I. The Choice Before America

WILL TRUMP RETURN TO HIS CAMPAIGN PLEDGES?

Decision Time for U.S. Economy

by Harley Schlanger

Jan. 5—With all signs pointing toward increasing volatility in the trans-Atlantic financial markets, President Donald Trump must decide in the next weeks whether he will return to his campaign pledge to move against the destructive speculative policies of Wall Street financiers and their neo-liberal theorists, who are urging him instead to "stick with what is working." They are referring to the run-up of stock markets to record levels, and official dishonest statistics which claim to show a continuing decline of unemployment, which the President is touting as proof that his economic policies are working.

In reality, the record-setting stock market levels are not at all the result of improved profitability or productivity of corporations. Instead, they have been fueled by nearly interest-free credit, that banks and their blue-chip clients have been using for stock buybacks and speculative trading, rather than investing in the physical economy. As for unemployment, although the latest official unemployment figures claim the rate is 4.1%, the labor participation rate shows that only 62.7% of the potential workforce is currently employed. Among those encouraging the President to stay the course are the Goldman Sachs alumni in the administration, Treasury Secretary Mnuchin, who made huge profits cashing in on foreclosures resulting from the popping of the mortgage-backed securities bubble in 2008, and Gary Cohn, the director of the National Economic Council.

Many of the Wall Street neo-liberals and speculators benefitting most from the increased flow of funds into the stock market not only opposed Trump during his campaign, but have played a leading role in disrupting his presidency with the fraudulent narrative of Russiagate to constrain him, to prevent him from carrying out his campaign pledges. You might say they are "betting

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The New York Stock Exchange.

White House/Ricky Harris

Treasury Secretary Steven Mnuchin.

White House/Evan Walker

Gary Cohn, Director of the National Economic Council.

the house” that they can keep him on this course, and away from the anti-Wall Street insurgency that carried him into the White House. What they fear most is not Trump’s populist anti-Wall Street rhetoric, but that he might implement anti-Depression policies similar to those of Franklin D. Roosevelt, which have been revived by economist Lyndon LaRouche, in his Four New Laws.

During his presidential campaign, Trump was correctly critical of Hillary Clinton, who cited the same fake statistical trends of stock appreciation and declining official unemployment, to claim that there had been a “remarkable, robust economic recovery” under Barack Obama, and that she would continue those policies. Candidate Trump accused her of ignoring the plight of the “forgotten men and women,” who lost jobs, homes, and savings in the 2008 crash, and have not benefitted from the speculative bubble created by the Bush and Obama bailouts after the crash, bailouts which gave trillions of dollars to bankrupt banks and the “shadow banking system,” while denying credit for investment in job-creating manufacturing, construction, and business enterprises.

President Trump will have an opportunity for an economic “re-set” on Jan. 30, when he delivers the State of the Union address. Prior to that event, he will be holding meetings to finalize his long-awaited infrastructure plans. He is under enormous pressure from Wall Street speculators to limit infrastructure investment to public-private partnerships (PPPs), which their promoters argue can generate profits for them, while avoiding the problem of deficit spending. PPPs focus primarily on investing in low-cost projects with existing technology, such as privatizing roadways and constructing toll booths, which involve little cost, but hefty returns.

While Trump has disparaged PPPs, with an aide saying they are no “silver bullet,” and do not reflect his desire for the most modern, high-tech infrastructure projects, he is being lobbied heavily by the Republican “deficit hawks” in Congress, led by Speaker of the House Paul Ryan and the “Freedom Caucus,” to limit spending on infrastructure in order to reduce government outlays. Ryan and his coterie are also pressuring Trump to renege on his campaign pledge to protect Social Security and Medicare, as part of their broad austerity assault against so-called entitlements.

If he listens to these spokesmen for anti-government, “free market,” austerity policies, which include further deregulation of banking and finance, it is inevitable that the stock and corporate debt bubbles, now ballooning to record levels, will pop, ushering in a deeper depression than that of 2008. As the sometimes insightful *New Yorker* magazine financial columnist John Cassidy wrote in October last year, if the President claims responsibility for the “Trump bull market,” he could “end up owning the ‘Trump Crash’. . . .”

Trump vs. Wall Street on the Campaign Trail

In his campaign, Trump rarely missed an opportunity to attack Wall Street neo-liberals and their neoconservative strategic allies for their policies of “endless bailouts and endless war,” which cost “trillions of dollars and hundreds of thousands of lives.” He ruthlessly attacked the free-trade economic agreements favored by Bush Republicans and Hillary Clinton Democrats, blaming them for a loss of manufacturing jobs—more than 6 million manufacturing jobs have been lost in the United States since 2001, in an extreme form of deindustrialization, through outsourcing.

One of his first acts as President was to pull the United States out of the Trans-Pacific Partnership (TPP), Obama’s and Hillary Clinton’s Asian “free trade” deal which excluded China, and would replace sovereign decisions on trade with rulings from globalist corporate-controlled courts. He repeatedly criticized

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Presidential Candidate Donald Trump in Charlotte, North Carolina, Oct. 27, 2016.

those responsible for the speculation that caused the 2008 crash, calling JP Morgan Chase CEO Jamie Dimon "the worst banker in the U.S." He said that hedge fund managers are "getting away with murder" under the current tax code, and accused them of being "guys that shift paper around ... and get lucky." Some of his sharpest comments against Hillary Clinton were related to the widespread support she enjoyed from Wall Street.

As for Obama, Trump correctly derided his claims of economic recovery, pointing out something repeatedly emphasized by LaRouche's weekly *Executive Intelligence Review* (*EIR*): that most of the jobs allegedly created by Obama were temporary, part-time and low wage; that real wages have been stagnant since the late 1980s; and that the labor participation rate showed that less than two-thirds of those eligible to work had jobs.

In July 2016, Trump shocked many when he insisted that the Republican Party platform include a call to restore Glass-Steagall banking regulation. His then campaign manager, Paul Manafort, said of this platform plank, "We also call for a reintroduction of Glass-Steagall, which created barriers between what big banks can do," adding that "the Obama-Clinton years have passed legislation that has been favorable to the big banks, which is why you see all the Wall Street money going to her. We are supporting the small banks and Main Street." Manafort has been the target of especially thuggish prosecution tactics by Russiagate special counsel Robert Mueller, including being hit with a bogus twelve-count indictment on Oct. 30, 2017.

Trump echoed this support for Glass-Steagall in a campaign speech delivered on Oct. 27, in Charlotte, North Carolina, when he said, "Equal justice also means the same rules for Wall Street. The Obama Administration never held Wall Street accountable." He continued: "I will also pursue financial reforms to make it easier for young African-Americans to get credit to pursue their dreams in business and create jobs in their communities. Dodd-Frank has been a disaster, making it harder for small businesses to get the credit they need. The policies of the Clintons brought us the financial recession—through lifting Glass-Steagall, pushing subprime lending, and blocking reforms to Fannie Mae and Freddie Mac. It's time for a 21st-century Glass-Steagall and, as part of that, a priority on helping African-American businesses get the credit they need."

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Trump Campaign manager Paul Manafort, July 2016

Fake Economics vs. Real Economy

After hitting a low of 6,500 in March 2009, the Dow Jones index of the New York Stock Exchange has appreciated wildly. While much of this occurred with Obama in office, the soaring of stock prices has continued under Trump, from 18,332 the day of his election, to crossing over 25,000 on Jan. 4, 2018. While this may be a cause for celebration for Wall Street traders and their blue-chip clients, is it good news for the real economy? According to banking historian and financial analyst Nomi Prins, corporate borrowing in the past was largely directed toward investment in "real growth," including new plant and equipment, research and development of new technologies, job hiring and training—in other words, investment which increased productivity, and allowed for an increase in the real wealth production capability of the firm. Instead, today, she

Andrew Jackson's British-steered populist campaign, leading to the destruction of Hamilton's Bank of the United States.

writes that companies are using debt to go on a "spree of buying their own stock."

An estimate by *EIR* from March 2017 is that since 2013, 80% or more of corporate borrowing has gone to "financial engineering," i.e., buying one's own stock to drive up the price, or buying other companies' stock in mergers and acquisitions. This splurge of corporate debt has driven up stock values, even as the actual corporate profits are stagnant or falling. Total non-financial corporations' profits have not increased since 2011, while from 2013 to 2016, they dropped.

Yet during this time, total corporate debt has exploded, to over $14 trillion today, the bulk of which is owed to banks, money market mutual funds, and pension funds, for example. This is now substantially larger than the mortgage debt bubble, which was $11 trillion when it popped during 2007-08. In its Autumn 2017 report, the Bank for International Settlements (BIS) focused on the corporate debt bubble, warning that this level of debt is unsustainable. Its authors wrote about "zombie banks" and "zombie firms," defining them as "firms which could not survive without a flow of cheap financing." The BIS estimates that one of every ten corporations in the advanced countries and in emerging market countries is a "zombie," while the International Monetary Fund warns that even minimal increases in interest rates could doom 20% of corporations.

In her year-end forecast, Prins writes that "2018 will be a precarious year of more bubbles inflated by cheap money, followed by a leakage that will begin with bond or debt markets.... If there is another financial crisis in 2018 or later, it will be worse than the last one because the system remains fundamentally unreformed, banks remain too big to fail, and the Fed and other central banks continue to control the flow of funds to these banks (and through to the markets) by maintaining a cheap cost of funds."

Rein in Speculators, Extend Credit

In her recent weekly webcasts, the President of the German Schiller Institute, Helga Zepp-LaRouche, has emphasized that a crash is not inevitable, if the policy solutions proposed by her husband in his "Four Laws" are applied, and the monetarist bubble policies of the financial oligarchy are rejected.

Mr. LaRouche's expertise is in physical economics, and he has spent a lifetime advancing the science of physical economy, drawing upon great scientific thinkers, such as Gottfried Leibniz, Benjamin Franklin, and Alexander Hamilton, who applied their genius to overcoming the false limits set by those who approached economy from the standpoint of "money," "trading" and "profit."

For these thinkers, it is human creativity which generates the advances in productivity, which uniquely allow for the rate of increase in the production of wealth, which can enable an ever-growing population to achieve an ever-improving standard of living. This "American System," which was elaborated in 1790-91 by Alexander Hamilton in four reports to the U.S. Congress, laid the basis for all future prosperity in the United States.

In these reports, Hamilton established a system which regulated the creation of currency and credit, acting through a National Bank, which directed credit to investments to improve the economic platform of the country, improving infrastructure, and promoting manufactures, to allow for maximum efficiency in the production and distribution of goods. Hamilton's policies, with the full support of President George Washington, enabled our young American republic to not only retire its Revolutionary War debts, but to launch a revolution in industrial and agricultural productivity, designed to promote, not individual consumption and accumulation of wealth, but the common good, or General Welfare, as defined in the Preamble to the Constitution.

Library of Congress

President Franklin Roosevelt signing the Glass-Steagall Act in June, 1933.

This system was under attack from its beginnings, as the British Empire, reeling from the loss of its American colonies, attempted to destroy the Hamiltonian system. Hamilton himself was assassinated by a British operative, Aaron Burr, while elitist Anglophile bankers used the rage of "anti-bank, anti-government" populists to shut down Hamilton's Bank of the United States. Throughout American history, whenever the London-linked speculators succeeded in overturning Hamiltonian national credit policies—as in Andrew Jackson's action to shut down the second Bank of the United States, the overturning of Lincoln's Greenback credit policy, or the chipping away of FDR's New Deal—their victories led to the creation of new speculative bubbles, which eventually popped, ushering in depressions, destroying the lives of millions.

City of London/Wall Street swindlers mobilized throughout the 1980s and 1990s to remove FDR's Glass-Steagall bank separation act, finally succeeding in 1999. Their "success" over the years, in removing sections of Glass-Steagall, led to bubbles of various sorts, which popped in 1987, again in 1997, 1998 and 2000, and most recently in 2007-08. Each time, Lyndon LaRouche accurately forecast the collapse, while presenting an alternative. His alternative today, the "Four Laws," include restoring Glass-Steagall to shut down government/Central Bank protection of speculators, instead protecting savers and those who invest in the real physical economy; a Hamiltonian national credit policy, to fund real reconstruction of manufacturing and productive enterprises; full investment in necessary infrastructure, through a capital budget, unrestricted by concerns for "budget deficits"; and funding science-driver projects, such as space exploration and the rapid development of nuclear fusion technology.

At times, as a candidate and as President, Donald Trump has spoken favorably about elements of this approach, even referring directly to the "American System" by name, and identifying key figures in the development of the American System, such as Hamilton, John Quincy Adams, Henry Clay, and Lincoln, as models for what he would like to do. His repeated reference to his desire to act to benefit the "forgotten men and women" echoes Franklin Roosevelt, who saved the nation from the Depression brought on by speculators and deregulators in the 1920s.

With the inventors of the Russiagate scandal increasingly weakened by exposure of their web of corruption, and before a new financial collapse of epic destruction occurs, it is now time for President Trump to revive the American System, in collaboration with China's Belt and Road Initiative. The whole purpose of Russiagate has been to prevent Trump from doing this. There is no time to waste—to pre-empt a new catastrophic global crash, and launch an American and global economic renaissance. LaRouche's Four Laws provide the ideal solution.