
II. LaRouche's Forecast

WHEN TRAGEDY CREATES OPPORTUNITY

Time Is Ripe for a Capital Budget For the United States

by Harley Schlanger

Sept. 15—According to the major American media, the first eight months of the Trump Presidency have been a total disaster, characterized by dysfunction and chaos in the Executive Branch, which their reporters and editorial writers attribute to the President's personality, his arrogance, ignorance, incompetence, inexperience, etc.

They point to no significant legislative victories, a worsening of relations with Russia, the threat of attack from a nuclear-armed North Korea, and increasing polarization among elected officials and within the general public, to argue that he should be removed from office, either by impeachment or by the 25th Amendment—which allows for the President to be removed for physical or mental incompetence—before he plunges the nation into civil or nuclear war.

The same media responsible for this narrative have been cheerleading what the President has accurately called the “witch-hunt” against him run by former Director of the FBI and now Special Counsel Robert Mueller, who is investigating the *fraudulent* charges that Trump's election victory was based on Russian meddling and Trump's “collusion” with Russia's President Putin. Mueller is acting in coordination with what is referred to as the “Deep State”—i.e., the British intelligence networks, Obama holdovers, and

corrupt officials of both parties—which is intent on blocking Trump from breaking with the endless wars and endless bailout policies of his two predecessors.

The failure to find even a scrap of evidence to prove their allegations has not diminished the howling of the media hyenas, who wish to pull off a regime-change coup in the United States. Irrefutable evidence that Americans are tired of the constant harangues about *an alleged* threat from Moscow, and that Trump's supporters still support him, have driven the anti-Trump forces into ever more hysterical attacks.

All these pundits miss the irony: their obsessive coverage of every leak coming from London and U.S. intelligence officials against Trump, has played a major role in preventing him from concentrating on fulfilling the promises he made during his successful election campaign, as he has been forced to expend time and energy in fending off these charges. While he has made significant progress in coordinating with Russian President Putin to defeat the terrorists and end the regime-change war against President Assad's government in Syria, despite the attacks in the media and by the Congress against Russia, and despite Trump's establishing a cooperative relationship with China's President Xi Jinping—both of which have



Xinhua/Ting Shen

Former FBI Director Robert Mueller (front), the special counsel probing Russian interference in the 2016 U.S. election, after meeting with the Senate Judiciary Committee, June 21, 2017.



Donald Trump Speeches & Press conference

President Trump meeting with (on the far right) Senator Chuck Schumer and Congresswoman Nancy Pelosi, Sept. 6, 2017.

been ignored or downplayed by the media—his domestic agenda is stalled.

His promise to repeal Obamacare was undermined by his supposed Republican allies, and his efforts to build modern American infrastructure have yet to begin, largely due to sabotage by Wall Street operators in his administration, such as Treasury Secretary Steven Mnuchin, by “fiscal conservatives” among Republicans, and by Democrats tied to Obama and Hillary Clinton, who refuse to accept that they lost the 2016 election.

Add to this picture the threat of a government default if the debt ceiling is not raised in September and two Category 4 hurricanes hitting the United States in successive weeks, and the potential for tragedy is great.

Debt Limit Deal

It was in the midst of the horrific destruction unleashed by Hurricane Harvey, largely as a result of the failure to follow through on necessary water management and flood control projects which had been mapped out for years for the Houston, Texas area, that Trump saw an opening to move on the economy. As U.S. deficit spending has gone up every year during the George W. Bush and Obama presidencies, there has been an increasingly partisan and nasty annual battle over raising the debt limit, to avoid a default on outstanding government debt.

The debt limit is the total amount of money that the United States is authorized to borrow to meet its existing legal obligations, including Social Security, Medicare benefits, military salaries, interest on the national

debt, tax refunds, and other payments. The debt limit does not authorize new spending commitments; it simply allows the government to finance existing obligations that Congress and Presidents have made in the past.

First enacted in 1917, Congresses and Presidents have raised the debt ceiling more than 110 times, often following threats of government shutdown from both parties. In recent years, under the influence of Wall Street-funded neo-liberal think tanks, “deficit hawks” in Congress have stubbornly insisted that they would vote to raise the debt limit only if major budget cuts were implemented.

It is these neo-liberal think tanks which have shaped the current economic/financial policy matrix, based on reducing the powers of the federal government, particularly the authority to regulate banking, finance, and insurance, and in support of “free trade” deals, which have been a major part of the outsourcing of manufacturing that has devastated industrial production and the skilled labor force over the last three decades.

As this year’s deadline approached, the question was: Would Republican deficit hawks, the ideological proponents of neo-liberal economics, force a government shutdown, by refusing to raise the limit if the Democrats did not agree to the significant spending cuts the hawks were demanding?

With the anti-Trump media relishing the thought that the standoff would lead minimally to a government shutdown, if not to the first ever U.S. Treasury default—which would occur under Trump, who they then would hold responsible for what would likely trigger a global financial crisis—he pulled the rug out from under them, making a deal with Democratic leaders Chuck Schumer in the Senate and Nancy Pelosi in the House. The deal is not only to raise the debt ceiling for three months, but to add over \$15 billion in spending in aid to victims of Hurricane Harvey. Acting over the heads of his party leaders, McConnell and Ryan, and his Treasury Secretary Mnuchin, President Trump has provoked the wrath of both the party leaders and the fiscal hawks.

Trump went further, saying he had spoken with Schumer about the possibility of eliminating the debt limit altogether, adding on Sept. 7, that “There are a lot



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A tunnel will be built under the West Side Yard in Manhattan (shown here) to avoid a potential conflict between the Gateway Project and the Hudson Yards project.

of good reasons for doing that.” Dumping the debt limit could be part of an entire rethinking of debt and deficit spending, and would be a necessary factor in a move away from the neo-liberal orthodoxy controlling both parties, opening the door to the revival of a system of Hamiltonian credit, to fund the real productive capability of the U.S. economy. The increase in real value in the economy resulting from such a change, would replace fixation over deficits, with investments to revive the growth of the real economy. The subsequent move away from the financial debt system of private central banks, would allow credit to be created directly for productive investments and not for promoting speculative bubbles.

Trump is well aware that many of the Republican members of Congress do not support his economic agenda, as they are beholden to the Wall Street financial swindlers who demanded the repeal of Glass-Steagall and the free trade deals Trump has been opposing. He is also aware that they have no legitimate policy orientation of their own, and that support for Republican Congressional leadership has dropped among Republican voters from 75% last January, to 39% today. Trump added to their dismay when he met with sixteen state and Federal elected officials from New York and New Jersey, from both parties on Sept. 7, to push ahead the Gateway Project for rebuilding transportation infrastructure for those two states. As a result, an initial government commitment of \$906 million for the project passed the Congress by a 260 to 159 vote, with bipartisan support. This will begin moving on what will ultimately require between \$13 billion to \$15 billion to

complete. It could be the start of a multi-trillion dollar investment plan, to rebuild American infrastructure, with bipartisan support.

While Republican leaders are hysterical over what they privately are calling a betrayal, some Democrats are realizing that they must work with Trump, if only to avoid a collapse of their own party. Senator Diane Feinstein shocked supporters in San Francisco last week when she rejected calls to impeach Trump, saying that, if Trump can learn and change, “he can be a good president.” Perhaps she understands that as long as the Democratic Party remains tethered to anti-Trump Republicans and Deep State anti-Russia fanatics pursuing regime change, it will continue its decline.

In his opening remarks to a meeting of Congressmen from both parties on Sept. 13, Trump said of bipartisan activity, “That’s a positive thing, and it’s good for the Republicans and good for the Democrats. And this group knows that very well. Whether we can do the incredible things that we’re doing—and working in a bipartisan fashion, obviously, would be a positive and, I think, something . . . that we all feel good about.”

As Americans from all over the country are pitching in to rebuild after the results of Hurricanes Harvey and Irma, Trump added, “Inspired by the example of our own citizens, we should be able to come together to make government work for the people—that’s why I was elected, that’s why I ran—and to provide jobs and opportunities to millions of struggling families.” He added that, in addition to tax reform, infrastructure investments are “urgently needed. . . For decades now, Washington has allowed our infrastructure to fall into a state of total decay and disrepair. And it’s time now to build new roads, new bridges, airports, tunnels, highways, and railways all across our great land.” When differences are put aside, “We put our country and we put the citizens of our country first. And that’s what this is all about.”

Capital Budget

And what should be the subject of bipartisan cooperation?

The answer was provided by American economist Lyndon LaRouche in two papers he wrote in 2006-07,

on why it is essential to adopt the concept of a “Capital Budget.” At a time when virtually all economists were hailing the growth of the speculative bubble in mortgage-backed securities and trading in derivatives as if they were real, sustained growth, LaRouche persistently warned that this was actually accelerating the collapse of the physical economy and would bankrupt the financial system. In the Jan. 27, 2006 issue of *Executive Intelligence Review*, under the title “[Deficits As Capital Gains: How to Capitalize a Recovery](#),”

LaRouche presented a compelling case for setting up a separate Federal Capital Budget to fund a massive infrastructure program. By separating the credit for this from the budget of federal government operating costs, federal credit would be made available for funding infrastructure.

This is the principle of Hamiltonian credit, which is an essential feature of LaRouche’s [Four Laws](#), which he drafted in June 2014. Adopting this approach would lead to productive job creation and increased productivity from the application of new technologies. The result: real, physical economic growth and the creation of real, physical wealth, instead of bubbles.

LaRouche developed this further, in an article published in *EIR* on Jan. 12, 2007 titled “[The Lost Art of the Capital Budget](#).” In this article, LaRouche exposed the axiomatic flaws in the neo-liberal austerity regimes, which still dominate economic thinking in the trans-Atlantic world. The neo-liberal cant, of counting “every budgeted dollar of public expenditures as outlays which must be balanced by current tax receipts,” ensures that there will be no investment in future physical progress. To argue, as the neo-liberals do, that sound financial policy places today’s “bottom line” profits ahead of necessary investments for the future, represents a rejection of the American System of physical economy, in favor of the Anglo-Dutch liberal system.

As an example of this, LaRouche pointed to the idiocy of the state of Louisiana in rejecting repairs to the antiquated water management and flood control system protecting New Orleans, as “too expensive,” choosing instead to offer subsidies to build casinos. When Hurricane Katrina hit in August 2005, the city



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The Surge Barrier built by the U.S. Army Corps of Engineers in New Orleans, begun in 2008 and costing \$1.1 billion.

was unprepared, resulting in more than 1,800 deaths. For a small percentage of the estimated \$200-plus billion in economic losses suffered by the city and state, the infrastructure could have been brought up to modern standards, saving lives and money.

Applying the Hamiltonian credit system advocated by LaRouche would “promote the reinvestment of retained earnings (i.e., ‘profit’) in the form of technologically physical advancements of products and productivity.” As Hamilton’s policies did, in the first years of the U.S. republic, debt would be turned into the basis of investment, to produce more value than what is required to retire the debt! By implementing a Capital Budget system, there would never again be a problem with a debt limit, as this would allow for a full transformation of the U.S. economy, from a monetary system run by, and for, powerful speculative financial interests, to a physical economy, whose growth would benefit every citizen.

Out of the destructive tragedy of the two recent hurricanes, and the disruption caused by the attempted overthrow of the Trump Presidency, the potential has now emerged to take up the challenge of reviving Hamilton’s system, something which the President has said he wants to do. Now is the time for President Trump to organize bipartisan support for LaRouche’s Four Laws, with the implied element of a Capital Budget as part of a Hamiltonian credit system. With presidential leadership for this program, the attempt at a regime change coup would be crushed.