
I. LaRouche's Science of Physical Economy

AUGUST 2, 2013

LAROUCHE ON HAMILTONIAN ECONOMICS

Cancel Wall Street! Bring Back Glass-Steagall!

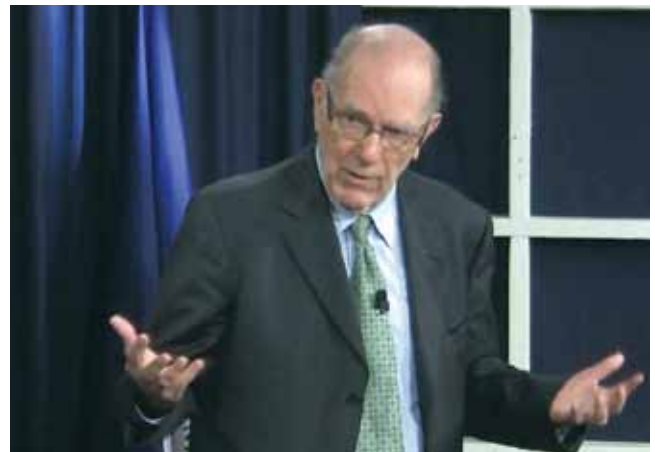
At the start of his weekly webcast on Aug. 2, 2013, Lyndon LaRouche was asked, and responded to, a question from a regional Building Trades Council leader from the Mid-Atlantic area. Here is the exchange.

Q: Mr. LaRouche, I'm extremely upset about the rapidly diminishing economic and political strength of the labor movement in this country. With the collapse of the economy, and the alarming weakness of the unions, the quality and quantity of full-time, productive family-sustaining jobs are rapidly disappearing. The latest disgusting trend toward part-time workers, as a means of avoiding paying for workers' health care, represents another body-blow to the standard of living and general health of the American worker and his or her family.

What we're seeing in Detroit is that Wall Street is looting the health care, pensions, and other benefits that unionized workers negotiated in a prior period of greater economic and political strength. I wish I could say that it is primarily the Republican Party that has been in bed with Wall Street in this looting process, but it's not true. The Democrats are equally guilty. I'm disappointed and angry about the silence of our national union leadership. This kind of collapse could not have happened without their complicity.

My question is: 1) What can we do to restore the health of the union movement as an engine for development, in restoring a large-scale infrastructure/economic development orientation across the nation? And, 2) what, in addition to the re-enactment of Glass-Steagall, can we do to put a halt to the looting of pensions and health-care programs?

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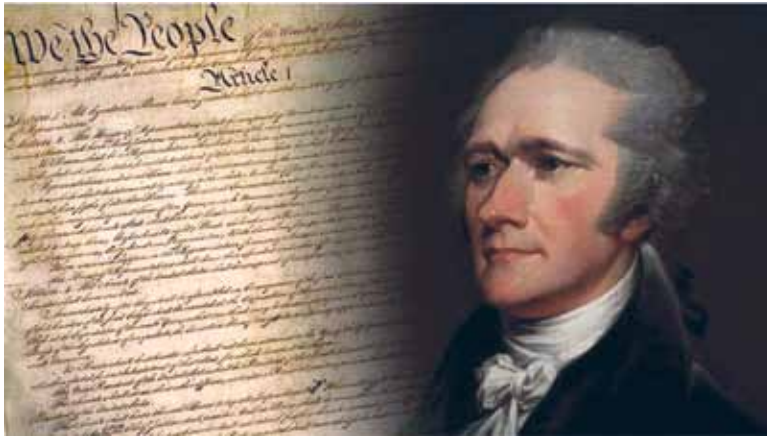
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"You have to go back to the principles which were clearly understood by the Founders of this nation, notably the economic policies of Alexander Hamilton." —Lyndon H. LaRouche, Jr.

Lyndon LaRouche: Well, dealing with the pension problem is actually fairly straightforward: Those bums should be punished. Exactly that. Because this is not our policy.

The problem here is the fact that for many years, and many particular Presidents and incumbencies, and so forth, that the arguments that have been placed in designing policy have been based on certain *European* standards, which are not intrinsically American standards. That's the first problem. The European standard is simply what you're seeing in the United States today! And this is not our policy, this is not the intention of our Constitution.

Our Constitution was based, in terms of economic and social policy, on what was done by Alexander Hamilton. And Alexander Hamilton had nothing to do with what most people think are politics, or economy—nothing at all. Because our system is not a European system. But unfortunately, Europe has invaded the United States



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Alexander Hamilton and the U.S. Constitution.

through our institutions, largely through British banking institutions which have taken over the control of the Congress of the United States. Today we function on the basis of, really, a British system, a British-style system, or a European-style system—which is not the American System.

The Principle of Production

The American System was the assumption that: How do we organize a currency, rather than a European currency? A European currency is gold and silver, chiefly. You take a pile of gold and silver, and that's your wealth. Now you go around and you park this wealth in order to attract suckers to meet the conditions of the people who are the bankers. That's what the system is; that's what the system is *now*.

The system in the Congress now, is a fraud. It has no relationship to the purpose of the United States and our policy. Our policy is: We are not slaves of gold and silver! We never depended upon gold and silver, except in dealing with foreigners. But among ourselves, we're not supposed to rely on gold and silver; we're supposed to rely on *production*. And production, which was defined by Alexander Hamilton as a principle, is what made the United States successful.

But then, some of our Presidential leaders and so forth—their Presidencies—screwed things up but good. And since that time, except with very exceptional circumstances—like Franklin Roosevelt and a few other Presidents—we have never had a leadership which corresponds to our Constitution.

And so therefore, that's the key problem here. And members of the Congress have, in the main, no understanding whatsoever of our Constitution. They *don't care* about our Constitution. They care about wheeling and dealing. They act like a European parliamentary system

with American footprints or something.

Now, the problem on Glass-Steagall is that people don't understand Glass-Steagall. They *think* they do; even many of my own associates don't have any understanding whatsoever of what Glass-Steagall means. They give the *name* Glass-Steagall, but the content is missing.

For example, let's take the case of what Alexander Hamilton used. You have farmers, and you have machinists, and so forth. Now, the farmer will produce a crop, and at the end of that point, the farmer needs to get some payment. So therefore, then you have the others who produce now come in, and *they* do something. So, this transfer of agricultural production, and industrial or manufacturing production, went as a *physical* operation—not a monetary operation. All you had to do was put a price, which was your fair-price estimate, on what these things represent in value.

You do *not* deal on banking. You *use* banking; but banking is largely used in order to make the funding arrangements and payments arrangements among farmers and industrial workers, machinists, and so forth. All of this is laid out very clearly by Alexander Hamilton.

What happened is, we had some other people who came in, who opposed Hamilton strongly, and opposed President Washington. And as a result of this corruption, we've had only a few Presidents of the United States who I would consider not skunks. I mean, some of them are not bad people, but when it comes to their politics, their policy, their outlook, their conception of policy-making, they're skunks, and a big disappoint-



FDR Library

President Franklin D. Roosevelt, delivering one of his famous Fireside Chats from his home in Hyde Park, New York, on Christmas Eve, 1943.

ment. They're not Americans; they're some kind of a hybrid of Europeans.

Two Hotspots of Corruption

The other side of the thing is, the United States has been controlled increasingly by British banking—not only from Britain, but in New York City, and in the City of Boston. These are two hotspots of corruption in the United States. Because the British banking system *has controlled American banking!* And that's what the Wall Street thing is today.

Now, this Wall Street *evil*—and it is an evil; it's not an error, it's an evil—my view is: Cancel Wall Street! And Glass-Steagall's intention now is to eliminate Wall Street—utterly eliminate it. Because it has no value as banking. It has no particular place in our Constitutional system for banking. Our system was a credit system, and the idea of money and so forth was based on the understanding of a credit system. We had set agreements, which would implicitly be satisfactory to all kinds of people, and to the needs of the American people. And we had that under great Presidents. Franklin Roosevelt is particularly typical of that. Others, John F. Kennedy was one of that persuasion, and *tried* to be of that persuasion. And they killed him, because they didn't like his policy. They wanted to destroy the United States, and when they killed him, they were able to do what they were not able to do otherwise.

Their intention was to send the United States to a war in Indochina. Now, that war in Indochina was a disaster. It lasted, essentially, for about a decade. And this war ruined the United States, and *we never really recovered from it*. We got involved with other wars, which the British arranged. These were not in our interest.

And you take the case of Douglas MacArthur, who exemplifies what our military policy is. He was not out to kill, he was out to win—and there's a difference—and win quickly, and to win efficiently, and not to get into bloody messes. And that was his policy. And that was his policy at the time on the Indochina problem; that was *exactly* his policy, his advice. That's the way it should have happened. We should never have gone into Indo-

china. We were never going to get anything from going into Indochina. Leave it for them to solve their own problems. There's no reason why we should mess ourselves up by getting involved in this nonsense.

Sometimes there are major wars, and we've had major wars. The Civil War was a major war. There have been other major wars which we've had to fight. But we went to win, not to kill. The basic idea of the flanking operation is typical of that thing.

So, what we're dealing with now, you have a bunch of people, including our own associates, who really do not understand economics. They *think* they do, because they've been reading books and hearing stories, and being told this advice by various people. But they have no understanding, because they say "We're going to win the election, and when we win the election"—that's the proposition—"if we win the election, then we're going to do the following things." Well, that is nonsense. That is absolute nonsense.

What you have to do is go back to the principles which were clearly understood by the Founders of this nation, notably the economic policies of Alexander Hamilton. The problem is that our own people, who are supporting Glass-Steagall, still do not understand what Glass-Steagall means. Because Glass-Steagall means Franklin Roosevelt, and it means also Alexander Hamilton—the same thing. And the problem we've got now, is we don't have an

Alexander Hamilton perspective on the U.S. economy. And the danger is, if we don't have that Alexander Hamilton outlook, we are incapable of assuring the support of the citizens.

Because the citizen, given this kind of stuff, is simply going to react as a "maybe" person: "Well, maybe they will do something for us, maybe they won't"—that kind of thing. Whereas if you get to the truth of the matter, and *actually* present the ideas of Alexander Hamilton—what that means—as opposed to these monetarist and other kinds of nonsense which people foolishly believe in—then we can win.

If you could present to the American people now what that actually means, what Alexander Hamilton's policy *means*—and there are a number of people among us who

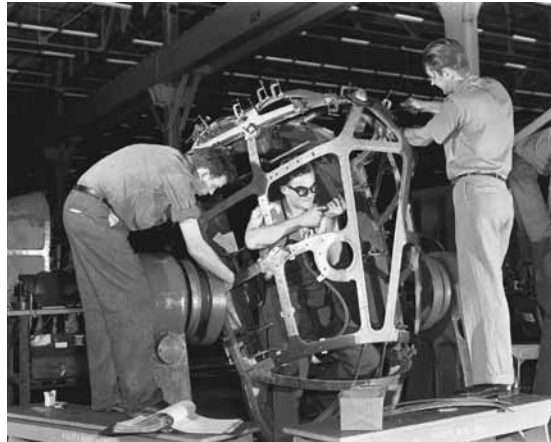


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New York Stock Exchange, 11 Wall Street, Manhattan.



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Office of War Information/Alfred T. Palmer

During World War II, America's machine tool industry was mobilized, and its workforce upgraded, both on a crash basis, to defeat fascism. Shown are B-24 Liberators being produced, one every hour, and a team of riveters, at Ford Motor Company's Willow Run Bomber Plant, near Ypsilanti, Michigan.

LaRouche: Hamilton Gave Us Our Glass-Steagall Principle

In answer to a question on the subject of Glass-Steagall by a journalist, Lyndon LaRouche said:

The origin of Glass-Steagall lay in the exposition by Alexander Hamilton's "Report on the Subject of Manufacturers," for the George Washington Administration. The kernel of that presentation of the original physical-economic principles of the United States, was presented as an exposition in the interrelationship between a virtual succession of agriculture and manufacturing. Each phase of the physically defined value of the margin of production, added to the total level of per capita wealth of the nation. The end-price was the "value added" by each phase in the succession.

Thus, while money was employed as a kind of lubrication of the productive process, it was the gain in the net increment added, which located the notion of the value of the contributions of the people of the nation to the intended rate of net improvement of the per-capita output of the succession of seasons.

The driver of that process, is the intellectual progress expressed by the persons engaged in the process of production of the net output. Otherwise, mobilizing the population to a higher standpoint of outlook on the future, is the essentially practical principle of success in economy.

understand that, at least understand it superficially, maybe not with the greatest profundity, but they understand it—and if you could get the majority of, say, trade union workers, skilled workers, if you could mobilize them, *they* would readily be capable of understanding.

Detroit's Machine-Tool-Design Industry

For example: What happened to the auto industry? The auto industry is shut down. Now the people of Detroit and related areas are being subjected to terrible conditions. It's not necessary. We should never have shipped the auto industry overseas, instead of keeping it in the United States. Now, that doesn't mean I'm opposed to the auto industry being built up outside the United States. That's not the point. If you're going to put the auto industry in large degree outside the United States, as in China and so forth, what you're going to do, is you're going to take the American industry, the auto industry, and you're going to do what we did with World War II. You are suddenly going to take the *machine-tool-design industry*—and this was destroyed! We had areas of production from World War II all over the United States. The whole territories and the locations existed—they still did exist, up until the shutdown of the auto industry.

The shutdown of the auto industry inside the United States has *bankrupted* the basis of the U.S. economy. We no longer have productive industries! We have small shop kinds of production. But the kind of mass production, combined with great skill, under the leadership of the working force—this is gone. As a result, *we are bankrupt*.

I'm not going to go back into China and Japan and Korea and so forth, and insist that those industries be returned to the United States. No. That's not our policy.

Our policy is what? Is to build up our machine-tool-design capabilities and related capabilities, and turn them loose again. Because we have a lot of things to produce which are not just automobiles. We have a lousy national transportation system. People are driving cars where they shouldn't do it—partly because they're drunk, and partly for other reasons.

But in any case, what we should be doing, is going to a higher level. Now, what do we have? We don't have enough water to maintain the lives of our citizens—because of foolishness, because of foolish policies. But if we build up the kind of things that are needed to maintain our food supply, which we are losing now, and if we build up a mass-transportation system, and a design for that which elimi-

going to get this, and this, and this, in each of the communities in the United States. Water industries. Power industries. We're going to go to *high technology*.

The tendency now is to destroy us, by a subversive bunch of enemies called "Greenies." The Greenie actually destroys the per-capita productivity of the people of the United States in two ways, one directly, and one implicitly.

So therefore, we've come to the time, that we've got to talk to the American people, the population, and define an actual program comparable to the test of Alexander Hamilton: industry, high technology, power, thermo-nuclear power, and nuclear power! Large-scale water systems, giant water systems to transform whole territories of the western and cen-



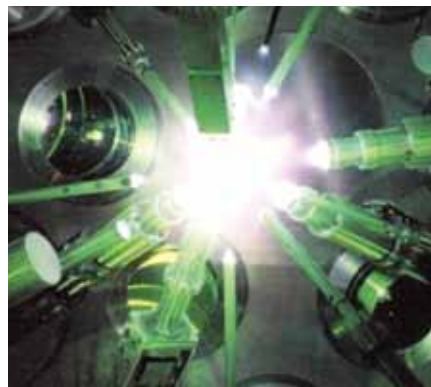
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Alexander Hamilton's program of industrialization, as expressed today (l. to r.) in a center-pivot irrigation system in Idaho, the Susquehanna River nuclear power plant in Pennsylvania, and the OMEGA laser at the University of Rochester's Laboratory for Laser Energetics in New York. All are the product of, and depend on, constantly improving the culture and skills of the labor force, as exemplified by the computer Numerical Control machine operator shown above, inspecting a machined casting.

nates the requirement of so much automobile travel, that would be a great economic benefit. We also have to build up a whole new water system for the western part of the United States. We're now losing our food. Our food production is disappearing. Well, we could fix that. How? With high technology. What's high technology? Well, it's machine-tool technology, and things like machine-tool technology. We should put our investment into machine-tool technology.

Now, if you're going to do that, now you go to the voter out there, and you start talking about Glass-Steagall. Now they've got some real action. This means we're

tral United States. *These* are the things we must do! And when you do *that*, you're increasing the productivity of the American population, you're *increasing the actual physical income* of every part of the United States. You're increasing the productivity of the United States, without increasing the burden on the working people.

And *that* is the great change that has to happen *now*; and it has to happen within my own organization, which needs to have a refresher course in what economics is. Economics is what most of them think is not being *practical*: *It's making a revolution, making a revolution in technology*, to take off where the auto industry left, and win!