

On bank nationalisation

When LaRouche was briefed this week on the dramatic collapse of HSBC and the AIG bailout, he said, "So tell me something new? I told you that on July 25th, 2007..." On the major institutions, including Citigroup and AIG, where more Federal bail-out money has already been put in than their entire value, and they've effectively been bought up by the Federal government, LaRouche said, "Yes, we have to introduce another element at this point, which is Hamilton's concept of a National Bank." In such situations, these shares or companies will be held as assets of the National Bank, until they're ready to once again become private entities.

A Hamiltonian National Banking Act is needed. Some of these corporations will be placed in temporary receivership, to either be liquidated, or re-established. After we've written off all of the trash on the books of the banks, beginning with the derivatives, there will still be legitimate obligations on their books to the Federal government, that will now represent net assets on the books of the National Bank, until they are retired.

What we need is a National Banking Reform Act, to provide for these kinds of circumstances of receivership. Remove the crap, write it off, and then sort out the still-existing legitimate obligations, and put them on the balance sheets of a Federal government entity, which can use them against which to issue credit and otherwise, until they are retired.

But when world leaders have talked about nationalising the banks recently, they have not meant what LaRouche means. As John Hoefle put it in his weekly *EIR* column (March 6, 2009):

"What the debate over nationalisation really is, is a debate over how to proceed with the bailout. Congress is feeling the heat from the voters back home, who are overwhelmingly opposed to the bailout swindle, while the bankers are worried that the issue is becoming too "politicised," as the politicians begin to worry about the consequences of their repeated capitulations.

"The idea behind bank nationalisation is that the government would step in and take over the banks, buying up a majority of stock, imposing a few insignificant

controls, and then absorbing the banks' losses. The government would, in effect, transfer trillions of dollars of toxic waste from the books of the banks to the backs of the taxpayers. The public would be told that this is being done to restart the economy, when, in fact, it would be a significant expansion of what is already the greatest swindle in history.

"The banks, once freed from their losses, would somehow magically begin to lend again; investors would once again start buying securities; and we could go right back to what we were doing before. That is, in effect, what Fed Chairman Ben Bernanke is saying, when he talks about the need to restart the securities markets.

"Does it not occur to these idiots that rewinding the clock to a point before the explosion does nothing to solve the problem? That what we were doing is what caused the explosion in the first place? That maybe their system blew sky high because it was nuts to begin with, and that the last thing we should do, is try it again?

"Should we believe that they will learn from their mistakes, when there is no evidence to support that fantasy? Haven't their repeated attempts to halt the collapse through monetary injections proved that they not only have no solution, but that they don't even understand the problem? This would be funnier than the Keystone Kops, were it not so damn serious.

"We must turn our backs on monetarism, upon the belief that economies are run through the manipulation of money, and return to the principles of physical economy.

"Our vast geographical expanse was transformed into a nation by a series of great projects, led by developing inland

waterways as transportation corridors, by the building of the transcontinental railroad system, by improving infrastructure, generation after generation. This is the method which gave us the highest standard of living in history, and it can do it again."



BEN CHIFLEY

In 1945 Treasurer Ben Chifley tabled legislation to make wartime controls of banking—which directed credit to the benefit of the national interest, i.e. the war effort—permanent. Chifley said in parliament:

The intention of this legislation is to ensure that the banking system of this country shall work in the interests of the people as a whole. It has been planned in such a way as to ensure that final authority over the monetary policy of the country, shall rest with the government, which is responsible to the Parliament, and to the people. No longer shall we leave control of the monetary system of this country in the hands of people with no special training, whose interests are personal and material and are associated with "big business".

Later as Prime Minister, after the bill had been passed, he explained its function:

Essentially the task of the new [banking] organisation will be to provide a financial mechanism appropriate to the needs of our rapidly growing economy. Australia is destined to see great developments in the coming years and this process, which is already underway, must be promoted by every means possible. ... Industries will expand ... transport and communications, water supply, power, housing, health and education, must be enlarged ... The stress everywhere will be upon new forms of enterprise, new methods of production, and new uses of the resources of this country. ... The banking system must anticipate these needs and be in the field with the right kinds of facilities to assist and encourage such developments.