

Editorial

A Hamiltonian National Bank

The utter panic and disorientation being exhibited so far by the Obama Administration, in the face of the unprecedented disintegration of the world financial system, demands that a new element be added to the emergency measures that have to be immediately put into effect, stated the world's leading economist, Lyndon LaRouche, in a statement issued Feb. 25. "A Hamiltonian National Banking Act is needed," LaRouche said, as a means of carrying out a bankruptcy reorganization of the banking system as a whole, which will simultaneously provide the basis for generating much-needed low-interest Federal credit for an economic recovery.

"We have the precedent of our first Treasury Secretary, Alexander Hamilton's, takeover of all the Revolutionary War debts of the states," LaRouche explained. "The Hamilton precedent is crucial today, because Hamilton set the foundations of our entire system of national banking and credit. Hamilton took over the debt obligations of the states, established the role of the Federal government as the sole source of national debt and credit. . . . The debt obligations of the states, once assumed by the Federal government, formed the basis for the issuance of new credit for national infrastructure investments, including roads, canals, and bridges, that boosted the overall productivity of our new sovereign republic. This is why a new National Bank is vital for the restructuring of the current, hopelessly bankrupt banking system, and the launching of an economic recovery."

LaRouche also cited, as the second precedent for his call for a Hamiltonian National Bank, President Franklin Roosevelt's role in passing the Glass-Steagall Act of June 1933. This reconstituted a Federal and state-chartered commercial banking system, in the wake of FDR's Bank Holi-

day bankruptcy reorganization of the shuttered private banks. "President Roosevelt did not formally establish a new National Bank," LaRouche said, "but he achieved the same results, through his bankruptcy reorganization of the commercial banking system, and his use of the Reconstruction Finance Corporation and other mechanisms to generate a flood of Federal government credit for job creation and massive infrastructure expansion."

LaRouche explained. "As I first stated in my Homeowners and Bank Protection Act proposal of the Summer of 2007, we must freeze all foreclosures of owner-occupied homes, for the duration of the crisis. We must then put all of the commercial banks—the Federal Reserve System as a whole—through full audit, followed by a bankruptcy reorganization. The worthless debt on the books of the banks will simply be cancelled. The legitimate debts will be honored, in bankruptcy reorganization. The whole bankrupt Federal Reserve System will be replaced, in reorganization, by a new National Bank. We shall launch a massive capital budget investment in high-technology, science-driver infrastructure projects, using the Constitutionally specified method of Congressional and Presidential-authorized credit. These Federal government credits, for specified infrastructure investment, will be channeled through the reorganized Federal and state-chartered commercial banks. The recapitalization of the banks, through infrastructure investment, will restore our banking system, over time, to healthy condition.

"That is how Alexander Hamilton did it. That is how Franklin Roosevelt did it. That is how I hope to see President Obama do it. This is the American System tradition, and there is no legitimate alternative available," said LaRouche.