

Hamilton, from the Standpoint of LaRouchean Economics

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This document will assume that the reader has minimally read all four of Alexander Hamilton's Reports to the US Congress^(F1) as well as LaRouche's book "So, you wish to learn all about economics?" However, it will attempt to elucidate the matter at hand pedagogically enough that those who have not read these documents, will still understand the idea being conveyed.

For the modern reader, some arguments of Hamilton, such as in favor of manufacturing per se or in favor of the existence of banks may (wrongly) seem unnecessary, but they must be put in the context of Hamilton's fundamental and expressed intention. The purpose of these elements was simply a means to his actual end, which was the increase of the power and efficiency of a national economy. For our present reader, Hamilton's emphasis on "manufactures" is equivalent to LaRouche's emphasis on revolutionary practices in science and manufacturing which change the overall function of the economy for the better. Hamilton's emphasis on manufactures is that they improve the economy of labor, make total output greater, and increase the overall power of the economy. He explicitly refers to the role of technological progress in this. I emphasize this because many modern readers might say, "of course we need manufactures," but without understanding what Hamilton was getting at. As a jumping off point, let us refer to another famous economist, the British empire's dupe Karl Marx.

The foolishness of Marx can be summed up in two grossly incompetent errors of his, both of which follow from a linear notion of "value", and ultimately from his flawed epistemology. One is his notion of the "value of a product"; the other is the idea that technological progress is the inherent cause of his claimed inevitable "breakdown crisis" in Capitalism. Let us take these in order:

1. Marx's idea of the value of a product is that two workers, working an equal amount of time, should produce products of equal value. Thus, a farmer working ten hours in the field produces an equal value to a manufacturer working ten hours in a factory. Or, put another way, a prostitute working ten hours also produces an equal value to the farmer and manufacturer. It is very easy to see through such incompetence. For example, let us say that one man works a full day weaving baskets by hand, while another works a full day producing a machine that can produce baskets a hundred times faster than a single human. According to Marx, the value of the handful of baskets weaved by the single man, will equal the value of the machine produced in the same

time which can produce the same baskets much faster, and with less human effort. Therein lies the clue to Marx's second error.

2. Marx's claim is that technological progress, as in this case causes the human basket weaver to lose his job because of the machine, is the reason why "Capitalism" must break down. Thus, he claims that as technology increases, there will be more people unemployed, leading to a clash of "classes." So, the very thing which Hamilton and LaRouche say are desired for economic progress, Marx attacks! ^(Fn2) In Hamilton's view, what is called "economy of labor" is a good thing, since it frees up manpower time for other useful work. The fact that the basket weaver loses his job to a machine is a good thing, since it frees him up to engage in other, usually less manual, labor. He can now do something which a machine cannot do, adding to the overall product of the economy. (In our modern day, this means we need good retraining programs.) Marx's stubborn stupidity, in his refusal to see such obvious implications of his theory, led on one occasion to his attacking Henry Carey by name, but without any substantive reason for this attack. He thus put himself squarely on the side of the British Empire's worldwide looting policy, whether he was conscious of that or not.

But what, then, is "value?" In fact, this is the wrong question, if one means numerical value. Any attempt to define a numerical value for anything is bound to lead to strange paradoxes. What if I ask, "what is the natural value of those shoes you are wearing?" If you are a pimp or a stockbroker, there is no value to them, since you are performing a net loss to society. If you are a useful citizen, then there is some value, commensurate with your contribution to society. The actual question to ask should be, "To what degree do developments within an economy improve the overall condition of its citizens, including the prospects for its future ones?" From that standpoint, costs of products should be determined within the context of the question asked above. For example, if costs of healthcare are so high as to cause deterioration of a population's overall health, that is a detriment to any national economy. If the price of corn per unit is lower than a farmer's cost to produce that corn, the government must intervene with parity prices, to ensure the farmer obtains enough for some fair margin of profit, so that he can continue farming. If international imports of certain products are cheaper than American ones, Hamilton advocated the use in some cases of temporary tariffs, and even bounties paid to farmers, to ensure they could continue, until their production was on equal par to the foreign competitors. In some cases, when international competitors had a product that America needed but could not produce, he advocated letting the product in freely. (Note that Hamilton's thinking is different than both the "left" Marx and the "right" Adam Smith, which two are rightly seen as two sides of the same British imperial policy.)

Take Hamilton's arguments in favor of banks, and in favor of the use of public credit. In both cases, he was trying to create an avenue to increase the number of productive

transactions. He points out that someone can hoard cash, but that such cash will lie idle and perform no work. If that person puts the cash in a bank, however, the bank can loan and re-loan out that cash to multiple customers, causing added product with each new transaction. Similarly, his argument for keeping sound public credit was that, if the US government was seen as reliable, its debt would be as good as money, and would trade like cash, adding new product with every new transaction. The debt could be turned into an asset. We must now add that this will be true as long as these transactions are productive and not speculative. In our current world, debt and other credits trade back and forth billions of times per day on the speculative markets, but do not produce any net physical gain.

What then is a productive transaction? It is of course one which leads to a productive action. We must think of economy as a physical process, as if money did not even exist. Then, looking back from this standpoint, add in money as simply a convenient tool to facilitate this physical process. For this, let us turn to a physical analogy for elucidation. LaRouche's scientific advisory team has done extensive research on methods for the artificial irrigation of presently unfertile land, especially the greening of large tracts of arid and desert areas. The following summary will elucidate the matter:

Using future fusion desalination of ocean water, sufficient fresh water can be pumped into an arid or desert area, to create vegetation coverage, lakes, streams and so on. For illustration, let us imagine an area in Colorado, the US State with the highest average elevation at 6800 feet (2 km) above sea level. This State could be called the "topological roof" of America. If large quantities of water are pumped here (or anywhere), the sun will evaporate much of this water from plants and standing water, which will then fall down as rain in contiguous areas. Those contiguous areas will in turn become green, and evaporate water, continuing the cycle. The estimate for one area was that the water brought in would rain, evaporate and re-rain three times, before flowing back to the sea. So, the same water which was doing no work (like the cash hoarded in a person's home), would end up greening three contiguous arid areas. The Sea would not lose any water, since the same water taken from it would return to it, after doing useful work. In addition, since Colorado is the roof of America, it is the natural start of a water distribution system for the Western two-thirds of the USA. Water from Colorado can flow down to Wyoming, the second-highest State; to Utah, New Mexico, Nevada, Idaho and Arizona. From these seven States, water can flow by gravity to all the other States in the Western two-thirds of the USA. Such a system is typical of the type of thing that will be easily feasible once the science for peaceful fusion energy production is discovered. This now brings us to the next conception.

The above project is one example of one that increases the overall effect of the economy, increasing the amount of living plant and animal life, and other output. As such, paying to build it would be a "productive transaction" or many such transactions. However, the only thing that prevents us from doing it at the current time is the lack of plentiful fusion energy. We have the means currently to do almost everything about this project. We know how to pump water, how to build canals, tunnels, and so on. The only lacking capacity is the plentiful amounts of fusion energy that would make it economically easy to move such huge amounts of

water. Thus, just for the sake of this document, let us term “uniquely productive actions” as ones which make possible the productive actions which require some new added element which mankind does not currently have. Such “uniquely productive actions” will also make already-existing capabilities more efficient. This is highly paradoxical, since we cannot say that paying \$X to a scientific project will result in a scientific breakthrough. Money is simply a facilitator, not a generator. It is a political instrument used for a beneficial end. What we do know is that having a total commitment to such breakthroughs in science will pay itself back many times over. We cannot begin to express in monetary amounts the gains that the US has obtained from the Apollo Moon landing project half a century ago. The US economy was so profoundly changed by that project that we would have to say that everything we are today is the payback from it. Simply saying that the US got back \$10 for every \$1 spent on Apollo is a vast understatement of the actual payback received. Thus, such projects, which give mankind new dimensions of scientific ability which had not existed prior, are the “uniquely productive actions,” that define the actual value of an economy. In short, increased value can ultimately only come from scientific and technological progress, as LaRouche has more clearly emphasized the same point that Hamilton was making.

A monetary system is a system wherein private individuals, as in the controllers of the Bank of England, control the emission of money, and use it to their own benefit, to control society and increase their own power. In a Credit System, as the US used to be, under Article:1-Section:8 of the US Constitution, only the government has the authority to issue money. That money is regulated by both the Congress and (as Hamilton devised) a Federally chartered National Bank, toward maximizing what we have termed here “productive” and “uniquely productive” actions which benefit the nation.

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Footnotes:

F1. Report on Manufactures, Report on the Constitutionality of a National Bank, Report on Public Credit, Report on a National Bank. Of these, the second, is the least important for our needs, since it is mainly Hamilton’s arguments against the legalist sophistry of people like Jefferson, who opposed the idea of federal credit, and wanted a British free-trade system, wherein slavery would be continued.

F2: Marx finds it incomprehensible that both the “Capitalist class” and the “Worker class” could both benefit from progress. Not only is such a division of humanity into classes unnecessary, but the idea that technological progress comes from greedy Capitalists trying to get rich by making machines that are cheaper than human labor ignores the fact that most significant technological progress comes from governments sponsoring such progress on behalf of the public good. Exceptional cases, such as Thomas Edison’s concern people who are driven by a joy of discovery rather than a monetary incentive. The purpose of such private creative inventors is discovery, not money, although they are happy to get money along the way. So, on both accounts, Marx was wrong.

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