

Transform the Bankrupt Monetary System

This e-mail interchange between a reader and 2004 Presidential pre-candidate Lyndon H. LaRouche, Jr. was made available to EIR on Dec. 1 by the LaRouche in 2004 campaign committee.

Q: Dear Sir:

I read with interest the *EIR* when I get a chance.

Could you please point me at any articles,¹ including your opinions, regarding the following:

- introduction of debt-free U.S. currency issue (greenbacks), together with simultaneous enforcement of full reserve banking (strategy outlined by M. Friedman to remove control of U.S. money supply from private to public authority);
- immediate U.S. withdrawal from new economy organizations: IMF, BIS, WB.

Objectives:

- to reform the banking system, and
- to remove the possibility of a major depression in future through money supply manipulation,
- to insulate the U.S. economy from further manipulations through the power currently exercised by the Fed.

I have been told by many that this would be a disaster for the U.S. economy, but in my opinion it would only be a disaster for those who currently attempt to control the U.S. and world economies through the control of the money supply, domestically through organizations like the Fed, and internationally through the IMF.

Does Mr. LaRouche have a policy in this area, and could you please advise what it is?

I have been doing a lot of reading on the topic, and I have come to the conclusion, similarly to you I think, that this is the only path back to prosperity for any nation on earth.

Thank you for your publication and I look forward to your reply.

LaRouche: The Constitution prescribes a U.S. monopoly on issuing and control of the national currency. The Federal Reserve System, introduced by aid of King Edward VII's New York agent Jacob Schiff, was an effort to defeat the intent

1. For a related discussion, see LaRouche, "On a Basket of Hard Commodities: Trade Without Currency," *EIR*, Aug. 4, 2000—ed.

of the U.S. Constitution, and subject the U.S.A. to control by a thinly disguised, financier-oligarchy-controlled form of European central banking system.

The means for organizing a general economic recovery of the U.S. economy exists, but only on the condition that we:

a.) Put the IMF and Federal Reserve System through bankruptcy reorganization, and reverse all legislation empowering deregulation and privatization which has been enacted since August 1971.

b.) A fixed-exchange-rate system of the 1946-1964 type must be restored in international affairs.

c.) Under these preconditions, long-range infrastructure-development and technology-driver programs of low-cost, long-term national credit, could reverse the damage of the recent thirty-seven years, and thus transform us from a presently doomed consumer society, to our former prosperity as a producer society.

—Lyndon

On ‘Debt-Free Currency’

Q: Thank you so much for your reply. I believe I agree with your views, and beg your indulgence in a request for further information. You mentioned that you believe that recovery of the domestic U.S. economy is possible by putting the IMF and Fed through bankruptcy reorganization—in what form would either organization exist following such a reorganization? See my questions below.

For example:

- Would you support the effective reversal of the 1913 Federal Reserve Act inasmuch as it would remove the power to issue money from the Federal Reserve?

- Would you support replacement of current Federal Reserve Notes (debt-based currency) by United States Notes (debt-free currency), in a one-time issue to take place over a period of, say, 12 months, together with complete abolition of fractional reserve banking in the U.S.A., with equivalent measures taken to further restrict overseas borrowings?

- Would you support withdrawal of U.S.A. from IMF/WTO/BIS organizations? If so, what purpose if any would such organizations as the IMF have following U.S. withdrawal?

- What effect on U.S. overseas relations would result; i.e., would you think it possible that a re-emergence of “American System” finance could influence overseas?

- Is it possible that the same influences which led to the establishment of debt-based finance in the U.S.A. could react to any developments such as those above, possibly by the encouragement of further world war, in spite of lack of U.S. funding (which would hopefully result from withdrawal from international banking organizations such as IMF/BIS/WB)?

Thanks for your time on these questions.

I look forward to your reply.

LaRouche: As a first step toward clarity, discard your

recurring use of the jargon about “debt-free currency.” The currency lawfully issued by a sovereign state is the debt of that nation. Read Treasury Secretary Hamilton. “Debt-free money” does not actually exist in the known universe. The issue today is between the institution of the sovereign nation-state republic, as ours was founded to be, and the repeatedly failed, contemporary European, Anglo-Dutch-liberalism model, in which the nation abandons its rightful sovereignty to a pack of parasitical financier-oligarchical interests called an “independent central banking system.”

The idea of “debt-free” currency was popularized by neo-feudalist ideologues who concocted the fantasy of “honest money”: the delusory belief that economic value is, or could be intrinsic to some form of money as such. Those are fantasies which belong in the same general category of one-time Mayor Henry George’s gimmickry. With due reflection you will realize that you wish no part of such concoctions.

The Federal Reserve System is an explicitly anti-constitutional entity, created on the prompting of a New York agent of England’s King Henry VII, Jacob Schiff, and foisted, by political brute force, through aid of ex-President Theodore Roosevelt’s “Bull Moose” campaign for Ku Klux Klan fanatic Woodrow Wilson’s election. The 1979-2002 Fed, under the continuous direction of Paul Volcker and loony (Sir) Alan Greenspan, has been an approximation of the worst form of buccaneering, practiced as a European model of “independent central-banking system.” Like all currently existing central banking systems of the Americas, Europe, and Japan, the Fed must be taken over, in receivership, in a bankruptcy proceeding conducted by the U.S. Treasury Department. In effect, U.S. national banking, as required by the Constitution, is restored by that action. All central banking systems of the other parts of the Americas, Europe, Japan, and the extended British Commonwealth states, especially those under the reign of Elizabeth II, must be taken over similarly. The majority of the governments which are in fact owners of the IMF and World Bank, must take the latter institutions into bankruptcy-reorganization.

The actions must: 1.) establish a global fixed-exchange-rate monetary system, modelled upon the 1946-1958 phase of the Bretton Woods system. 2.) Must establish a protectionist system of trade and international lending. 3.) Must eradicate “free trade” rules and related practices. 4.) Must tailor credit policies to a combination of long-term investments in creating basic economic infrastructure and high rates of capital-intensive investments in physical production’s scientific and technological progress, in agriculture and manufacturing.

We have no alternative to those measures of reform. Otherwise, the world goes over the cliff, very soon, into a deep and prolonged dark age of humanity. We must resume man’s history, by ending the rule by utopian ideologies.

—Lyndon