U.S. Suicidal War on New Chinese Infrastructure Bank

by Paul Gallagher

July 7—An international credit bank being set up by China to fund infrastructure development around the world is being fought by the Obama Administration, although the U.S. economy needs it desperately to recover.

The Asian Infrastructure Investment Bank (AIIB) will begin operations at the end of this year, and is planned to issue credit of $50-100 billion annually for major infrastructure projects with their basis in Asia. The Bank has been in planning meetings for a year involving about 20 nations other than China, although China is clearly prepared to provide nearly all of the capital and credit for the bank, if necessary. The Obama State and Treasury departments have strongly pressured countries *not* to participate in the AIIB, as has now broken into the open in the South Korean and Japanese press around Chinese President Xi Jinping's visit to Seoul July 3-4 (see article in *International*).

While the AIIB's stated purpose is to provide infrastructure credit to developing countries in Asia, it could take on a global infrastructure mandate with participation by the United States and other big economic powers. Chinese credits for major new infrastructure projects are already spread around the globe. China is promoting and building three rail corridors across the entire expanse of Eurasia to the Atlantic coast of Europe, with one, the "Silk Road Economic Belt," and another, to the English Channel, already operating regularly. This recalls the United States' construction during the last third of the 19th Century of the Transcontinental, Southern Pacific, and Northern Pacific railroads across the High Plains, Great American Desert, and Sierra Nevada Mountains. China is also working on major North-South Eurasian rail/development corridors, and envisions 50,000 miles of high-speed rail development in Eurasia, Africa, and Ibero-America.

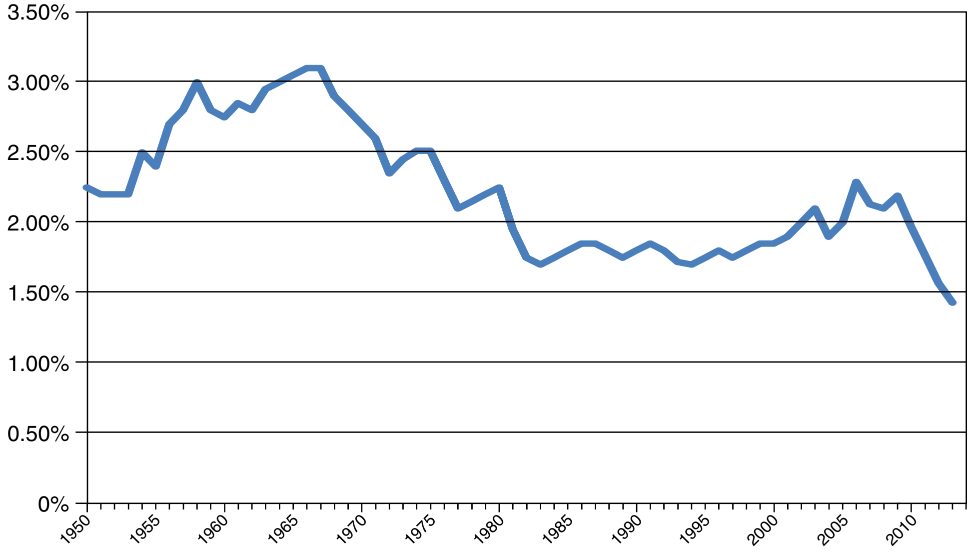
The AIIB's purpose is clearly to accelerate the worldwide spread of high-speed and magnetic levitation rail corridors, water management and navigation projects, nuclear power development and fusion power research, and new communications infrastructure.

The most prominent news reporting on this side of the Atlantic related to this initiative, is the spate of coverage in British Columbia and Washington State media of a China-financed high-speed freight and passenger rail corridor, potentially coming through Russian Siberia, across the Bering Strait, and through Alaska and Canada, down into the United States. China announced its intention to pursue this project in May; but the corridor will not reach Anchorage, Vancouver, Seattle, or Chicago without U.S. participation. There is both long-term and well-paid employment, and trade and transport revenue there for the United States economy, should it happen.

FIGURE 1

The 50-Year Disappearance of U.S. Infrastructure

Annual investment as % of GDP



From its peaks in the 1930s under Franklin Roosevelt, and in the 1960s under John F. Kennedy, American infrastructure investment has all but disappeared—and the Obama "Stimulus Act" helped finish it off.

Eurasian and U.S. Economics

For Asia, the Obama Administration's strong opposition, if it contracts the AIIB's size and credit capacity, will be deadly. Asian nations need combined infrastructure investments of $750 billion *per year* through 2020, according to the Asian Development Bank (ADB), which is dominated by Japan and the United States. But the ADB and World Bank combined are making infrastructure investments of just $20 billion/year, worldwide!

Both ADB Chairman Takehiko Nakao and World Bank Chairman Jim Yong Kim have recently "welcomed" the AIIB and said they want to cooperate with it, but both are also criticizing China's widespread infrastructure investments outside China as "environmentally insensitive."

And what about the United States, whose current President is fighting so hard to kill an international public bank which could quickly quintuple the combined infrastructure investments of the World Bank and ADB?

The 50-year collapse of investment in new economic infrastructure missions (see **Figure 1**) has meant disaster for the U.S. economy. The associated stagnation in productivity in U.S. industry, outside the IT sector, has occurred despite rapidly shrinking employment in manufacturing, mining, and construction over that entire period, to a mere 10% of the labor force. And the 40-year decline in real wages, accelerating since the 2007-08 crash, has become the dominant political-economic and social phenomenon in American society. This decline is only accelerated by the last "three years of private-sector job gains" touted by the Obama White House; in June, for example, the U.S. economy created 800,000 part-time jobs, net, while *losing* 525,000 full-time positions.

Business investment in the entire economy is stagnant. Recent studies of the current claimed "manufacturing recovery," including one by Obama's own former "auto czar" Steven Ratner, have shown that average wages have fallen dramatically even in manufacturing, since 2008, with temp jobs and "contracted-out" employment proliferating throughout the sector.

Only one policy can reverse this long collapse in real productivity and wages: government-led investment in new, high-technology economic infrastructure platforms.

No such investment is occurring, or planned by the Obama Administration, which has also effectively abandoned manned space exploration—a very high-technology form of infrastructure development—and is happy with shrinking NASA budgets, leaving space achievements to China, Russia, India, and other space-faring nations.

Now, with the exhaustion of the U.S. Highway Trust Fund due to declining gasoline usage and tax revenues, the long infrastructure collapse has reached its fag end. Even that eternal fixture, highway construction and road and bridge repairs, will stop this Summer unless Congress legislates a new source of national credit to fund it. None of the crisis proposals so far *is* a new source of national credit, and none has much support.

The last such proposal in Congress was made 15 years ago, when then-Illinois Republican Congressman and later Transportation Secretary Ray Lahood proposed reissuing the equivalent of "Greenbacks" for Federal infrastructure investment. Lahood's H.R. 1452 in the 106th Congress would have authorized the Treasury to print the new notes for $72 billion annually, over five years, in loans to states and municipalities for infrastructure projects.

Problematically, the new credit was to be for whatever projects the municipalities happened to want to carry out. Such small, "micro-fractured" infrastructure investment does little or nothing to raise economic productivity, which depends on using new technologies and new economies of scale in infrastructure simultaneously. This means, as Lyndon LaRouche proposes in his "Four Laws" for U.S. recovery, fusion power technologies and expanded space exploration as the "science drivers" for the productivity projects which infrastructure banks will be investing in.

The Lahood initiative was, however, a gesture to the real American System of creating credit for internal improvements and productivity: Hamiltonian credit issuance, including President Lincoln's successful revival of Hamilton's policy in the Greenbacks.

Death Struggle or Economic Life

The Obama Administration's current 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.

Even as it does so, a second new international development bank is being planned for early launch around the BRICS Summit (Brazil-Russia-India-China-South Africa) in Brazil in mid-July. This BRICS Bank, funded with credit from those five nations, will have a comparable capital to the AIIB, be similarly focused on infrastructure investment, and be worldwide in operations, not limited to any one continent.

Thus the prospect is that several hundred billion dollars-equivalent in infrastructure credits could soon be issued *annually* by those banks. This is still not nearly sufficient for the many great infrastructure projects by which the human species can once more reshape its own economic productivity.

But no nation *needs* this infrastructure credit more urgently than the United States—which continues to fail to invest in new infrastructure platforms, no matter how low the government's borrowing costs may have been. Instead, the United States can help raise the credit and capital of new international infrastructure banks to the level actually required to pull the world economy away from collapse.

What the United States needs, instead of working against the new international development banks, is to join them, as it has evidently been invited to do by China in regard to the AIIB.

It can do so by issuing Treasury Notes as infrastructure credits in dollars ("Greenbacks")—as China will issue credit to the AIIB and BRICs banks in renminbi. Rep. Ray Lahood's 1999 proposal should be re-examined. Or the U.S. can do so by forming a new National Bank for the purpose of supporting the kind of large new international infrastructure platforms which can really transform economic productivity. A National Bank for infrastructure can be created by Congress by reorganizing a small portion of the United States' $11 trillion in publicly held debt into the long-term capital of the new Bank, as Treasury Secretary Hamilton proposed in his Reports to Congress on Credit and on a National Bank—and which he implemented successfully (see subsequent article).

Why then join international development banks? Because the 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 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.

Otherwise, despite current Obama Administration attempts to kill them, the new infrastructure banks planned by the China-Russia-India powers particularly will go ahead. And the London-centered trans-Atlantic financial system which crashed in 2007-08, will collapse again into impoverishment, depopulation, and war.