

economy is intended to influence political policy, using the mask of pseudo-science, which can only fool the naive. To make decisions which have great consequences for many tens of millions of people in the world based on such conclusions, would be ludicrous. The World Bank report is a gigantic mystification on behalf of a simplistic ideology, the ideology of dogmatic and uncontrolled free trade.

Through the 1990s, Allais continued to criticize the dogma of free trade, globalization, floating exchange rates, and the de-regulation of the financial markets. He warned that these policies were destroying national economies, engendering unemployment and instability, de-industrializing, and reducing the rate of growth of living standards. He was especially critical of the European Union's policy toward China, forcing it into low-value-added activities. Similarly, he criticized EU policies toward the former Soviet states.

Allais wrote a paper in 1991 (revised in 1992), putting forward a solution to the devolution of the world economy, titled "The Monetary Conditions of an Economy of Markets: From the Teachings of the Past to the Reforms of Tomorrow." In the face of the unstable situation, Allais concluded that "the basic principles upon which the present monetary and financial system rests, on the national and the international level, have to be entirely thought out anew."

Allais laid out two basic principles for the necessary reform, which would prevent the creation of money from nothing:

The realm of monetary creation must pertain to the State, and the State only. The Central Bank must therefore be given the total mastery of the money supply.

Monetary creation other than that of the monetary base by the Central Bank must be made impossible, so as to prevent any one other than the State from enjoying the fictitious claims that currently stem from the creation of bank money.

Allais described the *ex nihilo* creation of money by the banking system as identical to the creation of money by "counterfeiters," the only difference being that those who profit are different. He proposed, therefore, that although all banks would be private, except for the Central Bank, all income derived by the Central Bank's creation of money should be returned to the State, enabling the latter, under present circumstances, to do away with practically the whole of the progressive tax on income.

This would eliminate the present circumstance where profits and their beneficiaries are not transparent. Such revenues, he wrote, "merely generate inflation, and by encouraging investments that are not really profitable for the community, they only generate a wastage of capital."

In Memoriam: Maurice Allais

by Jacques Cheminade

PARIS, October 11, 2010—I just learned last night of the passing away of Maurice Allais. The only French Nobel Prize laureate in Economic Sciences has left us, without the written press of this morning paying him due homage.

Indeed, for a certain time, *Le Figaro* refused to publish his articles, and only *l'Humanité* (the French Communist Party daily) and, last year, the weekly *Marianne*, had opened their pages to him.

Today, *Le Figaro* is more prolix, but no media mention that Maurice Allais was always a defender of the separation of the activities of investment banks, deposit banks, and investment banks (his vision of the Glass-Steagall), and that he had explained, demonstrated, and announced for more than a decade, in numerous books and articles, the world financial catastrophe which occurred during the Summer of 2008.

Logically, Maurice Allais became associated with the wide public debate begun by Lyndon LaRouche, in favor of radically refounding the credit system and the international monetary system, underlining that on essential points, Mr. LaRouche and his organizations had "often supported ideas close to my own proposals for fundamental reform of the international monetary and financial system." In his letter of Nov. 27, 2009, he had authorized us to make this statement public. [<http://www.solidariteetprogres.org/article6075.html>]

This "liberal socialist," who, to me, was neither one nor

the other, but rather an expert of fundamental physics who looked at the economy from the standpoint of equipment and production, and not simply from a monetarist vision, liked to state that only one of his students lived up to that name, Gérard Debreu. Many other leaders and French officials, however, such as Dominique Strauss-Kahn, Marcel Boiteux, Thierry de Montbrial or Jean-Louis Bianco, had also followed his classes.

Personally, along with Louis Armand, Pierre Massé, Philippe Lamour, and the teams of the Planning Commission, during my early years of study, I was immersed in the spirit which the works of Maurice Allais had inspired in our country.

Let this spirit be reborn, beyond the present disarray and incompetence, and inspire those who are aghast by the dominant financial system, that they find a means to come out of it from the top down, not in seeking the issues of a regressive past, but in a future of science and innovation, at the heart of what Maurice Allais always defended, an economy in which man is responsible for his species and for nature, discovering, applying, equipping, and producing.

There is urgency, an extreme urgency, for a world whose financial system is disintegrating and becoming decomposed, needs a new generation of leaders, in the image of a man of character as was Maurice Allais.

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