

# Serbian Review Hails LaRouche's Economics

*Serbian professor Blagoje Babic published the following review of Lyndon LaRouche's book Now, Are You Ready To Learn Economics?, in the Sept. 17 issue (No. 2578) of the Serbian economic review Ekonomska Politika. Professor Babic heads the Institute of International Politics and Economics in Belgrade. The article has been translated, and sub-heads added.*

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## An Extraordinary Book From An Extraordinary Author

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We have been accustomed to the conviction that the American political elite was homogeneous, in conceiving of the "national interests" of the U.S.A., on both the domestic and the world level. We have taken the official ideological postulate of the American policy of "globalization," "free trade," the system of "floating exchange rates," "deregulation," as axiomatically generally accepted in the U.S.A. Lyndon LaRouche, by his book, as well as by a series of other writings and statements, forced us to get rid of so simplified a view of the most influential country in the world today.

Lyndon LaRouche, an economist by profession, by his economic and political conceptions is among the controversial personalities. As a maverick, he achieved a high reputation by his economic forecasts. The following two are the best known:

The first forecast is developed in 1959-1960. LaRouche argued that, if the basic assumptions of the policies of Presidents Truman and Eisenhower were to continue, in the second half of the 1960s, one had to expect a series of international financial and monetary crises, leading to the disruption of the Bretton Woods system. This forecast was fulfilled in 1971, when President Richard Nixon, by his decision, suppressed the convertibility of the dollar into gold, and by the same token, he suppressed the Bretton Woods system itself. The system of floating exchange rates replaced the system of fixed exchange rates.

The second forecast departed from the suppression of the Bretton Woods system. LaRouche even at this time warned that, if the main powers took recourse in restrictive monetarist measures, the world would be confronted not with one more

cyclical crisis, but, rather, with a systemic crisis, a "general breakdown crisis" of the world economy. He argues that since the crisis of the American stock exchange in October 1987, and the strategic economic, financial, and monetary decisions from the period of 1989-1992, the existing financial and monetary system became locked into a series of seismic shocks, i.e., in a global systemic crisis or a "general breakdown" crisis.

As to how the author became convinced that the "general breakdown of the world monetary and financial system is imminent," the best evidence is his proposal how to confront it. The first chapter of his book is his anti-crisis program, "People First!" In this program, he proposes a series of measures on the general economic level, on the social and financial levels, and measures for the recovery of the physical economy. His key proposal is a "New Bretton Woods system." In the appendix of the book, there is an appeal for founding an "Ad Hoc Committee For A New Bretton Woods."

## Outlines Of A New Bretton Woods System

LaRouche stresses that Prime Minister Harold Wilson of Great Britain first undermined the Bretton Woods system by his November 1967 decision to devalue the pound sterling. U.S. President Richard Nixon, by his decision of August 1971, completed its breakdown. LaRouche considers that the solution for such an induced crisis is to return to the Bretton Woods system. But, the author underlines that this system would have worked better, had the original vision of President Franklin Roosevelt been implemented afterward.

President Truman betrayed F. Roosevelt's vision in three points:

a) He did not liquidate the Portuguese, Dutch, British, and French colonial systems, as F. Roosevelt wanted done after the Second World War;

b) "The militarily unnecessary, counterproductive, and otherwise foolish and cruel dropping of the two fission bombs" on Hiroshima and Nagasaki;

c) He did not convert the military industry into a civilian one after the Second World War, as F. Roosevelt intended to do.

But, in spite of Truman's mistakes, the program of FDR, insofar as it was implemented, was successful. It ensured the recovery of the postwar economy. In other words, F. Roosevelt's program was successful to the extent it was carried out. "Today . . . we must implement Roosevelt's own intentions. . . . Leading developing nations . . . must be leading partners with the U.S.A., Japan, and Russia establishing and administering . . . the newly revived . . . economic protectionist Bretton Woods system, of cooperation among perfectly sovereign nation-state economies."

The New Bretton Woods system would be formulated in a conference of the major world states—Germany, Russia, China, India, Japan, and the U.S.A., for practical reasons. But,

all other countries would be equal partners in this system.

In a nutshell, among the essential elements of the “New Bretton Woods system” would be the following principles:

- a) rejection of the postulate of “globalization,” and respect for the sovereignty of states;
- b) rejection of the postulate of “free trade” in favor of the rights to protect national markets (protectionism);
- c) substitution of the fixed exchange-rate system for the floating exchange-rate system;
- d) reorganizing debts, and writing off non-performing claims;
- e) a “New Deal”-like program for building basic infrastructure.

### LaRouche’s Philosophical Roots

To avoid misunderstanding, LaRouche does not consider these to be less American than those policies of “globalization,” “deregulation,” “free trade.” The opposite is true. He considers himself to be more American, because he follows the policies of the “Founding Fathers” of the American federation, irrespective of their party choice. He is member of the U.S. Democratic Party, where he did contend for the nomination as a Presidential candidate in the 2000 elections. He intends to be a pre-candidate in the next election, too.

In brief, the book *Now, Are You Ready To Learn Economics?* is at the same time the author’s political program, and a synthesis of his philosophy. To understand the author, the reader cannot rely only on his own knowledge of economics. He would be forced to renew his knowledge of physics and the history of philosophy also, as the author abundantly relies on these disciplines, too.

### The Science Of Physical Economy

Of special interest for economists is the author’s insistence on a “new accounting.” It requires a new accounting unit, other than money without a real basis.

Namely, the author raises one of the key and the most controversial questions in economic science: determination of the value of a monetary unit. With the separation of the dollar from the gold reserve standard, the formal economy is divorced from the physical one. There lies the root of the instability of the world financial and monetary systems. That is why LaRouche proposes a “basket of hard commodities” as a measure unit of value.

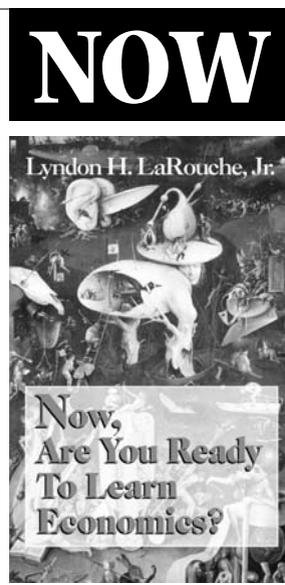
Many other economists, too, believed that without a real common measure of the value of all currencies in the world, namely, the determination of their value in relation to the same peg, the world economy would be permanently confronted with the danger of instability. The French economist of Bulgarian origin, Jacques Rueff (Jakov Ruev), sometime economic adviser to President Charles de Gaulle, proposed the return of gold to the international monetary system. The German economist Wolfram Engels, the author of the book *The Capitalist And His Crises* (1995), which has been trans-

lated into Serbian, proposes to determine the value of the currency unit in real terms, i.e., as an aliquot part of the national product.

But, what separates LaRouche from these economists, is the notion of the “physical economy.” “A new monetary system will provide . . . a long wave of global real economic growth, as measured in physical terms, per capita and per square kilometer.”

In the conflict between “two camps” in American economic policy — one seeking its interests in the national economy, consisting of the producers in agriculture and industry and operatives, and the second “oligarchic financier interests which loot the national economy” — LaRouche has been with the first. Thanks to such a choice, immediately after having built his own reputation, he was confronted by the financial oligarchy.

We recommend the book *Now, Are You Ready To Learn Economics?*, not only to grasp an unconventional concept of economics, but also to see that there exists “another America,” different from the one which we have bad memories of. And to the author, Lyndon LaRouche, we wish success in the next election, hoping that, if he succeeds, he will not share the destiny of his idols — Alexander Hamilton, Abraham Lincoln, John Kennedy — who perished because they were for an “American America.”



**NOW** Are You Ready To Learn Economics?

Lyndon H. LaRouche, Jr.

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