It Is Now Mathematically Impossible To Pay Off The U.S. National Debt

By Global Research
Global Research, February 05, 2010
The Economic Collapse 4 February 2010

Region: USA
Theme: Global Economy

A lot of people are very upset about the rapidly increasing U.S. national debt these days and they are demanding a solution. What they don't realize is that there simply is not a solution under the current U.S. financial system. It is now mathematically impossible for the U.S. government to pay off the U.S. national debt. You see, the truth is that the U.S. government now owes more dollars than actually exist. If the U.S. government went out today and took every single penny from every single American bank, business and taxpayer, they still would not be able to pay off the national debt. And if they did that, obviously American society would stop functioning because nobody would have any money to buy or sell anything.

And the U.S. government would still be massively in debt.

So why doesn't the U.S. government just fire up the printing presses and print a bunch of money to pay off the debt?

Well, for one very simple reason.

That is not the way our system works.

You see, for more dollars to enter the system, the U.S. government has to go into more debt.

The U.S. government does not issue U.S. currency – the Federal Reserve does.

The Federal Reserve is a private bank owned and operated for profit by a very powerful group of elite international bankers.

If you will pull a dollar bill out and take a look at it, you will notice that it says "Federal Reserve Note" at the top.

It belongs to the Federal Reserve.

The U.S. government cannot simply go out and create new money whenever it wants under our current system.

Instead, it must get it from the Federal Reserve.

So, when the U.S. government needs to borrow more money (which happens a lot these days) it goes over to the Federal Reserve and asks them for some more green pieces of paper called Federal Reserve Notes.

The Federal Reserve swaps these green pieces of paper for pink pieces of paper called U.S. Treasury bonds. The Federal Reserve either sells these U.S. Treasury bonds or they keep the bonds for themselves (which happens a lot these days).

So that is how the U.S. government gets more green pieces of paper called "U.S. dollars" to put into circulation. But by doing so, they get themselves into even more debt which they will owe even more interest on.

So every time the U.S. government does this, the national debt gets even bigger and the interest on that debt gets even bigger.

Are you starting to get the picture?

As you read this, the U.S. national debt is approximately 12 trillion dollars, although it is going up so rapidly that it is really hard to pin down an exact figure.

So how much money actually exists in the United States today?

Well, there are several ways to measure this.

The "M0" money supply is the total of all physical bills and currency, plus the money on hand in bank vaults and all of the deposits those banks have at reserve banks. As of mid-2009, the Federal Reserve said that this amount was about 908 billion dollars.

The "M1" money supply includes all of the currency in the "M0" money supply, along with all of the money held in checking accounts and other checkable accounts at banks, as well as all money contained in travelers' checks. According to the Federal Reserve, this totaled approximately 1.7 trillion dollars in December 2009, but not all of this money actually "exists" as we will see in a moment.

The "M2" money supply includes everything in the "M1" money supply plus most other savings accounts, money market accounts, retail money market mutual funds, and small denomination time deposits (certificates of deposit of under $100,000). According to the Federal Reserve, this totaled approximately 8.5 trillion dollars in December 2009, but once again, not all of this money actually "exists" as we will see in a moment.

The "M3" money supply includes everything in the "M2" money supply plus all other CDs (large time deposits and institutional money market mutual fund balances), deposits of eurodollars and repurchase agreements. The Federal Reserve does not keep track of M3 anymore, but according to toShadowStats.com it is currently somewhere in the neighborhood of 14 trillion dollars. But again, not all of this "money" actually "exists" either.

So why doesn't it exist?

It is because our financial system is based on something called fractional reserve banking.

When you go over to your local bank and deposit $100, they do not keep your $100 in the bank. Instead, they keep only a small fraction of your money there at the bank and they lend out the rest to someone else. Then, if that person deposits the money that was just borrowed at the same bank, that bank can loan out most of that money once again. In this way, the amount of "money" quickly gets multiplied. But in reality, only $100 actually exists. The system works because we do not all run down to the bank and demand all of our money at the same time.

According to the New York Federal Reserve Bank, fractional reserve banking can be explained this way….

“If the reserve requirement is 10%, for example, a bank that receives a $100 deposit may lend out $90 of that deposit. If the borrower then writes a check to someone who deposits the $90, the bank receiving that deposit can lend out $81. As the process continues, the banking system can expand the initial deposit of $100 into a maximum of $1,000 of money ($100+$90+81+$72.90+…=$1,000).”

So much of the “money” out there today is basically made up out of thin air.

In fact, most banks have no reserve requirements at all on savings deposits, CDs and certain kinds of money market accounts. Primarily, reserve requirements apply only to “transactions deposits” – essentially checking accounts.

The truth is that banks are freer today to dramatically “multiply” the amounts deposited with them than ever before. But all of this “multiplied” money is only on paper – it doesn’t actually exist.

The point is that the broadest measures of the money supply (M2 and M3) vastly overstate how much “real money” actually exists in the system.

So if the U.S. government went out today and demanded every single dollar from all banks, businesses and individuals in the United States it would not be able to collect 14 trillion dollars (M3) or even 8.5 trillion dollars (M2) because those amounts are based on fractional reserve banking.

So the bottom line is this….

#1) If all money owned by all American banks, businesses and individuals was gathered up today and sent to the U.S. government, there would not be enough to pay off the U.S. national debt.

#2) The only way to create more money is to go into even more debt which makes the problem even worse.

You see, this is what the whole Federal Reserve System was designed to do. It was designed to slowly drain the massive wealth of the American people and transfer it to the elite international bankers.

It is a game that is designed so that the U.S. government cannot win. As soon as they create more money by borrowing it, the U.S. government owes more than what was created because of interest.

If you owe more money than ever was created you can never pay it back.

That means perpetual debt for as long as the system exists.

It is a system designed to force the U.S. government into ever-increasing amounts of debt because there is no escape.

Of course if we had listened to our very wise founding father Thomas Jefferson, we could have avoided this colossal mess in the first place….

"If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them (around the banks), will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered."

But we didn't listen, did we?

We could solve this problem by shutting down the Federal Reserve and restoring the power to issue U.S. currency to the U.S. Congress (which is what the U.S. Constitution calls for). But the politicians in Washington D.C. are not about to do that.

So unless you are willing to fundamentally change the current system, you might as well quit complaining about the U.S. national debt because it is now mathematically impossible to pay it off.