Libya: All About Oil, or All About Banking?

By Ellen Brown
Global Research, April 14, 2011
webofdebt.com 14 April 2011

Region: Middle East & North Africa
Theme: Global Economy

Several writers have noted the odd fact that the Libyan rebels took time out from their rebellion in March to create their own central bank – this before they even had a government. Robert Wenzel wrote in the Economic Policy Journal:

I have never before heard of a central bank being created in just a matter of weeks out of a popular uprising. This suggests we have a bit more than a rag tag bunch of rebels running around and that there are some pretty sophisticated influences.

Alex Newman wrote in the New American:

In a statement released last week, the rebels reported on the results of a meeting held on March 19. Among other things, the supposed rag-tag revolutionaries announced the "[d]esignation of the Central Bank of Benghazi as a monetary authority competent in monetary policies in Libya and appointment of a Governor to the Central Bank of Libya, with a temporary headquarters in Benghazi."

Newman quoted CNBC senior editor John Carney, who asked, "Is this the first time a revolutionary group has created a central bank while it is still in the midst of fighting the entrenched political power? It certainly seems to indicate how extraordinarily powerful central bankers have become in our era."

Another anomaly involves the official justification for taking up arms against Libya. Supposedly it's about human rights violations, but the evidence is contradictory. According to an article on the Fox News website on February 28:

As the United Nations works feverishly to condemn Libyan leader Muammar al-Qaddafi for cracking down on protesters, the body's Human Rights Council is poised to adopt a report chock-full of praise for Libya's human rights record.

The review commends Libya for improving educational opportunities, for making human rights a "priority" and for bettering its "constitutional" framework. Several countries, including Iran, Venezuela, North Korea, and Saudi Arabia but also Canada, give Libya positive marks for the legal protections afforded to its citizens — who are now revolting against the regime and facing bloody reprisal.

Whatever might be said of Gaddafi, the Libyan people seem to be thriving. A delegation of medical professionals from Russia, Ukraine and Belarus wrote in an appeal to Russian President Medvedev and Prime Minister Putin that after becoming acquainted with Libyan life, it was their view that in few nations did people live in such comfort:

[Libyans] are entitled to free treatment, and their hospitals provide the best in the world of medical equipment. Education in Libya is free, capable young people have the opportunity to study abroad at government expense. When marrying, young couples receive 60,000 Libyan dinars (about 50,000 U.S. dollars) of financial assistance. Non-interest state loans, and as practice shows, undated. Due to government subsidies the price of cars is much lower than in Europe, and they are affordable for every family. Gasoline and bread cost a penny, no taxes for those who are engaged in agriculture. The Libyan people are quiet and peaceful, are not inclined to drink, and are very religious.

They maintained that the international community had been misinformed about the struggle against the regime. "Tell us," they said, "who would not like such a regime?"

Even if that is just propaganda, there is no denying at least one very popular achievement of the Libyan government: it brought water to the desert by building the largest and most expensive irrigation project in history, the $33 billion GMMR (Great Man-Made River) project. Even more than oil, water is crucial to life in Libya. The GMMR provides 70 percent of the population with water for drinking and irrigation, pumping it from Libya's vast underground Nubian Sandstone Aquifer System in the south to populated coastal areas 4,000 kilometers to the north. The Libyan government has done at least some things right.

Another explanation for the assault on Libya is that it is "all about oil," but that theory too is problematic. As noted in the National Journal, the country produces only about 2 percent of the world's oil. Saudi Arabia alone has enough spare capacity to make up for any lost production if Libyan oil were to disappear from the market. And if it's all about oil, why the rush to set up a new central bank?

Another provocative bit of data circulating on the Net is a 2007 "Democracy Now" interview of U.S. General Wesley Clark (Ret.). In it he says that about 10 days after September 11, 2001, he was told by a general that the decision had been made to go to war with Iraq. Clark was surprised and asked why. "I don't know!" was the response. "I guess they don't know what else to do!" Later, the same general said they planned to take out seven countries in five years: Iraq, Syria, Lebanon, Libya, Somalia, Sudan, and Iran.

What do these seven countries have in common? In the context of banking, one that sticks out is that none of them is listed among the 56 member banks of the Bank for International Settlements (BIS). That evidently puts them outside the long regulatory arm of the central bankers' central bank in Switzerland.

The most renegade of the lot could be Libya and Iraq, the two that have actually been attacked. Kenneth Schortgen Jr., writing on Examiner.com, noted that "[s]ix months before the US moved into Iraq to take down Saddam Hussein, the oil nation had made the move to accept Euros instead of dollars for oil, and this became a threat to the global dominance of the dollar as the reserve currency, and its dominion as the petrodollar."

According to a Russian article titled "Bombing of Lybia – Punishment for Ghaddafi for His Attempt to Refuse US Dollar," Gadaffi made a similarly bold

move: he initiated a movement to refuse the dollar and the euro, and called on Arab and African nations to use a new currency instead, the gold dinar. Gadaffi suggested establishing a united African continent, with its 200 million people using this single currency. During the past year, the idea was approved by many Arab countries and most African countries. The only opponents were the Republic of South Africa and the head of the League of Arab States. The initiative was viewed negatively by the USA and the European Union, with French president Nicolas Sarkozy calling Libya a threat to the financial security of mankind; but Gaddafi was not swayed and continued his push for the creation of a united Africa.

And that brings us back to the puzzle of the Libyan central bank. In an article posted on the Market Oracle, Eric Encina observed:

One seldom mentioned fact by western politicians and media pundits: the Central Bank of Libya is 100% State Owned. . . . Currently, the Libyan government creates its own money, the Libyan Dinar, through the facilities of its own central bank. Few can argue that Libya is a sovereign nation with its own great resources, able to sustain its own economic destiny. One major problem for globalist banking cartels is that in order to do business with Libya, they must go through the Libyan Central Bank and its national currency, a place where they have absolutely zero dominion or power-broking ability. Hence, taking down the Central Bank of Libya (CBL) may not appear in the speeches of Obama, Cameron and Sarkozy but this is certainly at the top of the globalist agenda for absorbing Libya into its hive of compliant nations.

Libya not only has oil. According to the IMF, its central bank has nearly 144 tons of gold in its vaults. With that sort of asset base, who needs the BIS, the IMF and their rules?

Read Ellen Brown in *The Global Economic Crisis*

All of which prompts a closer look at the BIS rules and their effect on local economies. An article on the BIS website states that central banks in the Central Bank Governance Network are supposed to have as their single or primary objective "to preserve price stability." They are to be kept independent from government to make sure that political considerations don't interfere with this mandate. "Price stability" means maintaining a stable money supply, even if that means burdening the people with heavy foreign debts. Central banks are discouraged from increasing the money supply by printing money and using it for the benefit of the state, either directly or as loans.

In a 2002 article in Asia Times titled "The BIS vs National Banks," Henry Liu maintained:

BIS regulations serve only the single purpose of strengthening the international private banking system, even at the peril of national economies. The BIS does to national banking systems what the IMF has done to national monetary regimes. National economies under financial globalization no longer serve national interests.

. . . FDI [foreign direct investment] denominated in foreign currencies, mostly dollars, has condemned many national economies into unbalanced development toward export, merely to make dollar-denominated interest payments to FDI, with little net benefit to the domestic economies.

He added, "Applying the State Theory of Money, any government can fund with its own currency all its domestic developmental needs to maintain full employment without inflation." The "state theory of money" refers to money created by governments rather than private banks.

The presumption of the rule against borrowing from the government's own central bank is that this will be inflationary, while borrowing existing money from foreign banks or the IMF will not. But *all* banks actually create the money they lend on their books, whether publicly-owned or privately-owned. Most new money today comes from bank loans. Borrowing it from the government's own central bank has the advantage that the loan is effectively interest-free. Eliminating interest has been shown to reduce the cost of public projects by an average of 50%.

And that appears to be how the Libyan system works. According to Wikipedia, the functions of the Central Bank of Libya include "issuing and regulating banknotes and coins in Libya" and "managing and issuing all state loans." Libya's wholly state-owned bank can and does issue the national currency and lend it for state purposes.

That would explain where Libya gets the money to provide free education and medical care, and to issue each young couple $50,000 in interest-free state loans. It would also explain where the country found the $33 billion to build the Great Man-Made River project. Libyans are worried that NATO-led air strikes are coming perilously close to this pipeline, threatening another humanitarian disaster.

So is this new war all about oil or all about banking? Maybe both – and water as well. With energy, water, and ample credit to develop the infrastructure to access them, a nation can be free of the grip of foreign creditors. And that may be the real threat of Libya: it could show the world what is possible. Most countries don't have oil, but new technologies are being developed that could make non-oil-producing nations energy-independent, particularly if infrastructure costs are halved by borrowing from the nation's own publicly-owned bank. Energy independence would free governments from the web of the international bankers, and of the need to shift production from domestic to foreign markets to service the loans.

If the Gaddafi government goes down, it will be interesting to watch whether the new central bank joins the BIS, whether the nationalized oil industry gets sold off to investors, and whether education and health care continue to be free.

Ellen Brown *is an attorney and president of the Public Banking Institute, http://PublicBankingInstitute.org. In Web of Debt, her latest of eleven books, she shows how a private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her websites are http://webofdebt.com and http://ellenbrown.com.*

The original source of this article is webofdebt.com

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: **Ellen Brown**