

Hamilton's Principle, and Obama's Suicidal Opposition

by Paul Gallagher

March 27—*EIR* Founding Editor Lyndon LaRouche has spelled out “Alexander Hamilton’s credit principle”—succinctly, for example, in a Jan. 22, 2011 [web-cast](#):

“Honest debt to the future can be paid only through honest creation of future physical and equivalent wealth, including the development of the relevant creative powers of the individual citizen, and also the children and adolescents of those families.

“Such debts of a credit system must be paid by the fruitfulness of future production, as this principle was already understood by the Winthrops and Mathers of the original Massachusetts colony. Such debts require that the government delimit such accumulations of debt to the efficient commitment to promote that production. Such debt can be lawfully incurred only by a decision premised on a reasonable expectation of the relevant creation of the increased physical wealth, and of the increased physical productivity of the nation. Debts incurred on the account of financial speculation are not legitimate debts of a government.

“This describes, in rather plain language, Alexander Hamilton’s great principle, as embedded in the subsuming intent of the Preamble of our Federal Constitution. Debts are good, when they are designed to be made good, as by a credit system based on a commitment to increase the creation of net wealth per capita, and per square kilometer of the territory of a nation.”

LaRouche has recently said that what is needed is to collapse Wall Street, while at the same time providing a “buffer of new credit for productive employment.” Now, Wall Street and London did indeed collapse in 2008. But, instead of taking advantage of that opportunity to create a Hamiltonian credit system in their place, the trans-Atlantic nations and Japan only compounded the problem, by providing the bailout which saved those collapsing, purely speculative banks. Only China

provided itself, and more recently its neighbors, with that “buffer” of new productive credit.

This is analogous to Hamiltonian credit. Hamilton’s Bank of the United States reorganized America’s debts, both payable and unpayable, and redirected them by replacing them with new longer-term debt, backed by taxes, but much more importantly, invested in creating a national transport capability, ironworks, and other manufactures.

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—Lyndon H. LaRouche, Jr.

This is completely opposed to a policy of printing money to create excess bank reserves and inflate assets.

Creating a Credit System

U.S. debt urgently needs to be directed away from zero-interest creation of bank reserves and speculative instruments—this benefits only Wall Street.

Because the U.S. dollar has been the world reserve currency, and over \$12 trillion in U.S. Treasury debt is publicly held, the conversion of even a small portion of that debt into a Hamiltonian Third Bank of the United States, to work directly with the new BRICS credit institutions, would be decisive for the Silk Road infrastructure and for the revival of the U.S. economy.

The United States’ most important infrastructure demands and horizons stretch “from the Mississippi River across the Pacific to Eurasia,” as LaRouche puts

it. A high-speed rail base in North America which crosses the Bering Strait to Eurasian high-speed rail corridors; large-scale water-management and fresh-water creation projects to reverse the devastating drought spreading across the west of the entire North American continent; development of thermonuclear fusion technologies as well as nuclear fission power; these are the productivity investments which will make the greatest transformation.

Obama Self-Destructs

Nine months ago, *EIR* (July 7, 2014) reported that President Obama's campaign against the Asian Infrastructure Investment Bank (AIIB) would fail, and the U.S. would be its only victim. That disastrous defeat for Obama has now occurred. But if Obama is now rejected and dumped before or during the 2016 campaign for the Presidency, the U.S. can still reclaim the principle of Hamiltonian economics.

We reported then, "The Obama Administration's moves to try to prevent cooperation with China's planned AIIB, are part of its commitment to a London-centered financial empire which is headed for another, more thorough collapse and threatened world war as a result."

Obama has put the U.S. into a number of suicidal wars, and is still at it today. But none of his unacknowledged disasters is greater than the acknowledged defeat of his war on the AIIB, as almost all major U.S. "allies" in Europe and Asia have joined the new development bank in spite of him. It ranks with Churchill's catastrophic defeat in his Gallipoli campaign, for which he was dumped, as Obama must be now.

This most foolish Obama war has really been against Treasury Secretary Alexander Hamilton's founding principles for what once became the world's most productive and powerful economy, that of the United States.

China's Offer

Consider the source of China's offer to Obama for an AIIB partnership in Hamiltonian-like credit—that offer which was made in the very midst of Obama's unsuccessful attack on the AIIB.

Since the 2008 financial crash, upon which Obama took over as President, China has virtually been the sole source of net credit for the world. It has been, until very recently, the planet's sole, Hamiltonian credit "driver."

The United States, which had already fallen, before Obama took office, to the very low level of 2% of GDP as investments in infrastructure, sank under his Presidency to the nadir of 1.3%, compared to China's 8-9% and India's 4%. And this in the face of a drought which may destroy and depopulate the most productive region of the U.S., against which *no* infrastructure investments are underway or planned.

The Federal Reserve has famously printed \$4 trillion through "QE I-IV," used purely to build up the deposits and excess reserves of the biggest Wall Street and European banks, for purposes of speculation. This newly printed money supply does not enter the economy through bank lending; it merely drives up the value of assets held by financial institutions and traded among them.

But the state banks of China have issued credit—printed money, if you like—at the rate of \$4 trillion equivalent *per year* since 2009—in the range of \$20 trillion in total, leveraging even China's huge currency reserves by five times. And the vast majority of this credit flow has not been for their private banks, but for every other sector of their economy.

It is an understatement to say that China has been the only major economy in the world which maintained its growth through the crash. Thus, because of China, the world's total demand for machinery, commodities, and new technologies has grown, even as the trans-Atlantic sector has collapsed. China used, 2011-13, as much high-quality grades of cement as the U.S. used in the entire 20th Century: about 4 gigatons. It has created scores of new cities of over 1 million people, hydro-electric and water-management projects on a very large scale, and incredible transport and port development. Two-thirds of all the construction cranes in use in the world are in China. China built, 2006-14, a 16,000 km network of high-speed rail, larger than the European Union's entire high-speed network, and equal to all the rest of the high-speed rail in the world. It is building another 10,000 km now. This, even before discussing the development of its space and fusion energy programs during these few years.

Obama's failed war on the AIIB has given the most decisive proof, of all his wars, that he is a failed British agent whom even the British have now deserted, to get inside the new international credit institutions. Dump the U.S. Presidency's latest "Aaron Burr," and Hamilton's credit principle can be restored.