financed? Lautenbach soberly notes that "liquidity, first of all, is a technical-organizational question. The private banks can be made liquid when they have the necessary backup with the central bank." The "actual credit issuance by the central bank," necessary to facilitate a "credit expansion with the private banks," can be rather limited. Lautenbach proposes that the central bank provide the private banks with a *rediscount guarantee* for that category of credit that is, exclusively, to be used for defined "economically reasonable and necessary infrastructure investment programs." Thus, the central bank's new credit generation to facilitate the financing of infrastructure programs by the private banks is just a margin of the total credit volume necessary for these projects.

The credit financing through central bank-discountable and renewable letters of credit for such investment programs has both immediate and indirect effects in activating the economy: to immediately expand production through the productive utilization of idle workers, machinery, and raw materials. With the improvement of the financial condition of firms involved in the projects, the financial condition of their banks improves as well. Thus, the demand for capital goods rises and wage payments for newly employed workers lead to an expansion of the demand for consumer goods. Lautenbach says that the "trigger effect of the primary [State] credit expansion" for infrastructure projects has an "effect to stimulate production as a whole." This, in turn, will lead to an increase of the State's tax revenue, which allows the State to, in turn, make payments to the central bank for the long-term consolidation of the original credit emission.

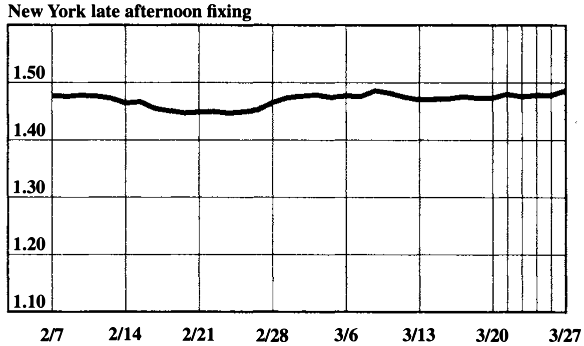
The improvement of infrastructure and an upgrade of the technological quality in industrial production leads to a rise in physical output and of the average productivity of the economy as a whole. Thus, the economy can be stimulated without creating inflation. Lautenbach categorically denies that credit-financed infrastructure and technology projects would lead to inflation. He says such projects are not consumptive; rather, they represent "in a material sense, genuine economic capital formation." But, says Lautenbach, he would not oppose, as a re-insurance against inflationary anxieties, that the wage level be reduced by a certain degree, if the "economic saving thus achieved" would be exclusively used for the creation of new productive workplaces. "That saving and the productive use of what is saved" must be combined. "Positive action, the making available of credits for investment, are in every respect primary. . . . Do we refrain from adopting such a policy, we will inevitably suffer further economic collapse and the ultimate and total ruin of state finances and the economy as a whole."

What Lautenbach said 65 years ago holds true today, and is being said by LaRouche in nearly the same words: "Today, we can still decide that through the employment of this [State] credit policy for productive purposes, both our economy and our public finances can be brought back to stability and growth."

Currency Rates

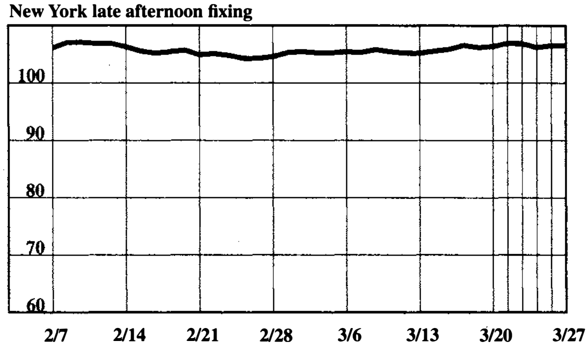
The dollar in deutschemarks

New York late afternoon fixing



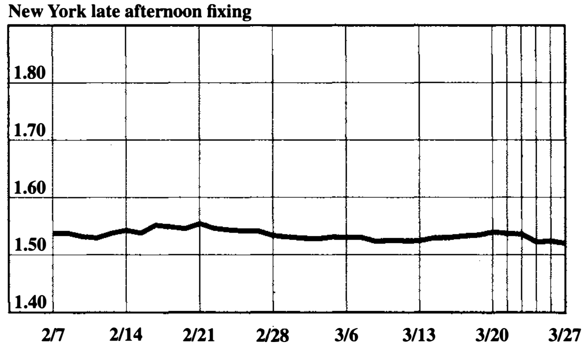
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing