

on the productive sector. (Trucking deregulation, if it is approved, will cost about \$20 billion per year, according to an *EIR Special Report*). Worst of all, the explosion of interest rates in response to the real deficit levels will choke off all economic activity requiring long-term investment (except that demanded by the Department of Defense and the Department of Energy).

That is how matters now stand. As noted above, cutting \$15 or \$20 billion from the budget is already a joke, since the federal government will pay more than that in excess interest charges in any event. Reportedly, Fed Chairman Volcker has demanded a 10 percent real-dollar cut in the FY 1981 budget, or about **\$70 billion**, as the condition for monetary stability. If Carter decided to remove his pet energy and military projects from the budget, the rough equivalent of resigning his office, Volcker's proposals might be ameliorative in a significant way.

However, the proposed mammoth cut in the budget

would probably follow the direction of Carter's current proposed reductions, hitting the consumer sector of the economy most directly. Presumably, the reduction in incomes due to a drop in federal transfer payments would be matched one-for-one by a drop in expenditures, because the savings rate is now around zero, and there are no sources of consumer credit open to low-income individuals. Tangible goods production in the consumer sector would therefore contract sharply, with a much sharper reduction than the 10 percent drop in consumer durables' output during 1979 spreading also to nondurables, which held fairly steady during that year.

At very best, the inflation effect would be neutral, eliminating both incomes and output. However, the likelihood in the real world is that the fungus-like growth of the military, "energy security" and similar sections of the budget would continue to overrun their spending targets by several tens of billions of dollars, pushing the budget mix even further over to the inflation side.



Milton Friedman

## New book to expose Nazi doctrines of Friedman

Democratic presidential candidate Lyndon LaRouche announced Feb. 29 that he and financial analyst David Goldman, *EIR*'s Economics Editor, are currently producing a book which will expose Nobel prize winner Milton Friedman as a self-confessed Nazi economist.

The decision to produce the book was triggered by Friedman's public declaration of his admiration for Nazi Finance Minister Hjalmar Schacht on a radio talk-show during this past year. Friedman's public confession of his Nazi sympathies showed that the resemblance of Friedman's "fiscal austerity" doctrines to those of Hitler's Nazis is not a coincidence. Friedman has publicly acknowledged the connection.

The book will show that the presently adopted

economic policies of many Republican presidential campaigns are based on the Nazi-imitating doctrines of Friedman and F. von Hayek. The current "energy" and "austerity" policies of the Carter administration are also Nazi-modeled. The included object of the book, says LaRouche, is to shame honest Republicans and Democrats into second thoughts concerning the Nazi-like evil they are condoning under the mislabeling of "fiscal conservatism."

The book is presently scheduled to be off the presses early this spring, well in advance of the June 1980 final round of primary campaigning.

In making the announcement, LaRouche referenced an hour-long conversation he had with France's Jacques Rueff on the subject of Nazi economics. They compared Rueff's published treatment of Schachtian "fiscal conservatism" as "inflation turned inward" with LaRouche's different approach, leading to the same conclusion.

They also discussed LaRouche's approach to creating a new, gold-based monetary system, a basic monetary reform which both LaRouche and Rueff saw as the only alternative to an imminent revival of Nazi-like economic and monetary policies among the OECD nations.

The new book, said LaRouche, will honor the late Jacques Rueff's own published analysis of Hjalmar Schacht's methods, demonstrating that the economic and monetary doctrines of Friedman and von Hayek are identical with those of the Nazi regime.