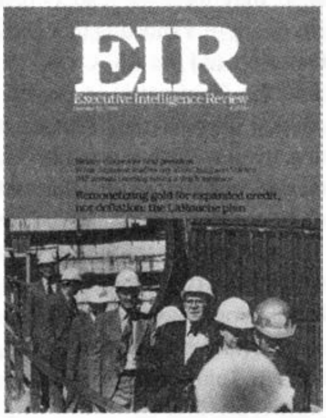
LaRouche vs. Kemp on the gold standard

The *Washington Times* on Aug. 12 reported that Democrats were distributing "gold bars" at the Republican convention in San Diego—chocolate bars in gold wrapping, with an inscription that notes GOP vice presidential nominee Jack Kemp's past support for a gold standard. The inscription on the wrapper, according to the article, "linked Mr. Kemp to the John Birch Society, militias, and Lyndon LaRouche in an attempt to associate him with 'other wackos who advocate a return to the gold standard,' a Democratic operative said."

Commenting on such reports in an Aug. 14 interview with "EIR Talks," LaRouche called it "ridiculous" to say that he and Kemp had the same policy. "There's a famous 1981 debate between me and Kemp, on this issue, in which I attacked the gold standard, and proposed that we ought to have a gold reserve system, not a gold standard," LaRouche said. As for Kemp, "what he's talking about, is the Specie Resumption Act policy which was pushed through over the period through 1875 through 1879. It was the Specie Resumption policy that plunged the United States into the deepest depression this nation has ever experienced, which continued for the better part of that period, from the middle of the 1870s into, really, toward the end of the 1890s. . . . Apparently, Jack has not done his historical research once again. He's a good guy, but he's wrong."



An *EIR* cover feature of Oct. 13, 1981, entitled "Remonetizing Gold for Expanded Credit, Not Deflation: the LaRouche Plan" (shown here), contrasted LaRouche's plan to the various proposals being presented to the new Reagan administration, for the reimposition of a gold reserve foreign exchange system. Among the plans analyzed, were those of the Bank for International Settlements, the International Monetary Fund, and the U.S. Federal Reserve. Kemp's idea system was originally propounded by Lewis E. Lehrman, then chairman of the Lehrman Institute in New York City. Lehrman's plan, in turn, was popularized by "supply side" hoaxster Arthur Laffer, and by Jude Wanniski, identified as "the publicist for Rep. Jack Kemp on supply side issues."

The most crucial difference between LaRouche's plan, and all other gold plans, is that only LaRouche's plan is designed to *increase* the availability of credit for productive investment. The others all looked to a deliberate contraction of credit.

The feature reprinted a Sept. 22, 1981 resolution of the National Democratic Policy Committee, drafted under the direction of NDPC Advisory Board Chairman LaRouche, which stated, in part:

"Even at this late hour, the re-introduction of gold into the world monetary system can prevent a major financial crisis and economic depression. The Federal Reserve's incompetent, destructive monetary policy has already pushed the U.S. economy into the second stage of a depression that began immediately after Chairman Volcker's 'Saturday Night Massacre' of Oct. 4, 1979. . . .

"This is a war for the survival of the United States, not—as the Fed has argued—payment for the past sins of largesse committed by previous administrations. America's banking system is already under the dictatorial control of the 'offshore' money markets, which the Fed has transformed into the only source of liquidity available to American borrowers. Remonetization of gold is the step required to win the war on behalf of American productivity and living standards.

"Step one is to remove the gold issue from monetarist incantation over 'market perceptions,' 'inflationary expectations,' and 'monetary control.' Those disciplines which the American financial system requires may be reduced practicably to a single overriding constraint: We must restrict the expansion of credit to those uses which will improve productivity, output, and exports. . . .

"Since the basis for determining the fixed price of gold is the required production-price of new gold supplies, this price fixing will endure—provided that credit issue contributes to anti-inflationary gains in productivity. Any attempt by speculators to push the price above the level at which central banks exchange gold among each other might, temporarily, produce a 'two-tier' gold price of the type seen between 1968 and 1971. However, we have no doubt who would come out the victor in this sort of economic war.

"The flaw in the various monetarist proposals for gold restoration is elementary. The United States must conduct a form of economic warfare against an international financial cartel whose principal objective is to have the carcass of the U.S. economy to pick over. Their ally is the Federal Reserve, and their chief operator is Federal Reserve Chairman Paul Volcker. Without the two fundamental safeguards [embedded in the LaRouche proposal], i.e. *transparency of sources of credit,* and *priority for productive credits,* the United States monetary authorities will have little to say in the management of the monetary system relative to the London and Cayman Islands offshore centers. Either, as the Federal Reserve proposes, the monetary authorities will bring about a deflationary collapse of the credit system by tightening credit to prevent gold outflow, or the U.S. will simply lose its gold stock to speculators. . . ." (emphasis in original).