

Creating a Public Credit System

The following is an edited transcript of excerpts of a presentation by EIR Economics Editor Paul Gallagher, delivered to the La-Rouche PAC Manhattan meeting on Saturday, Oct. 21, 2017, followed by a question and answer period with the audience. A [video of the full presentation](#) is available.

Question: Within weeks U.S. President Donald Trump and China President Xi Jinping could be discussing new economic arrangements. What kind of arrangements?

Gallagher: For fifty years there has been in America, not just in American government and decision-making, but an unpreparedness in the American economy. This has been getting worse and worse, a failure to build the kind of productive and protective infrastructure planned decades ago—but never built—in places such as the Texas Gulf Coast to protect the cities like Houston and Rockport. It was also planned in New York, as people there know, and was never built, so that the subways filled up with salt water. Meanwhile, China and Japan have been leading the world in productive and protective infrastructure, and Trump is going to visit both places and have summits with both leaders. They are not just building infrastructure, but also making technological breakthroughs in infrastructure building—as for example, the bridges built with techniques that have never been used before and spanning distances not previously possible. They have been doing this now for thirty to forty years extremely efficiently, building high-speed rail and other infrastructure. These breakthroughs could be brought into the design and engineering of the most important infrastructure projects in the United States on a large scale, such as the Gateway Project and the New York



cc/Ray Devlin

Lake Borgne Surge Barrier in New Orleans, protective infrastructure built after Hurricane Katrina caused \$200 billion in destruction and 1,800 lives were lost.

Harbor sea gates and tunnel. This could be done in the context of the creation of a credit institution here in the United States which would fund such projects.

As we have been proposing now for some time, the best and grandest way for the United States to form such a credit institution for manufacturing and infrastructure,—which we have not had now since Franklin Roosevelt—the fastest way and the best way to do that would be to allow the holders of relatively long-term Treasury debt to trade that debt for equity in a new national infrastructure bank on favorable conditions to them with the guarantee of the Treasury—to participate also in the investment in such infrastructure projects here in the United States and also in joint projects as far afield as South America, Syria, Alaska, and the Bering Strait crossing. Nations where major projects have to be done could participate directly through helping to capitalize a national United States bank for infrastructure and manufacturing, and also through participating in the design teams and the engineering teams which would work on selecting projects and getting them engineered.



Western press desperately claims debt in China, taken to grow the productive economy, is dangerous, and could lead to an economic collapse.

I've discussed all this with officials from both China and Japan in Washington recently. I've had the opportunity to learn that both of those countries would be extremely interested in investing a portion of their very large holdings of our Treasury debt in the equity of such a bank in order to get things going here, and also to jointly cooperate on great infrastructure projects internationally. As one official said to me, "This could not be proposed to the United States *by* us; this would have to be proposed by the United States *to* us. However, I can tell you, we would be extremely interested immediately in doing exactly this." In addition to the issue of war and peace and the issue of strategic stability, those things could be on the agenda and could really begin to be worked out fairly quickly.

Speculative Debt

Two huge expansions of credit—that is, debt—have occurred over the past ten years. One has been by the major central banks of Japan, Europe, the United States; and the other by the People's Bank of China and the publicly held large commercial banks in China—their big five commercial banks. Both of those credit expansions have been huge. They are comparable, in the range of \$15-20 trillion equivalent in each case. All of the discussions and all of the warnings coming out now are about what part of this debt is going to collapse.

As you may know, the majority of so-called financial experts in the media say that it is the Chinese credit expansion which is going to blow out. What is the truth of that statement? China's rapid economic expansion has been going on now for just about thirty years. China has a [Glass-Steagall](#) law; it is really the only major

economy in the world which has a currently enforced Glass-Steagall law. It isn't called that officially, but it's called that in informal discussion among Chinese economists. Recently, it has been more strongly enforced because of challenges to it by the formation of what we call non-banks in China—what we might think of as hedge funds and private equity funds here. In the middle 1990s, when the major Chinese public commercial banks were formed through action of the People's Bank of China and through legislation, they were also separated and not allowed to participate in merchant banking activities, or investment banking activities, and have not been allowed to do that since that time.

Look now at the other credit expansion, the debt expansion which has taken place by the central banks of Japan, Europe, and the United States, created since 2010, only seven years ago. Seven trillion dollars in new corporate debt, which was more than a doubling in seven years in the United States; \$1 trillion in new auto debt; \$1 trillion in new credit card debt; \$2 trillion in new household debt overall; \$11 trillion of new debt in seven years. And that is not counting government debt, which has increased by \$7 trillion, or student debt which has increased by \$600 billion in that same period. The four big central banks—the Federal Reserve, the Bank of England, the Bank of Japan, and the European Central Bank—alone have bought \$14 trillion of this debt during this time. That's called "quantitative easing." We're talking about currency that was printed by the Federal Reserve and the other central banks in order to directly transfer it to the major banks of those countries, which then in turn used it to create a now ten-year-long era of effectively zero percent interest rate



The precarious position of the speculative-debt dominated financial system in the West is beginning to dawn on people.



credit for speculation. That is, credit at 0% interest for the securities markets of the trans-Atlantic world.

For example, the Bank of Japan owns 75% of all of the exchange-traded funds on the Nikkei stock exchange—owns them. The Swiss National Bank owns \$80 billion worth of U.S. stocks. The European Central Bank owns \$90 billion of U.S. corporate bonds; many of which are below investment grade. The Federal Reserve owns \$2.1 trillion of mortgage-backed securities—really derivatives—and \$2.4 trillion in United States Treasuries, largely short-term Treasuries. This has made the price of debt close to zero if you're on the securities market, and if you are not dealing junk. But the share of what they call "junk debt" is growing, most especially in the U.S. corporate debt bubble. Recall the total bubble grew by \$7 trillion since 2010; of that about \$2.5 trillion is and has become junk debt. That means either junk bonds or what is termed leveraged loans—\$800 billion in new junk debt just in 2017 through September. The rest of that corporate debt bubble, approximately 80% of it, the so-called "good debt," the non-junk debt being loaned at rates like 1% to the biggest corporations, has been thrown into the stock market.

Just this past Friday, Wells Fargo announced that it was being investigated both internally and also by Federal regulators for foreign exchange fraud. How many successive fraud cases and crimes does this make for Wells Fargo over the last year? Its stock went *up* on Friday after that announcement. General Electric announced revenue and profits for the quarter universally

reported to be completely dismal; its stock went *up* for that day. The best example, perhaps, is a small company you may have heard of, ExxonMobil. In 2006, Exxon reported \$365 billion in revenue. Eleven years later, it reported \$226 billion in revenue—40% less. It reported profits in 2006 of \$40 billion; in 2017, its profit was \$7.8 billion—about 85% less. It reported in 2006 a free cash flow available to pay out to stockholders or to invest, of \$33.8 billion. By 2017, that was down to \$6 billion—one-sixth. It said it had \$6.6 billion of debt back in 2006; In 2017, it had \$29 billion in debt—five times as much. Its revenue dropped 40%; its profits and cash flow collapsed by more than 80%; its debt more than quadrupled. Yet, its stock price over that same period, went *up* from \$75 to \$90. How did ExxonMobil pull that off. It bought a modest 14 million shares of its own stock with the 0% credit that was being made available.

To stop all this is, first of all, we must immediately separate commercial banking from speculative investment banking and activities of hedge funds, such as issuance of derivatives, trading in commodities and foreign exchange indexes, and creation of asset-backed securities, so that these huge volumes of speculative debt which are now going bad cannot be dumped by the big banks onto pension funds and individual savers around the world. In other words, what they did in 2007-2008. Anyone who has seen the film "The Big Short" saw a demonstration of exactly how they did it. They are now doing the same thing with unpayable auto

debt, unpayable corporate debt, and similar categories.

So, reinstating Glass-Steagall for one thing, will stop that process because it will not allow the bank holding companies to do this, to create the securities by which they're doing this.

Global Development: FDR and China

For the major central banks, this debt expansion added up to about \$15 trillion. Put that \$15 trillion in expansion of debt on top of no productivity growth. Since 2000, the average growth in labor productivity in the United States has been 0.5% per year. The average growth in what is called total factor productivity—a significantly more important measure I'll explain in a minute—has averaged 0.3% annual increase. Put \$15 trillion in debt on top of that, and then look at the labor markets and what has happened to the labor forces in the United States and Europe.

In the United States in the 1980s and the 1990s, of the people who were newly eligible to enter the labor market during those two decades, about 75-80% *did* enter the labor market and *stayed* in it; they were still in it either working or looking for work at the end of that decade. In the decade from 2000 to 2010, of the potential eligible new entrants into the labor force during that decade, 30% actually entered the labor force and stayed in it. During the Obama Presidency, between 20-25% of the expansion of the labor force that could have occurred, actually occurred. So, there was a collapse in the quality of employment and in the portion of the labor force which was actually taking part in any way—this at the same time as this \$15 trillion money printing was being thrown at the securities' markets, bringing them to the point of a crash.

Now keep in mind, President Trump came into office with the stated intention to fund \$1 trillion worth of infrastructure building, and to do that at least in part from some kind of national bank or national fund. So, the big private equity companies on Wall Street—BlackRock, for example—set up an infrastructure fund; \$50 billion they said was either in it or committed to it. Others on Wall Street did similar things, saying they had huge amounts of private capital ready to invest in infrastructure. But they had conditions, and they stated publicly what their conditions were: no less than a 10% annual return on their investment. This is while interest rates were between one and two percent on major corporate debt, and less than that for investments in stocks and securities and derivatives speculation. They wanted

a 10% annual return, and also they wanted all of their invested capital back in ten years. Now compare that to China. In China, the government-to-government loans being made by the Chinese Ex-Im Bank, for example, and being made domestically and internationally by the other public commercial banks in China, are typically 30-year-pay-back loans at 1-2%. But in the United States, Wall Street's intention was to turn infrastructure investment into what they called "deep junk" debt; that was going to be how they would handle President Trump's intention to invest \$1 trillion in infrastructure.

A lawyer I was talking to the other day, who used to be a Congressman from the Midwest, in a meeting discussing our national infrastructure bank proposal, asked me "What's Wall Street's view going to be on this? They're going to oppose it, right?" They are definitely opposing it, and going to oppose it, because we're putting Hamilton into infrastructure investment, and taking financier profit out of it. So, they are going to oppose that. Wall Street's policy is to pin Trump to this stock market boom which is actually getting ready to crash. Their policy is to make him own that stock market boom, identify with it, cut taxes to keep it going, and if there is any infrastructure investment, to put it in the framework of that junk debt.

China's debt expansion has been approximately the same magnitude; in fact, it may have been somewhat more new credit, new debt created through those public commercial banks in China. Two-thirds of the corporate debt in China, *two-thirds of all of it*, is concentrated in 22 companies. They are, all 22 of them, involved either entirely or to a very great degree in infrastructure building and in energy development. I'll just quote *Asia Times* for example in an analysis on Thursday: "A great deal of Chinese corporate indebtedness should be viewed as public works investments by the Chinese sovereign. The point to take away is that we are not looking at a speculative bubble in corporate debt, but at a heavily concentrated investment in state-sponsored infrastructure. Manufacturing, health care, and other major corporate sectors in China actually show declining debt leverage. The bulk of corporate debt has built up in energy production, power production, rail development, high-speed rail, airlines. Sectors that in many other countries would be funded directly via the state budget. China has been borrowing mainly to expand infrastructure." Rather surprisingly, the ratio of net debt to earnings of these 22 companies—they're all large companies, obviously—will fall from 3.71 in 2016 to

2.5; that is, they will be less leveraged with debt by a significant amount in 2017 and 2018 than they were in prior years. So, this \$20 trillion debt expansion from China, if you call it that, over the past decade, is backed by at least \$10 trillion in infrastructure, public assets alone. The firm of PricewaterhouseCoopers has done several recent studies this year, showing that the value of China's capital assets in infrastructure, in the Belt and Road countries, is rising by 40-50% every year, and is already in the order of hundreds of billions of dollars.

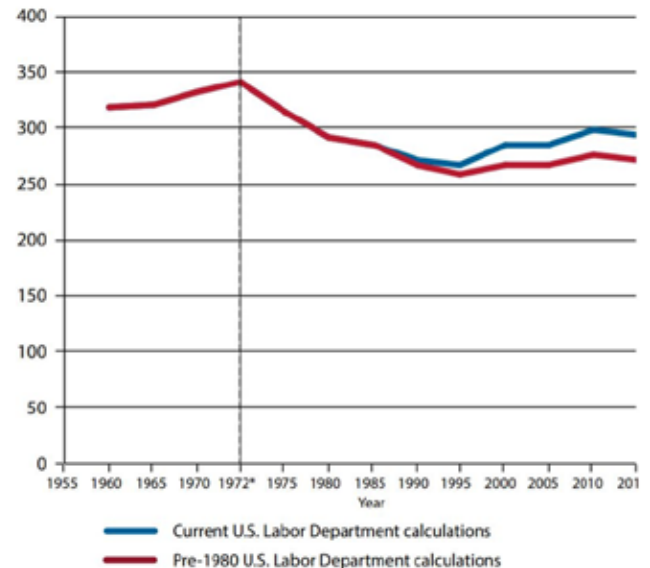
This, by the way, is what Lyndon LaRouche said in the 1950s and 1960s the United States should do. He was not just forecasting the breakup of the Bretton Woods system at that time. He was saying what had to be done, instead. He said that the United States, following its tremendous expansion in industrial production and productivity from the 1930s through World War II, should have continued that expansion after 1945 in the Third World. What America should have done was to transition from those huge investments in productivity in the United States, to the export of capital goods and infrastructure into what were then called the countries of the Third World—to have many Marshall Plans.

Just as people now compare the Belt and Road Initiative to 10 or 20 Marshall Plans, what LaRouche was saying in the 1950s and the 1960s was that such an expansion outward to the world as a whole was precisely what the United States should have done.

Instead, what the United States did, and Lyndon LaRouche was very ruthless on this in the '60s, in particular, was to invest in a big consumer boom. The Eisenhower Federal Reserve, under Arthur Burns and others, in Eisenhower's administration in particular, pushed U.S. credit policy instead towards a consumer boom: everything from second cars to lots of toys for the kids, to household appliances to hula hoops, and so forth—this was what was bought with the continuing credit expansion in the United States in the '50s and early '60s, till Kennedy broke with this. And that's exactly what LaRouche was attacking at that time, and that is exactly what the IMF—and all the others like it—are advising China to *do* right now.

These western "experts" say, "China should cut out this Belt and Road stuff; it's all very nice, it's harmonious for the world, but it's too much of a credit expansion in infrastructure. Instead they should be investing in increasing consumer consumption in China." But China is not interested in repeating the mistakes that the United States made in the 1950s.

FIGURE 1
Median Real Weekly Earnings
(Private Sector, 1982 dollars)



As *EIR* Washington Bureau Chief Bill Jones was saying in the [webcast last night](#), China's global initiative was not by any means something that Xi Jinping simply proposed in late 2013, and everyone in the Chinese leadership said, "Oh, yes, of course. This is our fate. Our future is the Belt and Road Initiative." They did not. Many people, including some Chinese economists, have still been resisting the idea that the Belt and Road Initiative is the dynamic of the Chinese economy for the future, as well as the productive dynamic for the world economy for the future. And as Bill was saying, what you're seeing in the proceedings of the Chinese Communist Party Congress going on now, is a consolidation of that vision, as put forward four years ago by Xi Jinping.

Real Productivity

On the slide [Figure 1], the red line, beginning in 1970, shows the decline in median real weekly earnings of U.S. working people since that time. The blue line which branches off represents the fact that in the 1980s, as we exposed at that time, the U.S. government dramatically changed the way it was calculating inflation—and obviously inflation is one of the things determining real wages. If the government agency had kept the same measures defining inflation throughout, the graph would show an approximately 15-20% decline in

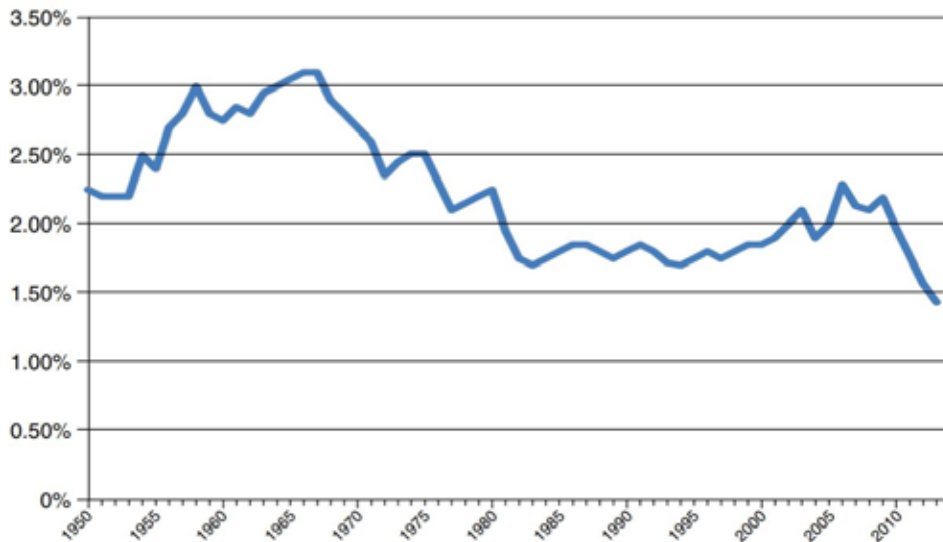
the median real wage during this period.

De-industrialization was starting at that time,—the so-called Southern Strategy—eventually leading to a thorough de-industrialization of the United States and to the past 15 to 20 years’ deadly opium and suicide epidemic among working age people in the formerly industrial areas of the United States. The space exploration program dramatically shrank by about 85%, in just three years, during the Vietnam War. No major infrastructure investment occurred in the United States for the next 45 years—none.

Recently, Helga LaRouche pointed out that this was also what her husband understood about the Soviet economy, when he made his famous forecast in 1983, that the Soviet system would collapse in five years—he missed it by one year—unless they accepted the major cooperative technology and infrastructure program known as the Strategic Defense Initiative, as a joint program of the United States and the Soviet Union. Lyndon LaRouche recognized that while the Soviet Union stressed both invention and scientific development, they did not invest in infrastructure. That was a complete blank, a zero in the Soviet economy. What investments were made were shoddy; the example of the Chernobyl nuclear plant for example, which was effectively the same as the 1941 atomic pile in Chicago, when Enrico Fermi and others were developing nuclear energy. It was the lack of infrastructure investment in the Soviet Union, which caused them to loot the countries of Eastern Europe and brought their system to collapse.

Our next slide [Figure 2] shows infrastructure investment as a percentage of GDP in the United States, going back to the 1950s. You can see how sharply infrastructure investment rose during the impulse of Kennedy’s nuclear and water development, and the Apollo Program, and then how steadily it has fallen ever since then, to where it is now less than 1.5% of GDP. Compare that to China, where infrastructure investment is

FIGURE 2
The 50-Year Disappearance of U.S. Infrastructure
(Annual Investment as % of GDP)



consistently 9% of GDP every year. These days, most investment in infrastructure in the United States now is done by municipalities, not by the federal government.

This next slide [Figure 3] is total factor productivity. Labor productivity, the way it is normally defined, is simply the total GDP, the total output, which could be anything, divided by the total number of hours worked by the workforce. That doesn’t tell you much. Total factor productivity is something different: It’s an index which attempts to measure the impact of technological advance on labor productivity. It’s complicated, but it essentially looks at what has been wrought by technological advance on productivity in the economy.

You can see that there was a golden age of productivity in the United States, beginning with Roosevelt’s 1930s, a decade that actually had the largest steady increase in technological productivity of any decade in American history. Studies on this period make absolutely clear that this rate of growth, which was in the order of 3-3.5% per year, was the result of the great projects in infrastructure of the New Deal, and the way in which those great projects challenged the companies that were working on them, just as we see in the Chinese bridge-building and so forth today. They challenged the companies working on the projects to develop completely new technological methods and inventions in order to carry them out. And the result of that—even more than the war mobilization of the

1940s—was the most rapid growth in technological productivity in the U.S. economy, at least in the period which this index measures.

By comparison, the National Bureau of Economic Research estimated in a study in 2014 that the rate of growth in total factor productivity in China’s economy from 1999 to 2011 has been 3.11% annually. This is comparable to the golden age of productivity in the United States economy, not what you see after that. In the United States today, if you look at the period since 2010, you would be at zero total factor productivity, which is why the average since 2000 is below one-half of one percent.

Robert Gordon, a very famous economist, just wrote a book called *The Rise and Fall of American Growth*. It’s all about total factor productivity. The most surprising thing he details there, is that the information technology (IT) revolution did not produce *any* growth in productivity at all! In May, the Organization of Economic Cooperation and Development, the OECD, put out a similar report and held a big conference in Paris about this. They said that the sectors directly related to IT is where the greatest *absence* of productivity growth was.

That is not the same as developing a crash program for fusion power; it’s not the same as building high-speed rail; it’s not the same as nuclear desalination. It does not protect cities on the Texas Gulf coast, and New York City, from devastation in hurricanes. It did not and does not have that effect.

Dialogue

Question: Please comment directly on Secretary of State Rex Tillerson’s recent disparaging remarks on the China Belt and Road, specifically, his disparaging of the credit mechanism and the financing mechanism that he has done.

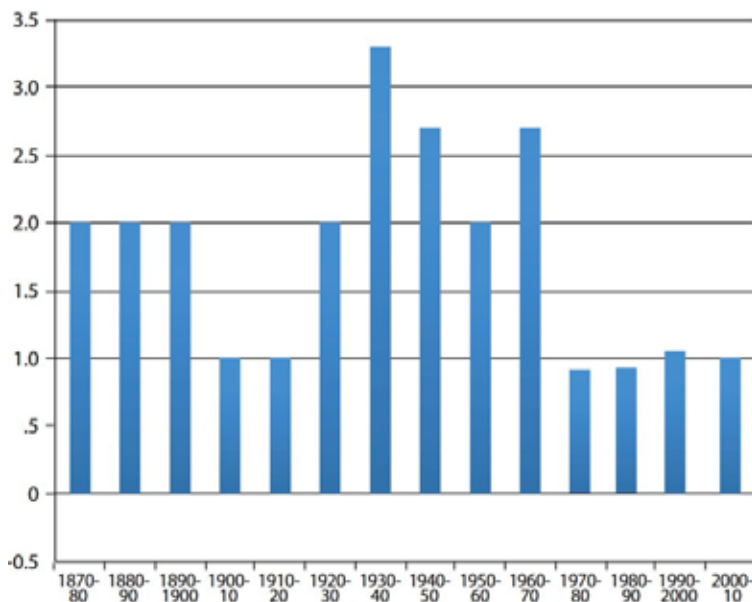
Gallagher: I mentioned ExxonMobil earlier, and what they have done to themselves since 2006. I think Tillerson was CEO at that time. And I think that what he said, what it represented, is the dominant Wall Street financial economist’s view of how economic growth takes place.

It’s completely, totally wrong. I don’t necessarily think you have to assume that Tillerson was somehow

FIGURE 3

Total Factor Productivity in the U.S. Economy

(Annual Growth by Decade)



Source: NBER, Congressional Research Paper “Total Factor Productivity Growth in Historical Perspective”, 2013

bending to pressure from something, except from the pressure of the strong presence of Wall Street and of New York real estate billionaires and so forth around this administration, who as I said earlier, are trying to pin the administration to the stock market boom, and the effects of deregulation in industry, the removal of some regulations, especially on small companies—pin it to the idea that that is somehow going to pull the Trump Administration and the U.S. economy through into a big recovery of the kind that Trump wants to cause and has been already talking about.

Remember also that when Lyndon LaRouche got the Strategic Defense Initiative adopted by the Reagan Administration in 1983, the strategic effects of that, and the long-term effects of it were profound all over the world. But, unfortunately, Reagan’s people did not go with any greatly improved understanding of LaRouche’s economic policies. There were a couple of exceptions in the National Security Council at that time; they were not particularly high-ranking people. Otherwise, if you remember, it was Henry Kissinger’s so-called Caribbean Basin Initiative and other things which were the shiny objects that drew the attentions of the principals in the Reagan Administration.

They were doing exactly the right thing strategically, and they had a sense for technology, but they failed to learn economics from LaRouche. Similarly with Tillerson. He thinks that the way in which China is expanding credit now into Belt and Road projects for the development of these other countries is incalculable in terms of what its debt effects will be, and therefore, since we've never done it,—since he's never been associated with any entity private or public that's done it—he doesn't believe it will work.

So I'd say it's a combination of that pressure on the Trump Administration as a whole, and Tillerson's own mindset coming from the industry which, of all industries, has piled the greatest volume of nonproductive, speculative debt on itself in the last 10 years—it's orders of magnitude higher than any other industry, from the smallest shale wildcatters up to the ExxonMobil. And I don't think it is in any way associated in his mind with an anti-China strategic view at all.

Question: You started by describing Wall Street wanting a 10% return on a 10-year bond, to finance infrastructure, but infrastructure would usually take a longer time, 30 years, to produce a result, and in an open economy like the United States as you pointed out, there's tertiary and secondary benefits for the act of constructing a major project; but those benefits don't flow to the party that is doing the infrastructure financing.

On the other hand, the Chinese economy is a closed-loop economy, and to some extent, as they invest in developing countries, they can capture secondary benefits through direct economic activity in the country related to the infrastructure project.

In terms of looking at the cost or the value of an infrastructure project, how could there be devised, other than starting a bank, which is a control feature, how could there be devised, call it a reward, on some basis for the lack of a specific return related to an infrastructure financing? That is a problem I think that maybe would be worth trying to solve.

Gallagher: I would say, this is why Alexander Hamilton, when forming the First National Bank, who was obviously informed directly by the experience and the projects he was involved in, said, in effect, "Bring all your tired, your poor, your nonperforming holders of U.S. debt and colonial debt" to me, and put it in this bank. You're not going to get paid anything on your

principal for 20 years, but you're going to get, in most cases, 6+2% annual return. So you're going to put it with us for a long period of time, you're going to get a good return; it's going to be backed by the taxes that we are enacting in order to finance the dividends of this bank."

We can do that again now. All those holders of all that \$7.5 trillion of relatively long-term, publicly held U.S. Treasury debt: Bring it here, put it in this bank, for 20 years or more! And capitalize this bank, turn it into equity with a dividend of 4-5%.

It is the crucial method by which we organize the selection of the specific investments that that bank is going to make, the selection of the projects. How we organize the directors and the experience of the directors in order to make sure that it's carried out in the way that Harry Hopkins and Harold Ickes made sure that great infrastructure projects of Roosevelt were not encumbered by graft and incompetence and so forth. That's the key: how are we going to invest it?

Question: [follow-up] The problem with that is municipal bonds are a method of raising infrastructure money and are tax free, tax exempt. That's inducing investors to avoid paying taxes on the income related to those bonds. So that would be similar to your suggestion. In the case of Harry Hopkins, there were no other choices; we were in a Depression. And gluing together a big bank and getting people to march into that, seems unrealistic. So is there a way to do it, on a more indirect basis?

Gallagher: You're obviously recoiling against "big." But we're currently investing, nationally, in infrastructure about \$200 billion a year, and that covers everything, from fixing windows on elementary schools, to building new bridges. And the great majority of that is being done by municipalities, by state and local governments, not by the federal government. The federal government is effectively investing nothing.

And against that, we have the demand, the obvious need, for multiple trillions of dollars of investment in infrastructure. We have to do something *big*. This is one way to do it. I'm suggesting that we do it the way that Alexander Hamilton did it, because that's clearly one way to do it that worked. That's why we're suggesting, do it that way.

But there is going to be plenty of return for the companies that carry out these projects and for the local

China's Proposed New Silk Roads



banks which make loans to those companies which are carrying out the projects—

Question: [follow-up] Those are secondary and tertiary returns.

Gallagher: Sure!

Question: [follow-up] Not to the direct provider of the money.

Gallagher: Yes, because, like the Reconstruction Finance Corp., as the final report of the RFC said when they wrapped it up in '56, it wasn't intended to make a profit, but over the long term it did. *But that was not its purpose.* Its purpose was to carry out the national purposes of the United States, and that was a big thing: It was \$55 billion worth of credit at that time, of lending over that period of time. For that time it was very big. It operated as a lending institution overwhelmingly, and really, in a certain way as a commercial bank, and that's exactly how our Hamiltonian bank should operate, as a commercial bank. It's got to be big, and it's going to make it possible for things to get done that are going to raise the productivity of everybody participating, and therefore, raise the profitability of a lot of the corporations and local banks that participate. It's going to discount their loans; it's going to buy the infrastructure bonds of municipalities that are newly issued. That's what I'd say.

We have to look at it in a different way: China has set loose upon the world, an offer, and as I mentioned

earlier, this wasn't even seen as the right thing to do, or an important thing to do, by many economists and officials in China when Xi Jinping first started the Belt and Road. Now it appears they do. China has put before the world an offer of exactly the kind of investment that I was just discussing with the previous questioner—that it is willing to make these kinds of investments over long periods of time,—what they call “patient capital”—they're going to wait a long time. We don't have that definition in America of “pa-

tient capital,” but in China they do; it's a very rigorous definition that they use. They're willing to make capital available, for the most important productivity enhancing projects in any country, obviously with a certain rough, overall design, that started out, as Helga and Lyn did, with the land-bridges across the Eurasian continent; but nonetheless, this is a matter of increasing the productivity and decreasing the poverty in countries all over the world. They have that offer out there.

It's not geopolitical. It doesn't involve saying, “I want you on my side in a war against so-and-so.” No matter how inconceivable they may think that war is, they're not saying to any country, “I want you on my side in this war.” They are very much under pressure right now by the North Korean crisis. They definitely do *not* want war there, and they definitely do not want the collapse of the North Korean regime either, because of what that will cause. They're in a very difficult spot to pursue their policy, what Helga calls the “Confucian policy” of mutual benefit. They're trying to do it.

I don't think by any means that Trump gets that, in any full sense, but the fact that there are mutual benefits to be had, he can see that. That's why I really think we could see something happening on this trip to Asia; it's really up to us, what we do.

LaRouche versus Rohatyn

Moderator Dennis Speed: I'd like to point something out, because a lot of people do not know it, which



EIRNS/Dan Sturman

Glass-Steagall opponent Felix Rohatyn—here in Washington, D.C., March 27, 2006—makes up for his incompetence by advocating productivity-destroying austerity.

is that in 1974-75, Paul was the leader of our New York organization, the National Committee member in this area. And we had a legendary fight, or it should be legendary, with Felix Rohatyn at that time, when the Municipal Assistance Corporation, or Big MAC, was imposed on the City of New York.

Paul had an exchange back at that time, or we had an exchange, with David Rockefeller, who was no great fan of ours, and I was caused to think about it, as we were getting some of the questions, because underlying many of the questions is that there are two worldviews on the question of the nature of economy and the nature of man.

Gallagher: I had a more recent exchange with Felix Rohatyn, ten years ago at a conference in a big think tank in Washington, where a number of us were intervening, and there were a number of Congressmen speaking, and Rohatyn was there. And at certain point, I got the floor, and brought up Franklin Roosevelt's methods of investing in infrastructure and the New Deal, developing the productivity of the economy in the New Deal. Rohatyn reacted, and simply said, "We don't need Roosevelt. No. We do not any longer need Roosevelt. We now have deep private markets,..." and so on. He went on, "We don't need to use any methods of Franklin Roosevelt."

Rohatyn has been identified for 40 years with pub-

lic-private partnerships and with so-called infrastructure banks based on public-private partnerships. That's been shown now, over that entire period of time, to be a failing strategy, a failing practice; and not only in the United States, but also there are recent reports of some spectacular failures in private attempts to rebuild the Autobahn between Hamburg and Dortmund in Germany.

This fleecing has happened time and time and time again, with so-called privately built infrastructure, or public-private partnership infrastructure here; so that when we put out the report last year, "Hamilton not Rohatyn," we were really talking about not only a method that worked as opposed to a method that doesn't work; at the same time, we were talking about a view of the human being where a country grows and develops wealth on the basis of its own productive capacities,

on the basis of its own inventions, and the expansion of its own productive capacities, and only trades secondarily.

Our view is that the human being is inherently inventive. Look at Jason Ross' and Ben Deniston's class from this past Wednesday night, and particularly the quotations that John Sigerson read from Abraham Lincoln about the unique, inventive quality of the human being, and how it expresses itself in an economy. That came from Hamilton: Lincoln was a devoted Hamiltonian; he had the same policy and the same view of the inventiveness, the capacity for discovery and increased productivity of the human species, coming from the inventiveness of the individual human being.

The British System is the opposite: That the wealth of the country comes from its trade, from producing a few things and selling them, and its ability to develop financial services. That's Rohatyn's view of it, that the United States is a leader, because it has such deep financial service capabilities in order to make these new infrastructure projects possible all over the world. But it just hasn't happened, it doesn't happen. Because what they want out of this is financiers' profits.

What we're demanding in LaRouche's laws is a massive investment in the productivity of the economy, which does not involve profits for financiers. It involves the productivity of the people who build it.