

LaRouche: It's Time To Develop a Third U.S. National Bank

by Nancy Spannaus

Aug. 8—If the United States is going to come back from the brink of destruction, which looms as early as early October this year, policymakers are going to have to comprehend the historical roots of the unique American System of economics, as established, especially, by our first Treasury Secretary, Alexander Hamilton. The good news is that the depth of the current breakdown crisis, has brought a grouping of economists to the point where they are coming to grips with Hamilton's ideas, as mediated through the advances on that approach that have been developed by today's unsurpassed economic forecaster, Lyndon LaRouche.

LaRouche and his movement have been promoting the work of Hamilton since the mid-1970s, when it was clear that the controllers of the world financial system were moving it in the direction of doom. As the crisis has deepened, LaRouche has again and again updated the form of the solution at hand, while hammering at the axioms that had to be changed. At this point, going into the developing October crisis, LaRouche is working on a new, essential re-presentation of the economic revolution that must be made, with a trilogy of articles begun by "Economic Science, in Short" (*EIR*, June 19, 2009).

Certain concepts are already absolutely clear. First, the fact that the world financial system, including the U.S. Federal Reserve, is bankrupt beyond all salvation. Second, the fact that the Federal Reserve was, from its inception, a violation of our constitutional credit system. And third, the fact that that Federal Reserve is going to have to be replaced with a Hamiltonian Bank of the United States.

Credit for a National Mission

LaRouche addressed this point, in response to a question about the Fed's unconstitutionality during his Aug. 1 webcast:

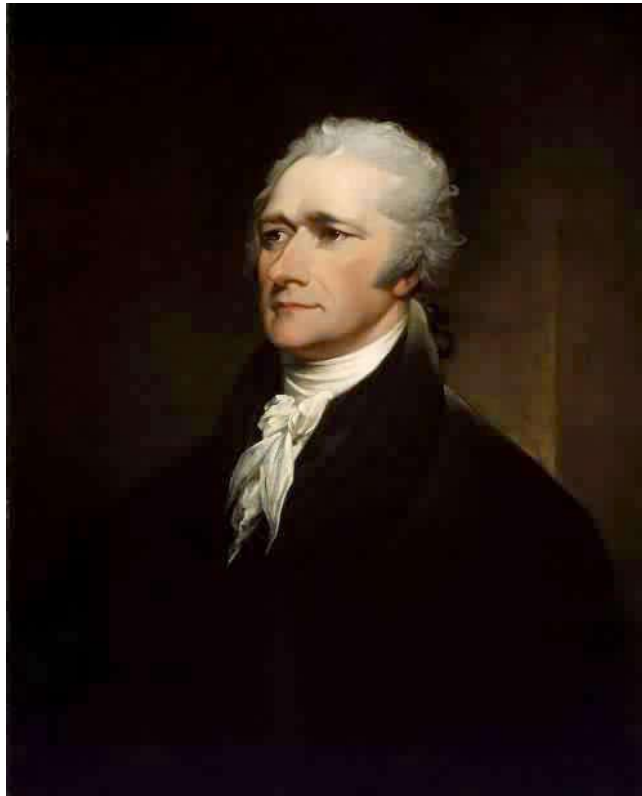
"What we do is, we simply get rid of it by bankruptcy. Just take it off the books. It's bankrupt; it took itself off the books, by going bankrupt. Easiest way of skinning that cat.

"Now, then what we're going to have to do is, we're going to have to develop the Third National Bank of the United States. And what we will do with that, is essentially assigned to the Treasury, but it's not an extension of the Treasury otherwise. It has a relationship to the Treasury, by being authorized, but a Third National Bank, exactly as Hamilton prescribed for the first National Bank. And we will take a little carefully guarded barbed-wire, etc., thing, down in the basement of the Third National Bank, and inside will be the remains the Federal Reserve System. Held in captivity for purposes of audit only.

"And that's the way to get rid of it. Because we have to manage, you see, we have to manage the relationship which the Federal Reserve System has established with the chartered banks of the states, and the national banks. We have to rescue those.

"Now, we're going to do that: How? By a Glass-Steagall kind of clean-up act, of all these banks. We're going to have to create credit to keep these banks—many of which are bankrupt, but are essential to communities—functioning. We're going to have to use these banks, saving them, as a way of generating the distribution of credit, to maintain an economic recovery.

"Now, we have then this private-public relationship, and how do we deal with that? Also with international



Alexander Hamilton's prescription for a National Bank flowed from his understanding that the United States needed to control its own currency, and use it to promote development, through fostering manufactures and inventions.

accounts? We deal with that through a National Bank. So we use the National Bank as a facility to promote things.

"What we also need are projects conceived in the form of the Tennessee Valley Authority. Now, that's an ideal thing, because it had a primary purpose, but it also had a lot of other things that went with it, to fulfill its primary purpose. So, what we need is a national transportation development plan, under some name, which essentially takes care of this railroad-maglev system, and takes care, as the Tennessee Valley Authority did, of all the things that are auxiliary to that system....

"We need a national transportation system, which is oriented to an

agro-industrial mission. We need to get a situation nationally, so that we don't have super-industries....

"We destroyed the entire development of the western United States. We concentrated everything in a few areas. We congested them with automobile traffic, instead of efficient mass transportation systems. We should have decentralized. We shouldn't have built such big, giant, oversized corporations; we should have built smaller units, distributed in various parts of the country, in the rational way we used to approach this.

"So, we need a national development program, which is based on this function of transportation, which means also building the water system, the NAWAPA [North American Water and Power Alliance] water system, and other things, because we have a real problem with water supplies in the western states. We're going to have a food supply problem. We're destroying agriculture. We're destroying the industrial-agricultural relationship, with globalization,

and other kinds of insanity.

“So, what we need for this period, is national mission orientations, of the type that Roosevelt used, and Henry Wallace used. We know those kind of approaches, to take the infrastructure development of the nation, thinking of it as a living economy, and thinking about it as a place where people live, and work, and have homes, and have schools, and have medical facilities. And think of that, and say, we need a national transportation reorganization plan, for the United States.

“We have a vast territory, relatively speaking, and we should just go back and develop it. And the way to start, is with your transportation grid, knowing where you’re going, and the transportation grid is coupled with your water problem, the water-management problem, both for traffic and for water management. And building up the aquifers in areas where they’re being destroyed. And taking advantage of that. Forestation, instead of greening. A tree is worth much more than grass! Up to 10% of the solar radiation used by a tree is incorporated in the tree. The grass? One or two percent. So you want to have more trees. You want to have a reforestation program for areas. You want a development territory. All of this comes under the question of transportation. And we need probably a national transportation project, like a national space program, or an international space program. And these kinds of programs will drive us, as long as we have a *future* orientation, in the direction we want to go in.”

Hamilton’s Battle

LaRouche’s, Hamilton’s, and FDR’s approaches to national economic health are, of course, radically different from what most Americans think they understand about “economics,” not to mention history. British ideologues have so controlled the fields of history and economics, that these have been rendered their very antithesis.

To address this fact, the LaRouche Youth Movement has taken up the task of presenting the real history of the development of the American System, using the audiovisual medium which today’s younger adults depend upon. You will find on www.larouchepac.com a treasure-trove of video features devoted to this subject.

The content of these videos is also invaluable in text, however, and for that reason, we reproduce three of the crucial ones here.

LaRouche PAC Videos

Hamiltonian Basis of A Global Credit System

The videos from which the following are transcribed are posted at www.larouchepac.com. Subheads have been added.

Hamilton’s Constitution (May 5, 2009)

Michael Kirsch: Today’s historians are incompetent, because they don’t understand the difference between Adam Smith’s feudal Europe, where private banks had arbitrarily given value to money, holding the sovereignty of nations hostage to the amount of this money they have, or go into debt to private banks to have, on the one side, and on the other, Alexander Hamilton’s revolutionary hypothesis of 1779-1781, a system where governments have no need of going into debt to private banks, or praying to the market to create money upon which the nation subsists.

The purpose of the right of free government is to break from arbitrary authority, which is why we don’t tolerate kings and queens in this country. But what about the arbitrary authority of the private banks?

Whether this difference is understood will determine whether civilization will survive the current breakdown crisis of the world economy. Understanding this difference lies in the lesson of the contrast of 1776, when independent colonies were only free in name, and not in fact, versus Hamilton’s vision of 1779-1781, of a government fully capable of carrying out the mission of the stated intent of the Declaration of Independence, a lesson which weaklings in the government today, don’t want to understand.

“Why not?” you ask. Because they would have to actually mean, that which they merely pay lip service to, truly internalize the historical responsibility it demands, and make the enemies of sovereign government want to kill them.

Who do you think Hamilton and Washington were up against? What resistance do you think Hamilton had



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Robert Morris, a financier of the American Revolution, was also a collaborator of Hamilton's in devising the idea of national banking. He is honored in this statue in Chicago, which shows (from left to right) Morris, George Washington, and fellow financier of the Revolution Haym Salomon.

to encounter, when he forged the system for which the Constitution was formed?

A 1779 Letter

When a change in principle reorganizes matter according to its presence, that state of organization can continue to exist without the presence of the principle for a while, but soon, as when the principle of life leaves its host, the loss of the governing force will cause it to lose its governing state. Thus, with the United States continuing to act in ways contrary to our revolutionary U.S. Constitution, acting more like a feudal nation of 18th-Century Europe, civilization will revert to a population capacity which such structures of government

and economy could support at that time.

In 1779, as aide-de-camp to General Washington, Hamilton began writing to leading members of the Continental Congress that the credit of the nation was being lost, and current methods had to be changed. We were acting as a motley of disunified states, without the power to carry out a unified intention. Confronted with this situation, he chose to take personal responsibility for securing the rights of mankind, for which he had written extensively in defense of the Revolution. Hamilton looked to the higher battle which the problem implied, a problem that had doomed all earlier civilizations in Europe and elsewhere.

In April 1781, he wrote to the leading financier of the Continental Congress, Robert Morris, with a proposal that began a transformation of history: "It is by introducing order into our finances, by restoring public credit, not by winning battles, that we are finally to gain our object."

Hamilton wrote to Morris, with a way to outflank the problem of the collapsing value and increasing scarcity of the Continental paper currency, a way to support the Continental Congress with enough funds, despite the facts that the states were broke, and hesitant to supply the Congress. Rather than depending on loans from abroad, private individuals, or scarce taxes, which no matter how fast they were gathered, were spent even faster, the way the government could secure a permanent paper credit, was to construct a National Bank:

"It would promote commerce, by furnishing a more extensive medium, which we greatly want in our circumstances. I mean, a more extensive, valuable medium. The tendency of the National Bank is to increase public and private credit, industry is increased, commodities are multiplied, agriculture and manufactures flourish, and herein consists the true wealth and prosperity of the State. By converting the currency produced through loans of the bank, into a real and successful instrument of trade, it would increase the quantity and strength of the currency."

Morris was convinced, and the Congress chartered the Bank of North America that year, a bank whose sole reason for existence was to facilitate the development of a national economy.

In old Europe, a bank's money came from private property of nobles. But the money which the National Bank loaned came from bills of credit created by a sovereign government, credit as an expression of intention, not credit of a pledge to pay. And since the initial capital

which formed the bank would put the nation as a whole, rather than the states, in debt, the new national debt served as a powerful cement to the union, a spur to industry, thus transforming the meaning of debt, altogether—“A national debt, if it is not excessive, will be to us a national blessing; it will be a powerful cement of our union.”

By this new bank serving as a tool of the Continental Congress, Hamilton transformed the United States

from a monetary system into a credit system—almost. Because this campaign had only won its first battle in 1781. Under the 1780 Articles of Confederation, the Continental Congress did not have the power to organize a national economy. They couldn't bring the resources of the different states into one, unified process. They didn't have the power to organize a national system of taxation, or the power to regulate trade. Therefore, the Federal government effectively had no

LaRouche Replies to Query on National Bank

An email exchange on March 5:

Q: Doesn't the Federal Reserve System already represent a “bad bank”?

And wouldn't all that would be necessary be a “National Infrastructure Bank”?

LaRouche: All that is required is the adaptation to Alexander Hamilton's stroke of genius in establishing the national bank on which the crafting of our Federal Constitution depended in fact.

The special problem created by the freaks who supported Hank Paulson's insanity, is that the “bail-out” and “stimulus” programs have destroyed the U.S. economy to a state of virtual hopelessness, unless we rid our economy of that swindle by the following steps:

1.) Put all of what had been previously Federal and State chartered banks under Glass-Steagall, into Federal receivership.

2.) Reestablish Glass-Steagall (in effect) by putting all accounts which do not meet the now-restored, former Glass-Steagall test into a freeze, thus reducing the affected banks back into being National or State chartered banks (by Glass-Steagall standards).

3.) As a consequence of the swindles by Senator Dodd, Representative Barney Frank, Paulson, et al., even the rescued elements of what had already been, previously, chartered banks will be in a condition of negative equity with respect to even legitimate,

Glass-Steagall-class characteristics. This deficit, which is being covered now by Federal bail-out funds, is to be defined as that negative equity of the banks to be reformed.

4.) That margin of negative equity, so defined by the indicated steps of procedures outlined above, is now a debt, of those banks to the Federal Government, on the account of the rescued part of the formerly chartered banks. That debt of those banks to the Federal Government will fall, then, into the category of assets of the Federal Government, as assets of a reconstituted (“Hamiltonian”) National Bank, which absorbs the presently bankrupt and similarly reformed, Federal Reserve System.

5.) This is a reflection of the solution, by Alexander Hamilton, which made possible the establishment of that U.S. Federal Constitution which created us as a true Federal constitutional republic. There is little that could better typify the relevant intent of the original Federal Constitution, than that.

6.) For reasons implicit in the preceding five steps, that re-creation of a U.S. National Bank is the only possible route of safe exit from what would be, otherwise, that presently spiraling, hyper-inflationary bankruptcy of the United States which was launched by the concerted efforts of such as qualified, on this account, as dangerous lunatics typified by the cases of former Federal Reserve chairman Alan Greenspan, the George W. Bush Administration, George Shultz accomplice Felix Rohatyn, stooge and Senator Chris Dodd, the crafty looney-bin and U.S. Representative from Massachusetts Barney Frank, and the pack of Hank Paulson, Ben Bernanke, and their sundry accomplices.

Such is the gist of my response to your question.

—Lyndon.



Library of Congress

The creation of a Federal state, capable of establishing and mobilizing a national credit system, was the prerequisite for implementing Hamilton's vision. Here, the signing of the Constitution, Sept. 17, 1787.

lasting credit. In this way, although the Bank of North America salvaged the nation's credit for the time being, and ensured the ability to win the Revolutionary War, the Federal government could not effectively supply the National Bank for the purpose it was established.

Needed: A Federal Constitution

Therefore, in identifying the deeper roots of the problem, Hamilton began organizing a broader audience for a national government with sufficient powers. Such reasoning meant sure defeat for the British Empire's new method of 1763, which had hoped to keep the colonies enslaved to the old system of monetary usury, by means of Adam Smith's "let it alone" approach to the economy. Fully conscious of this, and knowing the challenges of this global economy, Hamilton spit in the face of the British Empire, and committed to personally see through the realization of a new government.

From his *Continentalist* essays of '81-'82, his Statehouse organizing of '85, his leadership at the Annapolis Convention of '86, the Constitutional Convention of '87, to his *Federalist Papers* project of the same year, no obstacle would deter him from forming a lasting union. In 1790, as Secretary of Treasury in the Washington Administration, Hamilton could then initiate the powers he outlined in Article 1, Section 8: By means of the powers

to pay the debts, provide for the common defense and general welfare, lay and collect taxes, regulate commerce, the Federal government could now ensure the power of its credit. In short, a full credit system could now be established.

Hamilton immediately initiated his system, first assuming all the debts of the states incurred during the war, into a national debt, which served as a driver to initiate the powers of government; and second, since the Bank of North America was insufficient for the task, having degenerated into a state similar to the purely state banks of Massachusetts and New York, established a new National Bank, housing the national debt.

After the establishment of this National Bank in 1790, in the next

ten years, 30 state-chartered commercial banks sprang up, acting as nurseries of economic wealth, and, working in tandem with the National Bank, formed a national banking system, creating the medium of exchange which could facilitate the growth of the Federally directed economy.

A Functioning Credit System

Under the U.S. Constitution and Hamiltonian American System, the government has no need of money. It does not gather money, nor loan money, but rather, by the power implied in Article 1, Section 8's clause, to borrow money in the credit of the United States, it emits bills on the credit of the United States to the Treasury, which can then be turned into whatever serves the purposes of money, for the economy. Then, by receiving these bills of credit from Congress, the Treasury uses the National Bank to coordinate the distribution and allocation of this credit, for the nation's intention. This process creates a sovereign currency, which is a reflection of the nation's power to act, not something to be speculated upon.

Debt is redefined: A creation by government, through an emission of credit, a sovereign government does not go into debt to someone else. Rather, a government states its intention to carry out an action it deems necessary, and accounts for that action by an issuance of

Hamiltonian Dynamics (June 17, 2009)

Michael Kirsch: In the fight for a new global credit system, which patriots of nations internationally are fighting, along with economist Lyndon LaRouche, to bring about, the most important and challenging question which must be addressed, is a scientific definition of economic value.

This definition of value, rather than the arbitrary, intentionally destructive valuation provided by the bankrupt derivatives markets, must be the guiding exemplar of the Hamiltonian reorganization of the world monetary system into a new global credit system. This definition of value

will allow governments the ability to guide economies toward the long-term realization of the goals of the new global credit system.

This scientific definition of economic value is, therefore, in a sense, the most important understanding for you to obtain. For a true notion of value, we must look at the essential characteristic of the human beings whose activity constitutes the economy—that is, human creativity.

Looking at minds who have demonstrated creativity in their discoveries, one sees that mankind's process of discovery, is the process of moving to higher and deeper truths concerning the nature of the physical universe around him. And using these concepts of how the universe works to increase his power. That capacity generates greater and greater abilities to look into the universe with the power to control it.

We see this, for instance, in Leibniz's revival of Plato's concept of dynamics, reflected in his *Parmenides* dialogue, in Leibniz's discovery that the characteristic of *change*—rather than the static, geometric, object-based method of Descartes—is the most important element of a process. Leibniz discovered that the invisible principle which guides physical processes, is reflected in certain characteristic relationships, which, once understood, give mankind the power to control the invisible. The power of man to control the invisible, and act upon it, is seen in greater degrees by this study of cre-



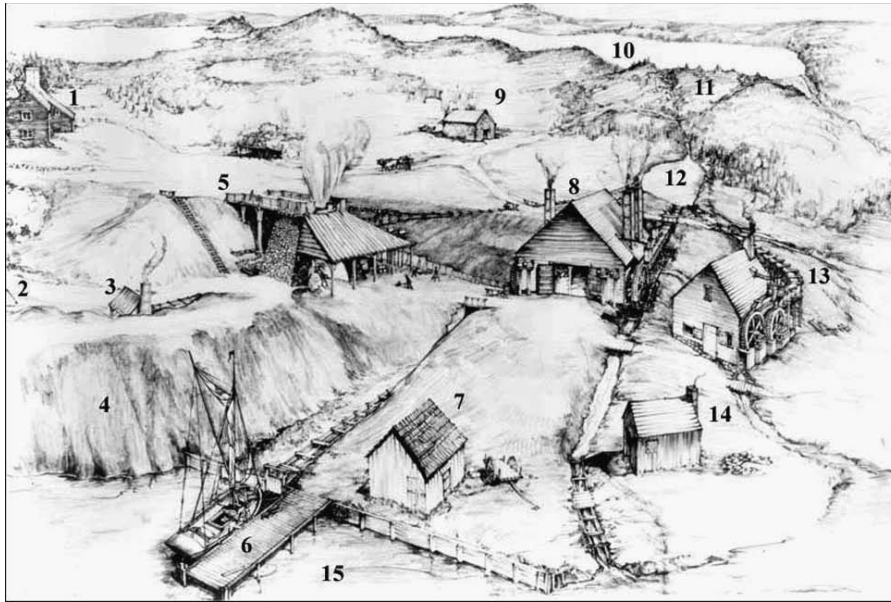
Library of Congress

The First National Bank of the United States was established in Philadelphia, Pa., where the capital was located until 1800. It still stands today.

credit. The debt it creates will now be used to account for carrying out the purpose for which the credit was issued. There is no money involved in that process. Hamilton's revolution bluntly stated, that money in exchange, has no self-evident value outside that process, and is only a means by which the credit of government is transferred.

Economic value is redefined. The only value in a nation-state economy is that which serves to provide for the common defense and general welfare. Therefore, the credit system defines value as that which contributes to increasing the powers of labor to accomplish greater strides of development. The value of a currency is the power of the physical economy, increased by the process of government credit directed in such a fashion. Therefore, money only has value, if it is tied to the emission of credit.

The lesson lies before you, now: the difference between Hamilton's credit system and the monetary system currently strangling the world. The United States is the only government on the planet with the constitutional authority and obligation for a credit system. Only if the Federal government borrowed some guts from Hamilton, and used his credit system, releasing the government from the monetary shackles which it has created for itself, could we pull the United States and world off the current path which the bankrupt international monetary system guarantees.



Saugus Iron Works National Historic Site

The Saugus Iron Works in Massachusetts, 1650. Hamilton's concept of economy went directly against the British dictum of free trade, which declared that the young United States could not afford manufactures. Hamilton insisted that they must be promoted, not only for national security, but "to cherish and stimulate the activity of the human mind."

activity. This study of creativity determines the way in which physical processes can be perceived and measured, including his own and society's development—that is, the economy. Economics is thus a reflection of that power of mind.

In this way, and only this way, objects and materials created in economy are seen in their right light, in contrast to the way the legacy of Adam Smith and Karl Marx has made modern economists think. They say, "There are these objects floating around, transported, and consumed; and if you've got money, you can buy 'em." Then, described by money, these goods become seemingly a consequence of money, created magically by a hidden power in money.

Scientifically, one might say about this view: "Bogus!"

Having cast aside this empirical, Cartesian approach, the relevant causes of the materials created, transported, and consumed—that is, their context—becomes the investigation by governments, who intend to guide and develop an economy.

'Report on Manufactures'

In 1791, after establishing his unique constitutional credit system, which defined money as only a means of exchange to serve the real, physical economy, Alexan-

der Hamilton addressed Congress in his *Report on the Subject of Manufactures*. In this report, he enunciated the true, scientific measurement of economic value. Value is determined by whether something contributes to increases in the productive powers of labor. In educating Congress on the fundamental principles of physical economy, at that time, he was also taking up the axioms which prevented Americans from seeing the benefit of promoting manufacturing. Therefore, all the increases in the productive powers of labor, which he presents in that location, are discussed from the standpoint of the positive effect which introducing manufacturing employment, in addition to the already-established farming economy, would have. [His argument goes approxi-

mately as follows:]

With manufacturing added to farming, think of the changes which take place, as in the establishment of a division of labor: No more is time wasted, running from the field to the shop, to manufacture one's clothes. All the time spent in moving operations from one to the other, the mental strain on concentration is regained for the purpose of one task, promoting a constant employment of one kind rather than many, yields an increasing degree of skill and learned dexterity not found before, due to the attention put upon one form of employment rather than multiple tasks. By concentrating on one object, a man thinks up new things and makes inventions related to his trade, which he otherwise never could.

And there's much more: Machinery gives an increased ability to do the same action, by using the power of man's "enslaving" nature. The labor force, encumbered with heavy manual labor, can now turn their attention to more skillful work, letting machines do the rest. With the proliferation of manufacturing, what was idle time for many occupations is a thing of the past, as machinery is not constrained by bad weather, or daylight hours. And people who were idle, due to physical or age constraints, can now contribute to the nation with the help of manufactures.

Hamilton's continued addition of the augmentations which occur, begins to unfold as a kaleidoscopic image, and they continue. Think how the infrastructure would be created, which would then increase the productivity of that whole process just described, by transforming the availability of power, water, and other necessities for production, and the ease of transportation of people and goods.

And new talents arise, with a greater scope of industry, allowing each individual to find his proper element. Those who didn't know they had a talent, because they were involved in menial pursuits, suddenly shine forth with ingenuity. New fields for the imagination to devise methods for the abridgment and efficiency of labor are obtained. With more opportunity, each person can find their proper course. All of this affords a more ample and various field for enterprise.

As Hamilton wrote: "To cherish and stimulate the activity of the human mind by multiplying the objects of enterprise is not among the least considerable of expedients, by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene which is open to the busy nature of man to rouse and exert itself is the addition of a new energy to the general stock of effort."

A Self-Sustaining Nation

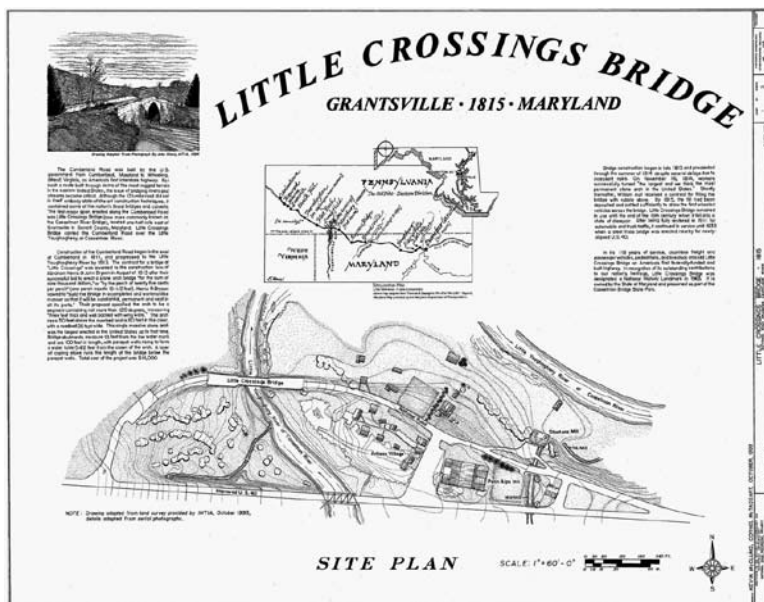
Hamilton understood more than how manufacturing caused these changes, and addressed it in the context of the British Empire's intention to destroy the United States' economy. Much like today's conditions created by globalization, farmers had to move from one good to the next, appeasing the irregular demand of Britain, now investing in a new cultivation, now cutting others because of a loss, or cutting employment because of a failure of a crop. By establishing a steady demand with domestic manufacturing, a profit is enjoyed, which can be turned to the farm, leading to a growing amount and variety of land cultivated.

This creates steady employment on the farm; this creates families that are able to settle down, and set up their own farms or move into manufacturing. With the steady demand of their produce, farmers are able to

afford the newest and best manufactured goods produced. Manufactures would be available, not some of the time and in fluctuating quantities, but constantly available from domestic manufactures. These new improvements to the productive process would be even more efficient, leading to ever greater surpluses.

Conceptualize what the effect is upon the agriculturalists, who now, not only have a steady supply of new manufactures to apply to their farms, increasing the value of their property and work, but can afford them cheaply, increasing the rate of change of that process, and the value of their income to be applied to their farm. And that is not all. Turn the kaleidoscope again. New resources are discovered, which transform the ecological boundary society is operating in, transforming man's relationship with the Biosphere: Not only will there be a more flourishing demand for things usually bought, but also a whole new, and growing, demand.

As Hamilton wrote: "The bowels of the Earth, as well as the surface of the Earth, are ransacked for articles, which were before neglected. Animals, plants, minerals, acquire a utility and value which were before, unexplored. Which new employments are now created? What new profits from the farms? What new materials become useful to the manufacturer? What new



National Archives

Among the first national infrastructure projects envisioned by Hamilton (and President Washington) as a means of uniting the nation economically and politically was the National Road, one of whose sections is shown in a schematic here.

minerals for new metals in infrastructure, what new kinds of wood, animals, and plants for medicine and food? What changes occur in manufacturing, that demand new farming techniques? What new farming techniques procuring new minerals and produce demand new manufactures? At what rate do the improvements occur in agriculture as a steady demand occurs in manufacturing? How is this rate then changed, with a new technology in manufacturing demanding a new mineral or plants product? Such transformations as these continually redefine the value of an agricultural and manufacturing product, and create new products altogether.”

The Science of Dynamics

Hamilton’s description of the effects of introducing newer principles is dynamic, the interaction of invisible principles, whose effect is general, not local, not the kinematic Cartesian push and pull of parts of the economy on one another. The economy is guided by the events which imply a new principle being added, a characteristic change in the value of a produced good, with the decrease in cost, as a reflection of the added action of a new principle in machinery or infrastructure. It is thus an invisible action, the change in the productive powers of labor, which defines the ability to create goods and defines their relative value to each other.

To view these relationships government must create, from the standpoint required to pull society out from the depths of its current breakdown crisis, the national plans of governments must incorporate exactly how the changes initiated through mankind’s development are going to transform the Biosphere and Noösphere. This requires a more rigorous definition of human creativity, and its effects, necessitating the application of the scientific measurements provided by economist Lyndon LaRouche, in his science of physical economy, which incorporates the discoveries of the Russian scientist Vladimir Vernadsky.

Vernadsky studied how the chemical elements and isotopes changed, when flowing through and incorporated into a living process. Vernadsky investigated this relationship, quantitatively, by the migration of atoms from the Biosphere to the living organism and back again, what he called, “the biogenic migration of atoms.” Through what Vernadsky called a “continuously changing, organized state, a dynamic equilibrium,” the Biosphere creates fossils of living matter,

like coal or iron, the excretions of bodies of formerly living things. Through the dynamic interaction of living and nonliving, Vernadsky therefore investigated the invisible principle of life that bounded and created the Biosphere. In addition to this, Vernadsky defined human society and its products, the Noösphere, which shapes the two lower domains, of the living and non-living.

Economist LaRouche has pointed to the fact, that just as Vernadsky prescribed how to study the continuously changing dynamic equilibrium of the Biosphere, economists today must conceptualize the economy as such a Noösphere, transforming the Biosphere and the non-living. As the principle of life, via living organisms, creates non-living fossils, which are distinct from merely non-living elements, how does the principle of cognition, via the Noösphere, create noëtic fossils, which take the form of living, fossils of the living, or non-living?

Think back to Hamilton’s kaleidoscopic image: The Noösphere orders that which it incorporates into increasing the productive powers of labor. The actual relationship of a product or production process, to the economy as a whole, is like the Biosphere’s components to each other and non-living domain. Whereas Vernadsky discussed the biogenic migration of atoms in the Biosphere, Lyndon LaRouche has pointed to the necessity to study the cognitive migration of materials in the Noösphere, as a basis for a science of physical economy.

However, there is an incommensurable difference, for, whereas the Biosphere transforms the lower domain by the principle of life, instinctively, mankind does it willfully, through the principle of cognition. This essential nature of man, creativity, is the way in which the Noösphere organizes the flow of both non-living and organic materials which it uses, and discharges, transforming them by that process.

Only this approach will allow sovereign governments in the new credit system, to define the true notion of economic value, upon which the survival of the planet depends. Otherwise, in the midst of the disintegration of the world monetary system, the alternative to this approach is the Obama Administration’s Nazi health-care policy, the final consequence of monetarism, where not only is there a market value placed on all the objects in the economy, but human lives themselves, as if each pound of flesh could be so priced.

The Constitutionality of the National Bank (July 30, 2009)

Leandra Bernstein: “The people of the United States have been warned that the nation was entrusted to their wisdom in selecting competent leaders, to use the powers given to them in the Constitution, to protect the nation’s happiness and prosperity. They have been warned, to resist the tendency to act as a mob, easily swayed by populist demagogues, that such a tyranny of the majority would lead us to lose what was most valuable to our republic.” President James Monroe spoke in his first inaugural address, that “it is only when the people become ignorant and corrupt, when they degenerate into a populace, that they are incapable of exercising their sovereignty. Usurpation is then an easy attainment, and the usurper soon found. The people themselves become the willing instruments of their own debasement and ruin. Let us then look to the great cause and endeavor to preserve it in full force. Let us, by all wise and constitutional measures, promote intelligence among the people, as the best means of preserving our liberties.”

In November 1828, the populace elected Andrew Jackson, a war hero, a man for the people, who said all the right things to everyone: a traitor.

At the beginning of his Presidency, Jackson launched a populist campaign across the country attacking the United States Second National Bank. He called into question its constitutionality and re-kindled populist fears, after the banking crisis of 1819, of more financial crises and corruption within the bank itself. The campaign was meant to break the sovereign power of the Federal government, and the line of nationalist Presidents up until then, and turn the United States over to foreign interests, allied to members of our own government.

Patriots, like Sen. Henry Clay, noted publicly, that after entering office, Jackson began directing attention to the question of the National Bank Charter. It quickly became a topic of popular conversation; it was discussed in the press, on the campaign trail, and raised in elections across the country. Clay remarked, in an address to the Senate, “It seemed as if a sort of general order had gone out from headquarters, to the partisans of the administration, everywhere, to agitate and make the most of the question.”



Library of Congress

Andrew Jackson, shown here in a caricature drawn after his veto of a bill reauthorizing the Second Bank of the United States, acted as a traitor, on behalf of the British Empire, in carrying out his demagogic campaign against national banking.

And from his first address to Congress, Jackson was known for making the most of the question. In his 1829 address, he claimed that “many of our fellow citizens deprecate the bank as an infraction of the Constitution.” In his 1830 State of the Nation address, Jackson charged that “the dangers of the institution are still felt by the citizens.” He then questioned whether it were possible to consider the advantages of “reconstituting” the National Bank, to quell the people’s fear, which he had evoked, and run national finance through the individual states, leaving the Federal government impotent to mobilize public funds for anything of necessity, or in the national interest.

Of course, Jackson’s state bank plan had already proven a complete failure, following the expiration of

the First National Bank Charter. After the bankruptcy of the Continental currency following the Revolutionary War, the 1791 passage of Alexander Hamilton's National Bank Act, allowed the government to charter 88 state banks, in the following 20 years, gaining a capital of over \$42.5 million. This formed the core of the Hamiltonian credit system, from which we leveraged the physical development of the country. Despite the ongoing assaults, the National Bank lasted until 1811, when the charter was allowed to expire. At that time, the millions in deposits, a fifth of which belonged to the people of the country, were disbursed to state banks. In only a few short years, 120 new state banks, which could make loans for their own profit, not the nation's, were established at the time when we had to raise our Navy and our Army, in our second war against the British.

By the end of the war, with our finances in disorder, and credit scarce for reconstruction, President Madison, who had allowed the charter to expire only five years before, had a sort of Damascus Road conversion, and issued the charter for the Second National Bank of the United States. For then we knew, that every time we moved away from the National Banking Federal credit system of our Constitution, we were no longer sovereign, but subject to the whims of imperial financial control.

Sponsored by British Agents

In Jackson's case, his Presidency was the witting personal creation of such traitors who wanted to put the United States back under that control, and undermining the bank was key. The chief sponsors of Jackson's candidacy and Presidency, were the traitors Aaron Burr and Martin van Buren—who, if he wasn't Aaron Burr's illegitimate son, was at least politically the fruit of his loins. Jackson was directly under their patronage and, by extension, under the patronage of Lord Shelburne's chief intelligence officer, Jeremy Bentham, whom Jackson stayed in contact with, on the question of dissolving the Senate, while he was President, up until Bentham's death in 1832.

Beginning with the 1824 election campaign, Burr started his effort to bankroll the Tennessee Senator into the Oval Office, using his Manhattan Bank, later the Chase Manhattan Bank. This effort was after Jackson proved his merit, in collaborating with Burr in the 1806 treason plot to deliver Louisiana to the British, part of Burr's great plot to lead a secessionist coup from the

South, to overthrow the sitting U.S. government. At that time, Jackson supplied Burr with hospitality, praise, recruits, and even Naval boats, to transport Burr's growing mercenary army down the Ohio River. And when Burr was caught, and tried for treason in 1807, Jackson, called as a witness, stood outside the court, rallying a crowd, and denouncing then-President Thomas Jefferson.

Van Buren, another close disciple of Burr's and those New York banking interests, had his moment of glory later, when he outshined his pupil Jackson. And after helping Jackson destroy the National Bank as his Secretary of State, he brought us the 1837 Banking Panic, the worst financial crisis in U.S. history up to that time.

Anticipating the effect of the propaganda drive against the National Bank, Henry Clay moved that the charter be brought to a vote four years early. Jackson had campaigned for it, put the populists of the country into a frenzy over it, and raised it to the attention of Congress in each of his addresses. Surely, if the President were serious about his proposals, he would have no objections to both bodies of Congress taking the question up in law.

No sooner did Clay call for the vote in 1832, but the President and his allies were entirely unnerved. Said Clay, "The friends of the President, who have been for nearly three years agitating this question, now turn around upon their opponents, who have supposed the President quite serious and in earnest, in presenting it for public consideration."

In a letter to Samuel Smith, Nicholas Biddle, the president of the Second National Bank, questioned why the President and the friends of the President would not want to quickly settle the question of the re-charter, a question which they themselves had provoked. "I am very ignorant of party tactics, and am probably too much biased to be a fit judge in the case, but such a course has always seemed to me so obvious, that I have never been able to comprehend why it was not adopted?"

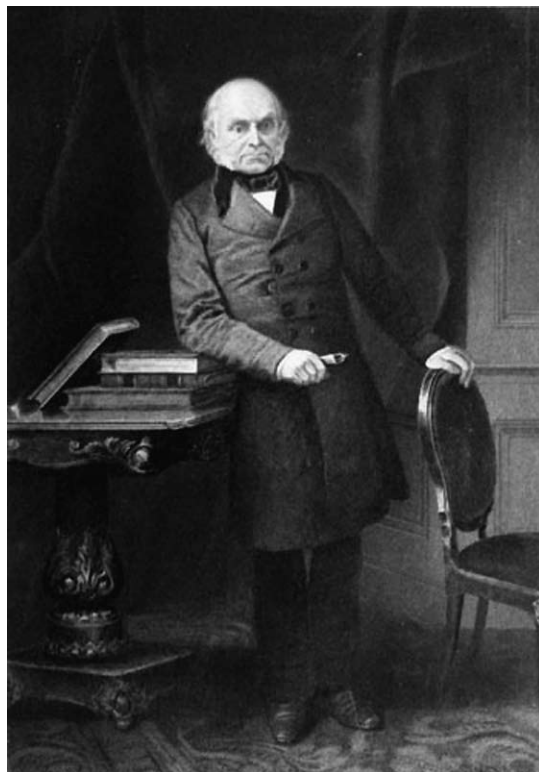
Clay had called Jackson's bluff. The Congress voted to renew the charter. It was voted up in the House, it passed in the Senate, and it was sent to President Jackson, who vetoed the bill! That was July 10th, 1832, and that day, Clay spoke before the Senate, saying, that "of all the controverted questions that have sprung up under our government, not one has been so fully investigated as that of its power to establish a Bank of the United

States.” Since the Constitutional Convention, no question has been so long, so often, and so thoroughly scrutinized by every department of government. All aspects of the Bank’s constitutionality, its benefits, and indispensability in securing the nation’s sovereignty against foreign influences, have been contested before a tribunal of the greatest American minds. And it was found, that the United States required a national credit system.

The Treason Unfolds

The majority in the House and Senate who originally voted to re-charter the Bank, was not enough against Jackson’s puppets in Congress, and they could not override the President’s veto. Shortly after, Jackson’s Treasury Secretary, Roger B. Taney, began pulling the deposits out the National Bank, and putting them into favorite state banks, anticipating the 1836 expiration of the charter. This included the Baltimore bank, where Taney was a shareholder, and Jackson sponsor Aaron Burr’s own financing arm, the Manhattan Company, where the Secretary paid the bank’s debt with the public funds.

John Quincy Adams, then Representative of Massachusetts, prepared a damning indictment, to deliver on the floor of the House, on April 4th, 1834. But on that day, he was denied the right to address the House, by Speaker Andrew Stevenson. Adams then published his indictment in a widely distributed pamphlet, “On the Removal of the Public Deposits, and Its Reasons,” showing stepwise, the unprecedented, unlawful, and unjust act of removing the specie from the National Bank, to hand out to state banks. Adams also offered a resolution, to honor the pure and disinterested patriotism of Secretary Taney, “in transferring the use of the public funds from the Bank of the United States, where they were profitable to the people, to the Union Bank of Baltimore, where they were profitable to himself.” “The



Library of Congress

John Quincy Adams fought Jackson to try to keep the Second Bank of the United States, insisting that “it has always been, and is still, today, that the opponents of the Bank are the ones who spurn the Constitution.”

transfer of the funds from the National Bank into worthless favorites,” wrote Adams, “stamps with insolvency the depositories, so judiciously chosen as substitutes for the Bank of the United States. These institutions resorted to the corrupt administration for the millions of appropriated public monies, to pay their debt, and save them from breaking.”

“The lying claims the President brought against the Bank could never justify his veto of the charter, and deserved him more than censure. Was it sufficient for the President to claim that the Bank was ‘a monster, a tyrant, a corrupt monied aristocracy, with a bad influence on the State’? Of course not. Nor was it sufficient to make that most damned claim, and the one that has cast the longest shadows on our history: that the Bank was unconstitutional. For it has always

been, and is still, today, that the opponents of the Bank are the ones who spurn the Constitution.”

The Bank Ruled Constitutional

Only ten years before Jackson began his criminal campaign, claiming the unconstitutionality of the Bank, there was a famous case of *McCullough v. Maryland*, where Supreme Court Justice John Marshall ruled on the undenial constitutionality of the Bank. He ruled explicitly on behalf of Alexander Hamilton’s Federal Constitution, that established the means that the Articles of Confederation denied, to execute the intent of the Declaration of Independence, and actually establish “the right to life, liberty, and the pursuit of happiness,” namely, the implied powers of Congress. “A government into whose hands the power of securing the happiness and prosperity of the nation is entrusted, must also be entrusted with the means to execute that power. And if the object it seeks is good, and in accord with the Constitution, the government

must have its choice of means that are most necessary and proper for carrying out those powers.” On these grounds, Justice Marshall further ruled, that the power of creating a corporation like a bank, is one appertaining to sovereignty:

“The government, which has a right to do an act, and has imposed on it, the duty of performing that act, must, according to the dictates of reason, be allowed to select the means.”

And as it had been debated in the United States, the most indispensable means to promote the interests of the nation was to incorporate a bank, through which the credit of the nation could be organized and mobilized, for the public benefit.

This was a ruling arbitrarily overturned ten years later, by a traitor.

Today, over six decades since we have had a semblance of a constitutional credit system, our states are bankrupt, our people suffering unemployment, and the President now threatens their lives, by eliminating access to health care, while putting Federal funds into bank bailouts, and the financial market swindle known as “cap and trade.” Any competent understanding of the United States Federal Constitution, as giving us not the right, but the obligation to establish a National Bank and secure the public credit, shows us where we must go. Today the survival of the United States, and the world, depends on a quick return to our constitutional system of credit and national banking, a reorganization in bankruptcy, and mobilization of Federal credit, to halt and reverse the ongoing physical breakdown of the economy. At this moment, anything less than that, will kill us. And anyone who has a different approach, now deserves to be removed from their position in government.

Wrote John Quincy Adams to the Congress, when they still had the chance to rectify the crimes of the administration: “The President has constituted himself the legislator, and calls upon you to execute his ordinances and decrees. Representatives of the people of the North American Union, is it for this, that you are elected the trustees of their interests, the guardians of their rights? The Bank of the United States will die, but its ghost will haunt this hall, though justice should be denied, Congress after Congress, perhaps from age to age, and your evasion of the question will be a standing recommendation of the claim, till importunity shall extort from your successors the reparations sought in vain from you.”

Documentation

Hamilton's Report On a National Bank

To the Speaker of the House of Representatives:

The Secretary respectfully reports

... That a National Bank is an Institution of primary importance to the prosperous administration of the Finances, and would be of the greatest utility in the operations connected with the support of the Public Credit....

The following are among the principal advantages of a Bank.

First. The augmentation of the active or productive capital of a country. Gold and Silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead Stock; but when deposited in Banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality.... It is evident, for instance, that the money which a merchant keeps in his chest, waiting for a favourable opportunity to employ it, produces nothing, 'till that opportunity arrives. But if instead of locking it up in this manner, he either deposits it in a Bank, or invests it in the Stock of a Bank, it yields a profit, during the interval.... His money thus deposited or invested, is a fund, upon which himself and others can borrow to a much larger amount. It is a well established fact, that Banks in good credit can circulate a far greater sum, than the actual quantum of their capital in Gold and Silver....

The same circumstances illustrate the truth of the position, that it is one of the properties of Banks to increase the active capital of a country.... The money of one individual, while he is waiting for an opportunity to employ it by being either deposited in the Bank for safe keeping, or invested in its Stock, is in a condition to administer to the wants of others, without being put out of his own reach.... This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it, and keeps the

money itself in a state of incessant activity.... This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are all to the purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus by contributing to enlarge the mass of industrious and com-

And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth....

mercial enterprise, banks become nurseries of national wealth....

Secondly. Greater facility to the Government in obtaining pecuniary aids, especially in sudden emergencies. This is another undisputed advantage of public banks, one which, as already remarked, has been realised in signal instances among ourselves....

[T]hat Banks tend to banish the gold and silver of the Country ... is an objection, which if it has any foundation, lies not against Banks, peculiarly, but against every species of paper credit.

The most common answer given to it is ... that it is immaterial what serves the purpose of money, whether paper, or gold and silver; that the effect of both upon industry is the same; and *that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labour and industry* [emphasis added].... It is certain, that the vivification of industry, by a full circulation, with the aid of a proper and well regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a Nation.... A nation that has no mines of its own, must derive the precious metals from others; generally speaking, in exchange for the products of its labour and industry. The quantity, it will possess, will therefore, in the ordinary course of things, be regulated by the favourable or unfavourable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its

wants of them; between the amount of its exportations and that of its importations. Hence the state of agriculture and manufactures, the quantity and *quality* of its labour and industry must influence and determine the increase or decrease of its gold and silver.

If this be true ... well constituted Banks ... augment in different ways, the active capital of the country. This, it is, which generates employment; which animates and expands labour and industry. Every addition, which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both: And, by furnishing more materials for exportation, conduces to a favourable balance of trade and consequently to the introduction and increase of gold and silver....

The support of industry is ... of more consequence towards correcting a wrong balance of trade, than any practicable retrenchments in the expenses of families or individuals: And the stagnation of it [industry] would be likely to have more effect in prolonging such balance, than any savings in shortening its continuance. That stagnation is a natural consequence of an inadequate medium, which, without the aid of Bank circulation, would in the cases supposed be severely felt....

The establishment of Banks in this country seems to be recommended by reasons of a peculiar nature. Previously to the revolution circulation was carried on by paper in great measure emitted by the several local governments.... This auxiliary may be said to be now at an end. And it is generally supposed, that there has been for some time a deficiency of circulating medium....

The circumstances are ... the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former, while it promises ample retribution, in the generation of future resources, diminishes or obstructs, in the mean time, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts into its own channels a portion of that species of labour and industry, which would otherwise be employed, in furnishing materials for foreign trade, and which, by contributing to a favourable balance, would assist the introduction of specie [currency]. In the early periods of new settlements, the settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labour of others. The same thing is a cause, that manufactures do not advance, or advance slowly....

[Hamilton then lists several reasons why some already extant private banks may not be made the National Bank and why a new Bank must be created.]

... The last inducement ... is the want of precautions to guard against a foreign influence insinuating itself into the Direction of the Bank. It seems scarcely reconcileable with a due caution to permit, that any but citizens should be eligible as Directors of a National Bank, or that non-resident foreigners should be able to influence the appointment of Directors by the votes of their proxies....

It is to be considered, that such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State....

[T]he following plan of the constitution of a National Bank is respectfully submitted to the consideration of the House:

I. The capital Stock of the Bank shall not exceed ten Millions of Dollars, divided into Twenty five thousand shares, each share being four hundred Dollars; to raise which sum, subscriptions shall be opened.... Bodies politic as well as individuals may subscribe.

II. The amount of each share shall be payable, one fourth in gold and silver coin, and three fourths in that part of the public debt, which according to the loan proposed by the Act making provision for the debt of the United States, shall bear an accruing interest at the time of payment of six per centum per annum....

XIII. None but a Stockholder being a citizen of the United States, shall be eligible as a Director....

XX. The bills and notes of the Bank originally made payable ... in gold and silver coin, shall be receivable in all payments to the United States.

XXI. The Officer at the head of the Treasury Department of the United States shall be furnished from time to time ... not exceeding once a week, with statements of the amount of the capital Stock of the Bank and of the debts due to the same; of the monies deposited therein; of the notes in circulation; and of the Cash in hand; and shall have a right to inspect such general account in the books of the bank as shall relate to the said statements....

XXIV. And lastly. The President of the United States shall be authorised to cause a subscription to be made to the Stock of the said Company, on behalf of the United States, to an amount not exceeding two Millions of Dollars, to be paid out of the monies which shall be borrowed by virtue of either of the Acts, the one entitled

“an Act making provision for the debt of the United States,” and the other entitled “An Act making provision for the reduction of the Public Debt”....

The combination of a portion of the public Debt in the formation of the Capital, is the principal thing, of which an explanation is requisite. The chief object of this is, to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. ... But to collect such a sum in

It is to be considered, that such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State....

this country, in gold and silver into one depository, may, without hesitation, be pronounced impracticable. Hence the necessity of an auxiliary which the public debt at once presents.

This part of the fund [the Continental Debt] will be always ready to come in aid of the specie. It will more and more command a ready sale [i.e., the debt of the U.S., via the Bank, will become marketable]; and can therefore expeditiously be turned into coin.... This quality of prompt convertibility into coin, renders it an equivalent for that necessary agent of Bank circulation; and distinguishes it from a fund in land of which the sale would be far less compendious, and a great disadvantage....

The debt composing part of the capital, besides its collateral effect in enabling the Bank to extend its operations, and consequently to enlarge its profits, will produce a direct annual revenue of six per centum from the Government, which will enter into the half yearly dividends received by the Stockholders.

When the present price of the public debt is considered, and the effect which its conversion into Bank Stock, incorporated with a specie fund, would have in all probability to accelerate its rise to the proper point, it will easily be discovered, that the operation presents in its outset a very considerable advantage to those who may become subscribers; and from the influence, which that rise would have on the general mass of the Debt, a proportional benefit to all the public creditors....