Global Economic Crisis: “Recapturing What is Ours and Turning Scarcity into Abundance”

Review of Ellen Brown's "Web of Debt:" Part V

By Stephen Lendman
Global Research, May 19, 2009
19 May 2009
Theme: Global Economy

This is the fifth of several articles on Ellen Brown’s superb 2007 book titled “Web of Debt,” now updated in a December 2008 third edition. It tells “the shocking truth about our money system, (how it) trapped us in debt, and how we can break free.” This article focuses on taking back our money power.

Recapturing What’s Ours and Turning Scarcity to Abundance

In 1952, Norman Vincent Peale (1898 – 1993) first published his most famous book – “The Power of Positive Thinking.” It sold about five million copies and was a New York Times bestseller for 186 consecutive weeks delivering messages like: “Never talk defeat. Use words like hope, belief, faith, victory.” FDR struck the same theme in saying: “The only thing we have to fear is fear itself.”

In 1900, Frank Baum’s The Wizard of Oz was first published, conveying “the notion that a life of scarcity could be transformed in an instant into one of universal abundance….” In real life, the secret is by taking back our money power from the private bankers who stole it in 1913, in the middle of the night, two days before Christmas, and kept it ever since.

Today’s real cause of scarcity is that “somebody is paying interest on most of the money in the world all of the time,” and by so doing enslaves nearly everyone in perpetual debt bondage. Meeting America’s huge debt burden requires the money supply to keep expanding, “and for that to happen, borrowers must continually go deeper into debt, merchants must continually raise their prices, and the odd men out in the bankers’ game of musical chairs must continue to lose their property to the banks.”

The result – inevitable wars, competition, strife, inflation, deflation, recessions, depressions, debt bondage, poverty, and despair, while at the same time bankers get fabulously richer and more powerful. The obvious solution is to stop “parasitic” banks from “feeding on the world’s prosperity,” but the “Witches of Wall Street” don’t yield easily. Dethroning them will take the process Francis Fox Piven explained in her 2006 book, “Challenging Authority.” She quoted Thomas Jefferson responding to the repressive 1798 Alien and Sedition Acts saying:

“A little patience, and we shall see the reign of witches pass over, their spells dissolve, and the people, recovering their true sight, restore their government to its true principles.”

Disruptive social actions have done it as Piven explained:

"ordinary people (have) power….when they rise up in anger and hope, defy the rules….disrupt (state) institutions….propel new issues to the center of political debate (and force) political leaders (to) stem voter defections by proferring reforms. These are the conditions that produce" democratic change.

Sidestepping the Debt Web with "Parallel" Currencies

Community currencies, for example, that historically rose "spontaneously when national (ones) were scarce, unobtainable," or in the case of Weimar Germany worthless because of hyperinflation. "Hundreds of communities in the United States, Canada and Europe did the same thing during the Depression" when hard times forced creative solutions. "Like the medieval tally, these currencies were simply credits (letting bearers) trade (them) for an equivalent value in goods and services…."

Today, community currencies "operate legally in more than 35 countries…." and in North America over 30 are available in places like Ithaca, New York where Ithaca HOUR scrip is used, saying on the back:

"This is money (entitling) the bearer to receive one hour of labor or its negotiated value in goods and services. Please accept it, then spend it…."

Another example is corporate credits like airline frequent flyer miles entitling holders to free flights and other benefits like lodging, rental cars, restaurant meals and even groceries.

Computer technology provides other alternatives as well, without currencies, by facilitating trades electronically. In 1981 after IBM released its XT computer, the first electronic currency system was devised – a Local Exchange Trading System (LETS) for recording transactions and keeping accounts by simply having "an information system for recording human effort." It tallied credits in and debits out, tax and interest free, and stored electronically.

Check out these sites for more information:

— ithacahours.com;

— madisonhours.org;

— communitycurrency.org; and

— geog.le.ac.uk/ijccr.

The main drawback to these systems is they're small, local, and fail to address the greater problem – "the mammoth debt spider that is sucking the lifeblood from the national economy" and our well-being. Solving that requires national currency reform – returning money creation power to the people who own it from bankers who stole it.

Goldbugs v. Greenbackers

In 1896 at the Democratic National Convention, William Jennings Byran railed against Goldbugs and their moneyed interests backers in support of Greenbacker farmers and laborers saying: "You shall not crucify mankind upon a cross of gold." The arguments went like this:

— Bankers claimed gold was a stable medium of exchange; “sound” or “honest” money in relatively fixed supply that couldn’t be inflated by irresponsible governments out of proportion to the demand for goods and services;

— Greenbackers called scarcity a drawback letting governments condone “dishonest” money through fractional reserve banking; they’d be harmed too many previous times not to know it; also, during the 1850s Gold Rush, its supply and consumer prices rose sharply, did again from 1917 – 1920, and during the 1970s when gold rose from $40 an ounce to $800 and inflation along with it.

The debate still continues, but today’s goldbugs are money reformers, not bankers who have it all going their way so why change.

As a medium of exchange, gold has serious drawbacks. In the Great Depression, it left the country, exacerbating deflation that caused the money supply and demand to contract. Another problem is that productivity is linked to its availability, but more practical matters are also relevant like needing gold bars for large purchases, something avoided by paper, checkbook and electronic money.

In the 1990s, Harvey Barnard proposed a new currency reform idea that included a national sales tax in lieu of the federal income tax with the aim of zero inflation and a stable economy. The National Economic Stabilization and Recovery Act (NESARA) he called it. His idea was for the government to issue currency in three forms – standard silver coins, standard gold ones, and Treasury credit notes or Greenbacks. Treasury notes would replace Federal Reserve ones with the Federal Reserve abolished.

NESARA was never introduced in Congress and might work if enacted. But why bother when the central problem is more simply addressed by returning money creation power to the government as the Constitution mandates. Paper currency isn’t the problem. A private banking cartel controlling it is what’s at issue to fix. By doing it, “the water of a free-flowing money supply can transform an arid desert of debt into the green abundance envisioned by our forefathers.” It’s there for the taking by simply “eliminating the financial parasite that is draining our abundance away,” and there’s nothing complicated about doing it.

The Federal Debt

How to pay it off is the question Congress one day must address. We can’t grow our way out, but here’s another way – pay it off “by turning (government) bonds into what they should have been all along, legal tender.”

Economic analyst Al Martin cites a 2001 US Treasury study showing that US debt service may force the government to raise the personal income tax to 65% by 2013, and if interest can’t be paid, bankruptcy and economic collapse will follow as well as for global economies within five days. The only alternative at that point would be “through currency (and) military might, or internal military power….”

However, two centuries ago, Alexander Hamilton showed “that Congress could dispose of the federal debt by ‘monetizing’ it, but Congress made the mistake of delegating that function to a private banking system.” It can fix it by “buying back its own bonds with newly-issued US Notes” it can print in limitless amounts – debt and interest free.

It’s being done now – “not by the government but by the private Federal Reserve.” However, doing it leaves the bonds in circulation, with two sets of securities (bonds and cash) instead of one. “This highly inflationary (scheme) could be avoided” if the government just bought back its own bonds and voided them out – a win-win arrangement for the nation and public with only bankers losing out as they should.

It’s simple to do and would be able to “extinguish the national debt with the click of a mouse.” In January 2004, the Treasury did it when it “called” (paid off) a 30-year bond issue prior to its due date. Paying “in book-entry form” eliminated doing it with paper currencies or checks and turned securities from interest-bearing to non-interest bearing ones. Bondholders had a choice. They could take their redemption amount in cash or not sell and get no interest.

By this method, the Treasury “can pay off the entire federal debt….It just has to announce that it is calling its bonds and other securities, and that they will be paid ‘in book-entry form.’ ” No cash is involved and funds received can be otherwise reinvested. The process can be accomplished gradually as securities come due. It’s just a matter of doing it along with restoring money creation power to the government and making America democratic again, unbeholden to bankers.

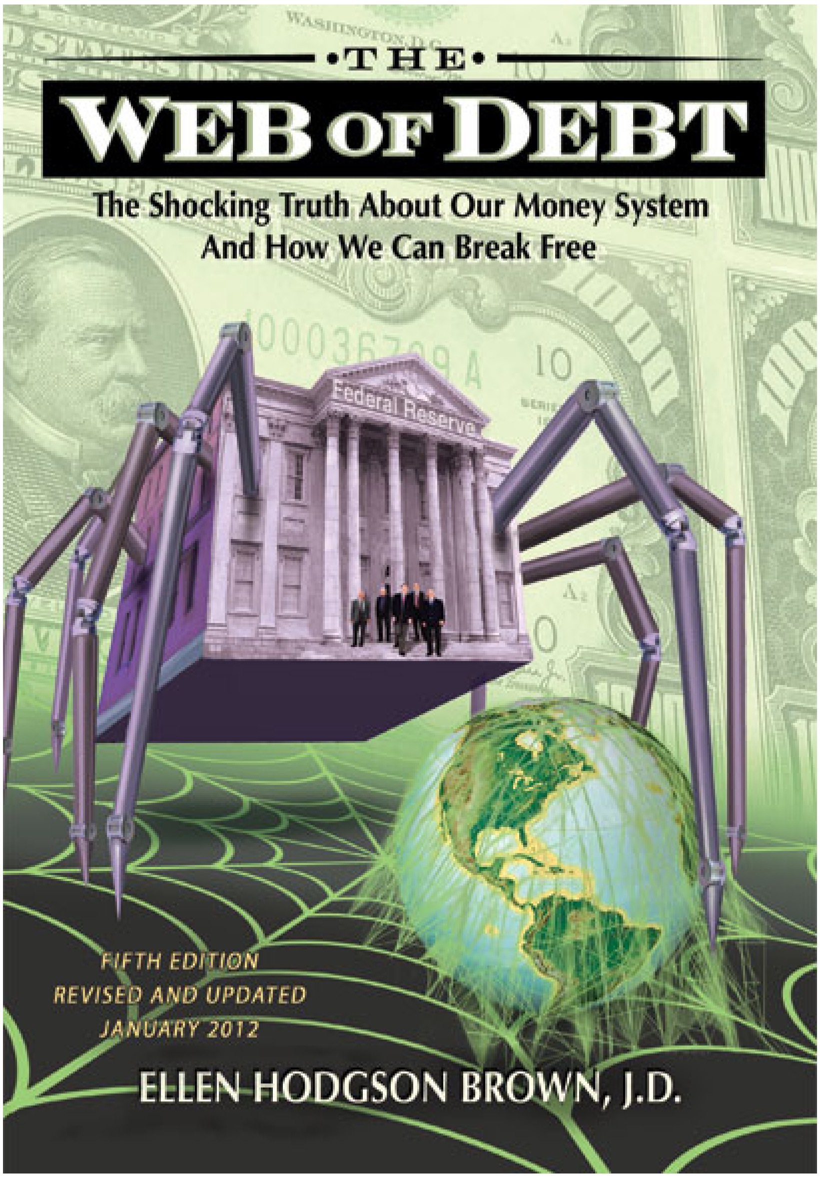
Federal Debt Liquidation without Inflation

“Inflation results when the money supply increases faster than goods and services, and replacing government securities with cash would not change the size of the money supply.” If government buys its own bonds, they simply convert from interest-bearing notes into non-interest-bearing legal tender (cash). The money supply remains unchanged, and there’s no inflationary impact.

That’s “very different from what happens today” with the Fed buying bonds, not voiding them out, and creating “reserves” for issuing “many times their value in new loans.” It adds new cash to the money supply – a “highly inflationary (scheme simply avoided by having) the government buy back its own bonds and (take) them out of circulation.”

It’s also a way to solve the “Social Security crisis.” Resolve it by “simply cashing out (of) federal bond holdings (in exchange for) newly-issued US notes” with no inflationary effect because no new money would be created. Bonds would become cash, remain in the fund, and be used for future pay-outs.

TO ORDER ELLEN BROWN’S BOOK



www.webofdebt.com and www.ellenbrown.com

Fed-held securities could be cashed out the same way and just as benignly. Cash would replace bonds. They'd be voided out. The money supply would be unchanged, and inflation would be avoided. It would work no differently for foreign central bank held debt since bonds and cash are the same thing and either can be held in reserve to support their own currencies or to buy oil per the 1974 OPEC agreement.

Already sovereign debt holders are cutting back, reducing their US securities reserves but doing it discretely so as not to be disruptive. However, "the tide is rolling out, and US bonds will be coming back to (our) shores whether we like it or not." At issue is who'll buy them and whether an inflationary or non-inflationary path will be taken. So far it's the former with all the dangers involved.

Federal Reserve-Issued "Helicopter" Money

Early in the new millennium, deflationary concerns were great enough for Ben Bernanke to deliver a Washington 2002 speech titled: "Deflation: Making Sure 'It' Doesn't Happen Here." He explained that lowering interest rates isn't the sole way to inject new money into the economy. The "US government has a new technology, called a printing press (an electronic one), that allows it to produce as many US dollars as it wishes at essentially no cost." The government could reflate the economy and buy hard assets at the same time. At issue again is whether government or private bankers do it (or local communities acting independently) and the positive or negative effects of each choice.

Today we're banking cartel controlled, and it's "brought the system to the brink of collapse. The privately-controlled Federal Reserve, which was chartered specifically to 'maintain a stable currency,' has allowed the money supply to balloon out of control. The Fed manipulates the money supply and regulates its value behind closed doors, in blatant violation of the Constitution and the antitrust laws" with the full faith and blessing of the administration, Congress and courts. It "can't be held to account; it doesn't even have to explain its rationale or reveal what is going on."

Imagine the difference if the "banking spider....could be decapitated, returning national (money creation) sovereignty to the people themselves." In other words, the rightful owner.

A final article addresses a people-oriented banking system.

***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 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=13553

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.