Oct. 8—Are Americans able to change the way they think? Are we capable of challenging our own “common sense” notions of how economics works? Can we see outside the box to act on our new discoveries?

From the vantage point of a Harvard Business School-trained accountant or a numbers-crunching budget hawk in Congress, America now faces a near-insoluble physical economic crisis. Hurricanes Harvey, Irma, and Maria have destroyed widespread areas of Florida, Texas and Puerto Rico. In addition to the loss of life and devastation of families, it is estimated that the economic damage could surpass $300 billion. Now, Hurricane Nate is moving through Louisiana, Mississippi, Alabama and other nearby states, adding further to the shock inflicted on the portion of the United States bordering the Gulf of Mexico.

At the same time, the nation as a whole is facing a major crisis in infrastructure. The breakdown of the New York transit system is only the most egregious among countless problems. Water management, electrical power, dams, bridges, rail transit, and flood control have all reached critical condition. Add to that the massive deficits and dereliction in “soft infrastructure,” such as education and the health care system, and the cumulative crises rise to massive proportions.

Additionally, we, as a nation, face the prospect that under the current financial and economic prescriptions, we are becoming increasingly impoverished. Tens of millions work at the minimum wage. In California, more than 150,000 people live outdoors in “tent cities” or other makeshift dwellings. The nation’s death rate is increasing, and the drug epidemic is out of control. The rich are getting richer, and the poor are getting poorer.

The Required Shift

Whether it is the need to repair the damage from the recent hurricanes, or proposals to rebuild major portions of the nation’s infrastructure, people always ask, “Where is the money going to come from?” That is the wrong question to ask.

What is needed is for people to shift their perspective, to shift their point of observation. It is not difficult to do at all; it does not require brain surgery or torturous mental gyrations. Just a slight shift in approach, easily accomplished—but one which will make all the difference in the world and will make the seemingly impossible doable.

The necessary change is simply this: Stop thinking about Money, and instead focus on understanding the power of Credit.

For example, on the question of rebuilding the nation’s infrastructure, most often the financing for such projects is proposed in one of two ways: either have the government directly pay for such projects through increased taxation or borrowing; or farm the funding for these projects out to for-profit private interests, such as the notorious Public-Private Partnerships (PPPs).

But are those the only choices? Is there not a third approach, one that is readily available and whose success has already been conclusively demonstrated?

Our first Treasury Secretary, Alexander Hamilton demonstrated precisely this third way, as did Presidents Abraham Lincoln and Franklin Roosevelt. Their
solution lay in understanding the power of Public Credit.

A simple example should suffice: There has recently been a great deal of talk about the possibility for China to invest in rebuilding American infrastructure. One scenario proposes that China invest in building high-speed rail in the United States—say to the tune of $500 billion. This would be useful. However, what if, instead of that direct funding, China were to exchange $500 billion in either U.S. Treasury obligations they are now holding or other securities, for shares in a newly established credit institution, preferably a National Bank, but possibly a national Infrastructure Bank or similar institution?

This would accomplish two things. On the one hand, as Hamilton demonstrated, it transforms debt into an asset that can now be deployed as credit to invest in physical economic projects. That $500 billion could then serve as the basis for say, $1 trillion or $2 trillion in loans to build transit, water, educational and other desperately needed projects, for purposes authorized by Congress. Rather than the United States owing $500 billion to China in Treasury obligations, that same $500 billion becomes the basis for investment in needed infrastructure. As one loan is paid down, the credit becomes available for other projects. Thus, through Public Credit, a greater power of economic transformation is unleashed.

This approach also holds true for the debt which is now crushing Puerto Rico. That debt could be exchanged for shares in a new Credit Institution, secured through federal guarantees, and used to finance reconstruction efforts on that island. This is precisely what Hamilton did, when his National Bank accepted outstanding and nonperforming state debt and IOUs.

This is not complicated. It simply requires the switching on of the Hamiltonian light-bulb in the minds of the American people and our political leaders. Obviously, a sound and prudent approach will be required, but as long as traditional prudent banking practices are followed, and provided that all new loans are targeted into authorized physical projects which will increase the future productivity of the nation, it will succeed spectacularly. This is not a “money-making” scheme. Long-term investments into physical infrastructure is the approach. There are many examples of the successful implementation of such an approach in the past. From the 20th Century, the functioning of President Roosevelt’s Reconstruction Finance Corporation and the German Kreditanstalt für Wiederaufbau are both beacons which conclusively demonstrate the power of Public Credit.

This approach is precisely what Lyndon LaRouche has enumerated in his Four Laws. It is time for America to listen to the wise words of LaRouche. America requires at least $2 trillion in infrastructure investment, per year, for the next ten years. No one is talking about this however, because no one knows where the $20 trillion will come from. In the realm of money, this is an impossibility. Therein lies the urgency of understanding the awesome power of Public Credit to rescue and rebuild the nation.