THE UNITED STATES REQUIRES A HAMILTONIAN NATIONAL BANK

Restoring and enforcing the Glass-Steagall banking system regulation once and for all empties the Wall Street casino, but to begin refinancing a physical recovery for the American people, much like Hamilton initiated after the Revolutionary War, or as Lincoln did to overcome the destruction of the Civil War, or as Franklin Roosevelt did to overcome the Great Depression, President Trump and Congress must create a 'Hamiltonian' National Bank. Only the creation of a large-scale national credit institution to replace the speculative swamp which has dominated our economic policy for decades, can finally substantiate the U.S. economy with productive employment and high rates of productivity per worker.

This means that the United States must be able to create approximately $1 trillion in national economic credit, and rapidly, to mobilize the American economy and raise its productivity. This is not simply a matter of providing funds for the renewal of the nation's infrastructure, but also requires substantial credit for innovative manufacturing—including and especially by small and medium-sized companies—through a large national system of commercial banks, for an overall reconstruction of both the nation's basic economic infrastructure platform, as well as a revival of our advanced manufacturing capabilities.

Hamilton's Way

For 150 years, when such mobilization of national credit was successful—from the time of Washington to that of F.D.R.—it has always been the method of first Treasury Secretary Alexander Hamilton.

Alexander Hamilton, U.S. Treasury Secretary during George Washington's Presidency, created a system that closely coordinated the relationship of public credit with the role of the national government. The task of the national banking system, via the U.S. Treasury, is to create and circulate new currency which is sound in the immediate term, and to invest it in the broad national purposes of developing the productivity of the American economy and labor force, and in a such a way, that it will be more than repaid in the medium and long term. Hence any and all national currency is national debt, which is repaid by the increased productivity of the economy over the long term.

During the period of rapid U.S. economic and population growth stimulated by Hamilton's First Bank of the United States and the Monroe–Quincy Adams Second Bank of the United States, the Hamiltonian representatives of the "American System" understood that the Treasury should create, issue, and regulate circulation of new currency exclusively through a National Bank.

The First and Second Banks of the United States were extraordinarily successful in directing new credit to develop waves of new economic platforms—first in roads and ports; then long-range canals such as the Erie Canal, opening up the iron and coal-rich regions of the Midwest; and then railroads, which eventually became the trans-continental system. All of this required the industrial iron and coal works and steam-engine projects established throughout the cities of our young nation for success, and subsequently led to the rapid growth of innovative manufacturing and new farmland throughout the country.

Under Abraham Lincoln, the U.S. Treasury created for the first time a new paper currency—the Greenbacks—and its issuance was based, not on a Third Bank of the United States, but on a new National Banking System of the new Federally chartered commercial banks. These Treasury-chartered banks bought new Treasury bonds which were issued by the government, and received Greenbacks in an equivalent amount for circulation. The new Treasury debt was of 20 years maturity, and the interest was made sound by new taxes. Considered collectively, in cooperation with the Treasury, those newly chartered commercial banks functioned, effectively, as a Third Bank of the United States.

The Greenback credit issuance funded not only the huge military and industrial effort of the Union in the Civil War, but the development of the trans-continental railroads, steel and iron industries, state colleges and agricultural extension services, and generally propelled the United States to become the world's leading industrial power by the early 20th Century. Throughout this period the Greenbacks remained a sound currency, fully backed by interest-bearing Federal debt which was in turn backed by taxes. Greenbacks were so sound, in fact—made so by growing productivity and real wealth—that when the 20-year Greenback bonds became mature for redemption, in gold and silver no less, nearly all holders of Greenbacks elected to keep the paper currency and pass up the precious metal specie.

Franklin D. Roosevelt, basing himself on certain actions of Congress in 1933, attempted in 1934 to create a "national industrial bank" with 12 branches, within the Federal Reserve System. In FDR's proposed March 1934 legislation, this national industrial bank within the Federal Reserve would absorb a total of $6 billion in Treasury securities from the Federal Reserve, and be able to issue an equivalent amount in Treasury Notes (i.e. Greenbacks) directly as loans to industrial companies then struggling to revive production.

Congress did not adopt FDR's legislation, and left him to rely on Hamiltonian "approximations" in the Reconstruction Finance Corporation, the Tennessee Valley Authority, and the Works Progress Administration. This was, again, successful in reviving economic growth, productive employment, and productivity per capita, as well as defeating fascism through the enhancements in land area for farming and industry, major advancements in manufacturing and machine tools, and the development of new power sources.

Had only FDR's policies been sustained after the war, as we saw only momentarily with JFK and the space program, the United States would have accomplished a second industrial revolution based on nuclear and space technologies. To this day, this remains the next economic platform objective.

The Failure of the Federal Reserve and Wall St. System

The structural arrangement of the Federal Reserve Bank, still today, is that chartered commercial banks are required to buy Treasury securities and place them on reserve at the Federal Reserve, which issues U.S. paper currency on that basis. Yet the Federal Reserve's so-called policy is to not issue new currency for purposes of production, employment, and productivity. Rather it only issues currency to maintain the reserves of the large U.S. and Europe-based banks, i.e. Wall St. and London investment banks, and to make liquidity loans to those banks each time they fall into crisis. The deeper the banking crisis, the more the Federal Reserve prints U.S. currency, building up the excess reserves of those large banks, which now totals some $4 trillion-plus in just the past eight years.

Since the 2008 bank panic, the Federal Reserve has been challenged in Congressional hearings on its failure to buy infrastructure bonds, which are issued by cities and states. Yet despite leveraging its own Treasury-bond reserves, by nearly 100-to-1 to create vast waves of new U.S. currency, it has persisted in issuing that currency only to build huge excess reserves in large investment banks, either by loans or by the outright purchase of their assets. There has been no net issuance into the productive economy. In fact, for much of the past eight years, that net issuance into the real economy has been negative. The biggest U.S. and Europe-based banks are, effectively, the Federal Reserve's only customers. It does not perform any of the functions of commercial banking, as did the First and Second Banks of the United States and Lincoln's "Third" National Bank System of the United States.

A New National Bank

A new national bank should now be established and capitalized with outstanding treasury securities as a basis for creating, in the very short term, approximately $1 trillion of credit at very low interest rates. This means that the already existent U.S. debt, in the form of U.S. Treasuries, can provide the basis for the necessary funds for rebuilding our nation, establishing a renewed space program, and launching a major research and development program for commercial fusion energy. No additional debt will be required—though it may be both desired and prudent in a short time to come—to provide approximately $1 trillion in investments into the U.S. economy in the first years of a Trump Presidency.

Nations such as China have already expressed interest in this kind of investment, and the option for the American people to invest into this new National Bank would also be possible. Combining both outstanding U.S. debt, and the financial resources of fellow Americans, the U.S. is capable of launching the greatest advanced industrialization ever seen. By not simply repairing the old, but establishing an entirely new platform from the most advanced technology available, we will enable the

U.S. to again play a positive role for the world, and for our future.

Here is how it would work:

The Bank of the United States for Infrastructure and Manufacturing would be capitalized by holders of longer-term Treasury debt (and qualified long-term state and municipal bonds) in exchange for preferred stock for 20-25 years. These stockholders would earn a dividend significantly higher than the rates on the securities they currently hold, a dividend guaranteed by the U.S. Treasury. While over the longer term the bank's loans should be able to cover the guaranteed dividends, for the short term a specific tax, such as an adjusted federal gasoline tax, can be assigned to ensure payment of the dividends.

The sum required to pay the full dividend amount, beyond the interest accruing from the underlying stock, would still be less than the rate the Treasury would have to offer for new debt. The initial aim for capitalization of this bank would be in the range of $1 trillion.

The largest holders of long-term U.S. Treasury debt, such as the government institutions of China and Japan (which each hold over $1 trillion), have every interest in investing some portion of that debt into a Bank of the United States for Infrastructure and Manufacturing, as do the American commercial banks; pension, retirement, and other funds; and the average citizen. As the Bank absorbs, as its capital, outstanding U.S. Treasury debt, it will be in a position to issue new currency in an equivalent amount to the Treasury Notes it has absorbed. This currency is what is colloquially known as the "Greenbacks." These Greenbacks can be issued by the Treasury to the Bank for circulation, up to the amount of the Bank's capital.

By directing the credit of the bank to national purposes of economic, technological and scientific progress, the long-term "payback" of such a Bank's investments will be made certain by the accelerating growth of productivity of the economy and the American labor force. Proof of such an economic system only requires one to look at our nation's most successful periods of development. Hamilton's system has never failed us, and it is the answer to the crisis we face today.