Gold by Alice Roth

The iron law of money?

A reply to Count von Plettenberg points out that some "low daily living requirements" cost more than some "high daily living requirements."

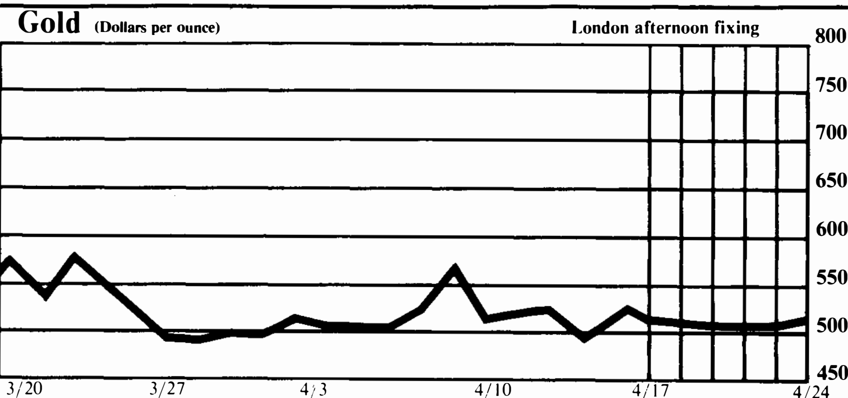
In a letter to *EIR* Contributing Editor Lyndon H. LaRouche, Count Sixtus von Plettenberg of Madrid writes, "I am—like you—against gold as an iron fetter, but for a *National Monetary Authority tied down to a definition of money.* Unless and until *EIR* tackles this basic issue of human relations, I am afraid you unwittingly or purposely shirk the real issue." Count von Plettenberg encloses with his letter a copy of an article which he wrote for the Liberty Lobby newspaper *Spotlight.*

Since many readers of this column also subscribe to *Spotlight* and have raised similar questions, I thought it would be appropriate to answer von Plettenberg's criticism in this space. In his article ("Money is More than a Regulator of Economic Life," Jan. 21 1980), von Plettenberg states that "a government by law—and this is ... defined ... by the principles that are derived from the observation of organic order, the iron law of cause and effect—as the guarantor of law and order must guarantee money as a valid currency, like it does with meter, gram, watt, etc. and regulate it in its correct quantity, just like a healthy body does with its blood by not changing it arbitrarily." Accordingly, von Plettenberg proposes that governments everywhere regulate the money supply in such a way that the basic national monetary unit is always in accordance with a given parity. That parity he defines as "equivalent to one person's daily living requirement as determined by the cost of living index."

Ironically, von Plettenberg, in defining his monetary standard, has adopted the very same assumptions underlying the economic theory of the Trilateral Commission "one worlders" who he attacks further on in his article, namely the existence of a no-growth, "equilibrium-state" economy.

What is, after all, "one person's daily living requirement"? The living standard of a peasant or a factory worker in a Third World country is obviously quite a bit lower than that of the average American farmer or blue collar worker, but the productivity of the latter is likely to be several times that of the former. Or to state the same point from a slightly different angle, the relative social cost of producing the American worker's "daily living requirement" is actually *lower* than the relative social cost of the Third World workers' substantially *lower* living standard. In the Peoples' Republic of China and the more backward Third World economies, as much as 75 percent of the population must be employed in agriculture simply to supply domestic food requirements. In the U.S., less than 4 percent of the population is able to feed the entire nation as well as to export huge surpluses each year. One cannot use the same metric in determining the "daily living requirement" of an agriculture-based Third World economy as used in measuring an advanced industrial economy; they do not exist in the same universe.

Therefore, it is sheer lunacy to propose, as von Plettenberg does, that there exists some fixed "natural" rate of money supply growth which governments must adhere to for all eternity. The only valid measure of a healthy economy is, as LaRouche has defined it, an increase in the society's reducing power, its ability to produce higher rates of surplus at relatively lower cost. The purpose of money is to facilitate the circulation and reinvestment of that surplus output. The amount of credit extended will not be excessive as long as it results in the generation of additional tangible output equal to or greater than the debt incurred. The real issue is not: "How much credit is too much?" but "how is credit being used?"



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