

Ending Today's Economic Crisis Simply and Easily, in America and Globally

By [Stephen Lendman](#)

Global Research, May 27, 2009

27 May 2009

Region: [USA](#)

Theme: [Global Economy](#)

Some of the best ideas are often the simplest. When applied to the global economic crisis, the solution is easier than imagined. What's hard, in fact a Gordian Knot, is the political will to embrace it. But even matters that great can be solved by a bold stroke, and according to legend, Alexander the Great's "Alexandrian solution" was achieved with one stroke of his sword, cutting the Knot in half. Applied to the global economic crisis, it means addressing it with effective policies, not ones wrecking America and other troubled nations worldwide.

Economist Michael Hudson explains that "debt leveraging is what caused our economic collapse," so piling on more ("The Recovery Plan from Hell" he calls it) makes things worse, especially the way it's done:

— in America, by a private banking cartel Federal Reserve bailing out its members to enrich them - the key giant ones referred to as Wall Street; and

— the US Treasury doing the same thing; it let the federal debt skyrocket to stratospheric levels and affirmed Adam Smith's dictum in *The Wealth of Nations* that no country ever repaid its debts, surely not huge ones in a private banking cartel run state, and therein lies the problem - easily solved with a bold stroke, thus far not taken nor will it without mass public action demanding it.

Which is why this article is written, inspired by the work of others. Economist Michael Hudson for one. Global Research.ca editor Michel Chossudovsky another, and noted author and writer Ellen Brown for her extraordinary book titled "Web of Debt" and her explanation of how "Cash-Starved States Need to Play the Banking Game" the same way as North Dakota.

If done at state and federal levels, it can save the economy from Wall Street's predation - by removing the debt overhang through debt write-downs as well as funding sustainable, inflation-free prosperity. It's not a pipe dream. It's real. It happened before and can again. Short of that, according to Hudson:

"debt service will (keep) crowd(ing) out spending on goods and services and there will be no recovery. Debt deflation will drag the economy down while assets are transferred further into the hands of the wealthiest 10% of the population (mainly the top 1%), operating via the financial sector."

Eventually the economy will collapse, but Wall Street will profit hugely - aided and abetted by corrupted public officials allied with the private parasitic Federal Reserve turning America into what Hudson calls a "zombie economy" and banana republic.

What Works for North Dakota Can Work for the Other States, America, and Everywhere

On March 2, Brown explained North Dakota's "Banking Game" and asked:

"What does the State of North Dakota have that other states don't....its own bank" - and therein lies its uniqueness and strength. When only four of the 50 states are solvent, North Dakota runs surpluses, and according to the Center on Budget and Policy Priorities, it's expected to have them in FY 2009 and 2010.

In his January 2009 State of the State address, governor John Hoeven explained:

"Since 2000, the State of North Dakota has gained jobs, and now we are gaining population, as well.

Personal income has grown by 43 percent - nearly 15 percent faster than the national average. In fact, our per capita income has moved up 12 places, from 38th to 26th among all the states (despite a tiny 641,481 population, according to 2008 US Census Bureau figures).

Wages have grown 34 percent, compared to just 26 percent for the rest of the country.

Our gross state product since 2000 has grown by nearly \$10 billion, from \$17.7 billion to more than \$27 billion last year - a 56 percent increase - again, faster than the nation.

And our foreign exports have grown by 225 percent since 2000, breaking the \$2 billion mark for the first time in North Dakota history.

Furthermore, our economic growth and diversification, along with the good financial stewardship, has enabled us to build a surplus and a solid financial reserve for the future....the state of our state is strong (at a time) our nation's economy is in a down-cycle...."

On May 23, The Bismark Tribune and other state papers reported that North Dakota has the nation's lowest unemployment rate at 4%. Clearly, it has a leg up on the other states, something all their governors and legislators should note along with federal officials in Washington. What works for North Dakota can work everywhere.

The Bank of North Dakota is the only state-owned bank in the nation - established in 1919 by its legislature "to free farmers and small businessmen from the clutches of out-of-state bankers and railroad men," according to Brown quoting management consultant Charles Fleetham in a February 2009 article published in his home state, Michigan. Brown continues:

"Three elected officials oversee the bank: the governor, the attorney general, and the commissioner of agriculture. The bank's mission is to deliver sound financial services that promote agriculture, commerce and industry (and operate) as a bankers' bank, partnering with private banks to loan money to farmers, real estate developers, schools and small businesses." Also to students and private individuals in the state at low affordable rates.

Key though is how it operates and stays solvent when so many of the nation's banks are financially strapped and face bankruptcy. As Brown explains:

"Certified, card-carrying bankers are allowed to do something nobody else can do....create

'credit' with accounting entries on their books." It turns money into credit by what's called "fractional reserve banking" that multiplies each dollar deposited magically into about 10 in the form of loans or computer-generated funds. It's literally money created out of thin air so that banks can re-lend it many times over, and the more deposits, the greater the amount of lending.

At issue is whether credit should be private or public, and as Brown wrote in a December 29 article titled "Borrowing from Peter to Pay Paul: The Wall Street Ponzi Scheme called Fractional Reserve Banking:"

"Readily available credit has made America 'the land of opportunity' ever since the days of the American colonists," with more on that below. "What has transformed this credit system into a Ponzi scheme that must continually be propped up with bailout money is that the credit power has been turned over to private bankers who always require more money back than they create" because they charge high interest rates to make a profit. When governments lend their own money, profit isn't at issue so rates can be low and affordable to businesses, farmers, and private individuals, and for their own and municipality needs, it's interest-free.

Brown and others have explained that "fractional reserve banking" dates from the 17th century, done then mainly in gold and silver coins. Early bankers soon realized it was simpler to use deposit receipts (called notes) as a means of payment. They then began creating money by making loans through promises to pay, and more could be issued than the amount of coins on hand as only enough were needed to service redemptions - today's idea of a reserve requirement.

What began earlier as notes, today are accounting entries that literally create money out of thin air. And it works the same for government as for privately-owned banks, except for the following.

As publicly-run institutions, their mandate is entirely different:

- they don't have to earn profits;
- they're not beholden to Wall Street or shareholders; and
- only the state's creditworthiness matters, and so far, in over 230 years, no state ever went out of business and virtually none ever default on their debt, even when poorly governed.

Further, they can lend to themselves and municipalities interest-free, and to businesses, farmers, and individuals at low affordable rates to create internal growth and sustainable prosperity. And the more often loans are rolled over, the more debt-free money is created - without fear of inflation.

As long as new money produces goods and services, inflation can't occur. Only imbalances cause problems - "when 'demand' (money) exceeds 'supply' (goods and services)." Price stability is assured when both increase proportionally, and that's exactly how it worked in colonial America and under Lincoln during the Civil War as Brown explained in "Web of Debt."

In 1691, Massachusetts became “the first local government to issue its own paper money....” called scrip. Other colonies followed, Pennsylvania most effectively by issuing new money without inflation or need for taxes. For over 25 years, it collected none, and at the same time, its population grew and commerce prospered. The “secret was in not issuing too much (credit), and in recycling the money back to the government in the form of principal and interest on government-issued loans.”

In other words, keeping everything proportionally in balance and not having to pay interest to predatory private lenders - the very system wrecking America today and other economies run by private central banks.

Lincoln did the same thing in spite of assassination threats before his inauguration as well as “treason, insurrection, and national bankruptcy” during his first year in office. Considering what he faced, his accomplishments were remarkable, including:

- building the world’s largest army;
- defeating the South;
- turning the country into the world’s “greatest industrial giant;”
- launching the steel industry, a continental railroad system, and a new era of farm machinery and cheap tools;
- establishing free higher education;
- giving settler ownership rights and encouraging land development through the Homestead Act;
- having government support all branches of science;
- standardizing methods of mass production;
- increasing labor productivity by 50 - 75%; and
- still more “with a Treasury that was completely broke and a Congress that hadn’t been paid.”

He did it by nationalizing control over banking so government could print its own money - interest free without paying usurious rates that private bankers demanded, from 24 - 36%. As a result, “the economy was jump-started with a 600 percent increase in government spending and cheap credit directed at production” - done with government-issued Greenbacks. They financed the war, paid the troops, and spurred the nation’s growth - free from the system wrecking the country today to let parasitic private banks prosper.

In “Web of Debt,” Brown explained that early 20th century Australia operated under a publicly-run bank as well - its Commonwealth Bank that created money, made loans, and collected interest at a fraction of what private bankers charge. It worked well enough for the country to have one of the highest living standards in the world at the time. Once private bankers took over, Australia became heavily indebted, and its living standard fell to a 23rd place ranking - clearly showing the destructive power of private bank-created money and overwhelming benefits possible when governments print their own.

America today can have the same advantages instituted by:

- its colonists;
- Lincoln;
- early 20th century Australia;
- the Middle Ages, falsely portrayed as a backward and impoverishing era only saved by industrial capitalism; in fact, under its banker-free tally system, it prospered for hundreds of years; and
- China for thousands of years before the era of private banking, and today because Beijing directs The People's Bank of China (its semi-independent central bank) to grow the nation's economy and create millions of jobs for its burgeoning population.

America and world economies can be just as prosperous but only with determined effort enough to replace their corrupted systems with one that's fairest and works best .

A publicly-run banking system benefits everyone by using deposits for sustainable internal growth and government needs - at the state and local levels. And for the federal government, by printing its own money interest-free for the same purpose.

This writer and Brown believe that credit should be a public utility under a nationalized banking system, creating its own money at the federal level and with deposits into state-run banks - to serve people, not predator bankers. It would be the most equitable, sustainable, efficient and democratic system, free from parasitic lenders, and it would work equally well at the federal, state and community levels with local branches of government banks serving municipalities, their businesses, and residents at affordable costs.

Under the privately-run Federal Reserve and parasitic giant banking system, corporate monopolies run America and use "their affiliated banking trusts to generate unlimited funds to buy up competitors, the media, and the government itself, forcing truly independent private enterprise out" - the very system classical economists abhorred.

Private banks hold nations hostage by making them pay interest on their own money as well as "advanc(ing) massive loans to their affiliated cartels and hedge funds, which use the money to raid competitors and manipulate markets."

In America, it's an extreme form of Darwinism with the federal government and 46 of the 50 states insolvent - and small businesses and ordinary people faring worst. Another way is essential to keep the nation, individual states, local communities, and most people from becoming "zombies" and America transformed into Guatemala.

With federal, state, and community banks made a public utility under a nationalized banking system, consider the benefits:

- personal and payroll taxes could be eliminated;
- stable, sustainable economic growth could be generated;
- America's manufacturing base could be rebuilt;

- vital infrastructure projects could be undertaken on a scale never before imagined, including cleaning up the environment and developing alternate, sustainable, clean, safe, and affordable energy sources;
- many millions of new good-paying jobs could be created, putting an end to unemployment for everyone willing and able work; and for those willing but unable, aid could be provided;
- home foreclosures would end, and the dream of home ownership would be in reach for everyone because mortgages would be plentiful, cheap, and not designed to scam the unwary;
- inflation could be ended;
- booms and busts would be a thing of the past;
- destructive currency devaluations and economic warfare for private gain would no longer be a threat;
- private pensions, savings, and investments would be secure; and
- federal, state, and local debt could be eliminated.

Imagine the following:

Weeks back, Bloomberg and others reported that from \$12 - 14 trillion in bailouts and stimulus have been allocated or spent, while the Fed can't account for \$9 trillion in off-balance sheet transactions. Why? Because of unprecedented willful fraud given a wink and nod by the highest officials in Washington partnered with criminal bankers to loot the Treasury and fleece the public.

Now imagine if \$1 trillion of the total looted went to publicly-run banks for productive purposes. "Fractional reserve" magic would create \$10 trillion. If around half of it went there (remember already allocated or spent), an astonishing \$70 trillion could be used productively, not wasted, used to buy damaged assets cheap for greater consolidation, or for speculation at the risk of a severe future inflation. Then envision a new future:

- the federal debt could be eliminated;
- all unfunded liabilities, including Social Security, Medicare, and Medicaid would be secure in perpetuity;
- the nation and all 50 states would become solvent and on their way to comfortable surpluses; and
- a sustainable, inflation-free, prosperous future would result with essential social benefits for everyone, including affordable or perhaps free health care, education, and the end of poverty because a guaranteed minimum income could be assured.

Overall, it would be nothing short of a revolutionary new America, only rhetorically addressed up to now, with all winners and no losers - except the private predator banks and their corrupted public sector partners.

And remember, newly created money isn't inflationary as long as imbalances are avoided and it's productively used for new goods and services.

That's the kind of America to work for and not quit until achieved. If not now, when? If we don't do it, who will? If not done soon enough, it may be too late. If that's not incentive enough, what is?

Stephen Lendman is a Research Associate of the Centre for Research on Globalization. He lives in Chicago and can be reached at lendmanstephen@sbcglobal.net.

Also visit his blog site at sjlendman.blogspot.com and listen to The Global Research News Hour on www.RepublicBroadcasting.org Monday - Friday at 10AM US Central time for cutting-edge discussions with distinguished guests on world and national issues. All programs are archived for easy listening.

<http://www.globalresearch.ca/index.php?context=va&aid=13720>

The original source of this article is Global Research
Copyright © [Stephen Lendman](#), Global Research, 2009

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Stephen Lendman](#)

About the author:

Stephen Lendman lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net. His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III."

<http://www.claritypress.com/LendmanIII.html> Visit his blog site at sjlendman.blogspot.com. Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network. It airs three times weekly: live on Sundays at 1PM Central time plus two prerecorded archived programs.

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted

material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca