III. For Physical Economy

Indispensable National Banking

by Robert Ingraham

Dec. 10—On September 24, 2019, President Donald Trump delivered a speech before the United Nations General Assembly, in which he stated:

> The future does not belong to globalists; the future belongs to patriots. The future belongs to sovereign and independent nations who protect their citizens, respect their neighbors and honor the differences that make each country special and unique. . . . If you want freedom, take pride in your country. If you want democracy, hold on to your sovereignty, and if you want peace, love your nation.

UN/Cia Pak

President Donald Trump addressing the UN General Assembly on Sept. 24, 2019.

National sovereignty is not optional or conditional. It is a scientific principle that emerged from the 15th century Renaissance and was established by the 1648 Treaty of Westphalia as the basis for relations among nations. It is the foundation for world peace and human advancement. Today, the reassertion of this principle is an absolute pre-requisite for successfully overcoming our current world crisis. The greatest urgency, however, is that *the principle and power of national sovereignty be applied to all matters of finance and banking*. This is of paramount importance.

We find ourselves today in the midst of danger and growing chaos. What is driving this situation toward global explosion is the bankruptcy and breakdown of the Anglo-Dutch system of imperial finance. Everything else we are witnessing,—from the attempted *coup d'état* in the United States, to the targeting of Russia and China, and the turmoil and war in many other nations—is being propelled by the threat of systemic global financial disintegration.

Even with the beneficial impact of projects such as the Belt and Road, many nations are going backwards, under the financial and economic diktats of the International Monetary Fund, the Bank of England, the European Central Bank and other organs of the British financial

Painting by Gerard Terborch

The Swearing of the Oath of Ratification of the Treaty of Münster *(Peace of Westphalia), in 1648.*

empire. Under the brutal and regressive mandates that are being imposed on them, more and more nations are becoming ungovernable and threatened with complete breakdown.

The solution to this crisis lies in national sovereignty and national banking. The method of accomplishing this has already been illuminated in the writings and actions of Alexander Hamilton. The actions that need to be taken, and the moral and philosophical imperatives to guide us, have already been articulated by the greatest economic genius of the last 100 years, Lyndon LaRouche.

What is required is action, now.

Think Like LaRouche

As Lyndon LaRouche always, forcefully, insisted, the crisis we face today is not a cyclical banking or economic crisis;—not even one of great severity—it is a systemic crisis. *It is the end of a system*. We are in the terminal phase of the Anglo-Dutch banking and financial system that has run the world since 1763, and has exercised an almost complete dictatorship since 1971. That financial system is now hopelessly bankrupt, crushed under the weight of quadrillions of dollars of speculative debt.

Our current political problem is that the actual nature of this crisis is never openly discussed. Not one among the declared U.S. Presidential candidates has mentioned it. Nor have world leaders. It is for all practical purposes a taboo subject. A handful of more insightful individuals have pointed to the growing danger signs, but none have grasped the systemic nature of the crisis, nor offered legitimate solutions.

The oligarchs, the speculators, the central bankers march to the tune of their own delusional melody, one which whispers in their ears that just one more bailout, one more round of murderous austerity, or one more speculative scheme will save them yet. Thus we see the current Malthusian gibberish that is dished out by Bank of England Governor Mark Carney, among others. Hundreds of millions, perhaps billions, will die if Carney and his ilk get their way.

Only Lyndon LaRouche has provided us with a roadmap. At the end of this paper you will find a list of articles authored by LaRouche. Why would anyone listen to—let alone heed the advice of—so-called economic experts who have demonstrated their incompetence over and over again, when you have the genius of LaRouche to guide you? To be an effective leader—a world-historical leader—it is necessary to study and master at least the key concepts contained in those articles.

In 2001, in a discussion with associates, Lyndon LaRouche defined precisely the type of thinking required today:

> I don't make predictions. I make *forecasts*, which are based on the *systemic characteristics and the boundary conditions within which the system operates. That's why I have always been right, and every one of my critics—whether inside the organization or outside—has always been wrong!*
>
> The only useful consideration before us right now is to pose the questions, "What is the *systemic character* of the crisis we face today?" and, "What is the *boundary condition* which will determine the intervention which needs to be made?"

A Necessary Preface

Much of a technical nature will be discussed below. For that reason, it is necessary first to put a human face on the crisis as it exists today. The real crisis is not about banks, or currency or interest rates. It is about people. Think of the farmers who have lost their farms; think of the skilled workers who have lost their jobs. Consider the millions of homeless; consider the tens of millions now addicted to drugs. Look at the horrific picture which Sam Quinones paints of the American "rust belt" in his book *Dreamland*; look at the rise in suicides and the drop in the birth rate.

The American population is being destroyed. The youth of America are being destroyed. Their right to a productive future is being denied them. And the productive power of the American industrial economy is disappearing.

But look, also, beyond America. The same destruction is taking place in Europe; and in Africa, Latin America, the Middle East and elsewhere hundreds of millions of people face poverty and disease. This "no future" reality has led to wars and the refugee crisis. In entire regions people live without hope.

All of this suffering is the result of the policies of the current British imperial monetary and financial system—the system which runs the world. That system is now bankrupt, and it must be replaced.

I. The Principle of Credit

A word of warning to the reader: to properly grasp the implications of what is presented in this article, you must be willing to challenge what you think you know about economics, money and banking. The commonplace understanding of these matters, or even what passes for discussion of economic policy in Congress, is horribly flawed.

Lyndon LaRouche situates the origin of modern economics with Gottfried Leibniz' discussion of the implications of heat-powered machines. This stands in direct contrast to all of the flavors of modern monetarist theories and their obsession with money and markets, as currently taught in most universities.

Some might ask, "What do heat-powered machines have to do with economics?" The answer is, "Everything."

For LaRouche, the key issue is *human productivity*. It is solely in the advances in human productivity, as that has been reflected in scientific and industrial progress, that the upward emergence of the human species has been realized over the last ten millennia. This advancement of productive power is the only legitimate approach to the science of economics.

Statue of Gottfried Wilhelm Leibniz in Leipzig, Germany.

All such increases in productivity are the product of individual discoveries of principle, discoveries which then lead to revolutionary advances in science and technology—and the non-linear advancement to new "platforms" of human mastery over nature. This is how the human species has advanced over thousands of years. Human creativity and the advancement of new technologies in industry, agriculture, energy production and related initiatives are the motor for all human progress.

Individual discoveries are only achieved through initiatives by individual human beings, as for example Johann Sebastian Bach's discovery of the well-tempered musical system. The first requirement of a rational banking and credit system is that it act to encourage and foster human creativity. Continued human progress depends on this. Such a commitment to creative intervention and the application of new discoveries is not possible under the paradigm of a money system which is oriented to usury and short-term financial profits.

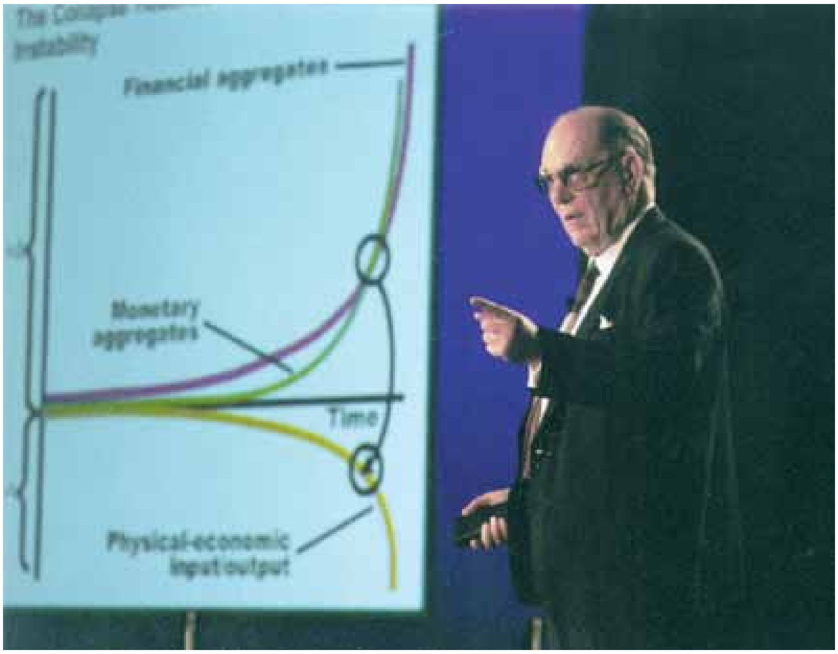
What approach, then, should be taken to ensure continued human advancement? What principles of banking, money, and credit are required to rescue us from our current desperate circumstances?

The answer is to be found in Alexander Hamilton. Go to Hamilton's own writings, his actions and his life-mission, to discover the principles which created the most successful economy in human history.

The first requirement is to comprehend the difference between the oligarchical notion of "money" and the Hamiltonian concept of "Public Credit." Under Hamilton's policy, money has no independent, self-evident legitimacy, except as issued in the form of credit by a sovereign nation-state. In effect, money, as a thing-in-itself, does not exist, except as it is deployed to foster human progress. And since sovereign government has the sole right of issuance of currency, it axiomatically retains the right to determine the means and methods by which its currency may be circulated. Thus, Public Credit and the circulation of sovereign currency becomes a *catalytic action* (action on the universe), through which beneficial physical economic development may be accomplished.

The Outline of a Proper Approach

Technological progress is mandatory, not optional. Non-linear increases in human productivity are mandatory, not optional. A legitimate banking and credit system must serve those ends. Ultimately, the goal is to increase human *happiness*.



EIRNS/Stuart Lewis

Lyndon LaRouche discussing his "typical collapse function" ("triple curve").

As Lyndon LaRouche often stated, the only sensible approach to national economics is to view a national economy as a giant "agro-industrial firm." Continued upward progress depends entirely on increasing the productive power of that "firm." This is accomplished through the application of new scientific and technological advances which produce both a growing surplus, i.e. Net Physical Operating Profit, as well as an increase in the productive power of the individual worker.

Any economic approach, including its subsumed banking, monetary, trade and taxation policies, which has the effect of reducing the productive power of society, is suicidal, and will lead to financial collapse, as well as to human suffering and death. All such failed approaches are characteristic of monetarist imperial financial methods, and the effect of such foolishness is explicit in LaRouche's original presentation of the "Triple Curve," as well as its subsequent revision. Prosperity and upward growth depend, not on monetary profits, but on an increase in the productive power of the economy.

The measuring rods for judging such an increase in human productive power were promulgated by Lyndon LaRouche in two related economic discoveries: (1) an increase in per-square kilometer *potential relative population density*—i.e., the increasing power of the economy to support a growing population; and, (2) an increase in *energy flux-density*, i.e., the power of the unit of energy (wood, coal, oil, nuclear) being employed within the current economic platform. The vitality and productive power of an economy is measured by non-linear (i.e., geometric) upward progress as defined by these two physical criteria.

American Precedents

It was in America that an alternative to oligarchical finance was born. Alexander Hamilton created the system of sovereign Public Credit. In his famous *Reports*, as well as in other writings, Hamilton defined not merely a series of policies and practices, but the principle as to how a sovereign nation must conduct its economic affairs and how human progress and happiness might be guaranteed. It was Alexander Hamilton, not Karl Marx, who first examined the question of "labor power," i.e., the productive power of the individual worker, as well as the productive power of the economy as a whole, and it was Hamilton who insisted that a healthy economy must be characterized by a growth in such productive power, an approach identical to what LaRouche calls for today.

Hamilton's national banking policy was designed to facilitate exactly such an increase in the nation's productive power. All one has to do is to read through Hamilton's *Report on the Subject of Manufactures* to obtain a precise comprehension of his intention. In his *Report on a National Bank*, Hamilton formulates a system of sovereign credit which is intended to keep speculative and other oligarchical practices in check, or outlaw them entirely, while centrally deploying the credit of the nation to improvements and productive advances in the real economy, to the benefit of the people and future generations.

With Hamilton's principles always in the forefront of our mind, it will also be necessary today to borrow from the initiatives of two other American Presidents. Abraham Lincoln's Greenback policy took Hamilton's intention and added to it the issuance of sovereign U.S. Treasury Notes, which served as a form of sovereign credit to, among other uses, capitalize a tightly regulated national banking system. In 1944-1945, Franklin Roosevelt instructed his representatives to the Bretton Woods Conference to negotiate a set of economic agreements that would be based around a fixed-exchange-rate gold-reserve monetary system, one which would be under the complete control of sovereign nations.

Hamilton's intention and principles of national banking, Lincoln's Greenback policy and Roosevelt's gold-reserve monetary system provide the foundation for what must be done today.

Statue of Alexander Hamilton in Paterson, New Jersey.

II. Outgrowing Feudal Practices

The only way out of our current crisis is to replace all practices associated with private central banking with modern Hamiltonian methods. The private central banking system, as it has been deployed by the British Empire over the last two centuries, is based entirely on practices inherited from feudalism and has no place in the modern world. What has characterized the feudal financial paradigm are the twin pillars of *usury* and *ground rent*, and these—actually superstitious—feudal practices were themselves derived from the earlier legacy of the tax-farming and related pagan economic methods of the Roman Empire.

Beginning almost a millennium ago, with the Champagne Fairs and similar initiatives elsewhere in Europe, a system of private usurious finance emerged. Much of this was tied to trade, and as the new financial system developed over several centuries, the accumulation of monetary wealth became increasingly concentrated in mercantile port cities, such as Venice, Genoa and later in Amsterdam. In addition to the ever-present usury, other speculative practices were also introduced very early in this process. All of this was designed to serve a ruling oligarchy. Human progress was incremental or even non-existent, and the vast majority of the people were exploited and kept poor and backwards.

The Parasitical Lombard System

By the 13th century, these primitive beginnings had evolved into the notorious parasitical Lombard System of Banking, associated with the Bardi, Peruzzi, Frescobaldi and Acciaiuoli families, which became hegemonic in Europe. In the 16th century the principles of Lombard Banking were revived and refined by the *Banco della Piazza di Rialto* in Venice and the *Casa di San Giorgio* in Genoa. With the creation of the Bank of Amsterdam (*Wisselbank*) in 1609 and the Bank of England in 1694, both based, *in toto*, on the axioms of Lombard Banking,—as those axioms had been further refined in Venice—the structure of modern private central-banking began to take shape.

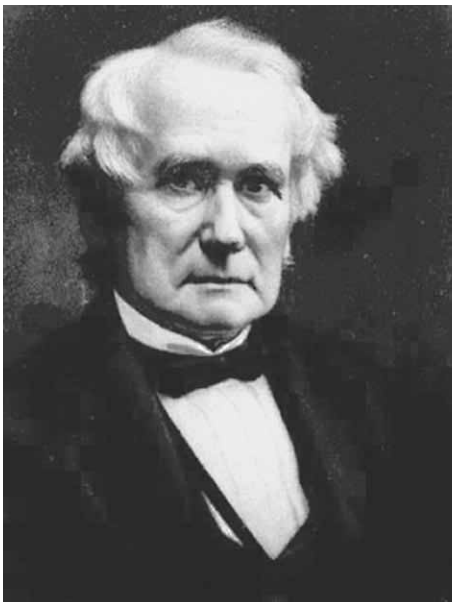
From the beginning, this central-banking financial paradigm was hybrid in its nature. On the one hand, the centralization of finance, the issuance and management of a national currency, and other innovations, such as the creation of a "sinking fund" to manage national debt, were positive steps, and recognized as such by Hamilton who adopted some of these practices in his banking proposals. However, both in London and Amsterdam, this was an oligarchical system, and the axiomatic principles which guided the new financial institutions were identical in principle to the practices and outlook of the 13th century Lombard Banking System.

Usury and financial speculation dominated day-to-day financial activity in London and Amsterdam, thus leading into the invention of purely speculative practices, such as options trading. Short term gains in monetary wealth were the *sine qua non* of the entire operation. *Ground Rent*, i.e., wealth derived from the ownership of property, and *Monetary Wealth*, i.e., wealth derived from the possession of money, were the twin engines for the entire operation. Nowhere was there an operating intention to foster the future productive power of the physical economy. Nowhere was there an effort to develop the cognitive and productive potentials of the people, or even to defend their well-being. This was an anti-human banking/financial paradigm.

The oligarchical financial system, as it developed into modern times, has always been one in which the requirements for human advancement—including industry, agriculture, technology and science—have been subordinate to this feudalist form of rentier-financier domination. This was the *species-character* of the 19th century British imperial financial system, and it continues to this day in the hegemonic practices of the supranational trans-Atlantic financial institutions.

The American Solution

What emerged from this modern form of Lombard banking was an oligarchical notion not only of wealth but of the human personality, one which conformed to the oligarchical outlook. From Bernard Mandeville's 1714 *Fable of the Bees*, through Jeremy Bentham's *hedonistic calculus* and into Adam Smith's "pursuit of pleasure and avoidance of pain," a philosophy of economics was created that asserted that all economic activity is driven by bestial appetites and greed. This monstrous assertion stands in direct violent opposition to the principles enunciated in the American *Declaration of Independence* and the *Preamble* of the U.S. Constitution.



Henry C. Carey

Fundamentally, the American Revolution was fought for the *Right to Develop*—the right to improve one's condition and to advance the productive powers of society to benefit future generations. It was anti-oligarchical in its essence. It was future-oriented in its intention. It was pro-human.

It is far past time to throw off the feudal chains of the past. Nicholas of Cusa, Johannes Kepler and others accomplished revolutions in science which freed mankind from the superstitious beliefs of the middle ages. Yet, in the arena of economics, we still suffer under feudal oligarchical notions of wealth and banking, where the accumulation of "objects" or "money" define what wealth is.

This is an oligarchical system, and as the 19th century American economist Henry Carey demonstrated, such a rentier-financier financial system can not sustain itself without looting the population. Carey proved that the entire British Empire, including its financial hub in the City of London, would have long ago collapsed but for the continued looting of the colonies, particularly India, through the extraction of labor, raw materials, and onerous taxation.

III. National Banking

The establishment of a National Bank, together with the creation of a new Bretton Woods agreement among sovereign nations, will break the power of the global cancerous monetarist dictatorship and usher in an era of global economic development in which no nation will be excluded. We provide here not a detailed blueprint for a constitution of a National Bank, but merely the guidelines by which such an institution must operate.

First, it must be understood that a National Bank, in conjunction with a New Bretton Woods agreement, will operate as part of an international *gold reserve* system in which the price of gold is fixed for purposes of international trade and monetary relations among nations. This is not to be confused with the old British *gold standard*. The U.S. Treasury will not be restricted in its issuance of currency to the amount of gold held by the Treasury, nor shall Treasury Notes be redeemable in gold.

The establishment of national banking systems must be enacted with all deliberate speed. In the United States a situation already exists where productive enterprises—manufacturing, farms, etc.—are being starved for credit as the Federal Reserve's monetary inflation spews money into speculative investment. The commercial banks themselves are in an increasingly precarious situation, and any interruption in the speculation chain-letter will result in defaults and failures. A National Bank must act swiftly to re-capitalize these banks, and that in such a way that investment capital begins to flow into the nation's businesses.

Following appropriate national legislation, the Federal Reserve, as an independent entity, will cease to exist, and the necessary parts of its functioning will be absorbed under the directorship of a National Bank. That Bank, operating under the supervision of the U.S. Treasury, shall serve as the depository for new issuances of gold-backed U.S. Treasury Notes, the which shall replace (over time) all Federal Reserve Notes in circulation. The philosophical model for this will be the method whereby legal tender was printed and circulated under Abraham Lincoln's Greenback policy.

The National Bank will be empowered to loan U.S. Treasury Notes (the new currency), at low interest, to all of the nation's private commercial banking institutions,—not limited to the major super-banks—and these issuances of notes will re-capitalize these individual banks, allowing them to resume lending to private enterprise and individuals. This, however, will be done under strict national banking regulation of a "two-tier" approach, with a low rate of interest for investment into productive enterprises—e.g., industry, construction, infrastructure, agriculture, energy, aeronautics and water management; as well as into advanced areas of research and development, space science and Fusion Energy—and a considerably higher rate of interest for loans to non-productive activity.

President Franklin Roosevelt signing the Banking Act of 1933. To his immediate right and left are Sen. Carter Glass and Rep. Henry Steagall.

The National Bank will also be empowered to engage in "participating loans" with individual private banks, on a 1:1 "matching fund" basis for loans into major productive projects, and the Bank will be authorized to invest directly in selective major government projects—including infrastructure projects—which are beyond the scope of the private banking institutions.

It shall be the policy of the National Bank to eliminate all generation of fiat credit, except through issues of U.S. Treasury Notes, as those notes are then lawfully deployed, by the National Bank, through the private banking system. Privately-owned banks will be prohibited from loaning out more than their individual capital and reserves. This prudent restriction will not have the effect, however, of tightening credit, because the issuance of new "Greenback" U.S. Treasury Notes and their circulation through the banking system will provide an ample source for new loans and investments.[1]

Similar measures will be enacted to rescue the nation's savings banks and credit unions.

Franklin Roosevelt's Glass-Steagall policy, *in its original form*, must be reenacted. With this, the commercial banks will be shorn of all of their speculative debt obligations, and prohibited from engaging in financial speculation. This will allow them to relearn the principles of sound banking and concentrate on the business of building-up a healthy productive economy.

As to the current speculative debt bubble, the National Bank, under the supervision of the U.S. Treasury and in cooperation with America's partners in a New Bretton Woods institution, will be authorized to examine the books and write off the vast bulk of this debt in a manner of bankruptcy liquidation. Furthermore, subsequent Congressional repeal of all legislation which legalized "financial derivatives," "options trading" and other funny-money schemes will severely limit the

1. There is an argument that banks should be allowed to engage in conservative fractional lending, say on a 3:1 ratio against deposits. Lyndon LaRouche has stated that the large-scale issuance of U.S. Treasury Notes alone should be more than adequate for lending needs.

future speculative practices of "investment banks" and "hedge funds" and place them under strict government regulations. The National Bank will be prohibited from making loans to private investment banks.

The establishment of a national credit policy, despite the issuance of massive amounts of credit, will be decidedly *deflationary* in its monetary effect. The consequences of such a policy will be to stimulate not simply an increase in physical production, but to spur new innovations and revolutionary technologies, all of which will create new physical wealth. Monetary inflation is entirely the product of Keynesian and other feudalist monetarist methods.

Public Credit

The question arises as to the permissible limit of the issuance of new "Greenback" U.S. Treasury Notes. In 1980 Lyndon LaRouche proposed that such a new Credit System would generate $400 billion dollars annually in hard-commodity credit. Today, 39 years later, that figure could be revised substantially upward. However, it would be a grievous error to calculate such a figure merely on the basis of the feudal practice of double-entry bookkeeping methods. Rather, LaRouche's "Riemannian" approach to physical economics provides the proper orientation.

As LaRouche discusses in a number of the articles listed in the bibliography to this paper, the only limiting factor to new investment—and thus the issuance of new currency—is the ability of the current economic platform to absorb new productive investment, based on the productive surplus which is currently generated. Since the intention is to catalyze continual revolutions in science and applied technology, this implies a non-linear rate of growth in the net productive rate of surplus (i.e., rate of net profit), as well as a non-linear increase in the ratio of this productive surplus to the non-productive sector of the economy, thus increasing the potential for new and larger investments, and the need for additional public credit. As long as the vast bulk of new investment is channeled into such technologically-intensive new initiatives, the effect must be deflationary for costs and prices across the board.

In essence, there is no linear mathematical limit to the issuance of sovereign fiat currency. It is limited only by the increase in human creative output, as this is reflected in the net physical profit of society. It is only essential and mandatory that such new credit be limited to the margin of this net profit and that new investment be directed to the requirements of capital improvements and productive investments.

It is time to get off of the inflationary merry-go-round of financial speculation and fictitious wealth. The sovereign circulation of currency is intended to service the physical economy and enhance human productivity. It has no other legitimate purpose.

EIRNS/Sylvia Spaniolo

LaRouche PAC organizing for LaRouche's Four Laws on the streets of New York City, April 10, 2018.

The intention is to encourage the adoption of national banking methods world-wide. As to how this would evolve, those precise details must be left up to the individual member nations of a New Bretton Woods agreement, as their separate needs dictate. As long as the principle of sovereign control of credit and currency is agreed to, nations are best left to their own methods.

For the United States, the precise structure and make-up of the National Bank will not be discussed here. All that will be said is that the U.S. National Bank will be established as an independent corporation, as Hamilton intended, capitalized largely through private investment. The U.S. Treasury will be a significant minority stock-holder in the National Bank, have representation on the Board of Directors, and be granted oversight to regularly examine the books and actions of the Bank. The Treasury, however, shall have no power to interfere with the day-to-day decisions of the Bank.

What is mandatory, however, is that the *intention* to promote the upward development of the productive economy be clearly enunciated, as a matter of *principle*, in the founding constitution of the Bank. This declaration of principle shall guide the actions of the Bank, in a manner similar to the role of the *Preamble* with the body of the U.S. Constitution. That intention, together with the necessary U.S. Treasury oversight, should suffice to guarantee the proper functioning of the Bank.

Other Tasks

The encouragement of productive investment will also be aided by changes in the U.S. tax code. This will include a Kennedy-style investment tax credit program for useful investment, and will include tax exemptions or write-downs for depreciation, amortization, and depletion allowances, as well as for investments in fixed-capital improvements in agricultural and industrial production. American farmers, in particular, will benefit from these changes. In principle, all tax policy will be made coherent with the new national orientation toward a productive credit policy. The intention is to put people back to work and to shift the ratio of employment increasingly into productive activity.

The financial bubble in real estate holdings (ground rent) must be brought down. This can not be done all at once, due to the catastrophic effect it would create for tens of millions of homeowners and businesses. Nevertheless, as the current casino economy is replaced by sound banking policies, including anti-speculation Glass-Steagall measures, the frenzy in real estate speculation can be halted and real estate valuation slowly returned to some semblance of sanity.

Similarly, a Bretton Woods agreement and concurrent adoption of sovereign national banking will be key to solving the problem of the current pernicious nature of many of the so-called multi-national corporations. Many of these super-rich mega-companies are now characterized, as to both their behavior and outlook, with the same fatal sickness which infects the megabanks: speculative profit, non-productive investment, and monopolistic practices. The measures already detailed in this article will solve many of these problems, and the re-institution of all of the powers of the Securities and Exchange Commission (SEC), which have been eroded and stripped away over the recent decades, will go a long way to solving the remaining problems.

Essentially, what we are discussing here is the end of the era of "shareholder values." Real wealth must be produced, not illusory speculative profits. The now pervasive phenomenon of corporations asset-stripping their own productive potential in order to pump monetary profits into financial speculation and shareholder dividends will be terminated by means of the measures detailed above.

IV. The Larger Picture

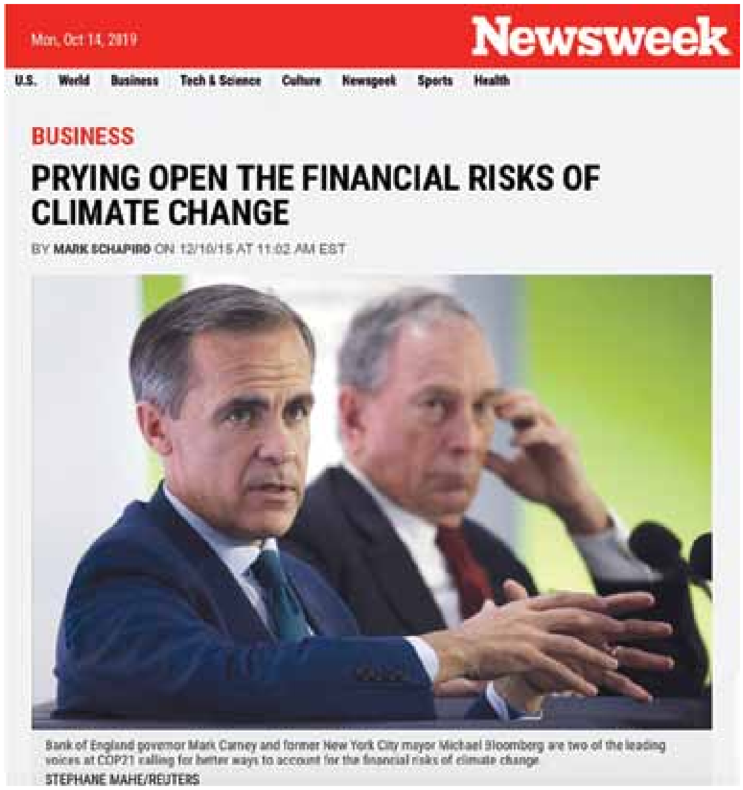
To return to the critical issue raised at the beginning of this paper, let us first situate the proper approach with another contribution from Lyndon LaRouche:

> There's no possible way that the present international monetary, financial system could be continued without collapsing civilization into a generalized and prolonged New Dark Age, out of which most nations will disappear, and the human population will drop rapidly during the course of this century to below 1 billion . . . We are in a situation in which anybody who doesn't support my proposals, on bankruptcy reorganization of the international monetary and financial system, does not support the measures which I've proposed as required for this purpose, has to be an *idiot*. Why do we not say that? Why do we not make that case clearly, and say: "Now, sit down and listen. Here's what the situation is. Now, listen. Don't block, don't scream, don't yell, listen, and think." We're now in a situation where you can't survive under this system.

Mr. LaRouche identified the advent of this crisis more than 50 years ago. No "reforms," even well-meaning, will work. Re-enactment of Glass-Steagall, by itself, will not work. An Infrastructure Bank, by itself or in combination with Glass-Steagall, will not work. The entire system is hopelessly bankrupt, and any attempt to "save it" will result in precisely the catastrophic consequences cited by LaRouche in the above quotation. It is possible, as the Anglo-Dutch financial system heads over the cliff, that some nations might respond by turning inward and attempt a defensive autarchical policy of self-sufficiency, but such actions can not possibly succeed in the long term. We are all bound together, as Lyndon LaRouche once demonstrated with his illustration of the "world-wide cup of coffee." No nation can "go it alone."

Only the liquidation and orderly bankruptcy reorganization of the current hegemonic global financial system, to be enacted concurrently with the erection of a new credit system, will provide a pathway through this crisis.

This is not an "anti-banker" approach. The goal is to rescue the private banking institutions from the foolishness of their recent actions and to create a credit system which will benefit human beings. Glass-Steagall will allow the viable commercial banks to shed the bulk of their speculative obligations. A re-capitalization of these same banks through "Greenback" national banking methods, combined with a reorientation of credit into productive investment will put them back on a sound footing.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BUSINESS

PRYING OPEN THE FINANCIAL RISKS OF CLIMATE CHANGE

BY MARK SCHAPIRO ON 12/10/15 AT 11:02 AM EST

Bank of England governor Mark Carney and former New York City mayor Michael Bloomberg are two of the leading voices at COP21 calling for better ways to account for the financial risks of climate change

STEPHANE MAHE/REUTERS

Bank of England Governor Mark Carney (left) and Michael Bloomberg at the 2015 UN Climate Change Conference (COP21) in Paris.

A New Bretton Woods

A New Bretton Woods agreement must be negotiated among sovereign nations;—but this must not be the Delphic "New Bretton Woods" of Yanis Varoufakis, Bernie Sanders or London's Chatham House. A New Bretton Woods System must be premised on mutually beneficial agreements among perfectly sovereign nations-states. No supra-national authority is to be recognized.

The new system must be premised on a singular intention and two subsumed economic principles. The overriding moral and philosophical intention is *Upward Human Development*. The two subsumed principles: first, that a New Bretton Woods must be based on *fixed-exchange-rate gold-reserve agreements* among sovereign nations, as Franklin Roosevelt insisted; second, that such agreements must be negotiated by nations *who have themselves adopted the principle of sovereign control of currency and credit*. A New Bretton Woods shall be a treaty agreement established and directed by sovereign nations, not an arrangement among private central banks. It shall operate, constitutionally, based on a shared commitment to upward human development.

The slavish devotion of the International Monetary Fund and the World Trade Organization to serving the interest of imperial monetary profit means that those organizations, in their present form, must be abolished. The Malthusian green dictatorship of the Paris Agreement reached at the COP21 conference and its fraudulent demands to limit human industrial and technological development must also be rejected in their entirety.

The establishment of a fixed-exchange rate system will provide enormous benefits for world trade and production, and eliminate the inflationary effects now created by middle-men speculators. As LaRouche prescribes, for international trade and monetary relations among nations the price of gold shall be fixed at a rate marginally above the cost of extraction and processing. Such price shall be maintained by treaty agreement, regardless of the price paid for gold by private individuals and institutions. As Franklin Roosevelt demonstrated in 1933, the most effective approach would be for member nations to purchase all domestic supplies of gold from within their respective nations.

For those developing and poorer nations which lack adequate gold reserves, this will be taken into account, and credit policies adjusted to facilitate aid in the capital-intensive development of those nations.

Given the entrenched position of the British imperial financial institutions, for a New Bretton Woods initiative to succeed, sufficient strategic and economic power must exist among the founding member nations. For this reason, Lyndon LaRouche has always pointed to the four great strategic powers—China, India, Russia and the United States—as indispensable participants for such an initiative to be accomplished. Whatever current friction exists among these four nations; it is in their self-interest to follow LaRouche's advice in these matters.

The intention is to replace entirely the current bankrupt monetarist system with a Hamiltonian-style new monetary order, under which sovereign governments exercise a monopoly in utterance of credit, replacing all central banking systems. This should be complemented by new tax and trade agreements negotiated among the participating sovereign nations.

Under the new system, it becomes axiomatic that all financial debt which is attributable to financial speculation, i.e., gambling debt, must be either summarily nullified, or reorganized in a way which is suited to bring about a beneficial result. This can be accomplished through domestic Glass-Steagall-related legislation in the participating nations, as well as through stipulations established in the charter of a New Bretton Woods agreement. A certain amount of care, e.g., in the United States, will have to be taken during this bankruptcy reorganization to protect the well-being of the population, in areas such as pension funds, health care and the like.

Related to these powers, a New Bretton Woods agreement, together with the establishment of national banking methods will result in the complete regulation or abolition of all private and "crypto" currencies, ending their usage for various illegal activities, including the drug trade.

Sovereign Foreign Relations

As to foreign private banks and financial institutions, the rule of thumb will be that no demands for payment on purely speculative financial debt by those entities will be given legal standing by the National Bank. Concurrently, any foreign financial institution which desires to do business in the United States will be required to operate according to U.S. law, including strict adherence to the restrictions of Glass-Steagall, banking policy as set by the National Bank, and the revised U.S. tax code.

Demands for payment on trade obligations will only be honored by the National Bank if those institutions are themselves operating transparently according to national banking guidelines within their own respective countries. Redemption of Treasury Notes in gold by private individuals and institutions will not be allowed, and any necessary transference of gold between nations will be conducted according to rules established in the New Bretton Woods agreement. It is the right of the United States, as well as the other member states of the New Bretton Woods, to defend the value of their own currencies.

As to relations among nation-states, the framework of the New Bretton Woods agreement provides the venue for beneficial global development. The current World Bank could be reorganized or replaced with a new institution, which would be generously capitalized by the member nations, with a mandate for investing in those major capital-intensive projects which will have the greatest impact on increasing the industrial/agricultural/scientific productivity of the recipient nations. These investments will obey the guiding principle of upward human progress. These, as well as any complementary initiatives, should be carried out so as to be in harmony with other development projects, such as the Belt and Road or projects financed by regional development banks.

Additionally, the U.S. National Bank, as well as a revived and enlarged Export-Import Bank and any other institution established by law for this purpose, will be allowed to make foreign loans, with the only restriction that these be coherent with U.S. law and follow the intention of aiding the physical economic development of the recipient nations and institutions. Such loans will also greatly benefit U.S. industry, particularly in the area of capital goods exports.

Human Economics

To further elucidate the fundamental issue before us, we conclude here with comments delivered by Lyndon LaRouche in an April 11, 2009 international webcast.

> Value does not lie in money! Money is simply a vehicle to organize exchange: investment, and goods, and exchange. It has no intrinsic value. Statistical measures of money flow, do not really tell you anything about how an economy works.
>
> Everyone who has opposed me has been

wrong: They use statistical methods, which are intrinsically incompetent. They measure in terms of money statistics. It's an incompetent measurement. The important thing is what you do, to invest in the physical productive powers of labor. And also to invest in the development of the minds and social relations of people, which are essential for that increase in productivity. The physical productive powers of labor, made possible by inventions. No animal can make an invention; no animal ever discovered a principle.

So therefore, only man and only man's creativity, the creativity which is potential in man as in no other species, is capable of creating a modern human economy. No money system defines a human economy, except as rot in the economy. We need money, in a sense. Money as a deal of trade. But the productivity is the increase of the productive powers of labor, per capita and per square kilometer of this planet. And that comes from two things: the development of the physical power to produce, which is a reflection of physical science, including biological science. And the other thing, is the development of the ability to communicate ideas of that type, which has to do with the culture, a literate culture of a people, and the development of that literacy, and the development of the use of that culture. So, that's what economy is....


USDA/Jeff Vanuga


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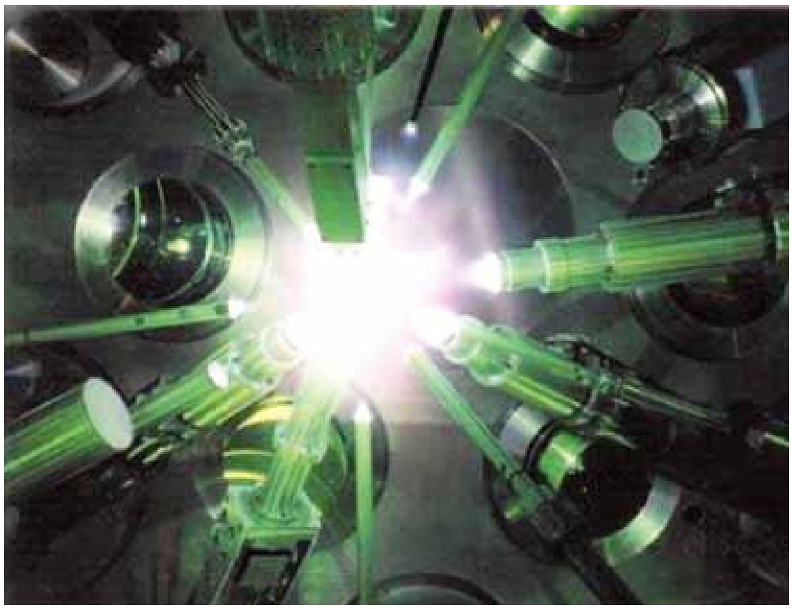
LLNL

Technologies to increase productive power: irrigation; use of lasers in manufacturing; science-driver research for inertial confinement fusion energy.

It is not money, it is not statistics, it is not monetary theory, that determines the way an economy works: It is physical! But physical includes the fact of the human brain, which is not like any animal brain, no animal can make an invention; only human beings can. And it's the kind of way in which we organize our social system, by adopting social conventions, as to how we behave, and the physical effect of these conventions. Therefore, if we have defective conventions, which are not functioning properly, we're going to have problems! And these problems are foreseeable in physical terms! Not in money terms, in physical terms....

Therefore, profit really means, that mankind, through the mental powers of mankind, in developing not only physical-scientific discoveries, but in terms of increasing capital-intensive investment in mankind, we increase mankind's ability to outrun what would have appeared earlier, as the limits on population. And this is real profit. Profit comes from the mind of man, who is able to make inventions and realize them to increase the productive potential of mankind to live, even while apparently otherwise depleting the Biosphere environment.

Now, creativity: This is the most important question, in economics. The human being, the human mind is capable of discovering laws of the universe which are not mathematical laws as such. They may have a mathematical reflection, as a shadow; that is the footprint of discovery. But it is not the content of discovery. The content of discovery is the act of discovery, not the content of it, not its energy footprint. And therefore, what you want is a culture which has a higher degree of creativity in the culture.

Coda

On June 8, 2014, Lyndon LaRouche issued his "Four New Laws to Save the U.S.A. Now!" These Four Laws are: (1) Immediate re-enactment of the Glass-Steagall law instituted by U.S. President Franklin D. Roosevelt, without modification, as to principle of action; (2) A return to a system of top-down, and thoroughly defined as, National Banking (3) The purpose of the use of a Federal Credit-system, is to generate high-productivity trends in improvements of employment, with the accompanying intention, to increase the physical-economic productivity, and the standard of living of the persons and households of the United States; (4) "Adopt a Fusion-Driver 'Crash Program'."

These Four Laws are not simply a "good" economic program. In its original publication, LaRouche's "Four Laws" were subtitled (by the author) "Not an Option: An Immediate Necessity." That is the reality. The Anglo-Dutch financial/monetary empire is at its end. Every action now being taken by the Bank of England, the European Central Bank, the International Monetary Fund and the U.S. Federal Reserve is producing only more human suffering and bringing us closer to total ruin. This system, in its entirety, must be replaced.

Banks and financial systems do not exist to serve themselves. They are *allowed* to exist, by sovereign government, only if they serve the public's interest. Human beings—and a commitment to the posterity of existing human beings—are the only allowable yardstick for economic policy-making. This is what the fight is about today.

It is now a necessity that LaRouche's economic breakthroughs must become the basis for policy-making, world-wide. Economic value lies not in things, nor statistical monetary value, but in the process of improving our productive powers. By doing so, we improve our humanity. We create a future. This is accomplished through economic measures which foster human invention, creativity, discovery and scientific and technological advancement.

In closing, it must be stated that the material contained in this article, as well as the writings of Lyndon LaRouche listed below, are not intended primarily for policy-makers or government leaders. What is required in our current crisis is the willful emergence of organic leaders—ordinary citizens who will take responsibility for the future of the nation and human civilization. The question of National Banking is a matter which every citizen must understand.

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Suggested Readings from Lyndon LaRouche

"The LaRouche Gold Proposal," *EIR* October 13, 1981 (reprinted in the October 25, 2019 *EIR*).

"Time to Nationalize the Federal Reserve," *EIR* January 3, 1992 (reprinted in the September 13, 2019 *EIR*).

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"How to Regulate Credit-Expansion," in *A Gaullist Solution for Italy*, Oct. 8, 1980 (reprinted in the October 4, 2019 *EIR*).

"A Conceptual Outline of Modern Economic Science," 1982 *EIR* Special Report (republished in book format in 2019).

"Why Credit Can Be Greatly Expanded Without Adding to Inflation," 1980, published by the National Democratic Policy Committee.

"New Accounting Standards are Imperative: The Becoming Death of Systems Analysis," March 21, 2000 *EIR*.