Basement Economics Series 2014

Homework to follow class #5 on chapters 6 and 7

Reading

Make sure you've read **chapter 8** of *So, You Wish to Learn Economics* by class next week, and watched all of *The Power of Labor*.

Due Date

Email responses to lpac.basement@gmail.com by May 27 at noon. Teamwork is encouraged! Perhaps a Sunday video conference to discuss together would work well.

Where to Direct Credit?

Q1: Chapter 7 gives several criteria for deciding how to create and allocate credit. You are the new President or Speaker of the House. How would you decide among the following possible uses of credit? Is it possible to work on all these fields at once? Presume that we've got Glass-Steagall, QE4ever has ended, and the general interest rate is now 6%.

- The Northeastern States Governers' Association (I made that name up) would like to get funding for high-speed maglev rail connections stretching from DC to Boston, now that Japan's export bank has offered to finance half the $15 billion cost of building a line connecting DC and Baltimore. The total cost would be $200 billion. (also a number I made up, although it's in the right ballpark)
- Haas Automation (watch one of their inspiring videos!) wants to upgrade its machine-tool production facilities in California to be able to produce twice as many lathes and mills per year. They currently export most of their machines, but given the increase in American manufacturing, would like to upgrade, to meet both domestic and foreign demand.
- In addition to inertial confinement confusion (like the NIF) and magnetic confinement (tokamaks), there are many other ideas for fusion. The reformed Department of Energy, which now only supports the use of solar panels in calculators and roadside emergency phones, would like to set up a Bureau of Alternative Fusion Approaches (BAFA), and fund it at the level of $500 million a year, to support a number of smaller experiments, with the expectation that many of them will fail, and the hopes that a surprising breakthrough will be made.
- China has offered to help the US and Russia finance the Bering Strait crossing. Building the tunnel will take several years, and will involve the use of Japanese tunnel-boring machines, as well as steel produced in the US, Russia, and Japan.
- US Steel would like to build five more large steel mills in the United States.

- The American Society of Civil Engineers is clamoring for $3.6 trillion to be invested over the next decade to upgrade our infrastructure, which they have given a grade of D+. They'd like to repair bridges, replace sewer pipe, and fix schools.
- MIT's ALCATOR fusion research program has gotten and then lost funding repeatedly over the past few years. They'd like forty million dollars to upgrade their program and ensure its long-term financial viability.
- The Federal Communications Commission wants ten to twenty billion dollars to achieve broadband service for all Americans as part of the National Broadband Plan.
- The US Hydroponics Association is calling for a national investment plan in their water-efficient, energy intensive agricultural ideas, to expand the availability and quality of locally grown food such as tomatoes and lettuce.
- American Apparel would like to expand production in their Los Angeles facilities, to burden the nation with more of their unsightly trash. Given the more optimistic culture since Obama's ouster and cooperative projects with Russia, they *promise* to make American-made clothing for actual work rather than pornography.
- The Princeton Plasma Physics Laboratory would like $200 million to do extensive research with their currently un-assembled stellarator.

Gold and Money

In chapter 7, LaRouche contrasts the functioning of a gold-reserve system and a gold standard. Some people today are promoting a gold standard, some explicitly in the tradition of Andrew Jackson.

Q2: What's the difference between a gold-reserve system and using a gold standard? Why would the British Empire support the use of a gold standard? Also, can you name one current politician proposing a gold standard? What problems does that politician have on economics generally?

Evil People Who Use Economics Theory as Propaganda

At the opening of chapter 7, LaRouche points out two errors that make economics and monetary theory unnecessarily complicated. The first, is belief in the "magic of the marketplace" and trying to make sense of all of economics in terms of price theory. The second, is coming up with supposedly academic economic theories for the actual purpose of legitimizing usury and oligarchy. With those two problems cleared away, monetary theory becomes much simpler.

On page 136, he quotes Adam Smith on why people should just follow their pleasures and avoid pains (such as the pains that might come from working for political reforms). The philosophy of "British liberalism" first is seen in Adam Smith, David Hume, and Jeremy Bentham.

Q3: Find a new-to-you particularly diabolical or evil quote from Smith, Hume, or Bentham, and explain why it is so awful. Suggested essays to look up are on pages 135 to 137 in the book.

Extra Bonus Question: Particles and Entropy

In chapter six, LaRouche goes right to the heart of the problem with a physics that explains all processes in terms of particles interacting with other particles on the basis of their individual characteristics. He says that such a system would inevitably be *entropic*, not allowing for development or creativity. His recent discussion of the 1900 shift with Hilbert and Russell gives a new insight into this point.

Q4: Why would a universe built of particles existing in an empty, indifferent space necessarily be entropic? Hint: this video could be helpful.

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Upcoming Schedule

• Sunday, May 25, Riemann's habilitation dissertation read-through. Watch this video first.
• Tuesday, May 27: Kesha's election!
• Wednesday, May 28: SYW class on chapter 8
• Tuesday, June 3: Michael's election!
• Wednesday, June 4: SYW class on chapters 9 and 10.
• Wednesday, June 11: last SYW wrap-up class "The Next Thirty Years"