

The G-20 Economic Summit Won't Change the "Financial Crime Scene"

By [Richard C. Cook](#)

Global Research, November 16, 2008

16 November 2008

Region: [USA](#)

Theme: [Global Economy](#)

Remarks by Richard C. Cook

George Mason University,
Fairfax, Virginia

November 15, 2008

The G20 is meeting today in Washington , D.C. , to discuss the world financial crisis, its causes, and what can be done about it. But this won't help the people of the U.S. who have been victimized by their own financial system.

The stated objectives are to find ways to stabilize and reduce speculation in the financial markets and make financial transactions more transparent, more efficient, and more international in scope. But this is also a revolt by the nations of the world against over-reliance on the U.S. dollar as the world's reserve currency. What we are likely to see over time is a multi-currency regime that includes the Euro and one or more Asian currencies as well.

But the conference will not address the real causes of why the world is heading into a global recession or why the U.S. economy in particular is in such dire straits. Nor will the meeting result in redress of the staggering level of bankers' criminality abetted by the U.S. government in the creation of the financial bubbles whose collapse is underway.

The real problem is that the world is locked into a debt-based financial system run by the world's banks, where the only way currency can be entered into circulation is through lending. It's been massive amounts of completely irresponsible lending which have leveraged the bubbles against much smaller amounts of tangible value.

The GDP of the entire world is \$55 trillion. This is dwarfed by speculative lending in the derivatives markets of ten times that amount-\$525-\$550 trillion. No nation has clean hands in this travesty. The governments of the world and the central banks have allowed it to come into being.

Within the U.S. , reliance on money-creation through bank lending has been the problem

since the creation of the Federal Reserve System in 1913. At that point the U.S. monetary system was privatized. The case has been the same with all the other nations which have private banking systems that control their central banks. The granddaddy is the Bank of England which dates from 1694.

The creation of the Federal Reserve System marked the start of a century of world war. This is hardly a coincidence. Indeed, the central banking system encourages wars and lives off them, because it is war and the threat of war that is most profitable to a system where the more money governments borrow the more profits the banks make.

All this started with World War I, which was largely financed by the British, French, German, and the U.S. banks. Events have continued in that vein through today, where the nations of the world are armed to the teeth and global finance capitalism tries to increase its control everywhere to the detriment of workers, national economies, and the environment.

To try to fix the crisis through bailing out the system, we are now seeing in the U.S. and Europe levels of government borrowing that have not been experienced since World War II. The purpose is to recapitalize a financial system that has destroyed itself through its own greed and folly. But all this does is defer the bill to future generations who have to pay the enormous compounded interest charges this borrowing entails. Interest on the national debt in the 2009 federal budget is over \$500 billion. Every man, woman, and child in the nation is a victim of this crime.

The situation is so bad that many people believe the U.S. may even be in danger of defaulting on its gigantic national debt sometime in 2009.

Meanwhile, the failed financial system is dragging down the world's producing economy with it, and the bailouts won't change that situation. Combined with the financial crash has been a collapse in consumer "demand." In other words, consumers, who are maxed out on their credit, no longer can borrow enough to keep the wheels of the economy turning.

But the reason they must borrow for consumption is that earnings are not sufficient for people to buy what they need to live. This is why in the U.S. there has been an outcry, including with the Obama campaign, for new government job-creation programs. Every day there is another proposal by progressives for new government spending, which, of course, will have to be financed by even more government debt.

So when are we going to learn how to introduce purchasing power without debt? How did we ever come to believe that the only way to create money is through a bank inventing it out of thin air? In the past few weeks we have had a number of Nobel-prize winning economists chip in with their suggestions of what to do, but none have addressed the obvious question of what the alternatives may be to bankers' debt-based currency.

If we look at history, we see other ways governments have used their powers to create money. Indeed, until the Federal Reserve Act of 1913, the U.S. was a kind of laboratory of alternative methods of money-creation.

If we go back to colonial days, the American colonies used a variety of means to introduce currency into circulation. In Virginia, plantation owners received tobacco certificates when they deposited their product at public warehouses. The certificates then circulated as currency.

In Pennsylvania the government ran a land bank which paid cash to land-owners for liens on property. The interest paid for the costs of government without any taxation of citizens.

In Massachusetts, Pennsylvania, and elsewhere, governments spent paper money directly into circulation. The money received value by then being accepted by those governments, after it circulated within the economy, in payment of taxes.

Other forms of currency were Spanish dollars, Indian wampum, and IOUs. There was also a flourishing barter trade.

The system worked. By 1764, the American colonies formed one of the most prosperous trading regions on the planet. When asked why, Benjamin Franklin said it was because of colonial scrip—i.e., their paper money. When the British Parliament outlawed it through the Currency Act of 1764, an economic depression followed. It was the underlying cause of the Revolutionary War.

During that war, the Continental Congress issued the famous Continental Currency. What likely caused that money to inflate was extensive British counterfeiting, not being used to excess by our national government.

Once the nation became independent, a U.S. mint was founded so individuals could bring in gold or silver and have it stamped into coinage free of charge. New discoveries as with the California and Yukon gold rushes or better methods of extraction from ores resulted in economic booms. From then until coinage lost its value after the Federal Reserve System was established, precious metals were a major part of the U.S. monetary system that included not only coinage but also gold and silver certificates.

In 1791 and again in 1816 Congress passed legislation for the First and Second Banks of the United States . These banks were duplicates of the Bank of England whose purposes were to fasten on the U.S. the same type of debt-based monetary system that was the driving force for the British Empire . Presidents Thomas Jefferson, James Madison, Andrew Jackson, and Martin van Buren were among those who saw these banks as a Trojan Horse for financier tyranny. The split between pro- and anti-bank forces was the origin of the two-party system within the United States .

When Jefferson became president in 1800 he refused to borrow from the bank and balanced the federal budget for eight consecutive years by cutting military expenditures. Andrew Jackson took similar action in 1833 when he withdrew federal funds from the bank and paid off the entire national debt. It was recognized back then that fiscal responsibility was an effective means for keeping the government out of the control of the bankers and their political friends.

When the Civil War broke out in 1861, President Abraham Lincoln refused to borrow from the banks. Instead he financed the war through income and excise taxes, sale of war bonds directly to citizens, and issuance of the famous Greenbacks. This came about in 1862 when Congress authorized the government to spend \$450 million in paper Greenbacks directly into circulation. Congress also introduced tangible value into the economy by what was then the very wise policy of transferring huge amounts of public land to the railroads and to citizens under the Homestead Act.

During the late 19th century, ordinary citizens were not so stunningly ignorant of the politics

of money as they are today. People recognized the Greenbacks for having saved the union. A Greenback Party was formed that elected representatives to Congress and ran candidates for president.

Greenbacks remained in circulation, and as late as 1900 still made up a third of the nation's monetary supply, along with coinage, gold and silver certificates, and national bank notes. Also, many other business entities, including the "company stores" owned by mining companies, issued their own paper scrip that was part of the circulating currency. For example, in a pamphlet on monetary reform written by American poet Ezra Pound in the 1930s was an illustration of paper money his grandfather issued from his lumberyard in Michigan in the late 1800s backed by board-feet of lumber payable on demand! Of course barter trade continued and still exists today among industrial firms.

But the bankers were on the move. In 1863 and 1864 Congress passed the National Banking Acts which drove the extensive system of state-chartered banks, including some owned by state governments, out of existence. By the early 1900s, the power of the bankers had coalesced under the New York banking trust led by the J.P. Morgan and Rockefeller financial interests.

The bankers struck in 1913 just before the Christmas recess when many Congressmen had already left Washington for the holidays. The Federal Reserve Act had actually been written by bankers from Europe who were allied with the Rothschild interests. Congressman Charles Lindbergh, Sr., father of the aviator, called the Act "the legislative crime of the ages." Later President Woodrow Wilson, who signed the Act, said he had "unwittingly ruined my nation."

But the deed was done. The Federal Reserve System created the first major financial bubble through World War I spending, followed by a depression, then created and burst the stock market bubble whose collapse started the Great Depression in 1929. President Franklin D. Roosevelt took over credit creation through low-cost government lending in the 1930s but had to use World War II to achieve full employment because by then the government was totally locked into the Keynesian tax-and-borrow credo of public finance.

The bankers began their comeback in the 1950s and consolidated their power in the 1970s under the heading of "monetarism," which is the philosophy of trying to control the economy through raising and lowering of interest rates. This travesty—which is really institutionalized usury—is as familiar to us today as the water a fish swims in. We don't even notice it. Yet it's this system that has ruined the world. Ever since the 1970s, every period of economic growth in the U.S. has been a bank-created bubble followed by a crash and a recession.

We had the inflation of the 1970s created by the government-induced oil prices shocks, followed by the Paul Volcker crash of 1979-83 when the Federal Reserve raised interest rates above twenty percent and caused the biggest downturn since the Great Depression.

During the later Reagan years we had the merger-acquisition bubble followed by the recession that brought Bill Clinton to office in 1992. Then we had the dot.com bubble of the mid- to late-1990s that ended with the crash of 2000-2001.

Next, instead, of rebuilding an economy that had been devastated by export of our best manufacturing jobs to China and other cheap-labor countries, the Federal Reserve under chairman Alan Greenspan, with assistance from the George W. Bush administration, created

the biggest bubble economy in history, with the housing, commercial real estate, equity, hedge fund, derivatives, and commodities bubbles all blowing up at the same time and leaving us with the mess we are in today.

What has happened during the Bush administration has been the greatest crime against the public interest in U.S. history. Its effects are only starting to be evident.

Of course in the face of so many disasters, the credit markets have imploded, and governments don't know what to do except recapitalize and restructure them but without taking action to address the deep systemic problems with the producing economy. And while the Europeans may have blown the whistle on U.S. excesses through the G20 meeting, this country still faces disaster.

Yes, Wall Street is killing Main Street , and no one has come up with an answer except suggestions for the bailouts and some New Deal-type programs in an environment that is much worse even than in the 1930s. For one thing, most of what we consume today is produced abroad. For another, family farming has been ruined. In a pinch, our nation could no longer even feed itself.

But the amazing thing is how easy it would be to salvage the situation if the government took the simple step of treating credit as what it really is—a public utility like clean air, water, or electricity, not the private property of the banking system. In fact the banking system and the politicians they own have stolen and abused this fundamental piece of the social commons.

Banks have no legal right to work against the public interest. Every single bank that has ever existed has operated under a public charter. The Constitution gives Congress—i.e., the people's representative government—authority to regulate interstate commerce. It also gives Congress the right and responsibility to control the monetary system.

So why doesn't Congress do it? Why does Congress sit passively and stare when Federal Reserve chairmen such as Alan Greenspan or Ben Bernanke sit before them and mumble nonsense about markets and interest rates and inflation and the rest of a made-up system whose main result is to funnel the wealth of the economy upwards into the hands of the financial elite?

In my writings I have advocated several measures Congress could take immediately to remedy the catastrophe we are facing:

1. Congress could authorize direct expenditure of government funds for legitimate public expenses, as was done with the Civil War-era Greenbacks. Contrary to bankers' propaganda, the Greenbacks were not inflationary then and would not be inflationary now, because they would be backed by tangible economic production of goods and services. What has been inflationary has been the debt-based currency which, since it was introduced in 1913, has caused the dollar to lose 95 percent of its value. Greenback-type spending is contained in the proposed American Monetary Act, developed by the American Monetary Institute.
2. Congress could authorize a national infrastructure bank that would be self-capitalized and would lend money into existence to state and local governments

at zero percent interest. Legislation for such a bank has been introduced by Congressman Dennis Kucinich.

3. Congress could authorize dividend payments to citizens as advocated by the Social Credit movement founded by Major C.H. Douglas of Great Britain decades ago as a means of monetizing the net appreciation of the producing economy. Dividends exceeding \$1,000 a month could be issued from a national dividend account without recourse to taxation or borrowing. Such a concept is related to the Alaska Permanent Fund which paid over \$3,200 to each state resident in 2008 and to the concept of a basic income guarantee advocated by proponents of the negative income tax in years past.
4. Congress could utilize dividend payments once they were spent, possibly in the form of vouchers for necessities of life like food and housing, to capitalize a new network of community savings banks that would provide low-cost credit to home purchasers, students, small business people, and local farms.

I worked in the U.S. Treasury Department for 21 years and learned first-hand the history and operations of public finance in the U.S. I have seen the disastrous results of the debt-based financial system and how it has driven our nation, government, and people into bankruptcy. I have also seen how these simple measures of monetary reform would be easy to implement and would begin to turn the situation around within weeks or months.

All it takes is political will and a determination to challenge the death-grip the financial elite has had on our economy for a century.

We can be quite certain that these vital issues will not be addressed by the summit of the G20 meeting in Washington today. If anything, these meetings are likely to render the grip of private finance on the peoples of the world even tighter than before.

But sooner or later change must come. For the immediate future people could fight back by doing everything possible to get out of debt, convert their cash reserves to tangible holdings, and start their own local currency and barter systems. But for real change, a monetary revolution is required.

Richard C. Cook is a former U.S. federal government analyst and an advocate for economic democracy and sustainability. His new book, [We Hold These Truths: The Hope of Monetary Reform](#), can now be ordered for \$19.95 from www.tendrilpress.com.

The original source of this article is Global Research
Copyright © [Richard C. Cook](#), Global Research, 2008

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

[Become a Member of Global Research](#)

Articles by: [Richard C. Cook](#)

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