The Economic Crisis and What Must be Done

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The United States does not control its own destiny. Rather it is controlled by an international financial elite, of which the American branch works out of big New York banks like J.P. Morgan Chase, Wall Street investment firms such as Goldman Sachs, and the Federal Reserve System. They in turn control the White House, Congress, the military, the mass media, the intelligence agencies, both political parties, the universities, etc. No one can rise to the top in any of these institutions without the elite's stamp of approval.

This elite has been around since the nation began, becoming increasingly dominant as the 19thcentury progressed. A key date was passage of the National Banking Act of 1863, when the system was put into place whereby federal government debt was used to collateralize bank lending. Since then we've paid the freight through our taxes for bank control of the economy. The final nails in the coffin came with the passage of the Federal Reserve Act of 1913.

In 1929 the bankers plunged the nation into the Great Depression by constricting the money supply. With Franklin D. Roosevelt as president, the nation struggled through the decade of the 1930s but did not pull out of the Depression until the industrial explosion during World War II.

After the war came the Golden Age of the U.S. economy, when the working man, protected by strong labor unions, became a true partner in the prosperity of the industrial age. That era lasted a full generation. The bankers were largely spectators as Americans led the world in exports, standard of living, science and space exploration, and every measure of health, longevity, and culture.

Roosevelt had kept the bankers subservient to the interests of the economy at large. The Federal Reserve was part of the New Deal team, and interest rates were held at historic lows despite a large federal deficit. One main impact was the huge increase in home ownership. After World War II, the G.I. Bill allowed home ownership to grow further and millions of veterans to attend college. The influx of educated graduates led to productivity growth and the emergence of new high-tech industries.

But the bankers were laying their plans. In the early 1950s they got the government to agree to allow the Federal Reserve to escape its subservience to the U.S. Treasury Department and set interest rates on its own. Rates rose throughout the 1950s and 1960s. By the time of the interest rate hikes of 1968, the economy was slowing down. Both federal budget and trade deficits were beginning to replace the post-war surpluses. High interest rates were the likely cause.

In 1971, President Richard Nixon removed the dollar's gold peg, allowing the huge inflation resulting from oil price increases that the international bankers engineered through control of U.S. foreign policy when Henry Kissinger was national security adviser and secretary of state. Nixon's opening to China resulted in early agreements, also overseen by banking interests, to begin to transfer U.S. industry to overseas producers like China which had cheap labor costs.

By the mid-1970s, the U.S. had been taken over by a behind the scenes coup-d'etat that included events in 1963 when President John F. Kennedy was assassinated by a conspiracy that could only have been instigated by the highest levels of world financial control. In the election of 1976, David Rockefeller succeeded in placing fellow Trilateral Commission member Jimmy Carter in the White House, but Carter upset the banking community, thoroughly Zionist in orientation, by working toward peace in the Middle East and elsewhere.

I was working in the Carter White House in 1979-80. Unbeknownst to the president, Federal Reserve Chairman Paul Volcker, another Rockefeller protégé, suddenly raised interest rates to fight the inflation the bankers had caused by the OPEC oil price deals, and plunged the nation into recession. Carter was made to look weak and uninformed and was defeated in the election of 1980 by Republican candidate Ronald Reagan. It was through the "Reagan Revolution" that the regulatory controls over the banking industry were lifted, mainly in allowing the banks to use their fractional reserve privileges in making mortgage loans.

Volcker's recession shattered American manufacturing and hastened the flight of jobs abroad. Under the "Reagan Doctrine," the U.S. military embarked on an unprecedented mission of world conquest by attacking one small nation at a time, starting with Nicaragua. Global capitalism was also on the march, with the U.S. armed forces its own private police force. With the invasion of Iraq under George H.W. Bush in 1991, mainland Asia was revealed as the principle target.

The economy was floated by productivity gains through computer automation and a huge sell-off of assets through the merger-acquisition bubble of the late 1980s which ended in a recession. This resulted in the defeat of Bush by Bill Clinton in the election of 1992. Clinton was able to create another bubble through a strong dollar policy that attracted foreign capital.

The dot-com bubble that resulted lasted all the way through to the crash of December 2000. Meanwhile, the U.S. Air Force led the way in the destruction of the sovereign state of Yugoslavia, whereby the international bankers took over the resource wealth of the entire Balkan region, and the U.S. military gained forward bases for further incursions into Asia.

Do we need to say that none of this was ever voted on by the American electorate? But they bought into it nevertheless, both with their silence and through participation in a generally favorable job market in the emerging service occupations, particularly finance.

By the time George W. Bush was inaugurated president in January 2001, the U.S. was facing a disaster. $4 trillion in wealth had vanished when the dot.com bubble collapsed. NAFTA caused even more American manufacturing jobs to disappear abroad. The Neocons who were moving into key jobs in the Pentagon knew they would soon have new wars to fight in the Middle East, with invasion plans for Afghanistan and Iraq ready to be pulled off the shelf.

But the U.S. had no economic engine available to generate the tax revenues Bush would need for the planned wars. At this moment Chairman Alan Greenspan of the Federal

Reserve stepped in. Over a two year period from 2001-2003 the Fed lowered interest rates by over 500 basis points. Meanwhile, the federal government removed all regulatory controls on mortgage lending, and the housing bubble was on. $4 trillion in new home loans were pumped into the economy, much of it through subprime loans borrowers could not afford.

The Fed began to put on the brakes in 2003, but the mighty work of re-floating a moribund economy had been accomplished. By late 2006 another recession loomed, but it would take two more years before the crisis of October 2008 brought the entire system down.

The impact on the job market was immediate and profound. By the time Barack Obama was elected president in November 2008, the U.S. was mired in seemingly endless wars in Afghanistan and Iraq, and the worst recession since the Great Depression was picking up speed. In order to prevent total disaster, the Bush administration ended its eight years of catastrophic misrule with a flourish, by allocating over $700 billion in financial system bailouts to cover the bad loans the banks had been making since Greenspan gave the housing bubble the green light.

It is now November 2009. Since Barack Obama was inaugurated in January, unemployment has soared from 7.9 percent to 10.2 percent. A few hundred billion dollars were allocated for "stimulus" purposes, but most of that went to pay unemployment benefits and to keep state and local governments from laying off more employees.

A fraction has been distributed for highway improvements, but largely through the bank bailouts the federal deficit has been running at an annual rate of $1.5 trillion, by far the largest in history, with the national debt now topping $12 trillion. Ironically, those Americans who still have productive jobs continue to grow in efficiency, with productivity up over five percent in the last year.

So much federal money has been spent that the Obama administration has been struggling to make its health care proposals budget-neutral through a raft of new taxes, fees, and penalties, and by announcing in recent days that the government' first priority must now shift to deficit reduction. The word "austerity" has been mentioned for the first time since the Carter administration. Yet Congress voted $655 billion in military expenditures to continue fighting in the Middle East. A U.S. military attack on Iran, possibly in conjunction with Israel, would surprise no one.

So where do we now stand?

At present, the Federal Reserve is trying to prevent a total economic collapse. Interest rates are near-zero, to the chagrin of foreign investors in U.S. Treasury securities, and close to half of new Treasury debt instruments have been bought by the Federal Reserve itself as a way of providing free money for federal government expenditures.

But the U.S. economy shows no signs of coming back, with no economic driver emerging that could bring it back. For all the talk about alternative energy, there has been no significant growth of any home-grown industry that could possibly make up so much lost ground in either the short or the long-term.

The industries in the U.S. that are holding up are the military, including arms exports, universities that are attracting large numbers of students from abroad, especially China, and health care, especially for the aging baby boomer population. But the war industry produces nothing with a long-term economic benefit, and health care exists mainly to treat sick people, not produce anything new.

None of this provides a foundation that can bring about a restoration of prosperity to 300 million people when the jobs of making articles of consumption are increasingly scarce. On top of everything else, since government inevitably looks to its own requirements first, the total tax burden continues to increase to the point where the average employee now pays close to 50 percent of his or her income on taxes of all types, including federal and state income taxes, real estate taxes, payroll taxes, excise taxes, government fees, etc. Plus the cost of utilities continues to rise steadily and threatens to skyrocket if cap-and-trade legislation is passed.

The Obama administration has no plans to deal with any of this. They have projected a budget for 15 years hence that shows the budget deficit decreasing and tax revenues going way up, but it is all lies. They have no roadmap for getting us there and no plans for following the roadmap if it portrayed a realistic goal. And yet the U.S. military is still trying to conquer Asia. It is madness.

And it is madness because the big decisions are not made by the U.S., by Congress, or by the Obama administration. The U.S. has, for half-a-century, been marching to the tune played by the international financial elite, and this fact did not change with the election of 2008. The financiers have put the people of this nation $57 trillion in debt, according to the latest reports, counting debt at the federal, state, business, and household levels. Interest alone on this debt is over $3 trillion of a GDP of $14 trillion. Failure of our political leadership to deal with this tragedy over the past three decades is nothing less than treason.

But then again, at some point the decision was made that the U.S. and its population would be discarded by history, the economic status of the nation reduced to a shadow of what it once was, but that its military machine would be used for the financial elite's takeover of the world until it is replaced by that of some other nation. All indications are that the next country up to bat as military enforcer for the financiers is China.

There you have it. That, in my opinion, is the past, present, and future of this nation in a nutshell. Great evils have been done in the world in the last century, and there is nothing anyone can do about it.

Except…. and that's what each person caught up in these travesties must decide. What are you going to do about it?

In mulling over this question, it would be wise to recognize that the dominance of the financial elite has largely been exercised through their control of the international monetary system based on bank lending and government debt. Therefore it's through the monetary system that change can and must be made.

The progressives are wrong to think the government should go deeper in debt to create more jobs. This will just create an even deeper hole of debt future generations will have to crawl out of.

Rather the key is monetary reform, whether at the local or national levels. People have lost control of their ability to earn a living. But change could be accomplished through sovereign control by people and nations of the monetary means of exchange.

This control has been stolen. It is time to take it back. One way would be for the federal government to make a relief payment to each adult of $1,000 a month until the crisis lifted. This money could be earmarked for goods and services produced within the U.S. and used to capitalize a new series of community development banks. I have called this the "Cook Plan."

The plan could be funded through direct payment from a Treasury relief account without new taxes or government borrowing. The payments would be balanced on the credit side by GDP growth or be used by individuals to pay off debt. It would be direct government spending as was done with Greenbacks before and after the Civil War without significant inflation.

Another method increasingly being used within the U.S. today is local and regional credit clearing exchanges and the use of local currencies or "scrip." Use of such currencies could be enhanced by legislation at the state and federal levels allowing these currencies to be used for payment of taxes and government fees as well as payment of mortgages and other forms of bank debt. The credit clearing exchanges could be organized as private non-profit regional currency co-operatives similar to credit unions.

These would be immediate emergency measures. In the longer run, sovereign control of money and credit must be returned to the public commons and treated as public utilities. This does not mean exclusive government control to replace bank control. As stated previously, it would be done in partnership between government and private trade exchanges. Nor does it mean government takeover of business, industry, or the banking system, though all should be regulated for the common good and fairly taxed.

This program would lead to a new monetary paradigm where money and credit would be available by, as, when, and where needed, to facilitate trade between and among legitimate producers of goods and services. In this way trade and commerce will come to serve human freedom, not diminish it as is done with today's dysfunctional partnership between big government trillions of dollars in debt and big finance with the entire world in hock.

Such a change would be a true populist revolution.

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