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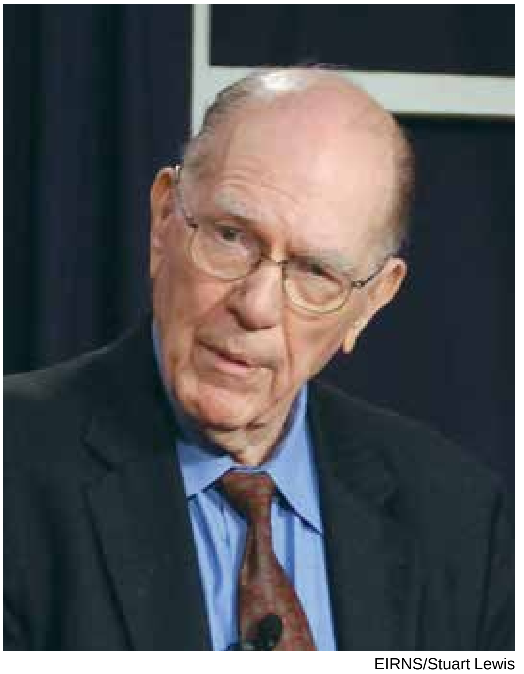
Lyndon H. LaRouche, Jr.

Only a Credit System—Not Money—Will Generate Real Economic Growth

Dec. 7—*The following is an edited transcript of a video segment from a Dec. 7, 2012 webcast presentation by Lyndon LaRouche, the late physical economist and statesman. It was played during the introduction to Panel 1 of the Dec.7-8 Schiller Institute conference, "In the Spirit of Schiller and Beethoven: All Men, Become Brethren!" The panel was titled, "The Strategic Crisis: New and Final World War, or a New Paradigm of the One Humanity." The video was introduced by Dennis Speed of the Schiller Institute. The full transcript of LaRouche's opening remarks to the 2012 webcast is available here*.



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Dennis Speed: All great dramatists—Shakespeare, Schiller, Aeschylus—know, and show, that historical tragedies are not driven by tragic individuals. Historical tragedies, as they unfold, are not vigorously *opposed*, and therefore you have tragic individuals and tragic societies. The tragedy is in the vicious assumptions of entire societies that drive them, often complacently, to their doom—unless someone, even a single person at times, successfully "takes arms against a sea of assumptions, and by opposing, ends them."

What is the fundamental, pervasive, obsessive flaw in the entire trans-Atlantic world that is causing it to orchestrate its own self-destruction, through war, precisely by means of the very NATO expansion that they believe will subjugate others?

Is there a statecraft of hope? On December 7, 2012, the late economist, statesman, and presidential candidate, Lyndon LaRouche, explained the hereditary-cultural flaw that drives the present wars—the tragic view that *money equals value*—dominant in the trans-Atlantic world, and other areas, today. LaRouche begins by referring to President Franklin Roosevelt's 1933 law separating financial speculation from commercial banking, known as the Glass-Steagall Act.

Lyndon LaRouche: [T]here is the assumption that's made by all the people who are incompetent, ever since they were swallowed by whatever happened years ago, decades ago. They assume that money deposited in a bank, or attributed to be deposited in a bank, represents value. It does not!

Money is a very tricky thing, money as such, because it has no intrinsic means of defending itself against hyperinflation, or other kinds of problems. So only a certain credit system is the key to this process.

Now, what happens is this: We have now three categories we're considering. First of all, Glass-Steagall; that is an absolute. Glass-Steagall must be imposed as the original Glass-Steagall form. The Franklin Roosevelt Glass-Steagall is what must be done.

The credit system: What do we mean by a credit system? That the Federal government organizes a system under which credit is uttered, and the anticipation is that there is a time factor, that if we assign a certain value to something as credit, we must assume that by the time that credit has been collected, or realized, that there will be growth in the value of the product, and growth in the value of the credit itself. This can be interpreted in various ways.

It can mean that things become cheaper, and therefore you have a gain, which is margin for profit, because things became cheaper, through productivity for example—that kind of method. But otherwise, there is no other source of value in terms of money as such, merely as circulated, as is being done now with this hyperinflationary process which is going on now, which is about to destroy the United States. That cannot be tolerated.

So, therefore, the value lies in what? It lies in physical values per capita. Now, this also includes the increase of the value of work, the value of production. Because what happens is, as we become more efficient, we tend to go into higher technologies. These are more productive. And therefore, we have a difference between the point that the credit was issued first, and the time that it's matured, when the pay-off has to come.

So the assumption is that an increase in productivity can take place in two ways: either in terms of the actual productivity, or the combination of an increase in productivity and also a decrease in the relative cost of the same item. We become more efficient; we can produce the same thing more cheaply. That's another source. But the point is, the key to the whole system is that you must realize that there must be an increase in the physical productive powers of labor, as expressed in terms of net production—that that must occur. And that's the basis of the credit system. That's where the question of the determination of value lies.

Now, if you want a stable system, you've got to have growth—physical growth—or improvement in efficiency of physical growth. So therefore, what you have is, by advancing credit, as if you were loaning money, this money must increase in value. Well, the money doesn't actually increase in value; the cost of the product decreases in value, in terms of relative value. And that's the basis of credit.

Credit does not lie in letting money sit in a bank; it must do something. It must change its character; it must be more efficient, or it must be more enriching. It means technological progress; it means higher rates of energy-flux density, which is an essential part of this. People are more skilled; they do a job which is a more skilled job; they produce more value with the same amount of nominal labor. That's the system. We must generate growth. We must increase the productive power of labor. We must advance technology—absolutely. We must increase the energy-flux density flowing through the entire system.

So, all the myths which Republicans and Democrats alike believe in, with a kind of religious, or, shall we say, Satanic passion, are wrong. The generation of credit, as real credit, occurs only by the increase of the productive power of labor, as measured in physical terms. This means physical terms in the sense that people doing the same thing do it more efficiently, or do it at a higher technology. For example, increase of energy-flux density, in terms of higher density of power per capita. All these factors can lead to the creation of credit potential, on which real credit is based.

So, the basic reform, first of all, is that. The generation of credit is associated with the credit system, not with the simple Glass-Steagall system as such. Therefore, the Glass-Steagall system's function is to give us a fixed reference point from which to make the comparisons on which growth is determined. And that is something which is not understood, except by a rare few individuals on both sides of the Atlantic. And that's what the problem is.