrary to the interests of other consumers or sellers. The second is typified by the notion that cheaper labor is more profitable in the circumstance of competition than more costly labor. By attacking the second of these two nonsensical views, we get most efficiently to the answer to both.

In the economy as a whole, the real profit is the amount of produced product available for investment, after meeting the combined direct and indirect costs of government and of industrial and agricultural production. At first, and fleeting appearance, the margin of profit appears to be determined by the prevailing social costs of average direct and indirect labor.

Key is the fact that the cost of labor is properly determined to be the necessary social cost of maintaining households at the level of culture that modern technologies of production require. Also key is the fact that the marginal finiteness of man-altered primary resources, as defined by any given level of technology, must cause an erosion of profitability, unless technological progress constantly and adequately redefines the meaning of primary resources.

It is only technological progress which makes profit possible. Technological progress must increase the rate of profit in the total economy, while also absorbing increases in the necessary-income. Rises in material, cultural levels are essential to the advancing cultural (technological) potential of the labor force. The correlative of this combined benefit of technological progress is a secularly exponential increase in the amount of useful energy consumed per capita in production and in households.

For purposes of contrast, if the policy of the Humphrey-Hawkins bill and environmentalists were introduced, the shift from capital-intensive to labor-intensive emphasis would necessarily produce economic genocide in the world population. Today, labor-intensive labor generally produces less than is required to maintain an average standard of living. The introduction of labor-intensive employment policies means not merely a one-time reduction, but a self-feeding downward spiral in world and national production output and consumption levels. Labor-intensive employment policies like Humphrey-Hawkins are nothing but willful acts of economic mass murder.

Thus, Alexander Hamilton insisted correctly, with the concurrence of a majority of the Congress and the nation's founders, that the source of wealth lies in fostering technology to effect continuous advances in the productive powers of labor. In other words, the rate at which technological progress occurs determines the sustainable rate of profit from production, the cheapness of commodities, and the ability of borrowing nations to import and to pay debt. This was the policy by which a bankrupt young United States established its national credit, drastically lowered its interest rate, and beat the British in the first decades of its existence.

That is the economic policy of the American System. That is the policy by which the United States beat the British before. That is the only workable policy for beating our British monarchist enemies today. That is the only policy by which debt-ridden developing nations can escape from the economic genocidal mess London and Robert McNamara's World Bank seek to impose on them today. The policy of the United States must be insistent on the principles of the American System—also the Mexican System—for itself and its trading partners of the industrialized and developing nations. Once we adopt that policy, Britain is decidedly and permanently defeated, the dollar i is safe, and the present world crisis is ended.

The Crisis in Terms of Fundamentals

The City of London conspirators have signaled their commitment to the following acts of war against the United States of America:

Collapse the Eurodollar market, trigger collapse into bankruptcy of Felix Rohatyn's municipal financial monstrosity in New York City, bankrupt the Koch administration with the aid of dupe Koch, trigger a collapse of the U.S. internal real estate bubble, take over control of the commercial banks thrown into distress by such detonating of their financial overhead, take over U.S. industrial corporations for "asset-stripping" looting in favor of London bankers.

Were I President of the United States at this moment with support from a majority of the U.S. Congress, I would laugh at such British games. With control of the U.S. Federal Reserve system and means at the disposal of the government, the British might collapse New York City into bankruptcy, prick the U.S. internal real estate bubble, trigger a collapse of the Eurodollar market, and whatever else of this sort they might choose. I would laugh at them. With the economic potential of U.S. industry and agriculture, with the developing sector hungry for U.S. capital exports, and with the power of the state to wipe out or create paper values almost at will on the basis of the economy itself, the games of the Lazards, Barings, and the royal Crown agents would need only amuse us.

The key problem is that I am not President—otherwise we should turn our problems into the joy of solving them. The problem is of educating quickly sufficient sections of government and of forces able to determine governmental policy perceptions so that at least an approximation of what I could do will be done, sufficient approximations to get us through this crisis, and to give the electorate a safe span of time to reflect on its later choices for principal elective office.

The legislation I and my associates drafted for 1976, notably the Emergency Employment Act and matching legislation, represents adequate means for defending the commercial banks, and so forth under any extreme monetary crisis—provided national economic policy is on a sound footing.

What is paper, after all, but paper? Government and finance can create paper at will—and destroy paper at will. What is required is a monetary system—and banking system—which is in correspondence with both the real values of the economy and the requirements of investment and circulation of commodities. Were I President, I need but assemble the leadership of industry, trade unions, banking, and Congress, and with their aid ensure that national economic policy will be carried out on a sound basis. Then, the bankers and government can create the monetary processes we require almost at will.

If the U.S. economy is vigorously exporting, then industry and agriculture will be operating economically above breakeven, employment will be growing, profits will be growing and will be used for investment. No national economy in the world has comparable potential.

With that economic muscle mobilized, as long as we assign reasonable valuations to real estate, to portfolios of commercial banks, and so forth, those values will hold—no matter what London attempts to contrary intent. It is merely necessary to mobilize the power and will of the state and the national banking system to enforce that assignment of values.

The power of government and banks is not an arbitrary power. Unless our assignment of values is backed up by economic performance in the short, intermediate, and long term, as variously appropriate, the assignment of value to paper is a mere caprice which will lead to our undoing. Yet, let's emphasize, the value of paper can be anything we choose it to be, within the range of valuations which the course of national economic progress will validate within the horizon period of relevance. Otherwise, paper is merely paper. It is production and trade that are fundamental, that are real.

Crossing the British

Naturally, we will not permit a collapse of Third World debt to destroy essential commercial banks. We will not permit a bankruptcy of New York City to destroy New York City or the banking system. We will not permit a collapse of the real estate speculation bubble to drive us into a depression or to collapse essential banking institutions. It is important to list some exemplary measures that could be taken to cope with the problems a British bear market gambit might generate.

Suppose Third World debt collapsed, what do we do?

First, we act to establish debt moratoria for all outstanding debt to the International Monetary Fund and World Bank. This will hurt no one of any importance. The principal creditors of these institutions are governments, who can carry the balances comfortably and indefinitely—as long as those governments rest on economies coming out of the present world depression. The International Monetary Fund and World Bank cannot collapse—unless the United States chooses to collapse them. They will simply squat there—receiving nothing, paying nothing. We can return to clean up the bookkeeping mess at leisure, once general world prosperity has been reestablished.

Second, on condition that a defaulting nation establishes Hamiltonian national banking and proposes to resolve debt in the future in a Hamiltonian way, we will negotiate the terms of the non-IMF, non-World Bank debt in such terms that this debt does not get in the way of creating the new debt needed for purposes of economic development. If the British put this debt through bankruptcy, we might choose to buy up all suitably cheapened such debt with aid of special bonds—giving the British a bath to the extent possible—and use these bonds as the instrument to be taken over by the indebted nations.

Third, for every developing nation which is already creditworthy, or makes itself creditworthy by adopting Hamiltonian national banking approaches, we shall cooperate with other industrialized nations of the same persuasion, to extend these nations as much credit as is required for viable project requirements in terms of high-technology U.S. exports.

It is merely necessary that the executive and Congress pass the requisite emergency legislation to make this process feasible.

Suppose the commercial banks are placed in jeopardy, what do we do?

In the longer run, these banks need not be in trouble. Granted, they have a large overhang of vulnerable bad paper. What we shall do, over the period ahead, is to make these banks participating lenders in new credit issued for production and capital formation in industry and agriculture. In this way, they will be accumulating good paper. The effect will be that this accumulation of good paper improves their ratios of good to poor paper in the necessary way. So, on the basis of this policy and foreknowledge, we act together with the Federal Reserve to establish a special discount window for currently nonperforming, but ultimately salvageable paper, using this special window to the extent the proper performance of commercial banking functions require.

It must be borne in mind that the necessary overall credit policy objective must be to reduce the prime Federal Reserve interest rate to the 2–4 percent range, an objective which depends upon halting inflation, objective which in turn requires suitably increasing the ratio of industrial and agricultural output in the national economy, and also penalizing credit flows into speculative areas through tax and fiscal policies as well as credit policies. On the basis of such a credit policy, the government and banking system can put a large amount of low-grade paper into cold storage at low prices, driving down all interest rates and purely financial yield accordingly, and channeling capital flows away from financial into equity holdings in respect of proportional emphasis.

We can manage the real estate market problem by measures governed by the same policies. Let the speculators take a bath, all the way down to the skin, if necessary. Defend the integrity of the banking system, productive industries, agriculture, and so forth. Allow as much hot air to vanish from paper values as can be managed without jeopardizing essential banking, industrial and agricultural institutions, and without triggering a loss of confidence in federal government debt and credit.

In general, we shall take every opportunity over the longer run to reduce the valuation of real estate to the replacement value of improvements in land. The general approach to this is as follows.

We must establish, in effect, a two-tiered credit and fiscal policy. In credit matters, we must have low interest for capital improvements to cities and towns for productive improvements in production circulating capital, for industry and agriculture, and for exports. We must have significantly higher floating interest rates for secondary speculative markets in real estate and so forth, including relatively punitive rates of reserve requirements for the nonproduction and nongovernment categories of lending activity. This must be met by accelerated depreciation credits for production activities, and compensating high rates of taxation for all income not secured from production.

This does not mean penalizing essential forms of consumer credit or proper, nonspeculative forms of real estate loans. It means a punitive policy toward speculation in ground-rent valuations of land, and monetary insanity in consumer credit bubbles.

However, the folly of the Ford Administration's real estate pump-priming projects, aggravating the HUD ghetto real estate hoax is exemplary of incompetent approaches to fostering construction activity. There is no sense providing people with new houses (or "renovated" shacks) at prices they cannot afford to sustain. The purchasing power for housing is ultimately a by-product of employment, and hence, of production in industry and agriculture. If production and productive employment are collapsing, the government-aided housing boom is only heading toward a foreclosure boom. So Ford's well-meaning folly has turned out to be.

We should have been building new plants, many new nuclear energy plants, new mass transit systems. Former President Ford should have been balancing the housing construction program to the increased household income being generated through the technologically vectored, capital-intensive expansion of industry, agriculture, and hard-commodity export production. Ford's misguided approach turned out to be a cosmetic gimmick, a cosmetic cover for his running away from the real issues of sustainable construction employment policy.

In taxation, this means a low rate of taxation on all reinvested profits which are plugged into useful production or research and development, with compensating high rates of taxation on profits which are not plugged into the production or new production equity created. We must preserve the present perception of ordinary profit income and capital gain. This makes the element of control in the national economy the merits of productive investment as judged by the lender whose funds are being leveled by the equities of the borrower.

With this sort of general approach, the value of the dollar can be established in the range of DM3.0 (for purposes of current reference) and the line can be held in defending the commercial banking system.

This does not mean that the nominal value of everyone's paper is to be defended. Bad speculative investments should be permitted to perceive the painful fruits of their greedy imprudence, to the extend this does not impair the integrity of the central industries, farms, and the commercial banking system. The policy is not to defend, "Maginot Line-style," the values of contracts, but to ensure the integrity of our industries, our farms, our banking system, and the credit of the federal government, and to do this in such a way that any British bear market activities have the effect of clearing away some of the useless values tied up in the current monetary system. Our function is to defend the vital interests of the nation in such a way as to foster a global economic recovery based on nuclear energy-centered export and capital formation programs.

In summary, our proper policy is a hybrid bull-bear approach. We adopt economic policies and credit policies which convert existing international dollar liquidity into capital investment in authentic U.S. hard-commodities, high-technology exports. This itself should act toward bringing the dollar to a DM3.0 level—and the pound toward a $1.00 level (for the short term). At the same time, we are selectively bearish toward all nominal values not supported by high-technology capital formation and trade activities. This hybrid policy affords sufficient flexibility to bring the City of London and royal Crown agents to their knees in short order.

If the British seek to devalue Third World debt, we act to freeze the debt of the market, undercutting the bottom price of the British on short-term accounts.

At the same time, we maximize the value of the dollar for international trade and investment, and create new international markets with allied industrialized nations away from London. These new markets establish a new world monetary system subsuming monetary reserve gold at world market prices in proportion to the cost of production of gold in the required reserve quantities (at between probably, no less $230–$250 to an ounce).

Meanwhile, we foster the sinking value of all paper which is tied to a British system-funded debt, rather than American-style productive equity evaluations.

By such measures, we shall finish the business our political forefathers and their French humanist allies began in 1776.