

The Genius of Alexander Hamilton

As the mobilization for restoring the vital 1933 Glass-Steagall law of banking separation, which would *cut off* trillions in gambling debts from Federal government support, comes increasingly closer to potential victory, Lyndon LaRouche has raised the fundamental issue. Glass-Steagall, properly understood, is based on the same principle as Alexander Hamilton's credit system, he argues. Thus, if the American political leadership cannot be brought to understand the genius of Hamilton, a lasting recovery of the world economy cannot be achieved.

LaRouche himself will be addressing the Hamiltonian principle in the days and weeks ahead, and it clearly cannot be developed in depth here. But it's time to begin to face the crucial issue.

In his State of the Union address in 2011, LaRouche provided a provocative summary of Hamilton's principle—which can otherwise be found in Hamilton's voluminous writings, especially his Reports to Congress in 1790 and 1791. We quote LaRouche:

“The principle is elementary. It is the principle of the Pine Tree Shilling of the original Massachusetts Bay Colony. *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 delimits 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.”

Ah, but how did Hamilton know how to increase that net wealth per capita? That required his understanding what goes into increasing the *productive powers of labor*, specifically, the need to promote the conditions appropriate to an increase in the creative powers of the human mind, including through increased investment in infrastructure and technology that would increase man's power over nature.

There is a passage in Hamilton's Report on the Subject of Manufactures which points to his grasp of this requirement. In elaborating the reasons for the Federal government to promote manufactures, he writes: “To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted.” Hamilton's system was devised to do just this.

Stimulate *mind*, not money—that is the key to the Hamiltonian principle, and to the successful application of the Glass-Steagall principle today.