

# Economics

A photograph of a steel mill worker in a blue hard hat and brown jacket operating a large industrial machine. Molten metal is visible in a channel below the machine.

**Rolf A. F. Witzsche**

An Economy exists to meet the needs of society  
to build:  
houses, cars, infrastructures, machinery,  
to provide clothing, food, transportation, culture, learning, health care,  
to guarantee security and a richer world for the future.

This small book of research has originally been created in the late 1990s as a presentation for a small audience. As it explores the real fundamental principles of economics that supports society's existence, the presentation is still valid and will always remain so, because universal principles are timeless by nature.

The original presentation has been assembled in the form of a small book for those seeking an understanding of what economics is all about, and I mean real economics contrary to the Adam Smith type perceptions, misnamed economics, that have in recent years perverted the processes that should support society into destructive ventures of fascist greed, which now are threatening the entire world with suffering on the scale of a New Dark Age. It is important, therefore, in the ensuing chaos of epidemic unemployment, homelessness, starvation, terror, and violence, what the real principle of economy is and always has been. The research book that is presented here is small, but far reaching in its overview of an onrushing crisis and what can prevent it. For its significance in this regard the book has been made recently a part of the prolog of a much more extensive research book with the title, *The Disintegration of the World Financial System*, by Rolf A. F. Witzsche, that was originally written in the early 1990s without this prolog.

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# The (real) Principle of Economics

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The small research book is designed to accomplish the following objectives:

1. to illustrate the fundamental principle of economics;
2. to illustrate that there exists only one such principle, not two or three;
3. to illustrate the financial aspects of this principle;
4. to illustrate that the present world-financial and economic system is doomed beyond repair;
5. to illustrate how the breakdown of civilization can be prevented by preempting the disintegration of the doomed world-financial and economic system.

Actually, the real goal lies beyond this. The goal is not just to illustrate a principle, but to do this in such a way that the reader comes to the conclusion, based on an understanding of this principle, that our present economic system is hopelessly doomed. Then, perhaps, the reader will be motivated to take action towards rescuing society and protecting human civilization. If this goal is not achieved, then please forgive the author of this article for having failed, for then your life is in danger, and the danger continues to be hidden from you.

So, how does a person go about achieving the goal that must be achieved? I suppose, the first set of questions that should be answered is probably the most natural set of questions a person might have about the principle of economics:

How can I know what this principle is?

**How can the principle be distinguished from what is mere opinion?**

The world abounds with people who have strong opinions about economics. How can one 'measure' this principle to determine what is truth? Can we judge truth by its effect?

In order to answer the first question, we need to go to the laboratory. I propose that we take a knife and go together to a grocery store. I will select one of the yellow fruits there, peel off its skin part of the way, and then hand the fruit to you with the statement that this is a banana. I will invite you at this point to take a big bite of the fruit to test its flavor. Finally I will ask you to tell me if my statement, that this yellow fruit is a banana, is a statement of truth.

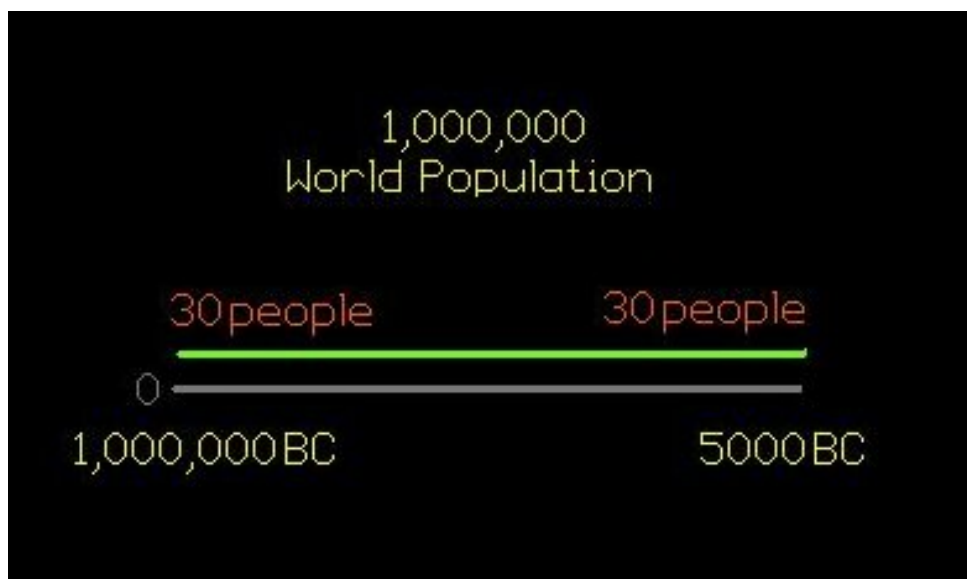
You may laugh here. The answer is obvious, isn't it? Virtually everybody knows what a banana looks like, what it feels like, and what it tastes like. But what about economics? How does an economic process relate to truth? What is the criterion for judging its truth?

The American economist and statesman, Lyndon LaRouche, has defined precisely such a criterion by which truth in economics can not only be determined, but can be measured. He states that in this specific realm truth is located in the "increase of the potential population density" of a region, a

country, or a world. This statement defines what one should reasonably expect from an economic system as its accomplishment. Evidently the success of civilization is not measured by how many millions or billions a few individuals have been able to leach out of the economy of a society's labor. Rather, it is measured by how well a society as a whole is able to support its existence. Here, the LaRouche measurement comes into play.

### **Truth in economics, located in the increase of the potential population density.**

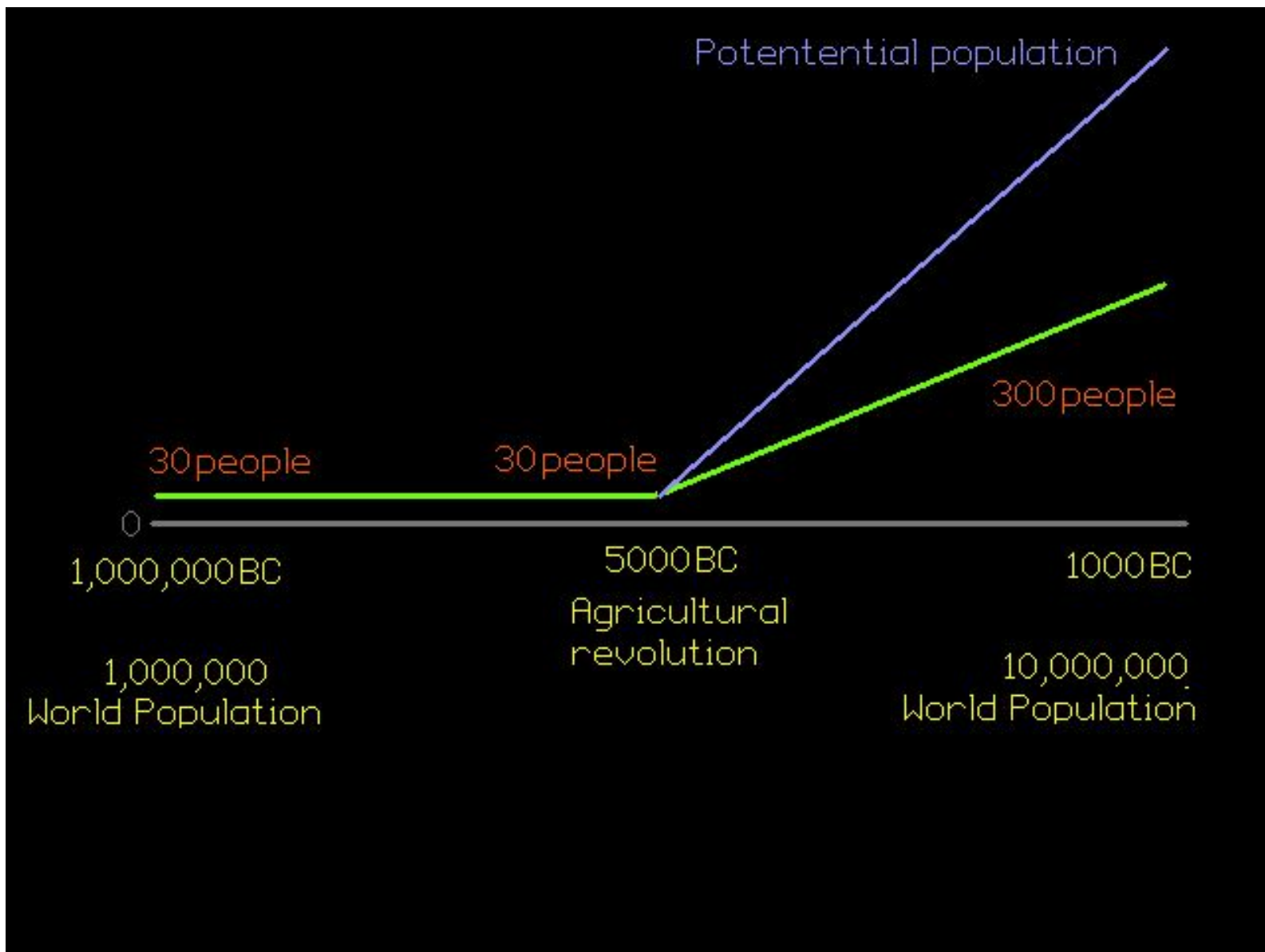
In order to test the principle of economics for truth, let us go back to the beginning of civilization, to the time when humanity was made up of hunters and gatherers. For the sake of this exploration, let us assume that a certain valley was biologically rich enough to support a group of thirty people. They would hunt throughout the valley. They would gather up its fruits and grain. They would do this year after year. Naturally, there would always be enough food available to sustain a group of thirty people. However, when additional people would come into the valley to settle there, an equal number of people would die.



It may be shocking to you, to hear that this tragedy reflects the principle of economics. Indeed, it does. In this case the experiences of humanity reflects the physical limitation of the natural world without any kind of economic system. It should be noted that this tragedy has actually happened for hundreds of thousands of years. The result has been, that on such a starvation limited basis of existence the population density of the early civilizations had remained at the same level for several hundred-thousand years, without any appreciable increase. It should also be recognized that the near complete constancy in population levels was not the result of deficiencies in human procreation, nor was it the result of any magical voluntary restraint in procreation. Rather, it reflected the limits imposed upon humanity by the natural environment that it had to rely on in the absence of any kind of economic system.

Now, suppose someone discovered that the various grains or fruit, which they all ate, can be gathered up throughout the valley and put into the ground as seeds closer to home so that more food can be created for them by this process, and this at a much shorter distance from where they lived. This innovation meant that the people didn't need to forage quite so far anymore. This, in turn, meant that

other tribes could now settle in the valley, in areas that were no longer needed to sustain the original group of thirty people. In other words, the potential population density of the valley was increased by the improvements of the economic process. This does not necessarily mean that more people moved into the valley to take possession of it. It merely means that the potential was there for this to happen, which probably did happen over a span of time.



### The beginning of an economic system.

This economic success story also tells us something else. It tells us that the greater efficiency of the food creating process now left the people in the valley more time for other pursuits. It gave them more time to think. Guess what happened because of this. I would say that the people came up with further innovations, which, once again increased the potential population density in the valley.

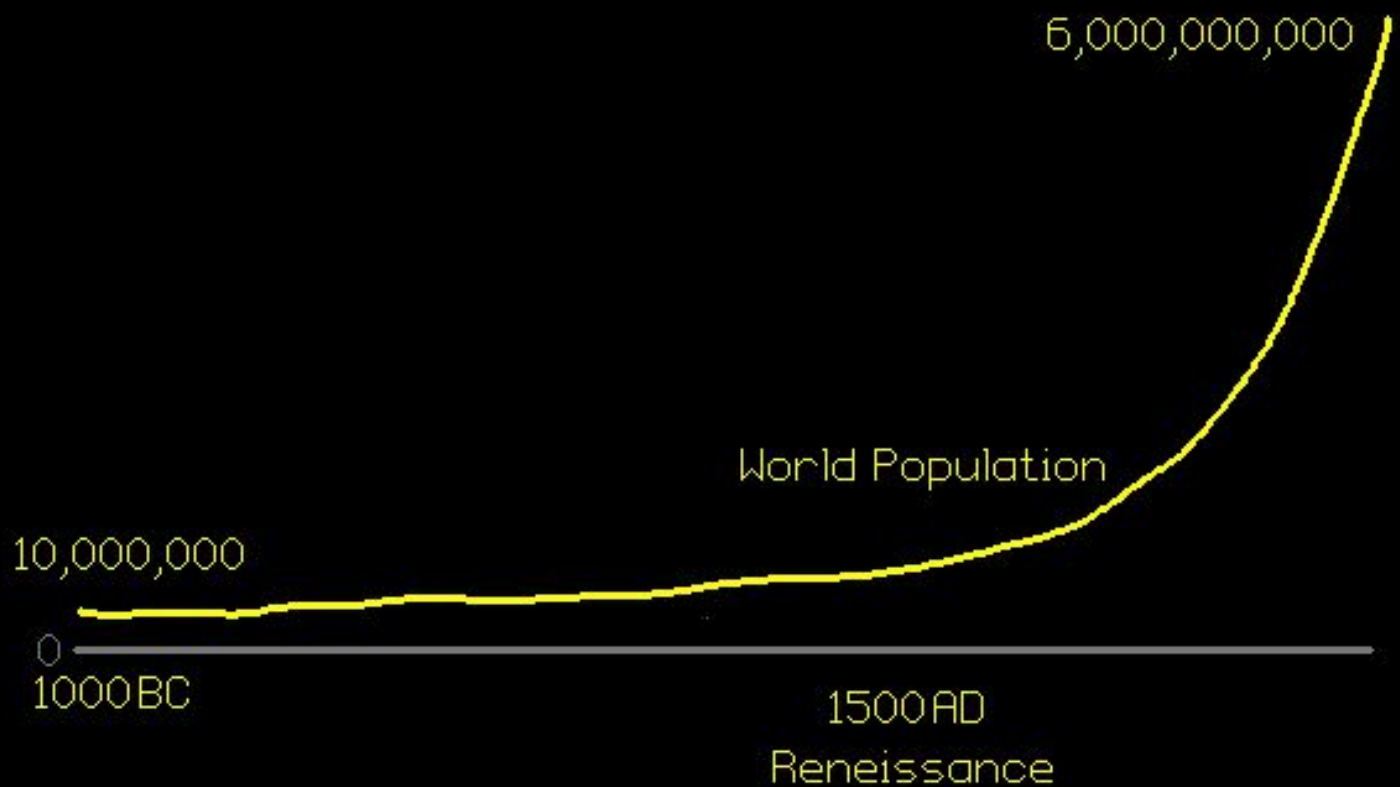
It might have been, that by having more time to think, the people of the valley concluded some day that they wouldn't lose quite as many seeds to the birds if they poked holes into the ground with a stick, planted the seeds into these holes, and covered them up again. They may have reasoned also, that even more efficient farming can be achieved if they would first loosen the soil up by tilling it,

before sowing the seeds.

The end result of this kind of thinking was, that every time the economic process was improved by a more intelligent perception, the potential population density of the valley increased some more. Eventually, the people's farming efficiency became increased still further when more refined tools were created, such as advanced tools for tilling, or tools for harvesting, or transporting the products, and so forth, which altogether made it is possible for thousands of people to live in the same valley which previously supported no more than thirty individuals.

### **The single (or only) principle of economics**

The interesting aspect is that there exists a direct interrelationship between the quality of the economic process and the increase in the potential population density of an area. It is furthermore interesting to note that this interrelationship can be observed universally. The principle involved is the same whether we deal with a stone age society, or our modern society. One can also observe that there has been a continuing increase in the potential population density on this planet over the last few thousand years, which reflects a continuing increase in humanity's scientific understanding (for better farming methods) and technological development (for more efficient tools.) Thus we have come to a point at which 5000 times as many people now exist on our planet than existed during the stone age era, while the potential population density is still greater than what we presently utilize.



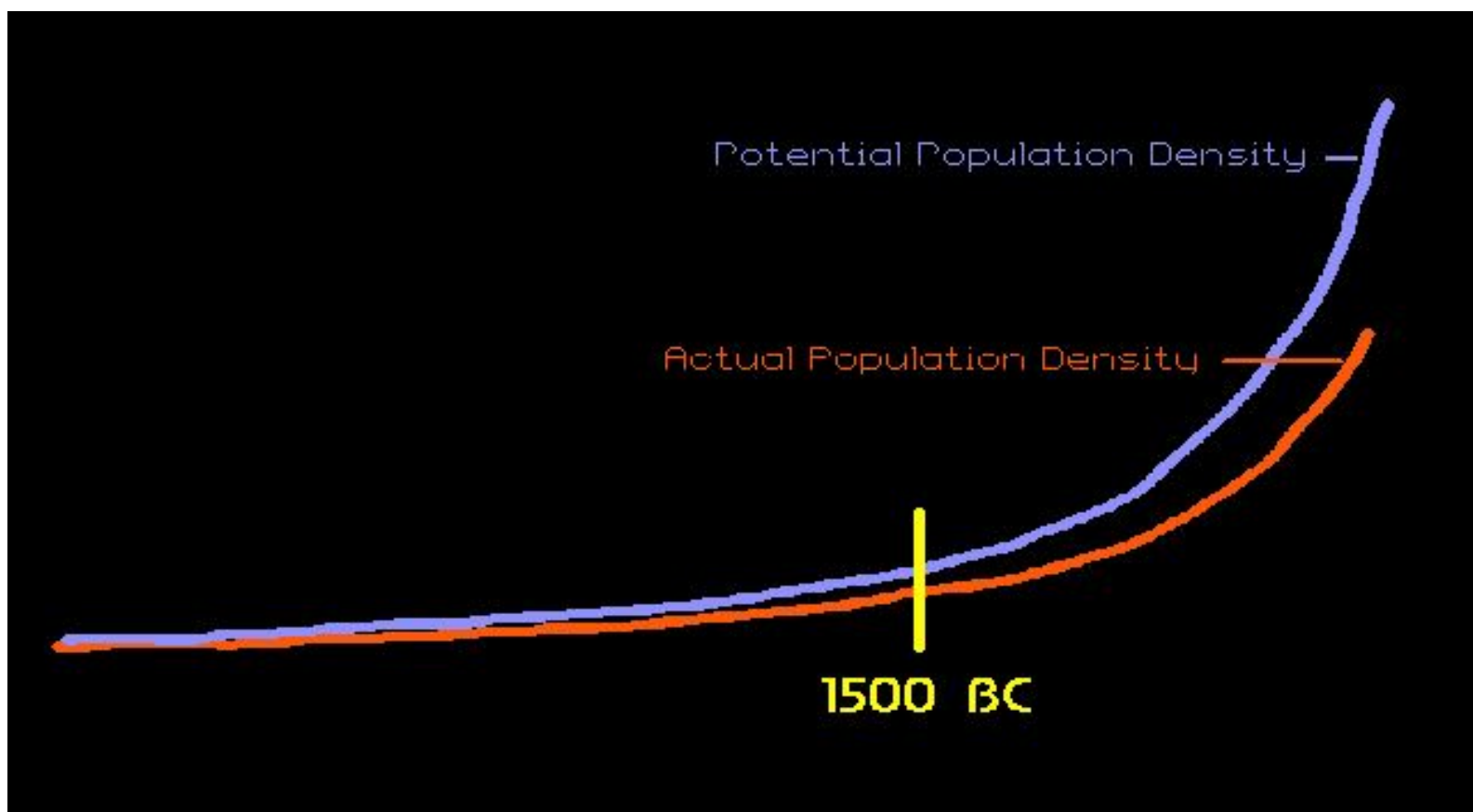
Obviously, our modern scientific, technological, industrial, and cultural infrastructures are vastly more advanced than those in the early ages. Education plays a large role, today, in increasing the efficiency of our economy. Educational development, which is one of the foundations for society's scientific development, which in turn is the foundation for technological progress and industrial efficiency. We have a vast economy operating today, that delivers food to our table, that provides our clothing, transportation, housing, health care, even relaxation. Nevertheless, the fundamental truth that is found in the modern economic system, is measured the same it was measured in the early ages, in the increase of the potential population density of an area, a region, or a world. The proof of the pudding is in the eating.

### **Defining the elements of the principle of economics.**

With the proof of the principle of economics now understood, we can begin to think about defining the elements of the principle of economics. What are the natural principles that we can utilize for economic action? We have found that zero economic action had rendered the early societies stagnant and always existing at the edge of starvation. But as soon as the economic activity increased, humanity suddenly moved away from the edge of starvation. This happened because the potential population



density increased in general more rapidly than the society's need to utilize the increased potential.

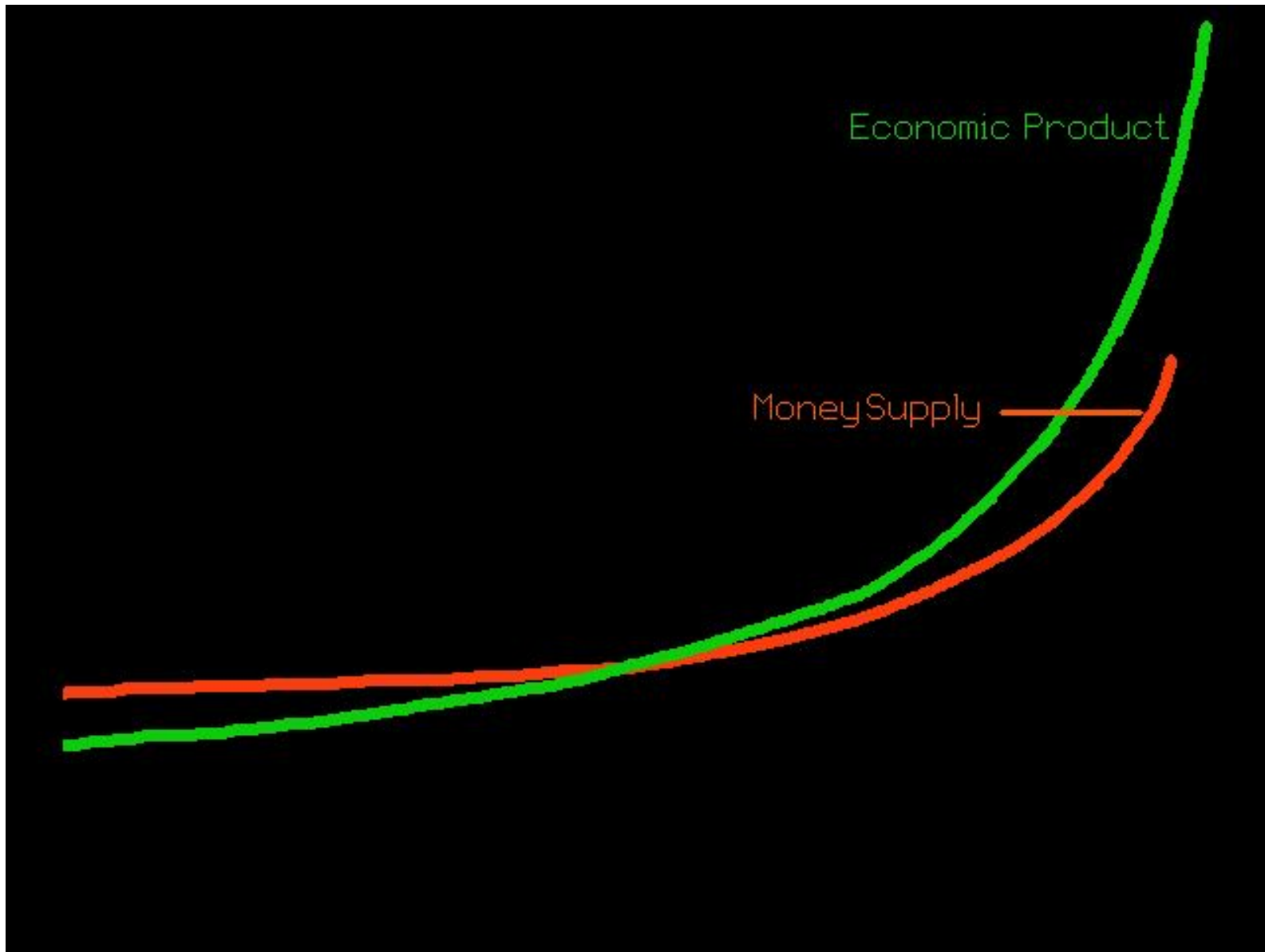


It can be said that the trend shown in the above graphics reflects the natural tendency as related to the human economy. If one plot this interrelationship graphically, one comes up with two curves shown that follow a hyperbolic progression. Please note that the blue curve, which represents the normal increase in the potential population density, is leading the brown curve, the actual population increase, by an ever widening margin. These two curves reflect the nature of humanity's actual increase in population density, and its potential increase in population density. The brown curve should therefore match closely the actually observed increase in population density throughout World over the last 3000 years as previously presented.

### **The factor of money.**

When we talk about the principle of economics in modern terms, we must also consider other movements behind the scene, most of which are shaped by a complex array of forces. One of these is money. Money facilitates the interchange of physical values in an economy. The increase of this value, of course, must correspond to the natural increase in the physical economy which corresponds with the increase of the potential population density that the principle of economics brings about.

If we plot the interrelationship between a society's needed money supply, in the form of credit for industrialization and development, then the economic product of the physical economy would be increasing. But What would be the interrelationship between the two?



In this graphic presentation two hyperbolic progressions are shown, one of which (the green one) is increasing slightly faster than the other. It represents the economic product of society. The other curve, the brown one, represents the increase in the money supply of society. One would assume that the money supply should be larger at first, during the initial stages of development, but then should be overtaken once the infrastructural development is complete. It is tempting to believe this, except this concept will never work in practice. It would be entropic in nature. Development would slow down, then stop, and finally reverse itself. This is contrary to the principle of economics where development is an unending and literally infinite process. Which means, that society must always provide itself with a rich measure of development credits, without any limits being imposed.

These credits must be forever leading the process.

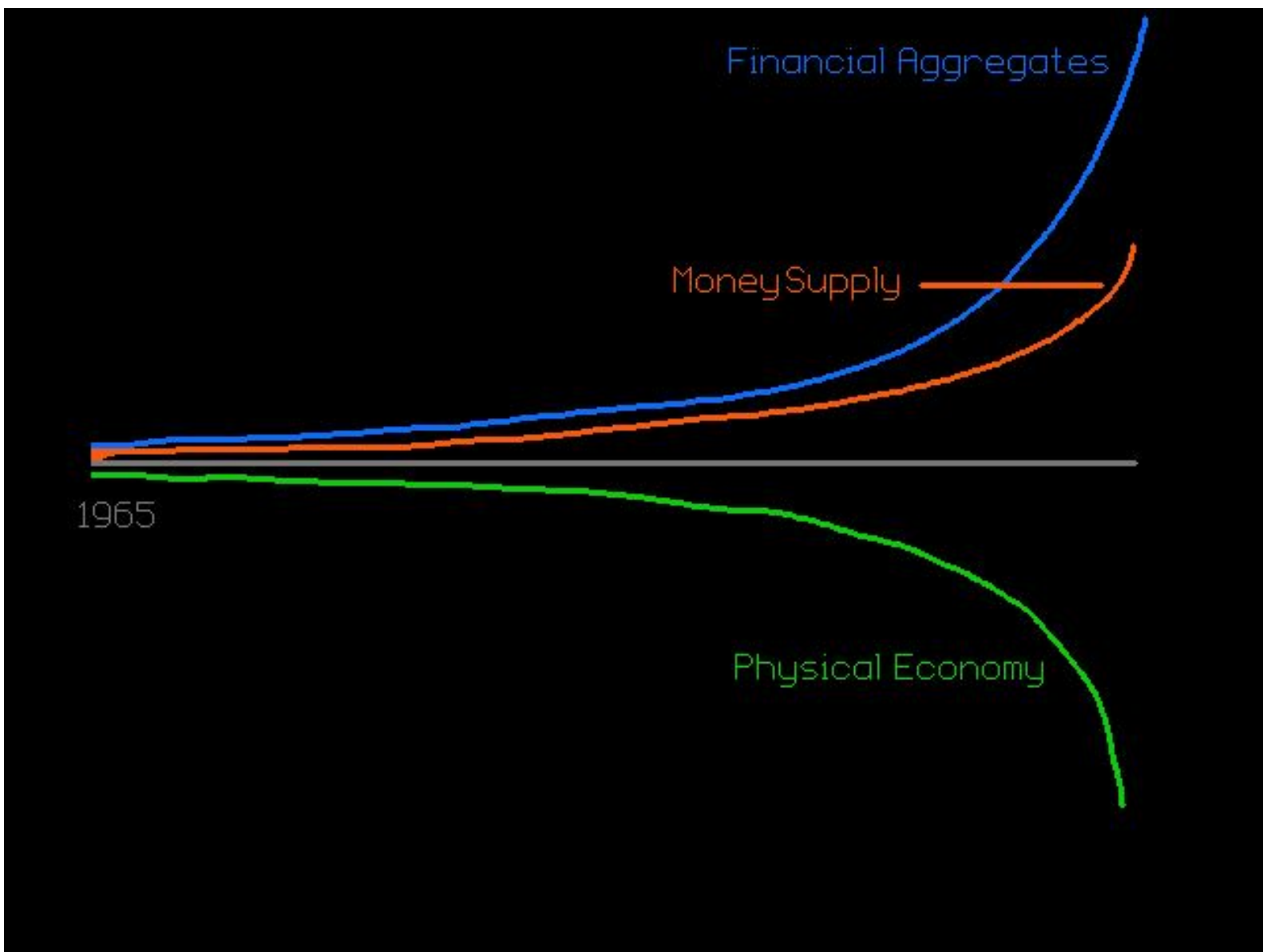
In a healthy economy

Money Supply  
Economic Product



There can never be a point when human development is totally satisfied. Development continues without end. For this reason the two curves can never be seen as isolated from each other. The credits must always be focused on increasing humanity's potential for a greater population density with an increased quality of life. It is essential that society provides these credits to itself freely, with no financial profit demands attached. Development credits are designed to increase the society's self-development, rather than financial consideration becoming a burden that hinders its self-development.

Our modern monetarism is build on a different, and therefore defective, platform. On this platform, which is essentially a feudal platform, financial credits are issued with a debt burden attached that effectively hinders human development while it creates financial empires that are drawing society's investment resources away from its physical economy, thereby starving it, and society as a consequence.



Today's IMF supported world-financial system, is such a counteracting system that isolates financial resources into speculative bubbles which strangle not only any ongoing development, but also strangle the economic process itself. By its fundamental platform the IMF system operates totally contrary to the real principle of economics.

### **The machine-tool element of the principle of economics.**

It must be understood that there is more to the principle of economics, however, than can be described in terms of financing in order to create physical output. Money, itself, doesn't produce anything. The modern economy is build upon layers and layers of infrastructures. The modern economy requires transportation infrastructures, such as highways, bridges, railways, canals, and so forth. A modern economy also requires an industrial infrastructure which produces the economic machine, like tractors, tillers, elevators, water pipes, automobiles, ships, refrigerators, clothing, shoes, and a whole range of other products. Except, who produces the machines that lie at the heart of the industrial infrastructure of a nation? The requirements of a modern economy cannot be met with hand-powered equipment. It is impossible, for instance, to built railway locomotives, grain cars, ships, or even consumer appliances, without a vast array of machinery, which are technically speaking, powered

tools, that we call machine-tools. Of course, in order to create the required machine tools, a modern economy must absolutely have a strong and highly developed machine-tool industry. Without the machine-tool industry an industrial infrastructure cannot exist, and without an industrial infrastructure, modern civilization cannot exist. A society needs industrially produced goods to support its transportation system, its farming, its housing, its production of clothing, medicine, books, etc, and its food distribution system. In other words, without a strong machine-tool industry at the very foundation of a modern economy, there exists no economy. It is as simple as that.

Human civilization is build on the use of tools, and on the building of these tools. In the modern world the tools of the economy are undeniably machine-tools. Strategically directed financial credits must assure that the machine- tool industry, on which so much depends, is prosperous and viable. Few people realize that this industry is actually more vital to a nation than its farming industry, because the farming industry depends on industrial products, which in turn, the nation depends on for its existence. The machine tool industry is without a doubt the main driver that has enabled the large increases in the potential population density that has been achieved during this century.

### **The energy element, of the principle of economics.**

One must consider this element as major element, which will in the near future become the most important element of the principle of economics. The production of energy, not human muscle, powers the economic machine of a modern economy. Even in ancient times people have found it expedient to utilize animal power for economic processes, such a oxen to pull a plow, or a cart, or horses to provide transportation. We still measure our modern industrial engines in terms of "horsepower" produced, like the engines of cars, for instance. The expediency of applying produced energy to the economic processes, has been established quite early in human development. Nor has this process been abandoned. If fact it has been evermore intensively implemented throughout the whole of human development. Today's economy requires a truly huge amount of energy input to power the economic engines. Every facet of modern life is linked to energy intensive processes, and this for good reason. The use of energy has given us vast freedoms, the freedom to move, the freedom to create comfort in our home, the freedom to build things which can never be built with human hands. It has been discovered by Lyndon LaRouche that there exists a direct correlation between the energy utilization within a given area, and the potential population density that is being created.

### **Increasing the produced energy flux density as an element of the principle of economics.**

In exploring the principle of economics another factor of the principle can be recognized, which has a strong influence on the increase of the potential population density of an area. This factor is called energy flux density. This factor is related to the intensity of the energy being produced in an economy. For example, in earlier ages artificial light was produced with candles. It is certainly possible to light a large cathedral with 10,000 candles, in order to make it nice and bright for a service. It is also possible to achieve the same result with ten modern lamps of a 1000 candle-powers each. The end result is identical in the tow cases, but there is a huge difference in the effort that is required to achieve the identical results. The same applies to energy production. It is certainly possible to blanket a country with windmills and solar collectors, and then combine all of their output to create a 200 MW power source. But can you image what enormous effort would be required to create this country wide monstrosity, not to mention the fact that a a larger amount of energy input is required to create the

solar cells, than the solar cells give back in their lifetime. Now compare this enormously costly monstrosity to a modern nuclear power plant which requires very little space and can even operate with most of its components put under ground. A modern nuclear power plant provides the highest energy flux density in the world, and even this is only the beginning of a developing trend that is focused on the discovery and the utilization of new physical principles. Through the development of nuclear fusion, for instance, a much higher energy flux density can be achieved than is presently possible with an atomic fission reactor. The point is, the continuing increase of the potential population density on this planet requires a corresponding increase in energy production that can only be achieved with opting for ever higher energy flux densities.

### **Higher operating temperatures as an element of the principle of economics.**

Let me explain what this means. This means that our future energy must be produced by recreating the process that powers the sun, which is a process of hydrogen fusion. The higher temperatures of this process will open doors which are vital for humanity's future development, but which are presently closed. For example, the super-high temperatures of nuclear fusion will allow the molecular separation of rocks, all of which are rich in metallic silicates, into their constituent elements. This means that the new energy resources that are under scientific development right now, provide us access to the virtually unlimited mineral and metallic resources that will be required by humanity to enrich the earth. With these advanced unlimited material resources, food production can be shifted into automated large scale indoor facilities, so that the fields of the world can be redeployed for better uses than growing food.

### **The infinite potential of man - a vital foundation for the principle of economics.**

The point that comes to light, here, which is deeply rooted in the principle of economics, reflects a characteristic that places no limits on human development whatsoever. Everything else that one finds being paraded before the public in the name of sustainable development is utter nonsense, as it is all totally focused on limits. The only sustainable development is that which is anchored in infinity, itself. Any other conservative option is NOT sustainable. It prevents the development of new fields of resources before the old resources become exhausted or outgrown. It is inherent in the principle of economics that no artificial limits are placed on human population density, and that mankind's actual population density increases to some degree with the realized increase in the potential population density on the planet. To meet this requirement is an essential factor of the principle of economics, because the larger the resources are that modern technologies make available to mankind, the more people will be required to create the advanced technologies and the required facilities, and to operate the processes that enrich the whole earth and human life by the same process.

### **The general welfare focus a vital element of the principle of economics.**

This element of the principle of economics was first put onto the map during the early stages of the development of the USA as a nation. In those days the general welfare focus had nothing to do with creating the required scientific, technological, and infrastructural foundation on the scale that new physical principles require. It had nothing to do with efforts for creating vast new resources which humanity will soon become dependent on. It had nothing to do with international cooperation for meeting those needs. Still, it was recognized as a vital factor even in the late 1700s. It was recognized

that society as a whole must cooperate for its general welfare, and that the purpose of an economy is to provide for its welfare. This focus includes advancing ALL processes that make human living richer, more efficient in what needs to be done to meet the physical needs, in order to raise the platform of society to higher levels, especially culturally. Poor housing, for example is destructive to the realization of human potential, including far too small spaces for living. The human being requires enriched environments for mental development and the development of the human genius. Sufficiently well-developed housing should not be regarded as a luxury, but a necessity for society's self-development. Homelessness, the imposition of poverty and slum-type living, should be regarded as a crime against society. By gouging on people's living, society is shooting itself into the foot before the race for its future beings. The same needs to be said about education. It is stupidity that causes society to shift the burden for advanced education onto the shoulders of its children, because its education is the foundation for society's future welfare. Society is gouging on its future, by gouging on its education. Inadequacies in transportation fall into this category too. Society has become strangled by defective housing planning and transportation that make long commuting to and from work an unavoidable burden for countless people. Those many hours of commuting time that are spend each day consume a large portion of countless people's life, not to mention the economic waste in physical resources that is thereby imposed by society on itself.

The same must be said about health care. Politicians say we cannot afford adequate health care. The reality is that we cannot afford not to have it. Neither is health care expensive in terms of consumed resources. Very little in physical resources goes into caring for people's health needs. What makes health care unaffordable is the increasingly ravishing price gouging that has become built into the health care systems that is designed to generate financial wealth for a few who have created for themselves positions to demand this wealth along the whole chain associated with the healthcare system, from doctors to insurance companies, to pharmapseudical companies, to hospital services. Healthcare has become privatized for profit creating rather than maintaining society for its essential well being. From an economic standpoint, the well-being of society is one of society's indispensable assets, but in modern times its becoming increasingly a luxury. That is how society is gradually destroying itself.

It is ironic that many people regard the general welfare principle today as an outdated relic of soft-headed socialism. Nothing could be further from the truth. The general welfare focus has nothing to do with socialism. It is a fundamental element of the principle of economics. The human being is the most precious resource that society has. Everything that is of value to society has been created by human beings. To throw this potential away with stupid neglect is criminal insanity. The human being is an essential element for increasing the potential population density of a nation, and thereby for the upgrading of the human condition. The truth of this statement is amply illustrated by the results that are experienced when this element is removed from the economic process, as we have it today all over the world.

The General Welfare Principle that is fundamental to the principle of economics is violated in also another area that will one day be considered a crime against society, but which is celebrated today. The fast diversion of economic resources from the general welfare into wasteful living for the pleasures of a few is strangely hailed by society. People love to see the multi-million dollar mansions being built on the hilltops and the ocean going yachts of the super wealthy, or airplanes, or racing cars, or whatever their fancy may entail. However, in economic terms, all of those opulent excesses add up to a huge waste of resources that add nothing to the general upgrading of the human conditions of

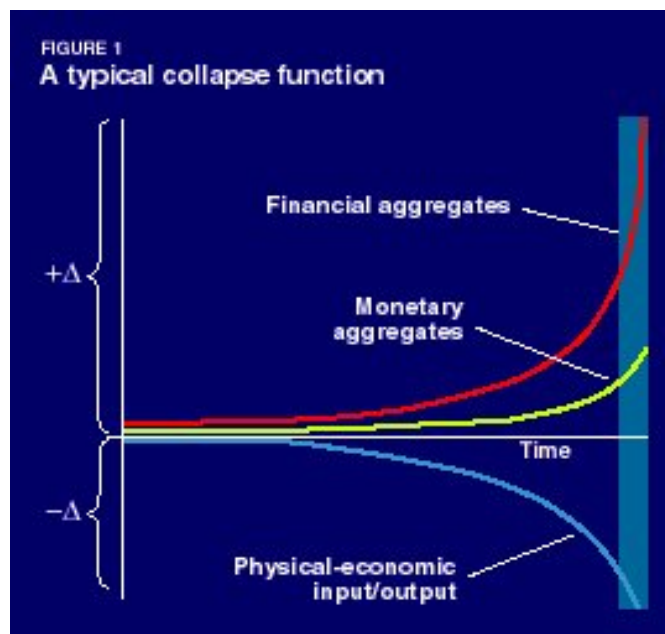
society, but represent a drain of resources at every level. The craftsman who builds the mansions, or whatever, may realize that his labor is wasted as it accomplishes nothing for uplifting civilization. However, no even he may realize that the labor of the woodsman is likewise wasted, who cuts the trees to furnish the lumber for the mansion. In the same manner is the labor of the farmer wasted who feeds the various laborers of these lost causes that afford nothing for the advance of society.

One may argue that this is how the world has always been run. The rich provide employment to fulfill their pleasure. But in doing so they steal from the living of society at ever stage along the way. One day the growing understanding of the principle of economics in society will change the world to prevent those wasteful processes. Indeed, this day, as distant as it may seem at the present, may arrive sooner as one might think. The enormous demands that the universe is imposing on mankind with the near return of the next 90,000-year Ice Age, will force society to become highly efficient in creating the technological and economic infrastructures for worldwide indoor agriculture and industrial food creation when the coming Ice Age conditions decimate our agriculture that presently provides our food. Almost our entire food chain is based on agriculture and biotic processes that are keyed to our present warm climate of the interglacial period that we are now in, which may end in a hundred years time. To replace all of this soon-to-be-lost potential will require economic processes of an intensity and efficiency that has not even been dreamed of today. If we fail ourselves in creating these resources the human journey may end in horrendous food wars and in huge waves of dying from as yet unimagined diseases that erupt from the biological breakdown and starvation of a multibillion-strong world population.

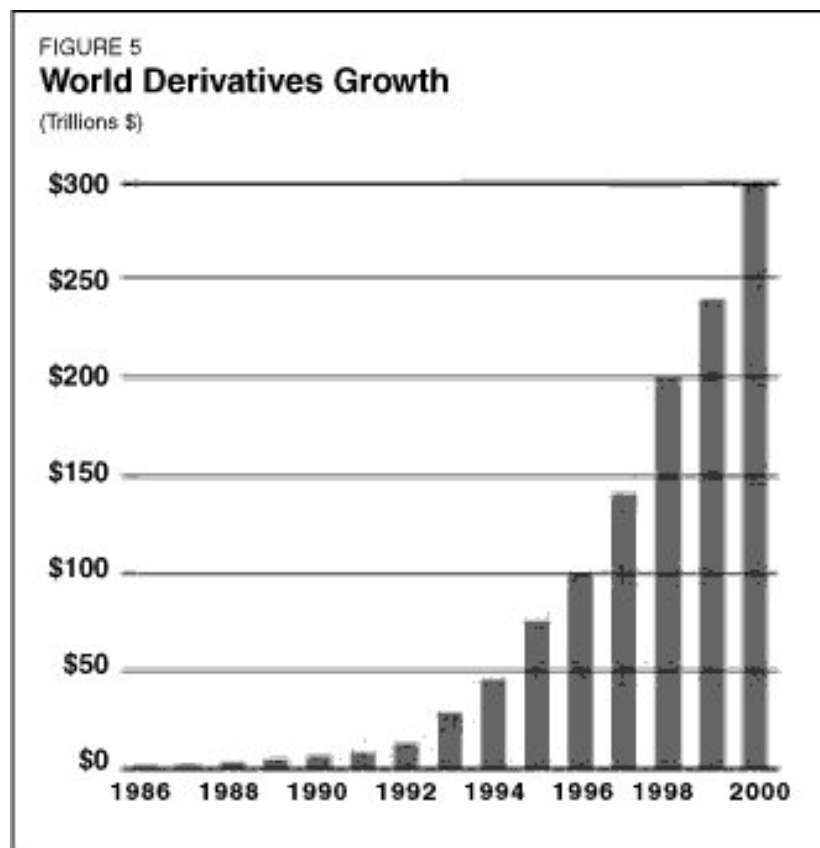
### **What happens when the principle of economics is being ignored?**

In today's world the principle of economics is being ignored on a grand scale. The general welfare focus no longer exists. It has been replaced with a feudal ideology by which people steal from each other to create financial wealth rather than develop the world with the aim to make the world more efficient in meeting the human need. People rather steal from each other, and they do this in many ways. They do it whenever profits are demanded from processes that inherently do not produce anything, such as the trading of imaginary assets on the world financial markets that do not increase the potential population density, but have a negative effect on it by absorbing into its idle speculative pursuits ever increasing amounts of the global society's financial resources. This negative effect is best illustrated by the triple curve that the American economist Lyndon LaRouche has developed some years ago, originally for a presentation to the Vatican.



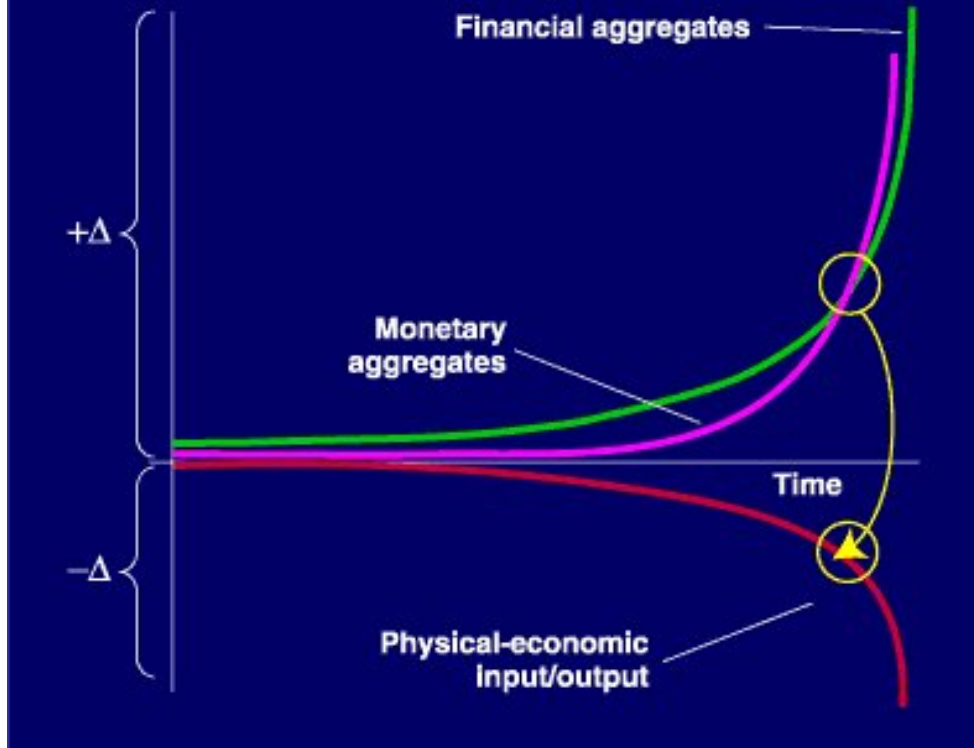


The triple curve shows in principle the then prevailing economic situation around the world. It shows the collapsing physical economy in response to financial resources being drained from it into purely speculative ventures for the so-called wealth creating. The resulting financial aggregates have gone sky-high in notional values, such as stocks, bonds, etc., are in real terms not wealth at all, but represent a debt-claim against the physical economy that is rapidly collapse. The wealth, therefore, that the rich of society image themselves to own, has thereby become increasingly meaningless as the so-called wealth has lost its relationship in equivalent terms with the physical economy that it stands as claim against. The shaded area is the boundary where the collapse process takes on catastrophic proportions. The following graph shows that the ongoing collapse is not fictitious, but is directly represented in massive increases in purely financial gambling that is sealing evermore intensely the vital financial resources from the physical economy.



The graph shows the world increase in financial gambling to the year 2000. Since then, the situation has become dramatically worse. Since the financial looting of the physical economy becomes evermore difficult since there is less available to be looted, a new process has been initiated in order to prevent the collapse of the entire. The process that has been chosen, is to print evermore money with which to saturate the speculative financial world. The result has been an increasing collapse of the world-financial system. As the following graph, presented by Lyndon LaRouche, shows.

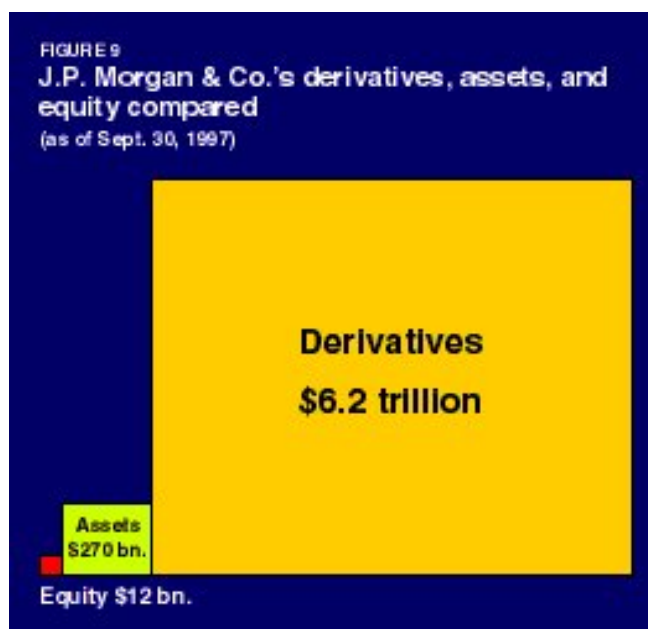
**FIGURE 1**  
**The Collapse Reaches a Critical Point of Instability**



This advanced triple curve is made up of two hyperbolic progressions, one represents society's money supply, which now increases more intensely and already supercedes in notional amounts the debt it supports, which the physical collapse accelerates. Indeed, why would any person build a factory and bother with producing physical things, when money can be collected from gambling processes that require no effort at all? That's in essence the "Wall of money" policy that holds the present world financial system in place as an essentially empty shell. Naturally, the new money is immediately absorbed into the speculative monetarist system where it fuels the growth of useless financial aggregates. This growth in financial aggregates (or debt) is a cancer, which increases in size at the expense of the physical economy and welfare of society. The third curve, the red curve, represents this decay of the physical economy. This curve, is a mirrored image of the financial debt curves. This physical-economy curve is going negative, and it is going negative hyperbolically.

You may say "this doesn't effect me, I am not engaged in financial gambling." Don't delude yourself. Everyone of society is effected by this growing insanity, and this not only in term of increasing unemployment and so forth. Everyone's entire future is at stake. If you think that your life-savings are safe, think again. For every dollar that you entrust into the hands of the banks, their financial gambling fever has a hundred-fold gambling exposure that your assets may be required to pay for when the game goes sour. The following graph shows shown the size of the exposure as it was in the past. In today's world the exposure is many times larger. The red dot represents the bank's equity, its buildings and whatever it owns. The little white square is your deposit, the assets that the bank is managing for you and society, and the big square, which is small in today's terms, is the exposure the

banks have taken of in your behalf for their profit in gambling. In 2005 the combined outstanding gambling exposure of the U.S. commercial banks are just short of the 100 trillion mark, as the following graphic, released by the LaRouche organization illustrates.



Your exposure isn't just in the potential loss of your deposits. Your prime exposure is that the civilization will collapse that supports your existence when the commercial financial system, which is essentially already bankrupt disintegrated totally, by the which the physical economy is bound to disintegrate as well. The collapse has gone so far already that the system cannot be saved in its present form. Nothing short of a global bankruptcy reorganization before the disintegration begins, can protect society from the effects of a catastrophic collapse that has no precedent in history.

The negative curve, of the triple curve, represents the physical economy in a world in which the principle of economics is being ignored or has been intentionally reversed. This curve presents a negative progression, because when the principle of economics is being ignored, the physical economy is collapsing at an ever increasing rate of decline. Nobody can forecast at what day and month the total collapse will happen. One can only recognize the trend and the inevitable consequences. The negative element of the triple curve represents our present world-economy which has been collapsing hyperbolically over the last thirty-five years. The collapse, itself, coincides with a corresponding change in focus away from the general welfare focus, which is a vital element of the principle of economics. Today's focus on "my money," a fictitious personal welfare mania, involves totally different objectives than the general welfare focus. This self-centered mania exhibits all the features of the feudal ideology that empires were built on, which existed by looting humanity. In today's world the ancient feudal looting has been modernized and become endemic.

Two trends can be recognized when the general welfare focus becomes supplanted by the "my money" personal welfare focus. One trend is manifest in the collapse of the physical economy, which is represented by the lower curve of LaRouche's triple curve. The other trend manifests itself as an increase in the financial aggregates, such as stocks, bonds, and financial derivatives, in such a manner that they no longer represent the physical economy, which alone creates the profits that benefit society. This separation of the financial world from the physical reality also follows the pattern of a

hyperbolic progression that increases evermore steeply, by which the total collapse of the system is assured. Nothing can prevent this total collapse without shutting the defective system down before it destroys society, and replacing it with a financial system that is focused on the (real) principle of economics.

The way in which the upper and lower curves of the triple curve are mirrored, is interesting. It suggests that the increases in the financial aggregates are robbed out of the physical economy, that is society's living and society's future, which thereby collapses at the same rate by which the financial (debt-claim) aggregates increase. This mathematical relationship does indeed reflect what has been happening throughout the world. Now the end result of this progressing theft from the physical economy, which has inflated the world-financial system so severely, and collapsed the physical economy so dramatically, is a catastrophic disintegration of both the financial system and the world economy in a single sweep. Most people do not recognize the interconnected nature of the physical and financial collapse. Those who have a faint awareness that the world-financial bubble is about to pop, see it as an event that happens in isolation of the physical economy. This is an error that my cost them their life. The spiraling financial inflation and the physical collapse of the world economy are not separate processes than can have a life of their own. They are nothing more than multifaceted aspects of the same process, the process of ignoring the principle of economics. If humanity allows this process to play itself out to its bitter end, it will disintegrate its civilization. This outcome cannot be avoided unless the process that drives it is terminated. This, of course requires that humanity rededicate itself to the principle of economics.

Also, there is a great urgency connected with this. The processes of financial inflation and physical collapse have been so deeply reaching that both, the world's physical economy, and the world's financial system, are standing right now at the very brink of a collapse that promises to be so severe that it threatens to disintegrate the world's financial system and the physical economy in a simultaneous catastrophe that humanity may not recover from for a very long time, if ever.

### **Economic collapse invariably lowers the potential population density.**

It should be recognized that the world-financial inflation and the collapse of the physical economy have unfolded with the characteristic of a hyperbolic progression. Such a progression begins slowly but then increases steeply like the flaring of a horn. It should also be noted that it is the physical economy, which provides for all our human needs, and that this structure is poised to disintegrate together with the world-financial system. This means that the presently ongoing collapse of the world economy should already be reflected in terms of a corresponding collapse of the potential population density of the nations and the world. Has this been happening? One could answer, both, Yes, and No.

It should be recognized that every aspect of collapse in the physical economy reflects itself in an equally collapsing potential population density. This interrelationship hardly noticeable at first, because the potential population density of a nation is seldom fully utilized in a growing economy. This means that it generally exceeds the real population density by a substantial margin. However, as the economy continues to collapse, the line will be crossed one day beyond which the potential population density drops below the real population density. At this point the people start starving and dying, while the rich who have stolen their living will end up with a bag of financial aggregates that are essentially useless, since financial aggregates by themselves have no intrinsic value, but have value only in relationship to a productive economy. This is happening right now in many places throughout

the world, most notably Russia. If an economy dies, so dies the wealth that killed it, and with it dies humanity whose needs are no longer met.

At the present time, quite a number of nations are caught up in this collapse processes, most of them so deeply that they are experiencing a population collapse. Russia, for instance is losing in excess of a million people a year, with all the new births factored in.

### **The cheapening of the world-economy.**

Another element of the collapse process is the credit starvation of the nations' most vital economic infrastructures, especially the machine-tool industry and the education system that supports scientific development that is a vital infrastructure for the machine-tool industry. The "my money" ideology has cheapened the economy. In this cheapened economy only the simplest processes are being kept alive. Usually these processes are those from which short term profits can be gauged. The cheapening of the economy also tends to create slave labor conditions by which people become physically used up, to be discarded later. In this environment education decays to the point that people can no longer rationally think. The fundamental reality drifts thereby further and further out of sight. Nevertheless, the reality remains that there exists only one single principle of economics, that which develops towards infinity. Any other pursuit, no matter what direction it is in, shuts down the principled economic process, and collapses humanity with it. In a very real way we have reached the paradox that humanity is finding it presently too expensive to support its existence.

### **The needed reversal - getting back to the principle of economics.**

In real terms, today's world-financial and economic system is finished. It has run its course. It has regressed to a state beyond repair. It is dead for all practical purposes. The separation between the world-financial inflation and the physical collapse of the world economy has become infinite or nearly so. The dream world of financial aggregates, and the real economy which can no longer meet the human need, have become paradoxical to one another. This paradox can only be resolved by recognizing the neither state is legitimate, and by acting upon this recognition. But how is one to do this?

### **How to start a new economy based on the principle of economics?**

The answer is really quite simple. You go back to the basics. You create a financial system that reflects the physical reality, and create a national banking system which provides the financial credits for development needs. This accords with the principle of economics. What does this mean for the USA, as an example?

It means, that since the separation between financial dream-world and the physical reality has become so great that the gap can never be bridged, you end the dream and let it go. This means shutting down everything connected with the speculative system. For this the nation must impose currency exchange controls, in order to keep the hot money out of the country. It must also nationalize the Federal Reserve, which is the chief corner stone of the speculative system. It must also put the entire private banking, mutual fund, and brokerage system, into a state of bankruptcy receivership, which has been the hot money casino industry that destroyed the nation's financial equilibrium. The government in

control must even close the USA to the vast dollar pools that float around in international markets for purposes of speculation. They fulfill no legitimate purpose in terms of increasing the potential population density, so let them become devalued to zero, which they will be if they exist outside the national economy. Then the nations of the world also need to get together and create a new Bretton Woods type international agreement for stable currency interchange rates as a means for facilitating international trade on an equitable basis with long term stability.

All these measures may appear harsh and unreasonable, however one needs to judge them in the light of the alternative which is a total disintegration of the financial and physical world. It must be understood that without these kind of controls it will never be possible to bring the nation's monetary system, which is presently hyperinflated, into line with the physical reality and the needs of the nation. The principle of economics does not allow for financial inflation, which, as we have seen, destroys the economies of the world.

The principle of economics is one that enhances human development and productivity. This means that the IMF must be scrapped, which is debt oriented, which puts humanity into chains. The entire world debt structure is illegitimate by design, so it must go, too. The IMF system operates totally contrary to the principle of economics. It literally denies a nation the right to create its own currency for its self-development. The IMF insists that a nation has NO right to do this, but must borrow its financial credit from speculative lenders at sky high rates of interest. In ancient times this was called usury, and was forbidden by law. The same applies to the EU (European Union) which operates on an identical platform as the IMF, applied in a more localized sphere, but with a much greater scope and depth of penetration. It is a type of world-government that has the power to tell a nation to shut down viable industries and create unemployment.

The sovereignty of nations is one of the most crucial elements of the principle of economics, which cannot be ignored without the most horrendous consequences, such as the world is presently experiencing.

The point is, the nations of the world have little choice in the realm of economic policy. The principle of economics is imperative. It cannot be mocked with human will or imperial dictates. So the choice is plain. Humanity faces an economy that doesn't function anymore, and the financial wealth that has been squeezed out of it, isn't worth anything anymore, either. The only positive thing that humanity has going for itself, with which to assure its survival and protect its civilization, is the option it has to rededicate itself as fast as possible to the real principle of economics. It must therefore heroically shut down this misfit, which is erroneously called an economy, and everything that is connected with it, which has begun to murder its citizens world-wide by the millions. Humanity must take this step and utilize the principle of economics so rescue whatever elements of the present economy are still functioning and then go forward on the basis of this principle. Even as it shuts the speculative system down, world-wide, humanity must extend itself new financial credits through nationally owned institutions, and devote those credits to the financing of crash programs in education, infrastructure building, reindustrialization, and above all extend the fullest possible support to farming and to the machine tool industry. If this happens, and only then, humanity has a chance to save its civilization. Unfortunately, there is no indication that anyone in a position of power is thinking along these lines.

**Lyndon LaRouche's forecasts were based on the principle of economics.**

For many years the American economist and statesman, Lyndon LaRouche, has forewarned about the collapse that is presently upon us, and about the impending total disintegration of the presently still somewhat functioning economic processes that are fast being destroyed. He didn't predict the doom of the present system by looking into a crystal ball. He didn't have to. By understanding the principle of economics, a child could have made the same prediction. And here lies the problem. The principle of economics is well understood by the leading circles of the imperial oligarchy, which does everything in its power to prevent this principle from being recognized and applied. The global imperial oligarchy is committed to this deception, because its feudal ideology and related processes for looting, by which it derives its power, run contrary to the principle of economics. Thus, it parades its looting system in front of the eyes of humanity, which is centered on usurious banking, speculative insanities, and IMF world indebtedness, and calls this travesty the principle of economy. And it calls everyone a lunatic who doesn't agree, including Lyndon LaRouche. The fact is, Lyndon LaRouche is neither a lunatic nor a genius. He is merely a man with a keen scientific mind who has his eye open wide to reality. He is isn't fooled by the oligarchy's parade, nor should anyone else be.

So far, humanity has shown no willingness to open its eye to reality, and to rescue itself. This is largely because it is unable to recognize the grave danger it is in. Humanity is unable to recognize the danger, because of its inability to recognize the principle of economics, especially the fundamental inter-tie of the principle of economics with the potential population density. This inter-tie threatens to become a deadly factor when the entire economic process grinds to a halt in times of anarchy and disintegration. This means that humanity has to draw the line, absolutely, before the disintegration occurs. It must not allow the point of disintegration to be reached at which its very existence is threatened. The process of collapse must be stopped before this happens. If the collapse is not stopped, and disintegration occurs, the principle of economics has absolutely no meaning anymore, since there exists no economy in which it would be reflected, nor anything resembling a civilization in which an economy would play a role.

**Now we must explore the question: What must be done by humanity to rededicate itself to the principle of economics?**

Once the emergency measures have been taken which shut down the speculative and feudal processes, the nations must extend to themselves national credits, not credits borrowed from a looting and bankrupt world-financial system. They must utilize these credits wisely in such a manner that they enrich the economic process and society by creating economic infrastructures that produce a larger return in physical development than the financial credits are worth. This prohibits inflation and enriches humanity. In other words, this process provides for increasing the potential population density on the planet. The development infrastructures of this type are education, science, the machine-tool industry, large scale industrialization, farming, and so forth.

**The general welfare focus.**

Still, this giant step forward does not fully utilize the principle of economics. It gives humanity a good start, perhaps, but a start is not enough. Society must get back to the general welfare focus, which is an element of the principle of economics, and it must do this in a big way. It must do this not because it is written in the Preamble of the Constitution of the USA, but because the general welfare focus is a part of the principle of economics. It is in fact fundamental to the process of economy that increases



the potential population density of a nation or the world. It is essential to this process. In today's world of nuclear power and vast economic needs, society must cooperate on a very large scale to create and apply the needed technologies. In today's world of nuclear power and the need for continent wide development processes, global cooperation becomes essential. This cooperation must be based on a community of principle of sovereign nation states. In other words, the general welfare focus must be on the whole world.

### **The Eurasian Land-Bridge development as a reflection of the general welfare focus.**

By its very definition, the general welfare focus must of necessity be global. It must bring about the kind of international development that enriches the whole world, like LaRouche's Eurasian Land Bridge proposal is intended to do, which has finally been adopted by the governments of China and Japan. This land bridge development consists of three development layers. Its backbone is a railway link that spans from China to Western Europe on three routes across Asia, on a northern route, a southern route, and a central route. This is the main layer of the project. Along these trunk lines new cities are to be built that serve as economic centers for secondary development lines reaching out from them into the interior. That's the second layer. And again, along these lines smaller development centers are to be built, with more lines reaching out from them. On this basis, huge economic development corridors are to be created by which many still isolated nations become connected to the world, to its commerce, to its ideas, to its culture, by which everyone benefits and the potential population density of the planet becomes dramatically increased.

### **Global economic development is a part of the general welfare focus, which is a fundamental element of the principle of economics.**

Some people may be tempted to believe that the Eurasian Land Bridge development project is an optional project. Whoever believes this is gravely mistaken. Far from being optional, it is one of the fundamental aspects of the general welfare focus that is a fundamental element of the principle of economics. This means that the Eurasian Land-Bridge development project can no more be omitted than the principle of economics, itself, can be omitted. One has not much of a choice in this matter. Either the principle of economics is thrown out of the window and humanity dies, or it is applied in all its essential aspects and humanity prospers and develops itself. It is in the nature of a fundamental principle that it cannot be half applied. This also means that the Eurasian Land-Bridge development is only one example of the kinds of processes that must be set into motion around the world. Africa needs the same kind of economic development uplift that Asia requires. It needs great projects in water development. It needs highway and railway networks, nuclear power, and industrialization. Right now, Africa is starving to death, dying of AIDS, and is being destroyed by the ravishing of imperially organized wars. And all this is happening while the economic potential of Africa is so huge that it could feed the entire world all by itself, and this with food to spare. Nor can the general welfare focus be limited to Asia and Africa, alone. It must embrace also India, Russia, China, Iran, Indonesia, Malaysia, the Middle East, and all of Europe. Yes, Europe is in desperate need for economic redevelopment. In 1990, Lyndon LaRouche developed the Paris-Berlin-Vienna Productive Triangle concept, which was intended to mobilize the industrial capacity within this defined triangle as an engine to redevelop the European continent from Norway down to Africa, and from Portugal to the Ukraine, and the world as a whole. But this was then. Today, this industrial capacity no longer exists, and in those few places where a substantial capacity still exists, like in Poland, the pressure is on from

the EU to shut most of it down.

### **China as an example of the general welfare focus as an element of the principle of economics.**

General economic development and industrialization is written in capital letters in China. The nation that was once known for ox carts and an insane political dictatorship has freed itself of this past and become one of the fastest advancing nations on the planet. While Europe is shutting itself down, this nation has committed itself to more than 10,000 major infrastructure projects, 3,500 of which are scheduled to be located along the Eurasian Land Bridge corridor. China also has plans to build 200 brand new cities over the next 25 years, and upgrade its older cities. It also has plans for large scale water development projects designed to bring its dry regions into agricultural production, which will add an area to its agricultural base of the size of all of Germany. Over the next decade, China has also plans to double its already extensive railway network, which by then may be the largest in the world. It is also committed to such engineering marvels as building a 57 Km bridge across the Bohai Strait, or building a 1241 Km canal from the Three Gorges Dam to the dry north that will cross over and under 219 rivers on its path, including the mighty Yellow River, the Yuang He, and 44 railway lines.

### **The discovery, development, and application of new physical principles as an element of the principle of economics.**

The commitment to the principle of economics is not satisfied, however, with the building of great projects alone. The principle of economics requires constant advances in the application of new physical principles in order to satisfy the basic requirement made on an economy, to increase the potential population density of a nation or the world. These developments are especially needed for creating new energy resources. Historically the energy flux density of power generating machines has been increased by one or two orders of magnitude for each new type of technology. Steam powered machines, for instance, generate a hundred times the power output of water powered machines of comparable size. The internal combustion engine raised this factor to a thousand. Nuclear fission engines have raised it to ten-thousand. When nuclear fusion becomes a practical power source, this factor will likely be raised to a million or more. Humanity must dedicate itself to develop this advanced energy resource of nuclear fusion, not because it is achievable, but because its development needs require it. This energy resource is required for the utilization of new materials, new resources for food, new transportation systems, and new methods for space flight propulsion.

The principle of economics requires still more than this. It requires that development never stops. The interludes of regression, like those which have occurred during the dark ages, and the collapse into a new dark age that we are facing today, cheat humanity at a staggering cost in human lives and lost development. If the Roman Empire had not ushered in the dark ages, humanity would likely have stood on the moon in 600 A.D., so great had the scientific advances been at the time of the Greek Classical Period. Then, where would we stand today?

### **The principle of economics cannot coexist with imperial objectives.**

Still, we have a similar hurdle to cross in this age, which the highly advanced people of the Greek civilization had failed to cross. In a Sept. 12, 1999 interview in Wiesbaden, Germany, one of the highest ranking advisors of Prince Phillip of the British monarchy, by the name of Martin Palmer, has made it clear that his empire harbors plans for humanity that run contrary to the principle of economics. He pointed out that his empire is committed to "break up" the great nations of the world into tiny impotent states, to be ruled by his empire. He made it clear that it is futile to resist his empire's plans which have been pursued unaltered for 200 years, which have resulted in two world wars and a cold war that brought humanity to the threshold of its self-extinction. "Perfidious Albion is alive and kicking," were his final arrogant remarks.

Indeed, the man is historically correct. When the first proposals were put forward for a Eurasian Land Bridge development project, Perfidious Albion created the conditions for World War I in order to stop the project, and empire succeeded. The world became so devastated that the project was not pursued again for a hundred years, and even now, Perfidious Albion, the British Empire, is determined to prevent it from becoming reality. Whether humanity will be able to rescue itself from the abyss that this empire has pushed it towards, especially so over the last thirty five years, depends on its wisdom in defending itself against Perfidious Albion. Perfidious means treacherous and devious, as in turning one against the other, while Albion is an ancient name for the British islands. The empire that has ruled from these islands has been at the center of the darkest periods of modern history, in areas all around the world. It's axiomatic viruses have pervaded the minds of humanity more deeply than ever before, and made them stupid. The great irony of history is that humanity faces this empire at its most critical period with a near total disregard for its very existence, much less its commitment against humanity, and with an insanity that has rarely been equaled in history.

Nevertheless, the fight is not over. In fact it has barely begun, because the world-financial and economic disintegration that threatens humanity also threatens the base of power of Perfidious Albion himself.

The end





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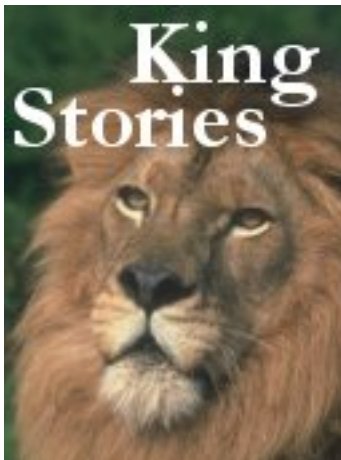
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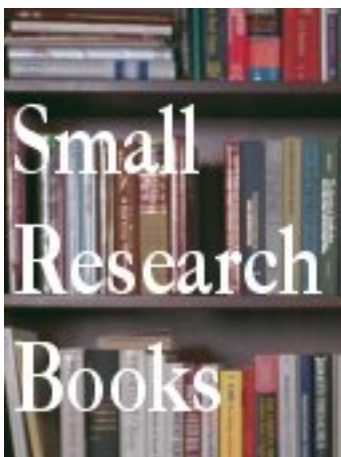
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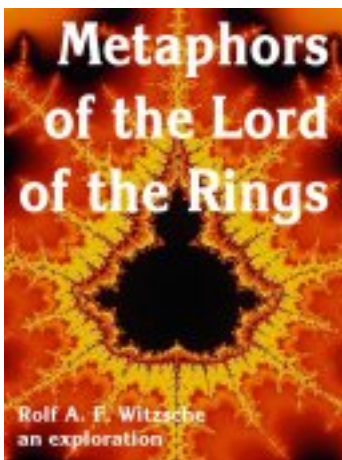
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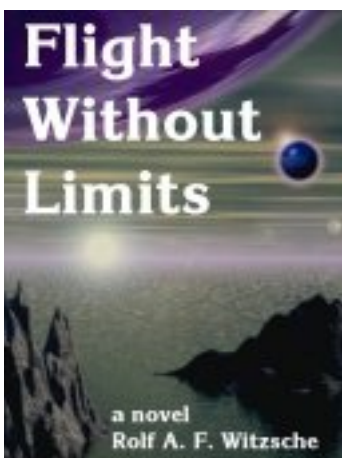
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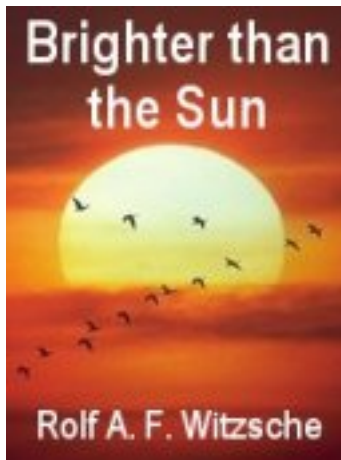


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\* Episode 2B - [Roses at Dawn in an Ice Age World](#)

With the Ice Age resuming 100 to 150 years from now we are challenged to embrace the still rejected renaissance principle, the Principle of Universal Love, without which mankind may not survive. But will we be able to upgrade our human dimension sufficiently to accept the Principle of Universal Love and to reflect it in our daily living? God is Love, universal divine Principle. Do we dare to love universally in the social domain? Or do we pretend that the divine Principle of Universal Love doesn't apply there, especially when it comes to our personal loved ones and friends?

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