

California Water and Infrastructure Report

Formerly, the “California Drought (and Flood) Update”



For January 11, 2018

by Patrick Ruckert

Published weekly since July, 2014

An archive of all these weekly reports can be found at both links below:

<http://www.californiadroughtupdate.org>

<https://www.facebook.com/CaliforniaDroughtUpdate>

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The need for the U.S. to be able to create a large amount of national economic credit, rapidly, to mobilize the American economy and raise its productivity, is not simply a matter of “renewing the nation’s infrastructure,” but also one of maintaining credit for innovative manufacturing—including by small and medium-sized companies—through a large national system of commercial banks.

For 150 years, when such mobilization of national credit was done successfully—from the time of Washington to that of FDR—the method of doing it was Treasury Secretary Alexander Hamilton’s.

From: LaRouche's Four Laws & America's Future On The New Silk Road

A Note To Readers

Water, rain, snow, flooding, broken spillways, wrecked aqueducts-- that is California today. Houston, Florida, Puerto Rico-- more than \$200 billion in damage and the Congress still has not passed the rebuilding bill, leaving millions of Americans in misery and death. While China now has the most aggressive research program in the world for advanced nuclear technologies, including for fusion, the U.S. continues to shut down nuclear plants and construction and cuts the fusion research budget even more.

The President's intent to make America great by building and rebuilding our infrastructure must get moving. The battle is being sabotaged by the Republicans in the Congress and Wall Street's parasitical speculative system. The Feature this week presents how to restructure the financial system to make possible the building of a new productive platform of infrastructure for the nation.

Others are beginning to call attention to the urgency of freeing the President from the saboteurs:

The National Association of Manufacturers (NAM), representing millions of people in manufacturing companies, released a strong letter to Trump Jan. 9, signed by NAM CEO Jay Timmons. "The infrastructure investments of the 1950s and 1960s brought tremendous economic benefits, built strong communities, improved productivity and competitiveness, and allowed manufacturing to grow and put people to work in solid middle-class jobs. Today, however, as more and more of our infrastructure crumbles, it is not keeping up with modern demands for safety and innovation, nor is it giving American workers the tools they need to compete with the rest of the world."

In This Week's Report

Southern California had ten months of virtually no precipitation and the northern part of the state was not much better. The question asked for the past weeks was "is this a new drought?" Well this week's rain and some snow does not answer that question yet, for after all, this is California and anything can happen in the remaining two months of the "rainy season." The first section below gives the story for this week anyway.

The Oroville Dam update features the January 5 release of the Independent Forensic Team (IFT) final report on the collapse of the Oroville Dam spillway of February, 2017. The Department of Water Resources, the report states, in my words demonstrated gross incompetence, irresponsibility, and a lack of serious foresight and planning. Of course, all that can be said of virtually the entire political leadership of the nation over the past 40 plus years. And as the saying goes, the fish rots from the head down, such rotteness at the top has percolated down through all the institutions of the nation.

Lack of precipitation in the entire Colorado River Basin, while not threatening to the entire Southwest's water supply yet, is beginning to become alarming.

The damage from California's five year drought continues to be counted up. Subsidence along the Friant-Kern Canal, with a five-inch drop within the past year in southern Tulare County has caused a 60 percent reduction in deliveries to districts along the lower half of the canal system.

The section "Infrastructure and Related News" includes articles on Trump's speech to the American Farm Bureau Federation, the tax cut bill, the fight between Trump and the Republican Congress on infrastructure, China's investments in the U.S. "rust belt," and a report on how one-third of global GDP growth this past year occurred in China.

The Feature this week under the title of The American Credit System begins with two videos on what is an economy and what is value. It concludes with chapter 2 of the new pamphlet, "*LaRouche's Four Laws & America's Future On The New Silk Road.*"

Rain, Floods, Mudslides

Well is the question we have been asking for the past weeks now answered? Are we now in a new drought? No, not in California. A few days of rain, even in some areas record rain, tells us nothing what the remaining two months of the "rainy season" shall bring.

Here is some coverage of what this week's weather has been like. Weather is different than climate, which confused people seem to mix-up these days. Weather is what is happening meteorologically today. Climate is the longer-term pattern, at least 30 years.

First big winter storm reaches California. Here's what it means for the water year

By Dale Kasler And Benjy Egel

dkasler@sacbee.com

January 08, 2018 09:29 AM

<http://www.sacbee.com/news/weather/article193540134.html>

California finally got its first real taste of winter weather Monday as a substantial rainstorm swept through the state, causing numerous traffic accidents and bringing warnings of flooding and mudslides in areas burned by wildfires.

The National Weather Service said much of the Sacramento Valley could receive up to 2 inches of rain by the time the storm winds down late Tuesday or early Wednesday. Although the storm started out fairly warm, bringing mostly rain, parts of the Sierra Nevada could expect as much as 30 inches of snow.

"It's a pretty significant (weather) system here, more moisture than the previous systems that have come through here," said Mike Kochasic of the National Weather Service in Sacramento.

California storm sets rainfall records, triggers trouble in fire zones

By [Julia Prodis Sulek](#) and [Mark Gomez](#)

Bay Area News Group

January 8, 2018

<https://www.mercurynews.com/2018/01/08/bay-area-forecast-wettest-storm-so-far-this-season-has-arrived/>

After a bone dry December, the stubborn atmospheric ridge of the Pacific Coast has broken down, the storm door has opened up, and on Monday, Californians from Redding to San Diego welcomed something we haven't seen all winter: the Golden State's first significant storm of the season.

San Francisco racked up its most rainfall in a calendar day — more than 3.15 inches — since 2014. Southern Big Sur got pounded by more than nearly 4.5 inches. Residents in fire-damaged regions in both the north and south faced flash flood watches and warnings, prompting evacuations in Southern California where the Thomas fire burned until nearly Christmas.

What a difference a month makes.

"It relieves that sense of 'here we go again back in the drought,'" State Climatologist Michael Anderson said Monday. "We'll have to see how the rest of the winter plays out, but it keeps us closer to our average precipitation, which is good. It's just managing the extremes with the challenges of the huge fires that we had this fall and winter."

Before this week's storm, Southern California had barely received a drop of rain since last February, creating prime conditions for December's Thomas fire, the state's largest in recorded history after burning 273,400 acres in Ventura and Santa Barbara counties. Students from UC Santa Barbara, which canceled classes a week before winter break, returned Monday to take their delayed finals.

Before Monday's storm, rainfall in Los Angeles and San Diego, for instance, was 3 percent of normal, registering barely a tenth of an inch of rain in either city. By 4 p.m. Monday, a quarter-inch deluge in Los Angeles doubled its rainfall totals. Santa Barbara could receive as much as six inches by Tuesday.

Mudslides around Thomas fire burn area exacerbated by 11 months of dry conditions

By Andrea Castillo

January 10, 2018

<http://www.latimes.com/la-me-southern-california-storm-live-mudslides-around-thomas-fire-burn-area-1515541591-htmlstory.html>

Bill Patzert, climatologist for NASA's Jet Propulsion Laboratory in La Cañada Flintridge, said mudslides are par for the course in this region.

“There are four seasons in California – drought, followed by fire, followed by floods, followed by mudslides,” he said. “That’s the normal sequence that we live with, unfortunately.”

Patzert said the worst debris flows happen during an “atmospheric river event,” when 6-10 inches of rain falls in the course of two or three days. It’s fortunate, he said, that Tuesday’s mudslides weren’t preceded by more rain. It could have been worse.

But Patzert said the mudslides were exacerbated by the fact that Southern California saw less than one inch of rain in the past 11 months, making conditions extremely dry. And he said that hot, fast-moving fires change the chemistry of surface soil, allowing little water to soak through. That means debris can flow unconstrained.

Patzert said California has some of the best flood controls in the world. Basins around the foothills catch debris flows to mitigate damage, and most runoff flows into the Pacific Ocean. The damage that results from mudslides, he said, is mainly a function of bad zoning.

“When you’re living below a hillside that potentially can burn, you’re a risk-taker,” he said.

Storm dumps 18 inches of snow, heavy rain in Sierra Nevada

By AP

Posted: Wed 12:47 AM, Jan 10, 2018

<http://www.kolotv.com/content/news/Storm-dumps-18-inches-of-snow-heavy-rain-in-Sierra-Nevada-468551523.html>

Lake rising, rivers running high as 2018 starts out wet

By Staff Reports

Posted: 01/10/18

<http://www.chicoer.com/article/NA/20180110/NEWS/180119967>

The storms of January have the north state’s rivers and streams running high, and have raised the level of Lake Oroville 5 feet since the start of the year.

As of 3 p.m. Wednesday, the water surface at the lake was right about 702 feet above sea level.

That’s still almost 200 feet below the lip of the emergency spillway, and more than 110 feet below the gates that could let the water into the repaired main spillway. It’s also well below the 750-foot level that would trigger increased releases through the Hyatt Powerhouse under the flood operations plan in place for this year.

Oroville Dam Update

On January 5 the Independent Forensic Team (IFT) released its final report on the collapse of the Oroville Dam spillway of February, 2017. The best coverage of this report is from the Sacramento Bee articles, excerpted below. The statement from the Department of Water Resources follows. And at least one head rolled, which is covered in the last article in this section.

Final verdict on Oroville Dam: ‘Long-term systemic failure’ by the state, regulators

By Dale Kasler

January 05, 2018 11:25 AM

<http://www.sacbee.com/news/local/article193191499.html>

Citing a “long-term systemic failure” at the California Department of Water Resources, independent forensic investigators released their final report Friday on the [nearly-catastrophic emergency](#) last February at Oroville Dam.

In a [584-page dissection of the disaster](#) at America’s tallest dam, the investigative team said Oroville Dam was designed and built with flaws from the beginning, which were exacerbated by inadequate repairs in the years that followed.

“Due to the unrecognized inherent vulnerability of the design and as-constructed conditions and the chute slab deterioration, the spillway chute slab failure, although inevitable, was unexpected,” the panel report.

The panel also said the Department of Water Resources, which runs the dam, has been “somewhat overconfident and complacent.” DWR gave “inadequate priority for dam safety,” while focusing much of its attention on meeting “the water delivery needs” of the municipal and agricultural agencies that belong to the State Water Project, the panel wrote.

At the same time, the investigators said the entire dam industry, including federal regulators who oversee the facility’s operations, needs to heed the lessons learned at Oroville.

“Although the practice of dam safety has certainly improved since the 1970s, the fact that this incident happened to the owner of the tallest dam in the United States, under regulation of a federal agency, with repeated evaluation by reputable outside consultants, in a state with a leading dam safety regulatory program, is a wake-up call for everyone involved in dam safety,” the panel wrote.

“Challenging current assumptions on what constitutes ‘best practice’ in our industry is overdue.”

Safety wasn’t the only thing on Oroville Dam operators’ minds as they responded to crisis, report shows

By Dale Kasler And Ryan Sabalow

January 09, 2018 03:23 PM

<http://www.sacbee.com/news/local/article193827669.html>

California water officials have always insisted public safety was their only concern as they struggled with the crisis unfolding last February at Oroville Dam.

The forensic team investigating what happened at Lake Oroville, however, has pinpointed another factor guiding the decisions made by the Department of Water Resources: the state’s desire to continue shipping water to faraway farms and cities that rely on deliveries from the reservoir.

DWR officials faced a difficult choice after a giant crater formed in Oroville Dam's main flood-control spillway during a heavy rainstorm Feb. 7. Should they dump huge volumes of water over the badly damaged spillway, in order to keep reservoir levels low? Or should they minimize water releases over the spillway in order to limit the damage, even if that meant the lake would fill up and water might flow over the dam's adjacent emergency spillway, which had never been used?

Ultimately DWR chose to limit the water releases over the main spillway – a decision that would trigger the chaotic two-day evacuation of 188,000 people. At the time, DWR officials said this approach would maximize their ability to control water levels in the reservoir during the rest of the rainy season.

What they didn't say – according to the forensic report – was that this decision would also preserve their ability to deliver water through spring and summer to the agricultural and urban water districts as far away as San Diego that belong to the State Water Project.

The Department of Water Resources issued the following statement (excerpts):

January 5, 2018

Today, the Independent Forensic Team (IFT) [released additional findings](#) from its review of the February 2017 Lake Oroville Spillways incident. The report builds on the IFT's interim memo from September 2017 that identified physical causes of the incident. While DWR is in the process of fully reviewing this lengthy report, the Department intends to incorporate the latest findings into its ongoing efforts.

“We strongly supported having an independent assessment of the spillway failure and take the findings very seriously,” said DWR Director Grant Davis. “This report is consistent with the independent team's initial technical findings from last May which were fully incorporated in the design of the reconstructed spillways. As we have done in the past, we will carefully assess this report, share it with the entire dam safety community and incorporate the lessons learned going forward to ensure California continues to lead the nation on dam safety.”

The Department has already made significant progress to bolster the dam safety program to include comprehensive re-evaluations of every spillway with attributes similar to Lake Oroville's. These re-evaluations go far beyond the standard inspections to include extensive hydrologic, structural and geotechnical work and a thorough investigation of records.

In addition to identifying the combined causes that led to the incident, the latest IFT report also comments on decisions made as the spillway incident unfolded in February 2017.

Department of Water Resources chief ousted after report blames Oroville dam crisis on lax safety culture

By Ralph Vartabedian

Los Angeles Times

January 11, 2018

<http://www.latimes.com/local/california/la-me-water-chief-ouster-20180110-story.html>

Grant Davis, director of the California Water Resources Department, was replaced Wednesday just days after an independent investigation of the Oroville dam spillway incident last year found that a flawed safety culture contributed to the disaster.

Colorado River

I keep reminding everyone that the Colorado River is a major source for California's water supply. So, while not ominous yet, over the next few years that supply is definitely threatened.

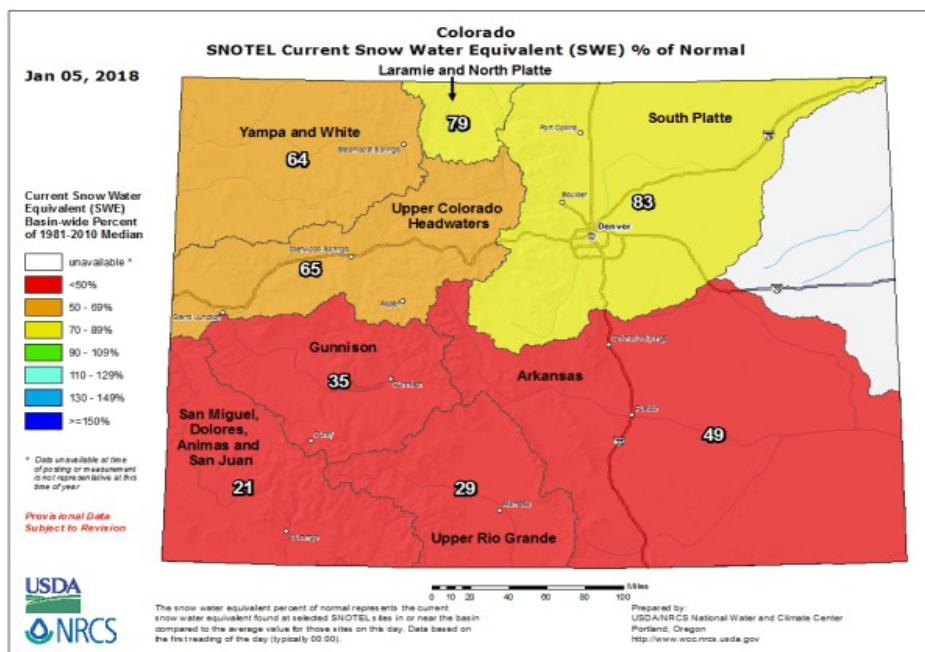
Colorado snowpack worst in more than 30 years in some areas leaving water suppliers on high alert

Halfway through the snow season, utilities are trying to preserve as much water in storage just in case the deep snow never falls

By [Bruce Finley](#)
The Denver Post
January 6, 2018

<https://www.denverpost.com/2018/01/06/colorado-snowpack-levels-january-2018/>

Colorado mountain snowpack shrunk to record-low levels this week, raising concerns about water supply, and some federal authorities calculated even big late snow — if it falls — may not make up for the lag.



But the Colorado mountain snowpack that feeds the nation's main rivers hasn't been this paltry statewide in the more than three decades since systematic measuring began, U.S. Natural Resources Conservation Service snow survey supervisor Brian Domonkos said.

Survey crews have measured snow depths in southwestern Colorado at 22 percent of normal, the upper

Colorado River Basin at 65 percent of normal and the Arkansas River Basin at 49 percent of normal. National Weather Service meteorologists forecast limited snow through mid-January, though they also see a possibility that ocean-driven atmospheric patterns will shift by March and bring snow.

Water suppliers have intensified their monitoring, weighing how to leave as much H₂O as possible stored in reservoirs without risking dam safety if high flows do come.

Colorado natural resources officials plan to review “emerging drought conditions” next week. While most of Colorado currently is classified as abnormally dry, areas of the Western Slope are officially in drought.

Continued Serious Damage From That Five Year Drought

Drought affects do not go away once the drought ends. That has been demonstrated in spades with the drought that ended one year ago. The dead tree numbers continue to pile up and subsidence damage is in the millions of dollars. The article below demonstrates how what caused the subsidence-- cut water deliveries and groundwater pumping-- then becomes the “solution” for lower flow rates in the canal-- more pumping.

Subsidence shrinks Friant-Kern Canal capacity by 60 percent

[Todd Fitchette](#)

Jan 09, 2018

<http://www.westernfarmpress.com/irrigation-systems/subsidence-shrinks-friant-kern-canal-capacity-60-percent>

Subsidence along the Friant-Kern Canal is nothing new. However, a five-inch drop within the past year in southern Tulare County is troublesome as it caused a 60 percent reduction in deliveries to districts along the lower half of the canal system.

Canal capacity in the area is now about 1,750 cubic feet per second, down from a designed capacity of 4,000 cfs.

Douglas DeFlicht, chief operating officer for the Friant Water Authority, says evidence of subsidence was noticed last year when the canal was at capacity because of flood releases. Friant officials noticed the problem when they discovered water that should have been freely flowing under a bridge was instead pushing against it.

Surveys conducted between April and August of last year confirmed the severity of the subsidence, a result of increased groundwater pumping from about 2012 through 2016. The groundwater pumping came in response to reduced and curtailed surface water deliveries by the Bureau of Reclamation during the period.

In 2014 and 2015 the Bureau of Reclamation cut all water deliveries to districts in the Friant system. This forced farmers to pump available groundwater just to keep permanent crops like citrus, tree nuts, grapes and blueberries alive. Some growers along the eastern edge of the San Joaquin Valley lost hundreds of acres of citrus and other orchards for lack of water.

For those that could pump water they did, creating ripple effects in the region that left domestic wells dry and caused homes in Porterville to go without running water for three years until Tulare County could make a permanent fix.

Farm impacts

For farmers from southern Tulare County to Arvin, this decline in canal capacity means reduced surface water supplies and greater reliance upon groundwater – a problem the state of California says it wants to fix through last year’s passage of the Sustainable Groundwater Management Act (SGMA). In short, the act will limit groundwater pumping to achieve long-term sustainability of aquifers, which have been in decline for decades.

DeFlitch says Friant has a plan to address subsidence and the impacts it is having in the region, but that will take sustainable deliveries of surface water to achieve. This plan will be unfolded in three phases, he says.

Film about drought and water scarcity to be screened Feb. 22

http://www.bakersfield.com/news/community-briefs/film-about-drought-and-water-scarcity-to-be-screened-feb/article_b90843c6-f5af-11e7-afe2-0f8dd8e5047b.html

The Bakersfield Music Hall of Fame will host an exclusive screening of a film that delves into the San Joaquin Valley’s water issues on Feb. 22.

The film “Beyond the Brink” will be shown at 7 p.m. at the Hall of Fame, located at 2231 R St., followed by a panel discussion. The screening is sponsored by the Water Association of Kern County, Kern County Farm Bureau, California Water Service and Harris Ranch.

The film, made by James Thebaut, focuses on the challenges that drought and water scarcity have had on the agriculture industry in the valley. Admission for the screening is free but there is a two-ticket limit per person.

To register or for more information, visit <http://conta.cc/2mm4LWJ>.

Infrastructure and Related News

Trump Addresses Farm Bureau Convention, Announces New Report on Help for Rural America

Jan. 8 (EIRNS)—This afternoon in Nashville, Tennessee, President Donald Trump addressed the annual convention of the American Farm Bureau Federation. He announced the release of a report by his 2017 Interagency Task Force on Agriculture Rural Prosperity (established in April) and signed two Executive Orders to expand broadband in rural areas.

The Farm Bureau, founded in 1919, extends across the country. It tends to be Republican politically, and among its services to members, provides farm and market information, and offers insurance.

Trump began his remarks with lengthy praise of the new tax-cut law. However, the fastest and loudest standing ovation for remarks by Trump, was given in response to his pledge to retain Federal crop and commodity insurance. The spontaneous applause reflects the fact that in recent years, the insurance system has provided the means for farmers and ranchers to continue in operation while prices for their output have often sunk below costs of production. This situation has arisen under the Wall Street system of deregulation (no parity pricing, no supports, etc.) The Federal government pays Wall Street

insurance companies to sell discount policies to farm operators, to compensate them for low prices, weather damage, etc.

Since 2013, net farm income in the U.S. has dropped by 50%, to an annual level in the range of \$61 billion. The farm belt has the highest rate of suicides, drug abuse, and other horrors of despair. Farm counties are becoming depopulated.

Trump trod very lightly on NAFTA, since demoralized farmers have been conditioned to wrongly think NAFTA is vital for them to get income from foreign sales of their food output. Trump very briefly spoke of a "level playing field," and other platitudes about renegotiating a "better deal," for a "fair and reciprocal" NAFTA.

In fact, under a win-win trade approach—associated with the Belt and Road Initiative, the three North American nations could dump NAFTA (as Trump called for during the 2016 election campaign) and mutually reorient trade with each other and their major partners, especially China, in ways to restore and maintain the productivity of the North American farm sector. In this process, the destructive corn-ethanol and other bio-fuels can be closed out.

The 23-page new report, overseen by Agriculture Secretary Sonny Perdue, is an inter-agency product advocating various measures in rural areas, including providing broadband, innovation programs, and especially, cutting anti-production regulations from the over-reach of the EPA, FDA, and other agencies.

Also at today's convention, the Farm Bureau and National Farmers Union announced their joint task force to fight the opioid scourge in the farm belt.

Prins: Corporate Tax Cut Won't Bring Growth, but More Speculation

Dec. 27, 2017 (EIRNS) -- American banking historian and former investment banker Nomi Prins wrote in Truthdig, Dec. 26, on the just-passed GOP "tax reform": "In 2016, corporations collectively paid about \$300 billion in federal taxes (or just 9% of all Federal tax receipts). In contrast, Standard and Poors 500 companies bought back over a half-trillion dollars of their own stock, indicating they were hardly hurting from undue tax burdens. Citigroup asked and received from the Fed permission to buy back \$15 billion of its own stock over the year; Bank of America will buy back \$17 billion and JPM Chase will purchase \$19 billion of its own shares -- this in just over a year. [Ed. Note: i.e., combined, a sixth of the above-cited national total.]

"Their choice to buy their own stock is legal manipulation of the market and a diversion of funds that could be deployed for small businesses, individual loan restructurings or long-term infrastructure or development projects that would employ more people in more secure jobs."

Since the biggest banks are the biggest corporations, they will get very large tax cuts. ThinkProgress, in a story on an estimate by Goldman Sachs itself, reports the eight major banks getting a total of \$17 billion in lowered taxes for 2018 – the basis for buying back all that stock. The biggest tax savings will go to Wells Fargo, which epitomizes the rewarding of banks'criminal behavior during this century.

It's clear why JP Morgan Chase CEO Jamie Dimon said, "Just think of it [the tax bill] as QE4."

Trump and GOP Leaders Split on Infrastructure Funding

Jan. 10 (EIRNS)—Heads of transportation associations spoken to yesterday said that no serious

initiative on infrastructure-building legislation appeared likely to come from either the White House or Congress, and feared cuts in existing credits instead, due to wide differences. One said he thought that the subject could be put off to February or beyond, despite President Trump's motivating it in the Jan. 30 State of the Union address.

A split between Trump and Congressional Republicans is becoming evident. CNBC today reported, an administration official, who spoke on condition of anonymity, said, "The President's inclination is just 'spend money,' while the House is more talking about public-private partnerships." And an anonymous Congressional "senior aide" is quoted in the same article, "There's an outline of a plan that (White House economic advisor) Gary Cohn has put forward. I'm not sure if Trump is completely on board with that," referring to National Economic Council Director Cohn's motivation of public-private partnerships at the Camp David meeting.

The National Association of Manufacturers (NAM), representing millions of people in manufacturing companies, released a strong letter to Trump Jan. 9, signed by NAM CEO Jay Timmons. "The infrastructure investments of the 1950s and 1960s brought tremendous economic benefits, built strong communities, improved productivity and competitiveness, and allowed manufacturing to grow and put people to work in solid middle-class jobs. Today, however, as more and more of our infrastructure crumbles, it is not keeping up with modern demands for safety and innovation, nor is it giving American workers the tools they need to compete with the rest of the world."

The letter lists 10 demanded actions, including: "Shore up the Highway Trust Fund with a reliable, user-based, long-term funding stream [a gas tax increase]; spend the \$9 billion balance in the Harbor Maintenance Trust Fund to deepen ports and harbors; quickly upgrade aging locks and dams."

Some Short Items

January 7, 2017 (EIRNS)--Newsweek Jan. 3 ran an editorial by Ray LaHood of Building America's Future [BAF] (former DoT Secretary), "Can Trump Make His Infrastructure Plan a Bipartisan Reality?" After observations about the conditions of highways, railroads, bridges, Atlanta Airport blackout, LaHood calls 2017 a missed opportunity, lost by the tax cut bill. Now, "We need a bipartisan and strategic plan that provides long-term funding. First, we need a big pot of money and the best way to do that is to modernize the gas tax." Close cooperation with mayors and governors; "invest in transformational projects like high-speed rail"; "increase funding for competitive discretionary grants ... like the TIGER program." BAF's program calls (well down the list) for a national infrastructure bank, but LaHood doesn't mention it here.

Trump declared the Thomas Fire in California a "major disaster" Jan. 3, releasing DHS funds for the state, eligible local governments and certain nonprofits.

The Senate took no action on disaster reconstruction aid to Texas/Florida/Puerto Rico/VI (\$81 billion bill passed by the House in mid-December). So the total recovery aid so far is still \$51 billion, compared to an estimated \$200 billion in damages and losses, four and one-half months later.

Chinese investment boosts jobs in U.S. rust-belt states

2017-11-08 15:33 Xinhua Editor: Gu Liping

<http://www.ecns.cn/m/voices/2017/11-08/280158.shtml>

As the United States is stepping up efforts to revive the country's old industrial states, the so-called

Rust Belt, Chinese investment in the region has also entered a phase of rapid growth, creating thousands of manufacturing jobs.

One-Third of Global GDP Growth Past Year Occurred in China, According to UN Report

<http://newparadigm.schillerinstitute.com/blog/2018/01/10/one-third-global-gdp-growth-past-year-occurred-china-according-un-report/>

The Chinese economy alone contributed about one-third of global growth in 2017, as measured in GDP monetary terms, according to the “World Economic Situation and Prospects 2018” released last month by the United Nations.

The UN report points to the transformation which the Chinese economy has undergone, from the former global leader in cheap mass-produced exports, to an increasing producer and exporter of high-value goods:

The first half of 2017 witnessed a surge of 93.4% in exports of drones, for example. There was a rise of 32.5% in automobile exports, and a considerable increase in the export of other high value-added products such as mechanical and electronic equipment for manufacturing. By providing medium and high-end products of high quality at reasonable prices, China is delivering larger dividends to the world. In recent years, many foreign media have paid attention to China’s advances in science and technology. World-leading technologies, including the mobile internet, artificial intelligence and Big Data, are serving not only as new drivers of China’s growth, but also contributing to global scientific and technological progress. Meanwhile, China’s telecommunications, computer and information services are being exported, creating new miracles of economic development in other developing economies including those of Africa.

Feature: The American Credit System

We begin this week's feature with two videos which focus on what is an economy and what is value. The first is an 11 minute excerpt from 2004 by Lyndon LaRouche. The second is a longer discussion featuring Jason Ross from the LaRouche PAC webcast of January 8, 2018.

Lyndon LaRouche—If Money Has No Intrinsic Value, What Does?

<https://larouchepac.com/20180109/lyndon-larouche-if-money-has-no-intrinsic-value-what-does>

Running for the 2004 presidential nomination, Lyndon LaRouche delivered the following remarks in 2003 about the fakery of the intrinsic value of money. Yes, you need money, but its not the basis for real value in a human economy. So what is? Until we understand the answer to that question, our economies, across the planet, in all countries, will continue to fail us.

Don't Count on Wall Street—What President Trump Needs to Understand About Economics

<https://www.youtube.com/watch?v=wL43MF7fSIs>

This week Matthew Ogden hosts Jason Ross, member of the LPAC Science Team for an update on what Trump must quickly learn about economics to avoid another catastrophic economic crash brought on

by Wall Street looting and a lack of fundamental physical economic growth in the United States. Tune in live and ask question via YouTube live chat!

LaRouche's Four Laws & America's Future On The New Silk Road

As President Trump increasingly focuses on the rebuilding of America's infrastructure, it is crucial that it be done right. The new LaRouche PAC pamphlet presents how to do it right.

<https://larouchepac.com/20170225/four-laws-pamphlet>



This week we feature “Chapter 2” from that report:

2. Why the United States Needs a ‘Hamiltonian’ National Bank

“ A return to a system of top-down, and thoroughly defined, National Banking. The actually tested, successful model to be authorized is that which had been instituted, under the direction of the policies of national banking which had been actually, successfully installed under President Abraham Lincoln’s superseding authority of a currency created by the Presidency of the United States (e.g. “Greenbacks”), as conducted as a national banking-and-credit-system placed under the supervision of the Office of the Treasury Secretary of the United States.”—Lyndon LaRouche, **Four Laws**

Restoring and enforcing Glass-Steagall banking system regulation empties the Wall Street casino; the President and Congress must then create a large-scale national credit institution to replace speculation with productive employment and productivity.

To not merely “rebuild” America’s obsolete economic infrastructure but to create a new, more productive infrastructure at the frontiers of technology, will require \$5 trillion or more in national investments; Ding Xuedong, the head of China’s sovereign wealth fund CIC recently estimated \$8 trillion was required, [and offered to invest CIC’s U.S. Treasury holdings in it.](#)

The need for the U.S. to be able to create a large amount of national economic credit, rapidly, to mobilize the American economy and raise its productivity, is not simply a matter of “renewing the nation’s infrastructure,” but also one of maintaining credit for innovative manufacturing—including by small and medium-sized companies—through a large national system of commercial banks.

For 150 years, when such mobilization of national credit was done successfully—from the time of Washington to that of FDR—the method of doing it was Treasury Secretary Alexander Hamilton’s.

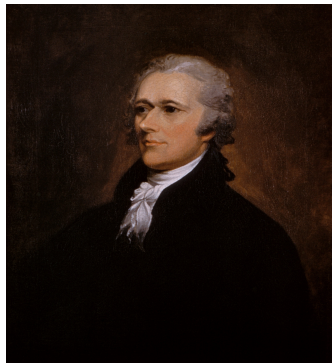
Hamilton's Method

Alexander Hamilton, U.S. Treasury Secretary during George Washington’s Presidency, created a system that closely coordinated the relationship of public credit with the intention of national government to follow through on the actions for which the credit is emitted. The more the nation’s government is committed to see through the creation of credit, and has the necessary powers of finance, trade regulation, and taxation, the better certainty there is on that credit, and the more is credit between parties able to serve as a currency and means of payment.

The task 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, so that it will be much more than repaid in the medium and long term. Any and all national currency, is national debt.

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" held that the Treasury should create, issue and regulate circulation of new currency exclusively through a National Bank. The National Bank, as a commercial bank and issuer of the currency, would make sure the new currency issued was immediately sound and based on funded debt of the Federal government. And if the Bank were led on Hamiltonian principles, it would also make sure that the use of that new currency fostered the future greatness of the United States, and multiplied itself in value in the process.

Hamilton's reports on Public Credit & the National Bank



First U.S. Treasury Secretary Alexander Hamilton

The First and Second Banks of the United States were extraordinarily successful in directing new credit to waves of new infrastructure—roads and ports, then long-range canals, then railroads, iron and coal works and steam projects, etc.—and also to the rapid growth of innovative manufacturing in America.

When, under Abraham Lincoln, the U.S. Treasury, for the first time, itself created a new paper currency—the Greenbacks—its issuance was still based, not this time on a Third Bank of the United States, but on a new national banking *system*, of newly Federally chartered commercial banks. These Treasury-chartered banks bought new Treasury bonds being issued by the government, and received Greenbacks in equivalent amounts to circulate. The new Treasury debt was of 20 years maturity; the interest had to be made sound by new taxes, and was. The nationally chartered commercial banks, holding Federal debt as their reserves at the Treasury, were the points from which the new Greenback currency was issued, was circulated, and to which it came back to pay taxes. Considered collectively in cooperation with the Treasury, those newly chartered commercial banks functioned, effectively, as a Third Bank of the United States.

This Greenback credit issuance funded not only the huge military and industrial effort of the Union in the Civil War, but the development of trans-Continental railroads, steel and iron industries, state colleges and agricultural extension services, and propelled the United States to the world's leading industrial power by the early 20th Century. And the Greenbacks remained throughout a sound currency, fully backed by interest-bearing Federal debt backed in turn by taxes. So sound—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.

Modern Approaches

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 Fed would absorb a total of \$6 billion in Treasury securities, and then be able to issue an equivalent amount in Treasury Notes (Greenbacks) directly as loans to industrial companies struggling to revive production. Franklin Roosevelt’s ancestor Isaac Roosevelt, still famous in the family in FDR’s time, had been Alexander Hamilton’s partner in the Bank of New York; and FDR himself had written a thesis on Hamilton’s economics while at Harvard.

Congress did not adopt this legislation of FDR’s, leaving him to rely on Hamiltonian “approximations” in the Reconstruction Finance Corporation, Tennessee Valley Authority, Works Progress Administration. This was, again, successful in reviving economic growth, productive employment and productivity, and defeating fascism.

Still today, the structural arrangement of the Federal Reserve Bank 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. But the Federal Reserve’s policy is not to issue currency for purposes of production, employment, and productivity. Rather it issues currency only to maintain the reserves of the large U.S.- and Europe-based banks, and to make liquidity loans to those banks when they fall into crisis. The deeper the banking crisis, the higher the Federal Reserve builds up the excess reserves of those large banks by printing currency, some \$4 trillion-plus in the past eight years.

The Federal Reserve has been directly challenged in Congressional hearings on its failure even to buy infrastructure bonds issued by cities and states since the 2008 bank panic. Yet despite leveraging its own Treasury-bond capital 1 nearly 100-to-1 in creating vast waves of new U.S. currency since 2009 (by buying Treasury and mortgage securities from the megabanks), it has persisted in issuing that currency only to build huge excess reserves in large banks, by loans and by outright purchase of their assets. There has been no net issuance from all that new currency into the productive economy. In fact, for much of the past eight years the 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.

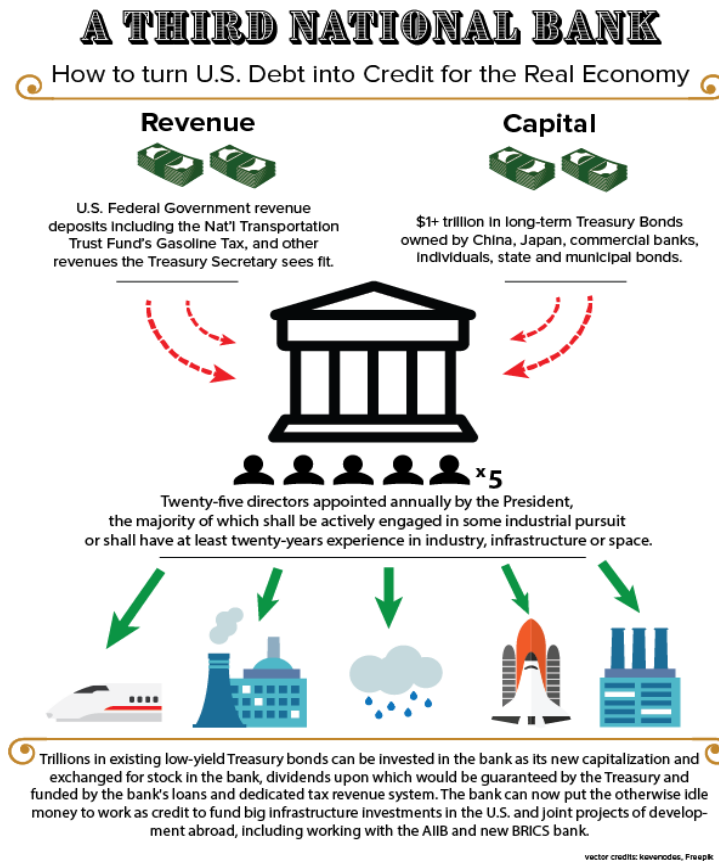
What is Needed Today

Today and over the past two decades, advocates of major national investments of credit into our economic infrastructure and manufacturing often propose printing “Greenbacks” for that purpose. But this requires that the Treasury issue new, interest-bearing debt to back up the new currency issuance. If we are talking, realistically, about trillions of dollars in such new Treasury borrowing, interest rates will rise very rapidly. And the new interest costs of Treasury debt as a whole will not be supported—really advanced investments like a national grid of high-speed rail, or a new Apollo Project, do not pay short-term direct returns to the Treasury, no immediate “user fees.”

Ideally much of this large volume of new Treasury debt would be absorbed by commercial banks, which would also be circulating the new “Greenbacks” to contractors, universities and engineering companies and many others. But the commercial banks already have very substantial Treasury holdings. Large foreign government holdings of U.S. Treasuries have been being reduced in recent years. Minimally, interest rates on Treasury debt would rise very fast indeed.

Congress can instead take the action a Treasury Secretary Hamilton would have proposed to them now.

It can create a Bank of the United States for Infrastructure and Manufacturing, which is structured so that holders of existing, longer-term Treasury debt will transfer their holdings into this Bank in exchange for its preferred stock for 20-25 years, to earn a dividend significantly higher than Treasury long-term rates and guaranteed by the Treasury. A tax such as, for example, an adjusted Federal gasoline tax (Trust Fund) can be assigned to the payment of the Bank's dividend; the Bank's purposes would then include those transportation requirements of the SAFETEA-LU acts to which the Federal gasoline tax is now dedicated. There are several other user taxes legislated for infrastructure (i.e., ports), proceeds of which are instead used as general revenue by Congress. They can also be dedicated to the bank.



The Bank's initial aim should be a capital 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, have every interest in investing some of that debt into a Bank of the United States for Infrastructure and Manufacturing, as well as American commercial banks, funds, and citizens.

By the Bank thus absorbing, as its capital, even a minor but significant portion of outstanding U.S. Treasury debt, it will then be in a position to be the point of issuance for new currency, an equivalent amount of Treasury Notes—"Greenbacks." These Greenbacks can be issued by the Treasury to the Bank for circulation, up to the amount of the Bank's capital.

More important than this structure are the national purposes of economic, technological and scientific progress to which this national credit institution is put. This will also determine the long-term "payback" of such a Bank's investments by the accelerating growth of productivity of the economy and the American labor force.

These purposes bring us to the standards of productivity by which the physical returns on investments can be assessed.