

Democratizing the US Monetary System: Urgency of the American Monetary Act

A monetary system which serves the American people

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On Thursday, April 23, 2009, Stephen Zarlenga, director of the American Monetary Institute (AMI), delivered two briefings on Capitol Hill on the American Monetary Act that AMI drafted and that may be introduced as legislation during the current congressional session. This single measure has the potential of bringing together the tens of millions of people who have realized it's our bank-run debt-based monetary system that lies at the center of the financial rot that is destroying our republic and its values.

Attending the briefings were congressional staffers and members of the public. Zarlenga was introduced by Congressman Dennis Kucinich (D-OH), who has spoken in favor of wholesale reform of the monetary system on the floor of the U.S. House of Representatives. Kucinich is also sponsor of H.R. 7260, the "Transparency in the Creation of Wealth Act of 2008." This act would require the Federal Reserve to resume reporting on the quantity of M3 in the economy (mega-money accessible only to large financial institutions), along with several other economic indicators it now keeps to itself, such as total credit market debt and the holding of Federal Reserve notes by foreign interests.

Stephen Zarlenga is author of *The Lost Science of Money* (American Monetary Institute, 2002), a monumental 736-page book that shows how money has served socially beneficial purposes throughout history only when created by governments as an instrument of law and not as the private preserve of the rich.

Hugh Downs, an unusually well-informed media personality with a strong social conscience, said of *The Lost Science of Money*, that it "has some stunning historical vistas of the whole concept of media of exchange." Renowned progressive economist Dr. Michael Hudson said, "The history of money is critical to understanding the greatest problem the third millennium will face. Stephen Zarlenga's *Lost Science of Money* provides the needed background for seeing the basic structural issues at work."

Since Zarlenga published *The Lost Science of Money*, the American Monetary Institute has grown, with chapters in Boston , New York , Chicago , Iowa , Seattle , and other locations. He conducts an annual monetary reform conference at Roosevelt University in Chicago and has a busy travel and speaking schedule. He has addressed audiences at the U.S. Treasury Department in Washington , D.C. , and the British House of Lords in London .

The American Monetary Act may be viewed and downloaded from the AMI website at http://www.monetary.org/American_Monetary_Act_version_10_feb_06.htm.

The main thrust of the act is to replace the bank-centered debt-based monetary system with the direct creation of money by the federal government which would spend it into circulation as was done with the Greenbacks of the latter part of the 19th century.

The money would be spent on all types of legislated government requirements but would focus on infrastructure improvements, including education and health care. The act not only would create a new monetary supply denominated in U.S. Treasury notes, but would rebuild our job base which has been outsourced to other nations by the globalist corporations and big financial interests.

The critical role of the Greenbacks in U.S. history has been distorted and downplayed by the establishment interests that control the writing of history textbooks. The Greenbacks originated during the Civil War when the government printed and spent them to meet wartime needs. Contrary to mythology, the Greenbacks were not inflationary. They continued to serve as a key part of the nation's monetary supply into the early 20th century. As late as 1900 they formed a third of the nation's circulating currency, with coinage, along with gold and silver certificates, forming another third, and national bank notes the remainder.

Later the value of both the Greenbacks and metallic-based currency were destroyed by the inflation caused by the introduction of Federal Reserve Notes after the approval of the Federal Reserve System by Congress in 1913. From that point on, the creation of money in the U.S. became a monopoly of the private banking system. This led to the Great Depression when the banking system crashed the economy through its deflationary policies.

The nation recovered from the Depression through the New Deal and the adoption of Keynesian economic policies during and after World War II. But now, in the early years of the 21st Century, the financial system again has collapsed through the gigantic speculative bubbles of the last 30 years. The Bush-Obama bailouts that are costing taxpayers trillions of dollars are benefiting the financial controllers but are not doing anywhere near enough for the producing economy. Even though officials are starting to forecast an economic recovery, there is every indication it will be another "jobless" recovery like the one from 2002-2005.

The American Monetary Act would put a stop to the travesties of the bank-controlled monetary system that has wrecked what was once the world's greatest industrial democracy. In addition to reintroducing the Greenbacks, the act would eliminate fractional reserve banking by requiring banks to borrow money from the U.S. Treasury to bring their cash reserves up to the level of their lending portfolio rather than allowing them to continue to create money "out of thin air." The banks would no longer be able to create trillions of dollars of credit, backed by nothing, which they use to fuel the speculative equities, hedge fund, and derivative markets.

The act also contains a provision for a citizens' dividend through direct payment of cash to individuals. While it does not authorize a dividend at the level Stephen Shafarman and I have proposed in our respective books, *Peaceful, Positive Revolution* and *We Hold These Truths: The Hope of Monetary Reform*, it is a major step in the right direction. In what I have called the "Cook Plan" I advocate a dividend of \$12,000 a year per capita for adults who apply with the money, once spent, being used to capitalize a new network of community savings banks.

With the 2008-2009 collapse of the financial system, the deep recession we are now suffering through, and the injustice of the government's bank bailouts currently being administered by Secretary of the Treasury Timothy Geithner, millions of people in the U.S. and around the world have had enough of government policies that enrich the financial oligarchy and destroy the livelihood of everyone else. The world today is headed for a dark age of debt-slavery and ruinous poverty for much of the world's population, including working people in the U.S.

The only way a catastrophe can be averted is for mankind to wake up and demand the creation of a new monetary system where money and credit are treated as a public utility. This means that money and credit should serve the needs of the producing economy while assuring a decent living and sufficient income for everyone.

To reach this goal, it is counterproductive for people simply to complain about what is happening or support half-measures like the call to embrace a gold standard. Any attempt to impose a new gold standard would play into the hands of those who control the gold; i.e., the bankers. Creating a new gold standard appears to be the objective of movements like "End-the-Fed."

The key is not whether money is backed by gold or any other commodity but whether it serves the needs of real people, allows the trade and productivity of the nation to move, restores our job base, and supports consumer purchasing power. The American Monetary Act would meet these objectives. With the financial disasters of the last two years, millions of people realize the system is rigged against them. Jobs and savings continue to disappear while debt and the power of the banking millionaires increase. The time for Congress to act is now.

Richard C. Cook is a former federal analyst who writes on public policy issues. His book *"We Hold These Truths: the Hope of Monetary Reform"* is now available at www.tendrillpress.com. His website is www.richardccook.com.

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