



# THE NAME IS HAMILTON, NOT ROHATYN — IF WE'RE SERIOUS ABOUT INFRASTRUCTURE AND PRODUCTIVITY

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by Paul Gallagher

The Nov. 18 *New York Times* carried on its front page an exhortation, "Trump-Size Idea for a New President: Build Something Inspiring," discussing and proposing a number of regionally important infrastructure projects.

But the leading economic power of Asia, China, is rapidly building new infrastructure projects, domestically and internationally, which make the *Times'* proposals appear not very "inspiring." A national high-speed rail network surpassed 12,000 miles built, in 10 years, to cite just one example.

Though the *Times* proposed high-speed rail lines along parts of the East and West Coasts, it was unable to conceptualize the great projects the U.S. economy really needs. These include an entirely new, continental water management and water creation (desalination, ionization) system to rescue the whole West from advancing desertification; a continental high-speed rail network which includes going across the Bering Strait to Eurasia and down into Mexico and through the Darien Isthmus into South America; a project to industrialize the Moon; breakthroughs to fusion energy and plasma industrial technologies; a major revival of NASA's solar and deep-space plans.

Thus, two conditions for president-elect Trump's "big plans" for infrastructure. They must be carried out in cooperation with China and its new international development banks. And the proposals for financing them — including that suggested by the *Times* — must be scrapped, in favor of Alexander Hamilton's design of national credit institutions.

Franklin Roosevelt's "Four Corners" and other infrastructure great projects are cited as exemplary throughout the *Times* piece. The Hoover Dam was a tunnel-and-dam project on a scale never attempted before, requiring tunnel-boring

machines and other industrial capacities which did not exist. The Tennessee Valley Authority was, among other things, a near-continental integrated system of water management, flood control, power production, rural electrification. Very large national science facilities which were developed at Oak Ridge, Los Alamos, Livermore, and Chicago were also large industrial projects at the very frontiers of the nuclear sciences. And so on.

President Kennedy's Apollo Project was human "transportation infrastructure" into the Solar System. It was infrastructure work at both the scientific and industrial frontiers.

Building these "things that are hard," as Kennedy called them, caused productivity leaps in the U.S. economy and labor force which were unprecedented since the 1870s. There has been no such productivity growth in the last 50 years.

For these purposes, the "public-private partnerships" (PPPs), made famous in Democrats' policy shop-talk since their invention by Felix Rohatyn of Lazard Bank 50 years ago, are completely incapable. Here there are no private financial profits to be had (except for the constructors and their lenders) on a scale of less than a decade at best; there are only new levels of productivity. A breakthrough to fusion power will not provide "user fees," only a new future for America and humanity.

From the Republican side, the circulated "Trump plan" for an infrastructure bank is even more unworkable; it could be called a "private-private partnership." The Treasury merely provides \$140 billion in tax credits up front to induce investment funds to form an "infrastructure bank"; then Uncle Sam steps aside and guarantees these plungers while they borrow another \$850 billion and control the selection of infrastructure projects to be financed by the trillion-dollar bank!

With the infamous zero-interest rates already rising rapidly at the very smell of this kind of

thing, that's one big mass of debt service incurred by this perhaps-Trumpian bank. The Treasury is supposed to recoup its \$140 billion, gradually, by taxes paid by construction workers, engineers, etc. on the projects. But the lenders of the \$850 billion are to be provided for by "user fees" (which are also a big feature of PPPs).

But at the frontiers of "great projects," such as described above, there are no user fees for quite some time! If user fees are the means of paying the infrastructure bank's debts, its managers will grab at short-term "things that are easy" like new airports, toll bridges, etc. Forget productivity advance. A great chance to rebuild America's economy will be thrown away.

### **Real Economics**

Enter Alexander Hamilton — who invented national credit for manufacturing, productivity, and infrastructure — and his students: John Quincy Adams (2nd Bank of the United States); Henry Clay (Fiscal Bank of the United States); Abraham Lincoln (Greenback and National Banking Acts of 1862, 1863 and 1864); and Franklin Roosevelt (Reconstruction Finance Corporation).

Using Hamilton's principles, a national bank should be capitalized with existing Federal and state debt, stretched out by the Bank to the timescale of the great infrastructure projects themselves; the capital subscribers are rewarded by healthier interest rates and a Treasury guarantee. A Hamiltonian national bank is a commercial bank as well — states and municipalities, as well as businesses, will use it as a bank of deposit, while it buys or discounts their own infrastructure bonds.

A means of servicing the longer-term debt of the bank ("extinguishing it," in Hamilton's words) must be provided which is — for the initial building period — independent of the Bank's great projects. A NEW TAX — or, the assignment and increase of an existing one. Neither Hamilton, nor Washington, nor Lincoln, nor FDR, nor JFK were sissies about imposing the taxes necessary — and no more! — to sustain the credit for their great advances in our nation's productivity.

These principles of productivity are those of Lyndon LaRouche's Four Laws to Save the United States. They are the actions which deserve to be called "inspiring."

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