

II. History and Culture

What Is Statecraft?

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May 19—It is understandable that anger against a government grows to the same extent that that government systematically acts against the interests of its citizens. When the state interferes in all matters of life, as we are currently experiencing, it quickly becomes a monster. If, as has happened now, it abolishes a secure energy supply for ideological reasons, in order to then attempt to manage the resulting shortage in a dictatorial manner, its right to exist must rightly be questioned. It is the dominance of monetarism (a foolish belief in money, as such, as the only metric of an economy), that leads to people being treated as polluters, destroyers and superfluous eaters, thus turning the state into a monster. Wanting to destroy it, however, is rather an anarchistic and risky idea, as the recent Argentinian example shows. However, the concept of “statesmanship,” which has been handed down from antiquity and which is represented by major figures such as Solon of Athens, Gottfried Wilhelm Leibniz and, from more recent history, Franklin D. Roosevelt, stands in complete contrast to this. But what does that mean? Friedrich Schiller addressed this important question when he was a history professor in Jena, Germany. He compared the legislation of Solon of Athens with that of Lycurgus of Sparta.¹

¹ Friedrich Schiller, “The Legislation of Lycurgus and Solon.” *Collected Works*, Volume 4. Winkler Verlag, Munich.

From the following section of the lecture that has come down to us, the reader gains an initial idea of how differently various kinds of legislation can shape social life:

His [Solon's] laws were loose bonds, in which the minds of the citizens moved freely and easily in all directions, and never perceived, that the bonds were directing them; the laws of Lycurgus were iron chains, in which bold courage chafed



Solon of Athens (c.630–c.560 BCE), poet and statesman, was chosen as Archon (chief magistrate) of the city-state of Athens in 594. He repealed the laws of Draco, Athens' first lawgiver—whose name is remembered in the word “draconian”—replacing them with an entirely different spirit. Few fragments of Solon's writings survive.

itself bloody, which pulled down the mind by their pressing weight. All possible paths were opened by the Athenian legislator to the genius and diligence of his citizens; the Spartan legislator walled off all of his citizens' potentials, except one: political service....

The Athenian legislator is surrounded by freedom and joy, diligence and superfluity—surrounded by all the arts and virtues, all the graces and muses, who look up to him in gratitude, and call him father and creator. About Lycurgus, one

sees nothing but tyranny and its horrible partner, slavery, which shakes its chains, and flees the cause of its misery.²

The Example of Solon of Athens

After reading the above, it may surprise the reader that Solon's reign did not begin with a Sunday walk, but with a drastic event, the first recorded cancellation of debts known as the *Seisachtheia*. What is recognized in historical retrospect as a successful work by an outstanding statesman began under turbulent circumstances. When Solon took office, Hellas was in a deep social crisis.

Armed uprisings from within the ranks of the aristocracy were the order of the day—one tyranny was followed by the next. The normal population, who mainly lived from agriculture, came under increasing pressure. Farmers had to mortgage their property in order to obtain a loan. And if they were unable to repay it with the next harvest, their only option was to mortgage their own bodies. Countless debtors became slaves without rights and were then sold abroad as such. Many who did not want to submit to this fate left their homeland voluntarily. As wealth accumulated in the hands of a few, the population's labor force was increasingly destroyed, the land was littered with mortgage stones marking properties under lien, and ultimately civil war loomed.

Solon, who was known among all as a wise and gentle man, was faced with the task of putting an immediate end to this corrosive practice of debt bondage. He decided that this drastic measure was justified out of the firm conviction that he could not allow the small number of wealthy citizens to strangle the economic development of the entire city. What mattered, as it later says in Plato's *Politeia*, was that the *entire* city be happy. As was not unusual at the time, Solon also gave us the reasons in his own poem:

² *Ibid.*

Wealth is their only goal, even if it is bought
with misdeeds!
They respect neither the sacred property nor
the people's property,
Robbing and plundering wherever the prey
presents itself,
And they don't care about Dike's³
commandment,
Who is silent, but sees what has happened and
notes the past,
But as time passed, mercilessly demanded
payment.



Friedrich Schiller, German playwright (1759–1805), the “Poet of Freedom.” Author of the “Ode to Joy” used by Beethoven in his Ninth Symphony.

In his lecture, Schiller assessed the drastic measure of debt cancellation as follows:

With this charitable edict he suddenly shifted the heavy burdens that had weighed down the poor middle class for centuries; But he did not make the rich miserable by doing so, because he left them what they had, *he only took away from them the means to be unjust....*⁴

But the beneficial consequences of his decree soon became apparent in Attica. The land that had previously served as an instrument of slavery, was now free; the citizen now worked the land as his own property, which he had previously worked as a day laborer for his creditor.

Many citizens who had been sold abroad and had already begun to forget their native language saw their fatherland again as free people.... Everything was rushing towards the glorious age of Pericles.⁵

Through the Debt Cancellation Act, Solon had removed the hurdle that stood in the way of justice. Schiller's assessment, which came 2,300 years after Solon, expresses a now well-established economic

³ In Greek mythology, Dike is the Goddess of Justice.

⁴ Friedrich Schiller, *op. cit.*

⁵ Friedrich Schiller, *op. cit.*

insight that the well-being of a nation does not depend on the happiness of a few, but on the freedom, enterprise and hard work of all citizens. This is precisely what Leibniz's idea of "happiness" reflects, which does not mean immediate gratification, but is rather the term that Leibniz used to describe the process of constant progress, the possibility of developing all talents.

According to Gottfried Wilhelm Leibniz, "statecraft" was the ability of a state to open a path to the fundamental good, the general progress of humanity. Much like Solon, the conditions Leibniz faced at the beginning of his work were not blissful either.

Gottfried Wilhelm Leibniz and Statesmanship

Leibniz was born in 1646, two years before the end of the Thirty Years' War. When he entered the civil service at the age of 21, Germany was in a very bad state. Where should the foundations be laid for a new "intelligentsia" capable of raising the ethical, intellectual and cultural education of the population to a level at which the vital economic reconstruction of a devastated Europe could be achieved? Three early writings deal with the topic: *Societas Philadelphica* (1669), *Securitas Publica* (1670), and *On the establishment of a society in Germany for the Promotion of the Arts and Sciences* (1671).

From the beginning, Leibniz makes it clear that the human capacity for Reason is the main idea of all his writings:

The perfection of the human race consists in being, as far as possible, the most spiritually gifted and powerful. The wisdom and power of the human race are increased for a double reason, partly that new sciences and arts are brought into being, and partly that men become familiar with those already known. ⁶

Leibniz viewed the development of this power as the highest goal of his political efforts, which reached

⁶ Gottfried Wilhelm Leibniz, *Securitas Publica*, 1670.

far beyond Germany. The prosperity of a nation is in direct proportion to this social power, which can constantly increase with the increase in education, knowledge, hard work and virtue. We find out how one can help to develop this power (later we speak more precisely of productive power) in a paper Leibniz wrote on the establishment of a science academy, in which he immediately provides a spectacular array of suggestions:

The establishment of a small but well-founded academy; the development of agriculture and manufactories; the promotion of seafaring, printing and iron crafts; the establishment of laboratories for chemical experiments; the development of all kinds of technology to facilitate crafts; the establishment of libraries and schools of all kinds, as well as anatomy chambers and pharmacies. He leaves out no area, and also demands that the destitute part of the population be supported as much as possible and involved in these activities in order to find the hidden geniuses.

In *Securitas Publica* he recommends the following to encourage this great task:

Now it [the creation of a German federation] is entirely a matter of will. Neither one nor all need to want it,

but many must want it. And many will want it because they understand that it is better to come to an agreement and unite than for everyone to perish with separate plans.... God, in whose hand are the will and the accomplishment, the intentions and success of the people, will eventually arrange it so that there will be a just solution after all, having punished those who try to destroy or block the common good, in accord with His majesty and infinite wisdom.

This principle, that human Reason is both the basis and the impetus for the development of social strength, prosperity, and overall justice, finally finds expression in the new American Republic. Fifty years after the death of Leibniz, his concept of "happiness" is inserted



Gottfried Wilhelm Leibniz, 1646–1716, German universal thinker and founder of the concept of physical economy.

as a core idea in the Declaration of Independence, where it says:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

I would like to claim at this point that the content of this Declaration of Independence is still up for debate today. Or more precisely: it must be understood and

policy, but the reality was much broader. In order to nip any industrial development in the bud, the British had banned the establishment of manufactories with the Iron Act in 1750. Therefore, launching this development meant creating a financial system which would live up to the conception of the Constitution. This decisive step toward sovereignty was not an easy task, because in addition to a huge mountain of debt, the disunity between the various federal states was also a hurdle. It was therefore decided to nationalize the entire debt, converting it into government bonds for use in the development of the country, in a daring creation of a

credit system that relies solely on wealth that will arise in the future (the actual creation of value). When it comes to the role of the state and its creditworthiness, Hamilton therefore speaks of a moral obligation, an expression that is very surprising for us today:

While the observance of that good faith which is the basis of public credit is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it which rest on the immutable principles of moral obligation. And in proportion

as the mind is disposed to contemplate, in the order of Providence, an intimate connection between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty.⁷

After all, some citizens had invested all their money in the liberation struggle. Now that the war was won, it was important not only to repay these debts in full, but also to put the idea into practice that the wealth and well-being of a nation does not lie in the possession of a few, but in the development of the abilities of its citizens; in short, in the development of productive power. The sale of government bonds created a system that gave every citizen, whether rich or poor, the opportunity

⁷ Alexander Hamilton, *Report on the Public Credit*, 1790.



The signing of the U.S. Declaration of Independence, August 2, 1776. This famous painting is the work of John Trumbull, 1756–1843.

fought for anew, especially in the West, because the monster of monetarism has spread again. The idea that it is not the human spirit, but the sum of money and all kinds of property that determines the wealth and power of a nation has long since turned heads again. Then as now, the opponents of freedom preferred the British formulation, which reads: “that includes life, liberty and property.” Fortunately, however, Leibniz’s influence was very much alive in young America.

Let’s first look at how Alexander Hamilton expressed Leibniz’s idea in the American economic system and transformed it into an act of statecraft.

Alexander Hamilton and the American System

Hamilton became the first Secretary of the Treasury of the United States of America in 1789. His primary goal was to achieve what was fought for in the Revolutionary War: the industrial development of the country. History books usually focus on Hamilton’s tax

to realize their talent—nothing less than the American dream. In his *Report on a Plan for the Further Support of Public Credit*, Hamilton writes:

But Credit is not only one of the main pillars of the public safety—it is among the principal engines of useful enterprise and internal improvement. As a substitute for Capital it is little less useful than Gold or silver, in Agriculture, in Commerce, in the Manufacturing and mechanic arts.

The proof of this needs no laboured deduction. It is matter of daily experience in the most familiar pursuits. One man wishes to take up and Cultivate a piece of land—he purchases upon Credit, and in time pays the purchase money out of the produce of the soil improved by his labour. Another sets up in trade; in the Credit founded upon a fair character, he seeks and often finds the means of becoming at length a wealthy Merchant. A third commences business as a manufacturer or Mechanic, with skill, but without Money. 'Tis by Credit that he is enabled to procure the tools the materials and even the subsistence of which he stands in need, 'till his industry has supplied him with Capital; and even then he derives from an established and increased credit the means of extending his undertakings.⁸

When America celebrated its success 100 years after the revolution, with the first major exhibition in Philadelphia in 1876, the whole world could see that an industrial nation and a model for the future had emerged. The great German



EIRNS/Stuart Lewis

Statue of Alexander Hamilton in front of the U.S. Treasury Building in Washington, D.C., sculpted by James Earle Fraser, 1876–1953.



German economist Friedrich List, 1789–1846, a collaborator of Henry Carey of Hamilton's school of thought. List's writings, after his death, were fundamental to the industrialization of Germany, especially through Bismarck.

economist Friedrich List, who traveled to the emerging America (after Metternich had driven him out of Germany), immediately recognized the pioneering effect of the American credit system:

The state credit system is one of the most beautiful creations of modern statecraft and a blessing for the nations, in this respect: It serves as a means of spreading over many generations the costs of those achievements and aspirations of the present generation which benefit the nationality for all future times and guarantee its existence, growth, size, power and increase in productive power.⁹

However, Friedrich List knew like no other that if Adam Smith's monetarism gained the upper hand in state institutions, everything would be completely different. Credit would instead be used as a means of waste, to finance useless expenses or even as a means of speculation in order to ultimately destroy the entire system.

Only for brief periods—in 1789–1801, 1823–1830, 1861–1869, and 1933–1944—when the economy was operating under the guidance of a credit system policy, has the U.S. economy been properly conducted in accordance with the design of the Constitution.

In all other periods, nation-building was internally or externally attacked, and U.S. policy was subverted by monetarism.¹⁰

⁸ Alexander Hamilton, *Report on a Plan for the Further Support of Public Credit*, 1795.

⁹ Friedrich List, *The National System of Political Economy*. Kyklos-Verlag, 1959.

¹⁰ Michael Kirsch, "[Draft Legislation: To Restore the Original Bank of the United States.](#)"

The effects are always very similar to those of ancient Athens and no less dramatic as the financial crash of 1929 showed.

The Example of Franklin D. Roosevelt

When Franklin D. Roosevelt became president in 1933, America was experiencing the dramatic effects of the financial collapse of 1929. The newly elected president immediately initiated a reform that may be considered the most complete expression of statecraft in history. This reform was entirely characterized by the Hamiltonian credit policy. Already in his inaugural address, Roosevelt firmly emphasized that the purpose of a nation was not the pursuit of money, but rather it must be guided by the joy of constructive creativity. By reorganizing the entire banking system, he ended the dominance of Wall Street interests in just a few weeks. In the tradition of the American credit system, he instead gave the development of the real economy absolute priority over everything else and placed the possibilities of purely monetary profits within a fixed legal framework.

Finally, in our progress toward a resumption of work we require two safeguards against a return of the evils of the old order; there must be a strict supervision of all banking and credits and investments; there must be an end to speculation with other people's money, and there must be provision for an adequate but sound currency.... I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot wait on that accomplishment. ¹¹

The well-known Glass-Steagall law in particular fulfilled this intention excellently, by ensuring that the commercial banks serving the real economy were placed under state protection and that high-risk speculative business was deprived of dominance. All doors were opened to investments in the development of the physical economy, so that an exemplary phase



U.S. National Archives

President Franklin D. Roosevelt signs the famous Banking Act of 1933 (the "Glass-Steagall Act") that protected industrial banking from take-over by speculators, June 16, 1933.

of economic development could quite naturally occur again. Unfortunately, Roosevelt's early death prevented the construction of an even more solid structure.

If you take a look at the present, you can't help but notice that we have lost the *leitmotif* of constructive creativity. Over the past seventy years, monetarism has increasingly come into competition with the idea of the common good and has assumed the leading role since the turn of the millennium, if not earlier. It is the dominance of monetarism that is driving our society towards self-destruction.

The American Founding Fathers were right: our inalienable right is not property, but the pursuit of happiness. We would do well to remember this. Statecraft has, above all, to do with knowledge of the essential nature of man, to which the legislative role of the state must do justice. Statecraft is the application of what man has recognized as scientifically correct and useful.

The noblest prerogative of human nature is to choose one's own destiny, and to do good for the sake of good. ¹²

¹¹ Inaugural Address by Franklin D. Roosevelt, 1933.

¹² Friedrich Schiller, *op. cit.*