
II. The New Policies Coming In

American Poverty and Its Solution

by Robert Ingraham

April 21—On April 7, 2018, following her presentation to a Schiller Institute conference in New York City, Helga Zepp-LaRouche was asked the following,

Question: My question is, how do we overcome this violence? How do we overcome this culture of death, and how do we overcome this culture of violence? And more importantly, how do we stop getting young people wanting to escape

discussed is the imperative to eliminate poverty entirely, and to do this now. The reality of day-to-day poverty for tens of millions Americans is either ignored or seen as a problem to be “managed.” There are many government programs to help the poor and disadvantaged, and some of them are laudatory. Yet the numbers of poor continue to rise, and these programs, by themselves, will not prevent this. Poverty is usually discussed—in the media, government reports, and news



maniopisfoundation.org

Homeless family.



USDA/Lance Cheung

A couple leaving a local food pantry supplied by the U.S. Dept. of Agriculture.



CC/Consumerist Dot Com Follow

Low-wage, no future, job at a McDonald's fast food restaurant.

from reality by taking drugs and whatnot? So that's my question.

Zepp-LaRouche: I think what we need for that is a mass movement for development.

The subject of this report is poverty. In this, the second decade of the 21st Century, the magnitude of the crisis of poverty in the United States is a subject that is not fully grasped by many foreign observers, and it is one that is little addressed in a serious manner by American news media and elected officials. What is never

articles—as a matter of statistics, of numbers on a spreadsheet. Slight changes in these numbers, or minuscule motion in one direction or another are often trumpeted as evidence of the success or failure of current governmental economic policy.

But we are not dealing with statistics. We are dealing with human beings—tens of millions of men, women and children who live year in and year out in conditions of horrific poverty, with no remedy in sight. The societal and cultural effect of this reality is destroying the future of the nation.

One of the most devastating products of permanent widespread poverty is the effect it has had on the youth of the nation. With many consigned to minimum wage jobs—at best—with no productive future in sight, and with no purpose to their lives, millions of youth have become entrapped in the oppressive neotenous world of drug usage and dead-end hedonism. This is precisely the desired scenario prescribed by H.G. Wells a century ago.

In this report, we shall examine two aspects of this crisis. First, a look at the actual state of poverty in the United States, including the effects of such poverty on the morale and morality of the American people. Second, we will examine the need to Think Big in regard to what needs to be done—the need to get away from “managing poverty,” or at best achieving incremental improvements in poverty reduction, and to look toward the bolder mission of eradicating poverty entirely.

I. Defending the People

There was a time in the recent history of the United States—say 1944 to 1963 (or perhaps 1971)—when the economic mission of America was primarily a global one. Domestically, America was moving forward; new technologies, new scientific breakthroughs and rational credit policies were advancing the conditions of life for the American people, and despite setbacks such as the 1957-1958 recession, an upward thrust in both living standards and national productivity was a reality. During those years, many thoughtful individuals recognized that the proper role for America was to follow through on the anti-colonial post-World War II perspective of Franklin Roosevelt to marshal the awesome physical-economic might of America to accomplish a world-wide economic revolution—to use the same methods which had created the Tennessee Valley Authority to transform and uplift the economies of the former British, Dutch and French colonies worldwide.

This is no longer the situation today. Since 1971, and escalating dramatically after 1987, we have witnessed the widespread destruction of America’s economic capabilities. The magnificent scientific/industrial engine which served the nation—beginning really from 1936-38, through to 1971 is no more. America is primarily a formerly industrialized nation, and the impact of that policy of deindustrialization—driven by financial policies originating in the City of London—

has been catastrophic. Today, it is the American people who need rescuing. The economic destruction of America has produced devastating effects on the livelihoods and physical existence of the nation’s citizens, but far greater damage has been done to souls of Americans. Where optimism vanishes and despair flourishes, civilization itself is in jeopardy. This defines the mission of our times.

This is not to argue that America must “turn inward.” This is not a question of either/or. It is simply to recognize the enormity of the task which must be accomplished here. Today, a powerful dynamic has been unleashed in the world through the Belt and Road Initiative, led by China and its partners. A future of profound global economic transformation is opening before us. Yet, the leadership of China, themselves, have clearly recognized their own responsibility to uplift the conditions of life for their own people. At the same time that China is now aggressively pursuing a path of global economic development through the Belt and Road Initiative and related projects, that nation is also in its fourth decade of an effort to eradicate poverty within its own boundaries. A commitment to the “Peoples’ Livelihood” begins with one’s own people. We see, under both Xi Jinping as well as Vladimir Putin, an unshakable moral commitment to advance the conditions of life for the people in their respective nations. Such is urgently required in America.

Poverty in America: the Current Reality

According to the U.S. Census Bureau, 12.7 percent of the American people—or 43.1 million people—live below the official poverty line. Given the fact that this is greater than the entire population of California, that figure alone is alarming. Yet it is only the tip of the iceberg.

The U.S. government defines poverty as a yearly income of less than \$12,060 for an individual, \$16,240 for a couple, and \$24,600 for a family of four. Such figures are murderously absurd. Anyone living at such a level is not merely poor; they are in danger of starvation. It should be noted that the Census Bureau has a sub-category called “deep poverty,” which means a household income below 50 percent of the poverty threshold, i.e., less than \$12,300 for a family of four. According to the Census Bureau, in 2017 18.5 million people reported deep poverty.

There is a second category defined as “near pov-

erty,” i.e., those whose income is between 100 percent and 125 percent of the official poverty cut-off line. This would include, for example, a family of four whose income is between \$24,601 and \$29,104. According to Census figures, there are 14.7 million people now living in “near poverty.”

Many have called for a redefinition of the term “near poverty,” to increase its range to those individuals and households whose income is between 100 percent and 150 percent of the official poverty rate (i.e., up to \$34,500 for a family of four). If we were to use this broader definition of “near poverty,” the number of people living in “near poverty” jumps to 30 million. So, if you take the official number of people in poverty—43.1 million—and add those whose income goes up to 150 percent of the official poverty rate—30 million—you end up with 73.1 million, or 22.4 percent of the U.S. population—larger than the entire population of France.

Of course, the Jesuitical term “near poverty” is a fraud. All of these 73.1 million people are poor. Their lives are merely defined by their level of misery and desperation as the income figures go down.

But there is more.

Others who have studied the issue of poverty have proposed a term “Economic insecurity” for those families whose household income is less than \$42,000 per year. Forty-five percent of all Americans (147 million people), including *fifty-six percent of all children*, fall below that income figure. These 147 million people are everywhere. A large percentage live in the suburbs. Almost 30 percent of them hold down full time jobs.

It should also be noted that the number of Americans living in “economic insecurity” is going up. From 2007 to 2012 it has risen from 37 percent to 45 percent among the total population, and for children it has risen from 47 percent to 56 percent.

As stunning as these figures are, one also has to consider the nearly 29 million households (25.4 percent of the population) making between \$42,000 and \$75,000. These are often households where the husband and wife, between them, are working three or four jobs, just to pay the bills. Family life is destroyed; children are left unsupervised; and the societal damage is enormous. (I am personally acquainted with a Mexican-American chef, who also works a second job as a janitor, for a combined 90 hours a week, to support his family. His wife also works a full-time 40 hour per week job.)

The figures for black Americans and other minori-

ties are significantly worse. Additionally, probably the hardest hit by poverty are households headed by unmarried or divorced women. Female-led households have a combined poverty and near-poverty rate of almost 40 percent.

Wages

With the evaporation of high-wage skilled labor during the last thirty years, a nightmare has been created where to escape from poverty has become near impossible. The current U.S. minimum wage is \$7.25 per hour, which for a full-time forty-hour per week job comes out to a yearly income of \$15,080. Some states and cities have implemented a higher minimum wage, including California, Massachusetts and New York, but this tends to occur in areas where the cost of living is substantially higher than the national average, thus offsetting the additional income.

During the last five years, more than half of all the new jobs created in America were low-wage jobs, either at the minimum wage or slightly higher. According to the National Employment Law Project, 42.4 percent of American workers currently make less than \$15 an hour. And those 42.4 percent also support millions of children and other non-working household members. The vast majority of the jobs held by these individuals are in the realm of unskilled and semi-skilled labor. The American workforce and American culture has been decimated.

There are many in America, particularly on the political “left” who are lobbying intensively for raising the federal minimum wage. This, however, is no panacea. Take the case of Richmond, California. Its local minimum wage of \$13 per hour is among the highest in the nation, yet it is an impoverished city, with high unemployment, and suffering from the presence of violent drug gangs and widespread drug addiction. Yes, the purchasing power of the American citizen must be increased, and no one should work for \$7.25 per hour or \$9.25 per hour or even \$11.25 per hour, but approaching this crisis by simply demanding an increase in the minimum wage will not accomplish what is actually required.

Murdering the Future

The purpose of citing all of these statistics is not so that you, the reader will wring your hands, or “shed a tear” for the poor. What is required is to think about the future, about the continued advancement of human civ-



EIRNS/Stuart Lewis

Do we ignore the homeless when we walk past them?

ilization. Consider this: According to “Feeding America,” there are 41 million households in the U.S. that suffer from food insecurity and 13 million of those have children in them. A 2013 UNICEF report ranked the U.S. as having the second highest relative child poverty rates in the developed world. Children living in poverty are more likely to have learning disabilities or developmental delays, which means they aren’t as prepared for primary school. They have higher rates of absenteeism or just drop out altogether. By 4th grade, students from low-income households are already an average of 2 years behind grade level. High school students living in poverty or low-income households are seven times more likely to drop out of school than those coming from higher-income households. Children who grow up in poverty are also more likely to have children when they’re still teenagers, or to be incarcerated.

According to a report issued by the Economic Policy Institute in 2016, youth unemployment for high school graduates stands at 33.8 percent for whites, 51.3 percent for blacks and 36.1 percent for Hispanics. It is far worse for those who have not completed high school. At the same time, it is now reported by the Centers for Disease Control that one out of fifteen Americans is now addicted to heroin or some other opioid. That’s 20 million Americans who are addicted. And these figures do not include consumption of methamphetamines, hallucinogens, ecstasy, or other “designer” drugs. Again, the use and addiction to these drugs is heavily concentrated among the younger age groups. This most precious resource of the nation, a resource which fore-

tells the future nation’s potential, is being killed off.

As of 2014, 1.36 million public school students were homeless in America. This figure is up ten percent from 2012. In New York City, the number of homeless public school students jumped to 145,239 in 2017, a figure greater than the total population of the State Capital at Albany, and one in every seven New York City public school students will be homeless at some point during elementary school. At the Mott Haven Academy Charter school in the Bronx, two-thirds of the students are in the child welfare system. This crisis is not restricted to New York or the large American cities. Such conditions exist in every

state from Maine to California.

The acceptance of permanent poverty—and wide income disparity—has a second victim, beyond those who are most obviously affected. Pessimism and despair throughout the entire population are the byproducts of such an entropic process. Ask yourself this: What is the moral effect on individuals in American cities who, on their way to work each morning, have to step over homeless persons sleeping on the sidewalk, or who are dunned in their cars at every red light by a homeless person for a contribution? Such an environment pounds at the senses; it eats away at the soul. It generates an indifferent callousness. The acceptance of such human suffering, and the personal failure on a daily basis to do anything about it, makes every individual morally smaller. It causes one’s heart to shrink. Every member of society is reduced to a Hobbesian individual. There is nothing left that binds us together in common cause.

In 2015, an estimated 2.7 million Americans were evicted from their residences, with the highest rate of evictions occurring in Memphis, Phoenix, Atlanta, and Indianapolis. In 2012, there were 29,000 evictions in New York City. That’s 80 evictions per day, every day. In Milwaukee, a city of fewer than 105,000 renter households, landlords evict roughly 16,000 adults and children each year. Several studies have shown that such evictions often lead to a worsening downward spiral into poverty. Today, the majority of poor renting families in America spend over half of their income on housing, and at least one in four dedicates over 70 per-



cc/NeoBattreak

Homeless camp near Laney College in Oakland, CA.

cent of their income to paying the rent and keeping the lights on. This nationwide crisis has been powerfully documented by Matthew Desmond in his 2012 book, *Evicted: Poverty and Profit in the American City*.

In November of 2016, the author of this report published, in *EIR*, an [article](#) on poverty and homelessness, including the appearance of “tent cities,” in Oakland California. In the eighteen months since that article was published, the crisis has grown exponentially worse. What were, at that time, scattered tent city communities have now grown to dozens, if not hundreds, of tent city camps in every part of the city, some of which have grown to the size of city blocks, containing 50 to 100 tents, where the residents have erected outer walls of plywood and other debris to mark the boundary of their “city.” Reportedly, the situation in Los Angeles County is even worse. It is also clear that this is now a national phenomenon.

II. Think Big

On September 8, 2009, Lyndon LaRouche delivered a [speech](#) in Washington, DC, where he stated the following:

We’re dealing with a demoralization of the U.S. population, which is losing confidence in itself, and confidence in the future. This is what we have to concentrate on.

We have to create real employment. Not employment in make-work, but real employment in some kind of productive work, the way Roosevelt did, in the Depression years, in the beginning. We have to put people back to work. We

don’t have the work for them? Yes, we have to provide unemployment compensation, to keep them alive and keep them in condition. And keep their dignity, above all. We’ve got to save communities, which are no longer productive, put them back into productivity. We’re going to concentrate largely on basic economic infrastructure, physical infrastructure of the type that’s necessary for the foundation of industry.

Now, when you build large-scale infrastructure programs, you also create a lot of private employment. Because, when you have a major contract, a government contract, for building a piece of infrastructure, what do you do? You call in private firms as bidders on contracts, to service the completion of this work. In that way, wherever you put in a transportation project, for example, or some other project which is a government project, you immediately stimulate employment, of this type, in the vicinity. People who have skills, who have small businesses or something, or that kind of skill, who can bid on the job, or do that job—we’ve got to do that, fast.

The first thing we have to do, is to do enough of it, to convince the people out there, that that’s what we intend to do. Think back to the experience, as I saw it, and others saw it, back in the 1930s. The first thing to do: You’ve got to rebuild the confidence of those people out there, who are feeling desperate, in themselves. You’ve got to rebuild confidence in those communities which are affected by the desolation which is being caused now.

You've got to create productive employment, Mr. President! Not green employment! Productive employment! You have to fix up the Ohio River, which is no longer functioning, because of neglect. You've got to fix up the Mississippi River; you've got to build up the Missouri River! You've got to build up the Ogallala Aquifer, in the West, if you want agriculture for the future. There are many things to do: Get cracking at it! Pick a few of these projects, get them started! Correlate the way you start these projects, with the way you locate revitalization of employment in industries and local communities. As we used to do.



California Dept. of Water Resources/William Croyle

Eroded hillside and damaged spillway in Oroville, CA in 2017.

Look at a map of the United States: Go state by state, cooperate with the state officials, map the problem. Decide where you need the social effect of employment. And find the form of employment that fits the program, and make sure they get a share of it there. We want to have an increase, by about 20 percent, of employment of the people of the United States, over the immediate period ahead. We want them to feel that that is a Christmas present, and a New Year's greeting, for a change in the way things are going! The American people are trusting, and if you show respect for them, and respect for their needs, and a sense of justice, they will trust you for a certain period of time.

This 2009 call by Lyndon LaRouche is the only rational place to start toward rebuilding the American economy and restoring hope and morality to the American people. Anything else is off topic.

Since the election of Donald Trump in November, 2016, there has been a great deal of discussion concerning rebuilding American infrastructure. Much of it is incompetent. All of it is inadequate. What are being put forward are limited, small approaches, very few of which will have a dramatic effect on increasing national productivity, and the sum total of what is being pro-

posed utterly fails to address the urgent national requirements 50 to 100 years into the future. Everyone is thinking too small. Additionally, the projects and proposals being bandied about—were they all built—will have a negligible impact on reducing the poverty which is destroying the lives of tens of millions.

Infrastructure

Take the case of the American Society of Civil Engineers (ASCE), an organization which, to its credit, has kept alive a serious discussion about the infrastructure investment required for the nation. In its 2017 report, the ASCE estimates that the United States needs \$2.2 trillion dollars of infrastructure spending during the next five years and \$4.6 trillion by 2025 to bring U.S. infrastructure to an “acceptable standard.” They point to the horrendous conditions of American bridges, dams, roads and water systems. On a scale of A to F, the ASCE rates U.S. infrastructure as D+.

The average age of the 90,000 dams in the United States is 56 years. By 2025, seven out of ten of them will be more than half a century old. The country has 15,500 “high-hazard potential dams,” meaning that loss of life would be probable if they failed. More than 640,000 miles of high-voltage electric lines are at full capacity. Most U.S. power lines were constructed in the

1950s and 1960s and are already past their life expectancy. Public transit is also “chronically underfunded,” ASCE says, and airport infrastructure and air traffic control systems are “not keeping up.”

Here is where the problem in thinking arises. Almost all of the \$2.2 trillion which the ASCE proposes to spend in the next five years—with no serious proposal as to where that money will come from outside of new taxes and fees—is intended to merely avert catastrophe, i.e., to repair and replace already existing—but obsolete—infrastructure. While necessary, this does not even come close to providing for future productive growth, nor will it have any significant effect on reducing the poverty and suffering of the American people. It is merely a start, and a very inadequate one at that.

One example of the fallacy of thinking inherent in the ASCE proposals can be seen in their 2017 Infrastructure Report Card, which grades the nation’s roads a “D,” bridges a “C+,” transit a “D-,” and aviation infrastructure a “D.” Yet it rates America’s railroads a “B,” this because the railroads are meeting current demands, and the more profitable freight lines have continued to repair and maintain their roadbeds, rails and other equipment. But America has zero miles of true high-speed lines, while China has built over 16,000 miles of high speed rail, with many of the trains routinely traveling at speeds of over 200 mph. Long distance rail passenger traffic has almost disappeared in America, while in China 672 million rail trips were taken in 2013 and over 2.9 billion passengers have taken a high-speed train trip between April, 2007 and October, 2014. China is thinking toward the future, while America is trying to stave off collapse.

While it is true that the larger figure of \$4.6 trillion, which the ASCE proposes should be invested in infrastructure by 2025, does include a few new projects that will benefit the nation, this is still far, far too little.

Conduct an experiment. Get in a car and drive across America. Make sure to visit as many “inner city” communities in the nation’s urban areas as is possible—e.g., Baltimore, Detroit, Philadelphia, Chicago. Don’t pass up the tens of thousands of small rural communities either. Get out of your car on Halstead Street in Chicago, Livernois Avenue in Detroit, or Prospect Street in Indianapolis. Walk around. Talk to some of the local inhabitants. And, most important, observe carefully what you see. Mass poverty, from coast to coast. Un-

skilled, largely poorly educated, and despairing citizens are the norm, not the exception. And there are even more rural poor than urban—millions of individuals scattered throughout thousands of small and medium sized communities across the country. Additionally, some of the worst poverty is to be found in “suburbia,” in the medium-sized communities and cities of formerly productive regions.

Thousands of square miles, including large sections of the Bronx and Brooklyn, need to be completely rebuilt. So-called “soft infrastructure,” such as schools, public hospitals, libraries and senior housing will themselves alone require a massive investment.

Our orientation—the only sane orientation—is not to adopt an “acceptable standard.” Our goal must be—not to “manage” poverty, not simply to replace old infrastructure with new, not to create marginal physical economic growth. Our unshakable goal must be to eradicate poverty and build for the future.

III. Hamilton’s Solution

The escape route out of our current national nightmare is to be found in the mind of Alexander Hamilton. America was founded on the economic approach invented by Hamilton, and its happiest and most prosperous times were when the nation adhered to his precepts. In this section we shall examine the two post-Washington Presidencies—those of Abraham Lincoln and Franklin Roosevelt—when such a Hamiltonian approach was most successful. (Although it was abbreviated, a legitimate case could be made to include John Fitzgerald Kennedy’s creation of the manned moon mission as a third successful case.)

This examination will be brief, almost cursory, out of necessity. The magnificent initiatives and programs of those two Presidencies will not be addressed here in any serious depth. What is presented here is not a recipe. It merely gives a flavor to what great initiatives have accomplished in the past. In truth, if we are to meet the challenges of today, we will be required to go beyond what Roosevelt and Lincoln accomplished.

In 1933 Franklin Roosevelt launched the unprecedented Tennessee Valley Authority (TVA) project. At the same time he also created both the Civilian Conservation Corps (CCC) and the Federal Emergency Relief Administration (FERA), which together rescued seven million unemployed Americans—mostly young—and gave them jobs. Later, he would also



Tennessee Valley Authority (TVA) power line installation, part of Franklin Roosevelt's "New Deal" rural electrification.



President Franklin Roosevelt at the Boulder Dam, 1935.

FDR Library



Civilian Conservation Corps (CCC) Camp BR-24 Boise Project, Marsing, Idaho.



Works Progress Administration (WPA) construction.

create both the Civil Works Administration (CWA) and the Works Progress Administration (WPA), the latter of which employed an additional eight million, three million of whom were hired in its first year of operation.

Between 1933 and 1935, through both direct and indirect employment, FERA created more than twenty

million jobs, the equivalent today of forty-five million jobs. Initially, some of these were "make work" jobs, simply designed to stave off starvation and get people back into the labor force. But if one looks at the CWA, for example, CWA workers laid twelve million feet of sewer pipe, and built or made substantial improvements to 255,000 miles of roads, 40,000

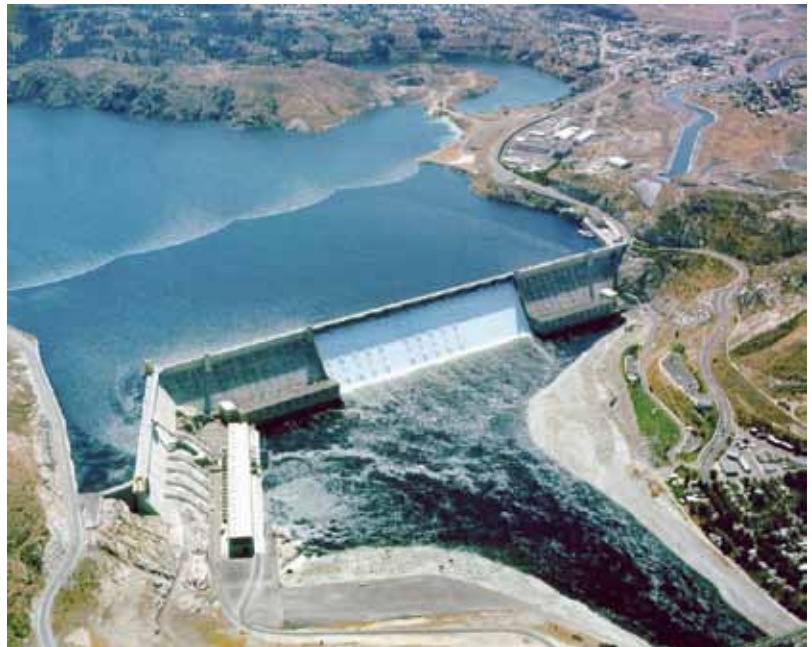
schools, and nearly 1,000 airports. The CWA also paid to put 50,000 teachers back to work. Under FERA, the CWA, the CCC, and the WPA, more than 14,000 new schools were built, as were 1,000 new public libraries; 12,000 road projects were carried out, and more than 120,000 new buildings, including post offices, courthouses, firehouses and armories, were constructed.

The great Four Corners projects transformed the energy, fresh water and transportation infrastructure of the nation, profoundly advancing the productive potential of the Republic. Additionally, the Public Works Administration (PWA) constructed the Grand Coulee Dam, the Bonneville Dam, the Triborough Bridge, the Lincoln Tunnel, LaGuardia Airport, Los Angeles Airport, and the Upper Mississippi River locks and dams. There were hundreds of such projects. Rural electrification was carried out, leading to the general electrification of the entire nation.

With the Tennessee Valley Authority, Franklin Roosevelt took a region, including parts of seven states and encompassing an area eighty percent the size of England, and utterly transformed it, utilizing the most advanced industrial, technological and scientific means available at that time. The region in question was the poorest in the nation, with only a small fraction of the residents having access to electricity. Income for many families was below \$100 per year. Under the slogan of “electricity for all,” more than forty-five dams and hydro-electric projects were built. Additionally, more than twenty coal-fired and natural gas power plants were constructed. A region of the nation, one which encompasses 80,000 square miles, was profoundly upgraded.

Financing the Miracle

Between 1933 and 1935 the Federal Emergency Relief Administration and the Public Works Administration together spent \$9.1 billion on infrastructure



U.S. Bureau of Reclamation

Grand Coulee Dam, one of President Franklin Roosevelt’s projects.



cc/Patrick Handrigan

LaGuardia Airport in New York City.

construction. That represented 15.9 percent of the nation’s Gross Domestic Product (GDP). An equivalent expenditure for today’s GDP would be \$3.0 trillion. And that \$9.1 billion figure was only what was spent by FERA and the PWA; it does not include any of the additional spending by the WPA, the CCC, the NYA, or several other agencies active in the first years of the

New Deal. It also does not include the vast sums spent on the TVA, nor the massive credit made available through the Reconstruction Finance Corporation (RFC) or the reorganized commercial banking system.

The RFC was a quasi-public corporation. Its initial capital came from \$500 million in stock sold to the U.S. Treasury. The RFC raised an additional \$1.5 billion by selling bonds to the Treasury, which the Treasury in turn sold to the public. In the years that followed, the RFC borrowed an additional \$51.3 billion from the Treasury and \$3.1 billion directly from the public. All of these obligations were guaranteed by the federal government.

This combined borrowing by the RFC of \$55.9 billion is a dollar amount almost equivalent to the nation's 1933 Gross Domestic Product of \$57 billion.

Although it was originally intended as a vehicle to provide financial relief for banks, a July, 1932 amendment to the RFC charter authorized the RFC to loan funds to state and municipal governments. Once Franklin Roosevelt was in office, the RFC was directed to use this enhanced power to provide loans for infrastructure projects, such as the construction of dams and bridges. The loans could also fund relief for the unemployed, as long as repayment was guaranteed by tax receipts. The RFC became the largest generator of credit in the nation.

At the same time, the Roosevelt Presidency enacted Glass-Steagall and also implemented several other laws to eliminate various forms of financial speculation. The financial resources of the nation were harnessed, using the Hamiltonian power of the U.S. Treasury, to finance a great economic recovery.

Abraham Lincoln

Between 1861 and 1865, Abraham Lincoln implemented a series of revolutionary economic and banking



Mathew Brady Studio/Thomas Le Mere

Abraham Lincoln, 1863.

measures. First, he used the sovereign power of the United States to issue more than \$400 million in paper currency (legal tender “Greenbacks”) directly from the U.S. Treasury. Additionally, through his ally, Jay Cooke, the Treasury sold \$1.3 billion of so-called 5:20 government bonds (redeemable in 5 years, reaching maturity in 20 years)—not to foreign bankers, but directly to the American public. Other bonds were sold as well, bringing the total issuance of new federal credit to well over \$2 billion, about 50 percent of the GDP of the Union states.

At the same time, large amounts of the new Greenbacks were loaned to the member banks of the newly created National Banking System. Held on deposit by those banks, these Greenbacks served as the security for the banks to begin issuing loans

for the many and varied economic projects carried out under the Lincoln Presidency. A conveyor belt of Credit—essentially a U.S. Treasury-led National Credit System—was created.

It is true that much of this money went into financing the Union's war effort, but also consider that—both during the Lincoln Presidency and in the years that followed—U.S. railroad mileage went from 45,000 to 157,000, more than in all of Europe. Entire new industries were created. American steel production and modern American agriculture were unique in the world.

In considering the magnitude of what was accomplished under both Lincoln and FDR, it must also be recognized that their breakthroughs took place under very adverse conditions. The entirety of the Lincoln Presidency took place during wartime, in which the defeat of the South took precedence over all other considerations. FDR suffered from not having a National Bank and having to operate within a hostile world fi-

financial system controlled from London. Today, were the United States to revisit the approach of Lincoln and FDR, while simultaneously joining with China, Russia and other nations in the cooperative Belt and Road Initiative, accomplishments of wonderment, barely imaginable, become possible.

There are No Limits to Growth

At this point, it is essential to make a critical observation. We can admire and learn much from the examples of Franklin Roosevelt, Abraham Lincoln and John Kennedy, but the mistake we should not make is to limit ourselves to the great things that they were able to accomplish, nor to the policies they implemented. We can go beyond FDR, Lincoln and JFK, and we can accomplish much more.

In 1972, Jay Forrester and Dennis and Donella Meadows, of the Club of Rome, published their fraudulent Malthusian argument, *The Limits to Growth*, wherein they argued that there is a natural limit on the physical development of human society. This was merely one initiative in the post-1971 British Empire effort to extinguish scientific and technological optimism in Europe and America.

Today, there is another type of Limits to Growth, a mental box which inhibits the thinking about economic and financial policy. Many individuals insist that there exists, essentially, a “financial” limit to growth, i.e., that there are axiomatic financial boundaries which constrain—and even prohibit—a rapid upward development of the human condition.

It is critical to defeat this mental pathology. Various government officials in Washington DC talk about spending \$1 trillion dollars, or less, on the nation’s infrastructure. The ASCE proposes to spend \$4.6 trillion by 2025. In financing his great economic development projects, Franklin Roosevelt, through both direct government spending and federally-backed credit, spent a dollar amount more than 100 percent of the nation’s GDP. Today that would be roughly \$19 trillion. Why can’t we spend that? Why can’t we spend more than that? Might it not be possible to even spend double that? What Lincoln and FDR did are the shining heroic examples, but they are not the limit!

It comes down to people thinking through what the proper roles for the U.S. Treasury, our banking system, and our National Credit System should be. What is their

purpose? Why do they exist? And, most important, how can the full mighty resources of this potential Credit System be mobilized to the full extent of its power—straining all bounds, as we did during World War II—to completely eradicate poverty and create an entirely new future society?

This can be done. Learn from FDR and Lincoln, *and then go beyond them to even greater accomplishments*. The great projects they built are not the limit. The methods they utilized to deploy Public Credit to finance these projects are also not a limit. A National Credit System, particularly as it has been re-defined by Lyndon LaRouche, can be a creature of awesome, almost unimaginable, power. What is required is a war-time mentality to carry out a full economic mobilization. Every resource must be utilized.

Such an economic recovery can not proceed stepwise or linearly—building bricks one on top of another. We begin with the possibility of where we need to be in 100 years. From there, we define the key transformative interventions which need to be made; and from there develop a Bill of Materials for what is needed. Start from the future. Start from the top. Solve the key problems. The future necessary potential drives the steps to be taken today.

Given the nature of the universe, we will never know perfectly where we need to be a century hence, but we can define certain necessary goals, and we can operate on the basis of a clear directionality. Those goals and that directionality will also demand certain “leaps” in comprehending and implementing new “platforms” of increased human productivity, with a focus on the most challenging scientific problems.

The axiomatic approach must be to build for two generations out, while keeping an eye on the longer range needs for a century or more into the future. Any perspective to “replace or repair” existing infrastructure must be abandoned. We must build for the requirements of increasingly prosperous future generations.

Pressing Needs

Our first action, however, must be to rescue the people. Evictions and foreclosures must stop. Food security for every individual must be secured. Jobs and job training must recruit millions. Tangible, visible progress must become apparent to everyone in the nation. All of this has to be done, and it must be accom-

plished at the same time we take on the larger, grander projects which the nation urgently requires.

IV. Us or Them: Kill Off the British Empire

Attentive readers of *EIR* may observe that an [article](#) authored by Paul Gallagher in last week's issue contains material directly relevant to the subject under discussion here. That article, a review of the documentary film *The Spider's Web: Britain's Second Empire*, reveals, at least by implication, the approach required to ensure success for a policy of economic development.

Since 1987, the British elites have succeeded in establishing (or re-establishing) the City of London as the de facto controller—one might even say dictator—over trans-Atlantic financial and banking markets. As the film establishes, the City sits at the center of a vast global network of unregulated “off-shore” banks located primarily in British overseas territories, such as the Cayman Islands. Today, 25 percent of the world's financial activity, and 50 percent of financial derivatives betting, is conducted on British territory. Three-quarters of the world's hedge funds are registered in the Caymans alone. By 1997, 90 percent of all international loans were already being made in the “Euromarket,” centered in London.

The U.S. banking sector has largely been swallowed up by this London-centered Colossus, and in reality it is fallacious to even speak today about a “sovereign” U.S. banking system. By 2014, the biggest U.S. banks held almost 70 percent of their on and off-balance sheet foreign assets in London. This surrender of independence by U.S. banks has also been accompanied by a massive growth in their financial assets. By December 2011, the assets of America's five largest banks' were equal to 56 percent of the U.S. economy, compared with 43 percent only five years earlier.

These catastrophic developments were greatly exacerbated by the repeal of Glass-Steagall, with the Gramm-Leach-Bliley Act in 1999, and related actions to legalize over-the-counter derivatives trading and other forms of parasitical financial speculation.

Lessons to be Drawn

Three things to consider:

The first—and bitter—reality to be faced is that



Stock market big-board display.

over the last three decades, the City of London and their subservient pals on Wall Street have succeeded in creating a near-monopoly over international banking and credit in the trans-Atlantic world. Only the new dynamic of the Belt and Road Initiative is outside their grasp. Their overriding priority has been to maximize fictitious monetary profits. At the same time, credit for productive investment—worldwide—has simply been choked off. In Europe, nations lie supine beneath the heel of Brussels and the European Central Bank. In the United States, no elected official dares to propose a sovereign U.S. banking and credit policy, and the nation's urgent physical needs go begging. For the nations of Africa and Ibero-America it is even worse. Paltry loans are doled out for the most minuscule of projects by the London creditors, and then only under the most brutal conditionalities. Meanwhile, what available domestic credit exists in those poor nations becomes the victim of “capital flight,” to the tune of \$1 trillion per year, with most of that going to London banks and their related “offshore” jurisdictions, there to be funneled into the machine of financial speculation.

A second matter to consider, however, is that the seeds to solving a great crisis are often to be found within the crisis itself. If one looks at the magnitude of the London-based financial octopus—including the U.S. financial assets parked there—this can also be viewed as a great resource for accomplishing global economic development. It is true that much of this monetary “wealth”—such as financial derivatives and

the activities of the hedge funds—is nothing but imaginary monopoly money that will have to be written off, but that will still leave trillions of dollars in financial assets which, under a serious Hamiltonian approach, could be put to productive use. As stated earlier, ask yourself: What is the purpose of a banking system? Why does it exist? Properly understood and properly managed—under the direction of the U.S. Treasury—existing American bank assets could be deployed to play a major role in the rebuilding of the nation.

The third and final consideration in this section is to recognize that this three-decade effort by London to enforce its will on the nations of the world is now crumbling, and a new economic and financial reality is spreading throughout the world as a result of the Chinese-led Belt and Road Initiative. Through the Hamiltonian approach of its own banking system, as well as through institutions such as the Asian Infrastructure Investment Bank (AIIB), China is now leading a global campaign to invest huge sums into infrastructure and other physical-economic projects world-wide. Although this endeavor has only been underway for a handful of years, the results already are astonishing, and they are a sign of the end of British imperial financial domination. Hope is spreading to nations throughout the planet.

Were the United States to adopt an economic/financial approach coherent with the Chinese initiatives, victory would be all but guaranteed. The first step must be to re-impose Franklin Roosevelt’s Glass-Steagall legislation. That one action—alone—would force U.S. banks to sever their financial assets from the City of London and abandon the bulk of their speculative financial practices. More will have to be done, but that is the necessary starting point, and such an action would produce profound consequences.

There is one additional benefit to ending the era of British financial speculation which must be mentioned here. There are infrastructure projects being built today in America, but in case after case, these projects have run up against the roadblock of exorbitant costs. For example, while nominal infrastructure spending on water and transportation increased from \$277 billion in 2003 to \$335 billion in 2007, real infrastructure spend-



Chinese Vice Premier Deng Xiaoping (center) with President Jimmy Carter. Deng Xiaoping began China’s reform and opening up policy in the 1970s.

ing fell by \$24 billion, or 6.3%, during the same time period because of the rising costs of commodities such as petroleum, iron, and gravel. What we are witnessing here is the product of unbridled financial speculation in the raw materials markets by London and off-shore speculators. The price of numerous commodities, as well as the price of real estate has been speculatively driven up way beyond what these commodities are actually worth. Kill the speculative beast, and sanity shall return to much of these matters.

V. Building the Unknown Global Future

American leftists of the Saul Alinsky variety used to enjoy repeating, *ad nauseam*, the pop phrase “Think globally but act locally.” In the situation within which we find ourselves today, one way to think about a way to move forward, a way to resolve the current crisis, is to reverse that recipe: “Think locally, but act Globally.” We must not shrink from confronting the profound economic and societal crisis which grips America. We can not afford to ignore it. Massive rebuilding is required. Yet, the economic solution, the path to reconstruction, will only succeed if the United States links up with Russia, China and other nations of good will to put an end to the dictatorial power of the City of London once and for all. London’s grip over finance, credit and bank-

ing must end. Cooperating sovereign nations must forge a new international system of Public Credit for investment in those great projects which will rescue both America and the entire world. Alexander Hamilton would smile at this prospect.

China's War on Poverty

In the forty years since the initiation of China's "reform and opening up" policy by Deng Xiaoping, somewhere between 700 and 800 millions of Chinese people have been lifted out of poverty. Most London-allied western commentators have made light of this or poked jabs at it, but clearly nothing even close to this has ever before been achieved in human history.

Today, much attention is given to the massive investments made by the Chinese in their physical economy, including high-speed rail, subway systems, power plants, water management, port development, the computer and related electronics industry, as well as the escalating Chinese commitment to space exploration. Such attention is well-placed, and should serve as a model for what should be done in the United States and nations all over the world. However, there is another, less noticed, side to what the Chinese have done.

The Chinese have initiated an in-depth effort to directly help the people of their nation. Under the Special Nationwide Poverty Reduction Policies and Programs, numerous anti-poverty organizations and agencies have been created, each with its own mandate. These include the State Council Leading Group on Poverty Alleviation, the State Council Poverty Alleviation Office, Provincial Poverty Alleviation Offices, Provincial Leading Groups on Poverty Alleviation, Prefecture Poverty Alleviation Offices, Prefecture Leading Groups on Poverty Alleviation, County Leading Groups on Poverty Alleviation, County Poverty Alleviation Offices, and Township Poverty Reduction Staffs. These agencies serve as both a top-to-bottom and bottom-to-top multi-faceted machine to identify and remedy conditions of poverty, from the inner city to the tiniest of rural villages.

The goal is to achieve common prosperity and harmonious development and to eliminate poverty entirely.



China has lifted 700 million people out of poverty. President Xi Jinping greets people in Jinggangshan City in 2016.

Many programs and local initiatives have been tested and tried. In the case of urban poverty, which has been largely eliminated—take note New York and Los Angeles—this has been done through direct government payments to poor urban dwellers, bringing their income up to a minimum level of 4,476 yuan per month (\$700 at an international exchange rate). In some ways these efforts echo the relief programs of the Roosevelt Administration, but in terms of the breadth and depth of what the Chinese have done, there really is no precedent.

There is no dichotomy between what the Chinese have accomplished domestically and the initiatives they are now taking globally. The intention, the operational philosophy of the two are seamless. British and Anglo-American mouthpieces accuse China of geopolitical designs in Africa and elsewhere, but the proof that these are lies is given by what China has done to honor and uplift its own people, governed by a "win-win" outlook, which also forms the basis for the great development projects they are now helping to build, even among some of the poorest nations.

As Saint Paul stated "And now there remain faith, hope, and charity, these three: but the greatest of these is charity." More than one hundred years ago, Sun Yat-sen enunciated his "Three Principles of the People." Of these, the greatest is the third, Minsheng, the People's Livelihood. This is where one must start in any rational, moral discussion of economic policy.