

## Editorial

# Nationalize the Federal Reserve

As the new Clinton administration tries to figure out how to get the personal computers in the White House working, and fumbles to come up with a policy to deal with the economic crisis—which, the President avers, is rather “worse” than he had thought—the demands for a trade war “solution” are growing.

The Commerce Department has already levied punitive tariffs of up to 109% on steel imports from 19 countries. The Big Three automakers are said to be preparing a sweeping “dumping” suit against Japan, which would lead to import duties on all Japanese passenger cars. The Treasury Department has begun a policy review that could lead to a tenfold increase (from 2.5% to 25%) in the tariff paid on foreign minivans and sport utility vehicles.

This is no solution to the problems facing America's economy; it is the road to depression and world war, just as it was in the 1930s. The only viable solution is that proposed by jailed economist Lyndon LaRouche: Revive the American System of political economy. That means, as the first item on the agenda, nationalizing the Federal Reserve.

Ironically, today's “protectionist” measures are being pushed by the same forces who proclaim themselves the advocates of “free trade”—for *other* countries, that is. The ugly calls for trade war have nothing to do with the American System of political economy, the system of Alexander Hamilton and Henry Carey, which made the United States a great industrial and agricultural power. Hamilton and Carey sought to protect domestic industry, to be sure; but they did so within an overall policy conception that would further economic development worldwide:

1) *Government promotion of large-scale infrastructure projects.* Today, this means investment to rebuild collapsing roads, rails, bridges, waterways, and to develop the infrastructure of the 21st century, such as maglev trains and state-of-the-art water management.

2) *Encouraging a rising scientific and technological level of the economy, and rising productivity of the labor force.* This must include a crash effort to restore

Classical education, and to repair the damage caused by 20 years of the counterculture.

3) *Generation of state credit for the purpose of productive investment (not speculation).* Contrary to widely held belief, such credit generation is not inflationary. Astronomical debt service is currently being paid to prop up hyperinflated real estate values and other economic fictions; but under a Hamiltonian policy, credit is prioritized for productive purposes. It pays for itself, as the unemployed are put back to work at productive jobs, restoring the tax base.

4) *Forging alliances among sovereign nation-states committed to the same conceptions, in the interests of all.* This is the critical component in war avoidance today. The nations of the former Soviet bloc, and of the Third World, must be drawn into such a community of nations, to defuse the conflicts that are spiralling out of control.

The Federal Reserve stands squarely in the way of these necessary reforms. Answerable to no elected officials, but only to the commercial banks and the gnomes of international finance, it is inimical to the American System.

Yet during the televised debates of last fall's presidential election campaign, Bill Clinton, George Bush, and Ross Perot all vowed that they would do nothing to change its “independent” status. Of the presidential candidates, only Lyndon LaRouche called for its nationalization.

As we report in this issue, Rep. Henry Gonzalez (D-Tex.) addressed the House of Representatives on Jan. 25, calling for a restoration of Hamiltonian policies, and for congressional control over the Fed. “It has gotten so almighty and powerful—‘independent’ is the word they use—that Congress that created it has no control over it,” he said.

We heartily concur. President Clinton has got to take on the Federal Reserve, if he wants to make his domestic reforms work. As long as he insists that the Fed is in the vital interests of the United States, this country will head deeper and deeper into depression and the threat of world war.