

# Can Jill Stein Carry Bernie's Baton? A Look at the Green Candidate's Radical Funding Solution

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Global Research, August 03, 2016

[The Web of Debt Blog](#) 2 August 2016

Region: [USA](#)

Theme: [Global Economy](#)

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*Bernie Sanders supporters are flocking to Jill Stein, the presumptive Green Party presidential candidate, with donations to her campaign [exploding nearly 1000%](#) after Bernie endorsed Hillary Clinton. Stein salutes Sanders for the progressive populist movement he began and says it is up to her to carry the baton. Can she do it? Critics say her radical policies will not hold up to scrutiny. But supporters say they are just the medicine the economy needs.*

Stein goes even further than Sanders on several key issues, and one of them is her economic platform. She has proposed a "[Power to the People Plan](#)" that guarantees basic economic human rights, including access to food, water, housing, and utilities; living-wage jobs for every American who needs to work; an improved "Medicare for All" single-payer public health insurance program; tuition-free public education through university level; and the abolition of student debt. She also [supports a basic income guarantee](#); the [reinstatement of Glass-Steagall](#), separating depository banking from speculative investment banking; the breakup of megabanks into smaller banks; federal postal banks to service the unbanked and under-banked; and the formation of publicly-owned banks at the state and local level.

As with Sanders' economic proposals, her plan has been challenged as unrealistic. Where will Congress find the money?

But Stein argues that the funds can be found. Going beyond Bernie, she calls for large cuts to the bloated military budget, which makes up 55% of federal discretionary spending; and progressive taxation, ensuring that the wealthy pay their fair share. Most controversial, however, is her plan to tap up the Federal Reserve. Pointing to the massive sums the Fed produced out of the blue to bail out Wall Street, she says the same resources used to save the perpetrators of the crisis could be made available to its Main Street victims, beginning with the students robbed of their futures by massive student debt..

## **It Couldn't Be Done Until It Was**

Is tapping up the Fed realistic? Putting aside for the moment the mechanics of pulling it off, the central bank has indeed revealed that it has virtually limitless resources, as seen in the radical "emergency measures" taken since 2008.

The Fed first surprised Congress when it effectively "bought" AIG, a private insurance company, for \$80 billion. [House Speaker Nancy Pelosi remarked](#), "Many of us were . . . taken aback when the Fed had \$80 billion to invest — to put into AIG just out of the blue. All of a sudden we wake up one morning and AIG has received \$80 billion from the Fed. So of

course we're saying, Where's this money come from?"

The response was, "Oh, we have it. And not only that, we have more."

How much more was revealed in 2011, after an amendment by Sen. Bernie Sanders to the 2010 Wall Street reform law prompted the Government Accounting Office to conduct the first top-to-bottom audit of the Federal Reserve. It revealed that the Fed had provided a whopping \$16 trillion in secret loans to bail out American and foreign banks and businesses during the economic crisis. "This is a clear case of socialism for the rich and rugged, you're-on-your-own individualism for everyone else," [said Sanders in a press release](#).

Then there was the shocker of "quantitative easing" (QE), an unconventional monetary policy in which the central bank creates new money electronically to buy financial assets such as Treasury securities and mortgage-backed securities (many of them "toxic") from the banks. Critics said QE couldn't be done because it would lead to hyperinflation. But it was done, and that dire result has not occurred.

Unfortunately, the economic stimulus that QE was supposed to trigger hasn't occurred either. QE has failed because the money has gotten no further than the balance sheets of private banks. To stimulate the demand that will jumpstart the economy, new money needs to get into the real economy and the pockets of consumers.

### **Why QE Hasn't Worked, and What Would**

The goal of QE as currently implemented is to return inflation to target levels by increasing private sector borrowing. But today, as economist [Richard Koo explains](#), individuals and businesses are paying down debt rather than taking out new loans. They are doing this although credit is very cheap, because they need to rectify their debt-ridden balance sheets in order to stay afloat. Koo calls it a "balance sheet recession."

[As the Bank of England recently acknowledged](#), the vast majority of the money supply is now created by banks when they make loans. Money is created when loans are made, and it is extinguished when they are paid off. When loan repayment exceeds borrowing, the money supply "deflates" or shrinks. New money then needs to be injected to fill the breach. Currently, the only way to get new money into the economy is for someone to borrow it into existence; and since the private sector is not borrowing, the public sector must, just to replace what has been lost in debt repayment. But government borrowing from the private sector means running up interest charges and hitting deficit limits.

The alternative is to do what governments arguably should have been doing all along: issue the money directly to fund their budgets.

Central bankers have largely exhausted their toolkits, prompting some economists to [recommend some form of "helicopter money"](#) - newly-issued money dropped directly into the real economy. Funds acquired from the central bank in exchange for government securities could be used to build infrastructure, issue a national dividend, or purchase and nullify federal debt. Nearly interest-free loans could also be made by the central bank to state and local governments, in the same way they were issued to rescue an insolvent banking system.

Just as the Fed bought federal and mortgage-backed securities with money created on its

books, so it could buy student or other consumer debt bundled as “asset-backed securities.” But in order to stimulate economic activity, the central bank would have to announce that the debt would never be collected on. This is similar to [the form of “helicopter money” recently suggested](#) by former Fed Chairman Ben Bernanke to the Japanese, using debt instruments called “non-marketable perpetual bonds with no maturity date” – bonds that can’t be sold or cashed out by the central bank and that bear no interest.

The Bernanke proposal (which he says could also be used by the US Fed in an emergency) involves the government issuing bonds, which it sells to the central bank for dollars generated digitally by the bank. The government then spends the funds directly into the economy, bypassing the banks.

Something similar could be done as a pilot project with student debt, Stein’s favorite target for relief. The US government could pay the Department of Education for the monthly payments coming due for students not in default or for whom payment had been suspended until they found employment. This would free up income in those households to spend on other consumer goods and services, boosting the economy in a form of QE for Main Street.

In QE as done today, the central bank reserves the right to sell the bonds it purchases back into the market, in order to reverse any hyperinflationary effects that may occur in the future. But selling bonds and taking back the cash is not the only way to shrink the money supply. The government could just raise taxes on sectors that are currently under-taxed (tax-dodging corporations and the super-rich) and void out the additional money it collects. Or it could nationalize “systemically important” banks that are insolvent or have failed to satisfy Dodd-Frank “living will” requirements (a category that now [includes five of the country’s largest banks](#)), and void out some of the interest collected by these newly-nationalized banks. Insolvent megabanks, rather than being bailed out by the government or “bailed in” by their private creditors and depositors, arguably *should* be nationalized – not temporarily, but as permanent public utilities. If the taxpayers are assuming the risks and costs, they should be getting the profits.

None of these procedures for reversing inflation would be necessary, however, if the money supply were properly monitored. In our debt-financed system, the economy is chronically short of the money needed to support a dynamic, abundant economy. New money *needs* to be added to the system, and this can be done without inflating prices. If the money goes into creating goods and services rather than speculative asset bubbles, supply and demand will rise together and prices will remain stable.

### **Is It in the President’s Toolbox?**

Whether Stein as president would have the power to pull any of this off is another question. QE is the province of the central bank, which is technically “independent” from the government. However, the president does appoint the Federal Reserve’s Board of Governors, Chair and Vice Chair, with the approval of the Senate.

Failing that, the money might be found by following the lead of Abraham Lincoln and the American colonists and issuing it directly through the Treasury. But an issue of US Notes or Greenbacks would also require an act of Congress to change existing law.

If Stein were unable to get either of those federal bodies to act, however, she could resort to a “radical” alternative already authorized in the Constitution: [an issue of large-denomination](#)

[coins](#). The Constitution gives Congress the power to “coin Money [and] regulate the value thereof,” and Congress has delegated that power to the Treasury Secretary. When minting a trillion dollar platinum coin was suggested as a way around an artificially imposed debt ceiling in January 2013, Philip Diehl, former head of the U.S. Mint and [co-author of the platinum coin law, confirmed](#):

In minting the \$1 trillion platinum coin, the Treasury Secretary would be exercising authority which Congress has granted routinely for more than 220 years. The Secretary authority is derived from an Act of Congress (in fact, a GOP Congress) under power expressly granted to Congress in the Constitution (Article 1, Section 8).

The power just needs to be exercised, something the president can instruct the Secretary to do by executive order.

In 1933, President Franklin Roosevelt engaged in a radical monetary reset when he took the dollar off the gold standard domestically. The response was, “We didn’t know you could do that.” Today the Federal Reserve and central banks globally have been engaging in radical monetary policies that have evoked a similar response, and the sky has not fallen as predicted.

As [Stein quotes Alice Walker](#), “The most common way people give up their power is by thinking they don’t have any.”

The runaway success of Sanders and Trump has made it clear that the American people want real change from the establishment Democratic/Republican business-as-usual that Hillary represents. But real change is not possible within the straitjacket of a debt-ridden, austerity-based financial scheme controlled by Wall Street oligarchs. Radical economic change requires radical financial change, as Roosevelt demonstrated. To carry the baton of revolution to the finish line requires revolutionary tools, which Stein has shown she has in her toolbox.

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