New View on Money

Blog Columns by Richard Kotlarz

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Column #1 A PERSONAL INTRODUCTION

(Week 1 - Monday July 28, 2008)

I was born at the cutting edge of the baby boom generation, and raised in the American heartland. I grew up in what I experienced as the halcyon 50's, came of age in the turbulent 60's, returned home radicalized after a tour in Vietnam, embarked on a technical career, and then worked in human services. Along the way I raised more than one family, and left the big city to build an earth-sheltered homestead deep in the woods along the Canadian border. I ventured into political activism, but eventually matured out of its partisan spirit. Perhaps the most fortunate aspect of this serpentine odyssey is that I became intimately acquainted with the members and struggles of every generation that spanned the transformative twentieth century, and now beyond.

Over the course of this journey I became increasingly mindful of the stubbornly persistent problems that don't make sense to me in our economic lives:

• What is the story behind all the bad economic news that comes at us constantly from the newspaper headlines?

• Why are we not richer by our burgeoning physical wealth, instead of being poorer by a snowballing "debt"?

• How could it be that an innocent babe in the U.S. today is already (according to pundits on TV) some $200,000 in "debt"? When did babies borrow this money? Why are they responsible for it? How are they expected to "repay" it? Is their future mortgaged before it starts? Is this "original debt" the new form of "original sin"?

• If every dollar in circulation is borrowed into existence through loans from private banks, and is required to be paid back with "interest," where does the money to pay the "interest" come from?

• After a century of explosive growth in real economic activity, why have we not grown out of our "debt"? Why is it compounding at an ever-more quickening pace? Is more growth the answer, or is the problem something else? Could it be that there is a perverse logic built into the system that is causing us to grow into it our "debt", with no hope whatsoever of growing out of it?

• After generations of living on the land and feeding the nation, why in the last fifty-plus years have family farmers been forced off the land by financial foreclosures, or the

threat of foreclosures, until now they comprise less that two-percent of the population.
• What is this "debt" burden doing in real terms to our civilization, our earth, ourselves? What is "debt" anyway? What is its effect on the psyche of generations growing up in saturation of its cultural presumptions and social devastation?

• If I am working hard and "playing by the rules" in the "richest country on earth," why can I not pay my bills?

• Has fear of being without money replaced fear of dying as the most dreaded eventuality in people's lives?

I am not an economist. In fact, I am not officially credentialed in any discipline. Rather, I consider myself to be a rather ordinary fellow who has sought diligently through the weavings of my life to learn the truths about what lie behind it. I have lived a "middle-class" financial life that has ranged from episodes of modest prosperity to periods of great stress. My foray into the subject of economics began with only native intuition and a burning desire to know the truth. I completed the standard Econ. 101 and 102 courses at age 48; old enough to have my own questions.

One who approaches the study of an established discipline from a direction rooted in life experience ingests over time the same points of knowledge as the on-track student, but his understanding is not necessarily ruled by the orthodox assumptions that are dictated by the gatekeepers of the craft. There is a native discernment developed whereby the founding "truths" of the discipline are not swallowed whole, but scrutinized as to whether they indeed are truths. This can make all the difference.

This is the introduction to a proposed series of columns in which I will attempt to initiate a new conversation about money. It will touch regularly on the stories in the headlines, but from a point of perception that is virtually missing from the current public debate. As currently conceived, these offerings will be short, typically 400 to 500 words; just enough for a quick economic perspective of the day and "antidote" to the news over morning coffee. The initial idea is to send one out six days a week, Monday through Saturday. Where will it go from there? I don't know. We shall see what develops. I welcome any thoughtful input, and will try to be as responsive in a personal way as time and energy allows.

Column #2 A DISTURBING IMAGE FROM THE PAST

(Week 1 - Tuesday July 29)

On the front page of the Tuesday, July 15 edition of the New York Times, was a

photograph of a long line of people anxiously waiting to get into a bank the day before. I experienced this as a disturbing image, the like of which I had seen only in history books. It was, in a manner of speaking, an old-fashioned "run on the bank." To my knowledge, not since the Depression has such a picture been emblazoned across the front page of an American newspaper.

The particular institution being besieged was IndyMac bank in Pasadena, California, but the accompanying article offered the view that the banking sector itself was experiencing a growing crisis of confidence in the eyes of the public and the financial world alike, and that this initial rush on one of their members was feared to be the start of the unraveling of the banking system itself.

Of course, this is barely the tip of the catastrophic-financial-news iceberg. One could go on to find all the "latest" on the sub-prime housing crisis, the Bear-Stearns collapse, the galloping federal deficit, the personal debt crisis, the balance of payment deficit, the loss of jobs to poverty-wage foreign districts, the lack of money to repair crumbling infrastructure, the tens of millions of people without health insurance, the shrinking middle class, plus failing companies, public budget crises and private bankruptcies virtually everywhere. Such distressing stories are invariably accompanied by the calming voices of experts, officials and politicians assuring us that there is no reason for alarm, and offering their own good advice on how all this might be remedied. Notwithstanding, over the decades the problems seem only to be mounting.

When it comes to matters of money, it might be fairly asked, is there any good news anymore? Moreover, in the realm of finance, is "the news" even news, or has it become essentially a dreary rehashing of the same old statistics, economic jargon, and outmoded theories?

As I read and listen through all the supposedly insightful analysis on the economy in the media, I never fail to experience the sinking feeling that I have heard all of this before. Despite the masses of words offered daily, I detect hardly a new idea. The whole public "debate" about money and economics seems to drone on endlessly, with no solutions in sight.

Are there solutions? Seeking the answer to this question is critical, and it suggests other questions as well.

Is the seemingly insoluble economic dysfunction of our time something that has descended haplessly upon us, or does it have causes that can be identified, understood and remedied? Clearly, we are a society that is preoccupied with money, lives immersed in its flow, and prides itself on its financial sophistication. Moreover, we have

developed complex skills and great institutions with which to manipulate the medium. Still, it might be asked, do we, individually and collectively, yet lack critically needed wisdom and understanding about money's essential nature?

In my own mind, I liken our society's current experience with respect to money to a school of fish that is just now becoming aware of the water it has been swimming in. We have attained an impressive facility in navigating its immersion in an outer mechanical sense, but the headlines suggest that a deeper consciousness of the medium eludes us, and that the price of that failing has become unsustainable. Money, it might be argued, has taken on a life of its own, and has effectively gotten out of human control. So, how can we begin to see money clearly? I will pick up on that thread in the next column.

Column #3 WHERE DOES OUR MONEY COME FROM?

(Week 1 - Wednesday July 30)

As I travel around the country talking about money, I often ask people - "Where does our money come from?" I don't mean where do the paper notes that are used to represent dollars come from. Those are obviously printed. No, I am talking about money itself; the credits that paper dollars represent, which convey the power to buy something.

For greater specificity, the question might be broken down into three parts:

(1) What is the procedure by which dollars are created?
(2) How do they enter into circulation?
(3) Who controls the process?

Over the years I have only rarely found a person who can offer a clear and accurate answer to the where-money-comes-from question. Surprisingly, politicians, financiers, and even economists, fare only marginally better than the man on the street. This is astonishing in a nation that prides itself on its financial sophistication and has built up a vast financial network that now reaches around the world. What is more ironic still is that virtually every citizen of the country has had a direct personal experience of the process by which our money comes into being. Indeed, many of us participate in one or more of its various forms almost daily, and yet remain completely unconscious of what we are actually doing. The process I am talking about is the deceptively simple act of borrowing money from a bank.

For purposes of illustration, I will choose a straightforward example. When a person

goes to a bank to apply for a loan, he or she fills out an application, submits it to the banker, and, if all goes well, the "loan" is approved. This banker will then place in front of the applicant a contract, the signing of which obligates the borrower to "pay back" the money "lent," plus an additional charge that is designated as "interest." After the paper is signed, the banker hands over the money, and the borrower goes out and spends it for whatever purpose he had in mind when he asked for the loan. Over time the borrower will, by the terms of the contract, be obliged to "pay back" the "loan," plus the "interest." Supposedly, when the terms of the loan are satisfied, the contract is stamped "paid," and life goes on (or so it would seem; more on this later).

To all appearances, this transaction is very up-front, honest and understandable, but there are several questions about it that need to be asked. The first is –"Where did the banker get the money to loan?" My experience has shown that by far the majority of people assume that he had the money on-deposit in his vaults or accounts, and is now handing some of it over to the borrower for a period of time, until he or she "pays it back." This is a fundamental misunderstanding of this process (which, as will be shown, has great consequences).

The truth is that the banker did not go back into his vault to get the money. Rather he created it with the "stroke of a pen" when he wrote the check. This strikes many people that I talk to as a startling assertion. Not a few will declare that this simply cannot be true, but, as stated by Robert Hemphill, former credit manager of the Federal Reserve Bank of Atlanta, "If all bank loans were paid, no one would have a bank deposit, and there would not be a dollar of currency or coin in circulation. . . We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash or credit . . ."

In modern banking practice, there may or may not be a physical writing of a check (the funds could have been credited electronically to an account, or there may even have been cash passed across the desk), but the actual mode of transference is a technical detail that concerns mainly the convenience of the parties to the transaction. The crux of the matter is that before the banker "signed the check" (or credited the borrowers account with new funds), the monetary credits (the "dollars" of whatever form) the banker is "lending" (in reality issuing) did not exist.

The borrower accepts the check, and then, after cashing or depositing it, spends the proceeds for whatever purpose he took out the loan to accomplish. This newly-created money now enters into circulation and becomes blended into the public money supply which we all use to conduct our business.

The mistaken notion that we actually borrow money from banks, in the common sense

use of the term "borrow" (i.e. that the banker lends us something of substance that he has in his possession, and will have to do without it until he is "paid back"), constitutes a fundamental misunderstanding of what is actually happening in this process. At the point of the "loan" transaction the banker is actually creating and issuing money. What is more, virtually all the monetary woes of the modern world arise from the nature of this "private-bank-loan" transaction by which our money comes into being.

In the next edition of this column we will begin to examine why this is so.

Column #4 THE PROBLEM OF "INTEREST"

(Week 1 - Thursday July 31)

In yesterday's column I stated that, within our present system, the money "loaned" by a banker is created with the "stroke of a pen," so to speak, when the banker writes "the check" (or electronically credits the account). Most people assume that he gets the funds from money on deposit at his bank. Not so! In the moment before the banker "signed the check" (or approved the deposit) he is passing to the borrower, the money did not exist. The moment after he "signs the check," it does exist. This is the threshold of money creation within our monetary system. This confirmed in the Federal Reserve's own publications. In a booklet published by the Fed, "Everyday Economics," the section titled "How Banks Create Money" states as its opening sentence "Banks actually create money when they lend it."

The money so created (the principal sum) will be spent into circulation by the borrower. By the contract associated with the loan, the borrower agrees to pay back the principal sum borrowed, but also a compounding "interest" fee. I stated in yesterday's column that virtually all the monetary woes in the modern world arise from the nature of this "private-bank-loan" transaction by which our money comes into being. It is this compounding "interest" fee that is the source of the problem. Permit me to explain why.

Soon after a person "borrows" money from a bank, he "cashes the check" or puts it on deposit (at the same bank, or another), typically in a checking account, and then proceeds to spend the money. As he spends the money, it enters into circulation, and becomes blended into the already existent monetary pool. That monetary pool already exists because millions of other people have, before our representative borrower came along, also borrowed money from a bank and spent it into circulation. He is only adding his little stream.

It follows, then, that the monetary pool (the public's "money supply") is the sum total of all outstanding principal balances of all money still out on "loan," at any given time, from

the banking system. Therefore, the principal sum of money owed to the banking system through these loans in fact exists in circulation, and can therefore be paid back. The money to make the "interest" payments, however, was never issued, and so does not exist in circulation.

But, one might say, people make interest payments, and bank loans are satisfied all the time. This is true, but the pertinent question then becomes, if the money to make the "interest" payments was never issued, where are these "interest" payments coming from? The answer is that it is subtracted out of the principal sum of other people's loans still in circulation (what is commonly called their "outstanding principal balance"). The fact that this subtraction takes place means that when these folks come to make the payments on their loans, there will not be enough money circulating in the money supply, on the whole, to make them. Eventually, someone will be obliged to borrow more money from a bank so that these funds become available.

If we were talking about an isolated transaction here, then one could say that this was not much of a problem, but the simple truth is that principal sum of every loan (i.e. every dollar) in existence will have to be repaid, with "interest," and so over time the entire money supply is being turned back in to the banks, accompanied by a net subtraction from the principal sum of outstanding balances still circulating.

If one "follows the math" on this, one comes to see that the only practical way bank loans can be paid back, "interest" payments made, and an adequate money supply maintained, is for the participants in the economy in the aggregate to borrow more money into existence (go deeper into debt) on a continuous basis. The alternative is a catastrophic contraction of the money supply (which is what caused the "Great Depression").

Relatively speaking, there will be winners and losers in this process (and many who "win" will point out that they stayed out of debt, and offer their personal case as evidence that with hard work and diligence it can be done by anyone), but it is a virtual certainty that the mass of the people, mostly those who are the producers in the economy, will be obliged to slip further into "debt" on a continuing basis.

Eventually any society that issues money this way will find itself staggering under an unpayable burden of "debt," until, financially and otherwise, it collapses. Judging by the newspapers, we are getting very close to that point now. The sheer magnitude of the proposed "bailout" schemes ($30 billion for Bears-Stearns, $300 billion for Fannie Mae and Freddie Mac), the gargantuan and still exploding size of the Federal "debt" ($9.4 trillion), the staggering size of the "balance of trade deficit" ($700 billion last year), and

the burden of financial misery people endure in their lives are all unmistakable signs that the time of reckoning with the flawed basis of our monetary system is fast approaching. The view I hear almost continuously now from people that I talk to is "This can't go on." Clearly, it can't.

This private-bank-loan process, with its compounding "interest" fee is the very engine of the economic trauma we are facing at the present time. To see this clearly would be the essential first step in setting our economic house in order.

Column #5 WHERE DOES OUR MONEY GO?

(Week 1 - Friday Aug. 1)

Two days ago, in Col. 3, we examined the question "Where does our money come from?" I described a the classic bank-loan process whereby the banker actually creates the money "loaned" when he "writes the check" (or credits the borrowers account with new funds), and then the borrower puts the money into circulation when he spends it for whatever purpose he took out the loan to satisfy.

Yesterday, in Col. 4, we examined the "problem of interest." That is, I described how the total outstanding principle balances of all loans from the banking system constitute the money supply with which we conduct our business, and that, in the aggregate, the money to pay back the principal sum of the all these loans is thereby available. I also pointed out that the money needed to make the "interest" payments was never issued, and so can be obtained only by subtracting it from the outstanding principal balances of other people's loans. This creates a situation whereby for people to continue to repay their loans, make their "interest" payments, and keep in circulation an adequate money supply, those participating in the economy must as a whole go continually deeper into "debt." If that fails to happen within the present system, we all face a catastrophic contraction of the money supply.

The subject for today is, "Where does our money go?" Our money circulates between the participants in the economy until we make a payment on our loan from the bank. When received at the bank, this payment is divided into two parts. A certain portion is applied to the principal sum originally borrowed; i.e. it is credited toward the retirement of the debt. The bank created this money "out of thin air," and it is extinguished "back to thin air." It no longer exists.

The part of the payment applied to the interest, however, is not extinguished, but is credited to the account of the "owner" of the "debt." This is to say, it is paid to whoever bought the rights to the "mortgage" (or whatever contract secured the loan). Typically,

banks gather up ("bundle") the contracts, and sell them to speculators who have an interest in being the beneficiaries of the "interest" payments. These "interest" payments constitute the "profit" on the speculator's "investment," and they are deposited in speculators accounts.

Technically, this "interest"-payment money has not been withdrawn from circulation, and so cannot strictly be said to have been subtracted from the money supply. Indeed, it could be freely spent (or gifted to someone) by the investor, and in that way reenter the money supply, where it would still be available to pay back the principal balances on outstanding loans.

In practice, though, by far the majority of investors in "debt-paper" or "debt-instruments" (as such mortgages or other debt contracts might be called) are not interested in spending the profits. Their purpose is to turn them into still more money. Typically, they will withhold the money they collect from interest payments out of general circulation, until, that is, someone offers to borrow it from them ("at interest," of course). This can take many forms (direct lending, buying municipal bonds, buying the rights to more loan contracts, etc.), but in any case it means that this money will re-enter circulation with more "debt" attached to it.

Now we have the same money supply, but an additional "debt"-payback obligation has been added to it. Of course, there is not only one borrower's "interest" payment that is being transferred into and re-lent out of the accounts of monetary speculators, but everyone's. Eventually the entire money supply is run through this interest-payment-converted-to-more-debt mill. Those that have money to "invest" in this particular way (not all investment money fits this description) get richer, and the relatively poorer folks who are working for a living and paying their bills continue going deeper into debt. The "interest" charged on bank loans is (under the current system) the main engine of unearned wealth transfer in the society, and the problems unleashed thereby are written in the dire financial headlines of our morning newspapers.

Column #6 RECAP OF PRIVATE BANK LOAN TRANSACTION

(Week 1 -Saturday Aug. 2)

In Col. 3 I posed the query, "Where does our money come from?", and then suggested that for greater specificity the question could be broken down into three parts. These can now be answered concisely:

(1) What is the procedure by which dollars are created? – Dollars are created in the moment a banker "writes the check" to, or credits the account of, a person who is in the

process of borrowing money from a private bank. The principal sum of the "loan" is newly-created money.

(2) How do they enter into circulation? – These newly-created dollars enter into circulation when the person who takes out the loan spends the money for whatever purpose the loan was taken out for.

(3) Who controls the process? – The money creation process is controlled by a private banking system.

In Col. 4, "The Problem of Interest," I made what to many must seem to be, at least a bold, perhaps an outlandish assertion that the attachment of a compounding "interest" fee to the basic private bank loan transaction by which our money is created and enters into circulation constitutes "the very engine of the economic trauma we are facing at the present time." This point can also be described in three parts:

(1) Within the present system, there is attached to the issuance of money a compounding "interest" charge. By the terms of the basic bank loan transaction, the money to repay the principal sum of the loan was created and issued, but the money to pay the "interest" was not.

(2) This leads to a situation whereby the money to make the "interest" payments can only come from (be taken out of) the outstanding principal balance of other people's loans still in circulation.

(3) This creates the effective necessity for people in the economy as a whole to go deeper into "debt" (i.e. borrow and spend more money into circulation) on a continuous basis in order to make the principal payments on old "debt," keep up with the demand for ever-compounding "interest" payments, plus maintain enough money in circulation to have an adequate money supply.

Finally, in Col.5, I offered an answer to the question, "Where Does Our Money Go?" when we make a payment on a loan we took out from a private bank. I said that the bank divides the payments received into two parts. Again, this process can be summed up in three points:

(1) One part of the payment is applied to retiring the principal sum of the money borrowed. This money is extinguished, and no longer exists.

(2) The other part, the payment on the "interest", is not extinguished, but passes into the account of a speculator who has purchased the contract by which the loan was secured

(the contract signed by the borrower).

(3) The speculator who buys the contract, typically, is not interested in returning the money to circulation within the public money supply, which he could do by simply spending his profit from holding the loan contract. Rather, he elects to "re-invest" the money. That is to say, he holds it out of circulation until he finds someone who is willing to borrow his money at still more interest. The new borrower, then, will spend it back into the monetary stream.

This "re-investment" can take on many guises (which we will talk about as these columns unfold). In any case, the net effect is to cause the "debt" burden against the money supply to grow, without increasing the size of the money supply. As these "interest"-payment dollars are loaned back into circulation there are no new dollars created and spent into the money supply, but these "interest"-payment dollars have thereby been transformed into new "debt". The resulting shortfall in the money supply in relation to the "debt-load" it is obliged to support eventually forces someone to go to a bank to borrow-&-spend more money into circulation, which, in turn, initiates a whole new round of the private-bank-loan, debt-money-creation process.

While for simplicity I am describing this cycle in terms of an isolated case, it is a process that happens millions of times daily, and is causing the nation's, and now the world's, economy to sink ever further under a crushing "debt" burden. I have never found this described in any explicit way in the media. In fact, I have found it very difficult to find an explicit description of what is happening in academic offerings, yet the way money is created at present is the very engine that is driving our economic distress. I would suggest that we will never see what lies behind the headlines unless we understand the nature of the money-creation-by-private-bank-loan transaction.

If I seem to belabor this point, I ask the reader's patience. I feel that the relatively small amount of time spent in coming to an understanding of how our money is created and controlled will pay great dividends in arriving at an understanding of what we are seeing in the news. I thank you for your considerate patience.

Column #7 ANNIVERSARY OF A BRIDGE COLLAPSE

(Week 2 - Monday Aug. 4)

I am writing this column little more than a mile away from where the Interstate 35W bridge over the Mississippi River in Minneapolis collapsed on August 1 of last year. This tragedy that took the lives of 13 people was marked over the weekend in somber memorial events. These were accompanied by lamentations throughout the media that

the nation has taken few steps since this "wake-up call" to rejuvenate its crumbling infrastructure. The determination on the part of the body public to rectify this deplorable situation is, it seems, still there, but where is the money? I would assert that it is readily available. We just aren't seeing it.

The I35W bridge is part of what might be termed the "commons"; i.e. the property that is held in common by all the people for the benefit of the common good. The "commons," of course, includes almost all bridges, roads, schools, emergency services, parks, provisions for the common defense, and other public assets that are indispensable to the full pursuit of life, liberty and happiness in a healthy society. There is, however, one element of the commons that is perhaps the most essential, and yet I have never specifically heard it recognized as such. It is our "money." It is the one element of the public domain that we all hold most in common.

Think about it. Anyone in the nation was free (while it was standing) to pass over the I35W bridge in Minneapolis, but in reality only a very small portion of the population of the nation ever would. What is more, after the bridge went down, ways of circumventing it locally were quickly identified, and the life of the city went on essentially normally. The bridge served the nation, but only a small portion directly.

Now think about a dollar in your pocket. It looks exactly like the dollar in anyone else's pocket. Do you not let it rest there complacent in the assurance that it can be brought out when needed to pay for anything a dollar will buy? This could be for a cup of coffee (assuming one can find one that cheaply these days) in New York, California, Florida, Alaska or Minnesota. Is this not an assurance that we all hold blithely from corner to corner of the nation, even to the point of hardly actually thinking about it? Is not our money in fact the most commonly held and used element of the public domain?

The founders of our country knew how essential public ownership of public money was. That is why, for example, the Colonies before the Revolution insisted on the right to issue their own currency ("bills of credit"), instead of having to borrow their money supply from a private bank (Bank of England) at "interest." It is why they financed the establishment of the nation with the publicly issued "Continental Currency." It is also why, when the nation was again locked in a struggle for its very existence, Abraham Lincoln issued $450 million dollars worth of publicly issued bills, popularly known as the "Greenbacks" (after, of course, coming under intense pressure to borrow the money from banks).

This first anniversary of the Minneapolis bridge collapse is a reminder that the nation is again under threat, in part from the crumbling of its very physical base, and as before, money borrowed at "interest" from banks is not going to save it. In fact, I would argue,

the reliance on debt-based private money is how we got into this predicament. It has for some generations been the norm that when any community, be it local or the nation as a whole, saw the need to make investments in the common infrastructure, it was faced with the (assumed) necessity of paying for the project two or three times over due to the compounding "interest" charge attached to money needed to implement the project. This means that over the years a vast amount if infrastructure construction and revitalization did not get funded. Part of the cost of that backlog manifested in Minneapolis, and it proved to be high. In New Orleans it was incalculable. What will be the physical and human costs in the future?

We as a nation have forgotten that money too (perhaps money above all) is a fundamental element of the commons. Why, then, cannot public money be issued out of the Constitutional authority of the Congress "To coin Money, regulate the Value thereof . . ." to provide for the common good (a critical bridge or levee when needed)? The answer, I believe, is that it can be done, and is indeed the economic, legal and moral way to finance essential public works.

Column #8 FORD & EDISON ON FINANCING OF PUBLIC WORKS

(Week 2 - Tuesday Aug. 5)

Yesterday I put forth the idea that the natural way to finance essential public works is to create and issue the necessary funds directly out of the U.S. Treasury. This would limit the cost of the project to payment for actual work done, and avoid multiplying the "cost" by, typically, a factor of two or three due to "interest" charges attached to the money. I have often been met with looks of incredulity when I have proposed such a thing. If this is such an obvious method, some say, why is it not talked about all the time in the debates about how to finance public works?

This is a fair question, but it is not possible to do it justice within the limitations of this short missive. I suggest that a fuller answer will unfold over the course of this dialogue. For now suffice it to say that such matters have indeed been debated as part of the great economic heritage of this nation, but we have as a people have virtually forgotten our heritage. It would be easy to invoke a veritable chorus of voices from our past to buttress this argument, but for now the subject is public financing of public works, so permit me to offer the following as a case in point.

During the 1920's Henry Ford and Thomas Edison teamed up in an article in the December 6, 1921 edition of the New York Times to express their views on the monetary system, and to propose that the Federal government issue currency, rather than bonds, to finance the huge Muscle Shoals nitrate plant in the Tennessee River

Valley.

Ford asserted:

"The function of money is not to make money but to move goods."

"The youth who can solve the money question will do more for the world than all the professional soldiers of history."

"It is well that the people of the Nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

Thomas Edison added:

"If our nation can issue dollar bond, it can issue a dollar bill. The element that makes the bond good makes the bill good, also. The difference between the bond and the bill is that the bond lets the money broker collect . . . whereas the currency pays nobody but those who contribute . . . in some useful way."

"If the Government issues a bond, it simply induces the money brokers to draw $30,000,000 out of the other channels of trade . . . if the Government issues currency, it provides itself with enough money to increase the national wealth . . . without disturbing the business of the rest of the country. And in doing this it increases its income without adding a penny to its debt."

". . . it is the people who constitute the basis of government credit. Why then cannot the people have the benefit of their own guilt-edged credit by receiving non-interest-bearing currency . . . instead of bankers receiving the benefit of the people's credit in interest-bearing bonds?"

"If the United States Government will adopt this policy of increasing its national wealth without contributing to the interest collector – for the whole national debt is made up of interest charges – then you will see an era of progress and prosperity in this country such as would never have come otherwise."

"And it is the control of money that constitutes the money question. It is the control of money that is the root of all evil."

"There is a complete set of misleading slogans kept on hand for just such outbreaks of common sense among the people. The people are so ignorant of what they think are the intricacies of the money system that they are easily impressed by big words. There

would be new shrieks of 'fiat money,' and 'paper money,' and 'greenbackism,' and all the rest of it – the same old cries with which the people have been shouted down from the beginning."

"Ford's idea is flawless. They won't like it. They will fight it, but the people of this country ought to take it up and think about it. I believe it points to many reforms and achievements which cannot come under the old system."

In fact, there is a group of citizens who have taken up the idea and are trying to create an initiative to make public financing of public works a reality. I will pick up on that thread in tomorrow's column.

Column #9 THE CONCORD RESOLUTION

(Week 2 - Wednesday Aug. 6)

In the last two columns I have put forth the idea that public money issued out of the U.S. Treasury is the economic, legal and moral way to finance essential public works. This is a concept that is not new to the history of our nation, but it has been forgotten in our time by all but a very rare few.

But now, a vanguard of brave souls in and around the town of Concord, Massachusetts has revived the idea, and is seeking to put it back on the national agenda in the form of an initiative dubbed "The Concord Resolution." This is a grassroots educational and political effort aimed at formulating and bringing to the Concord town meeting a Warrant Article ("resolution" in more common language) to petition the town's Congressional representatives to introduce a bill which would set up a procedure whereby counties and municipalities across the nation could, in an orderly way, apply for interest-free loans issued directly out of the U.S. Treasury to pay for essential public works. This is in lieu of their feeling obliged to sell bonds on the private bond market to raise needed funds.

The problem with the bond method is that it typically causes the financial cost of the project to double or triple due to "interest" payments made to bond dealers and speculators. What the Concord Resolution proposes is the complete elimination of these "interest" fees through the issuance of public money for public works.

The town of Concord is a relatively wealthy community that in an immediate sense stands certainly in lesser need of the money-saving virtues of this proposed measure than others across the nation. Why, then, has the initiative arisen from this particular locale? The good citizens of Concord deserve some recognition for that. They are

sensible people who, naturally, do not wish to pay any more money than is right and necessary for their schools, roads, bridges, parks and utilities.

Beyond that, there is a growing realization that this in not only good for building public works and saving taxes in their town, but is indeed necessary to redeeming the crumbling physical infrastructure of the nation as a whole.

Taking the idea a step further, this may be a first practical step to, not only save the cost of the "interest" charges on public works across the nation, but, more fundamentally, to redeem the American monetary system itself. What is more, the fact that this resolution arises from the soil of Massachusetts has profound historical significance. These are bold statements, I know. They will be the topic of tomorrow's discourse.

Column #10 MASSACHUSETTS, 1690; BIRTH OF A REVOLUTION

(Week 2 - Thursday Aug. 10)

As early as 1652, the Colony of Massachusetts had experienced a chronic shortage of circulating medium (i.e. lack of an adequate money supply), and so tried to remedy this situation by opening a mint to strike its own coins. This provided only very temporary relief, as the new coins soon found their way back to London in exchange for manufactured goods. The Colony remained poor and in debt to England, and its early commerce and development were severely stunted.

Then in February 1690, they got the idea for a "radical" solution to this problem. The Colony began to print its own money, called "bills of credit." By July 1692 these notes were declared "legal tender" (i.e. good for paying all debts), and began to circulate freely. These bills became the first government-issued paper money in the history of the Western world. What is more, they were not "backed" by gold, silver, commodities, land banks, mortgage contracts, or other schemes which mainly facilitate control of the system by an elite portion of the population. Rather they were issued publicly, in proportion to the practical need for a money supply, out the natural right of a society to issue its own money, and backed only by the free economic activity of the people of the Colony as a whole.

Massachusetts prospered with its newly printed "scrip" (paper money), and the other colonies soon copied its example. The Crown set itself in continuous opposition to these unapproved issues, and Parliament passed laws in an attempt to curb them. This set up conditions whereby there arose an open and widespread violation of the law, even by merchants and statesmen. Bonds of nationhood began to form, even as the colonist's unapproved currency facilitated its physical development. This, in turn, created an

effective training ground for resisting subjugation which eventually found expression in Revolution. According to monetary historian
Steve Zarlenga:

"The skirmishes at Lexington and Concord are considered the start of the Revolt, but the point of no return was probably May 10, 1775 when the Continental Congress assumed the power of sovereignty by issuing its own money."

Ben Franklin served in France as America's first ambassador. When asked about how he could explain the prosperous condition of the Colonies, he replied:

"That is simple. It is only because in the Colonies we issue our own money. It is called colonial scrip, and we issue it in proper proportion to the demand of trade and industry."

We as a society have been subjected to much myth-making regarding the American Revolution. Selected parts have been endlessly quoted and manipulated to promote partial agendas. I would assert that, without sufficient understanding of the central importance of the struggle over who had the right to create, issue and control the colonies' money supply (the public through its elected representatives – vs.- the monarchy through the Bank of England), we cannot comprehend fully the meaning of the Revolution. We need to understand what Franklin meant when he said:

"The Colonies would gladly have borne the little tax on tea and other matters had it not been that England took away from the Colonies (the right to issue) their money, which created unemployment and dissatisfaction."

This leads us back to the inspiration behind the Concord Resolution, which I will take up in tomorrow's column.

Column #11 MASSACHUSETTS, 1690; REDUX

(Week 2 - Friday Aug. 8)

When in 1690, the Colony of Massachusetts began to issue the first paper money by any government in the history of the Western world, how must that act have appeared in the hearts and minds those responsible for carrying it out? Did they see it as merely a straightforward common-sense attempt to solve a practical problem, or did they recognize that it as an unprecedented act of defiance towards the Mother Empire that in the end could only lead to an epic contest over the very rights and essence of sovereignty. The power to print money had been fiercely reserved by whoever deemed themselves to be the sovereign throughout the history of civilization, and any challenges

over the matter were swiftly suppressed. In fact, British gold coins were called "sovereigns," lest anyone miss the point.

Massachusetts was only one of many colonial dependencies that were being set up by the British and other European powers throughout the world. Some three-plus centuries have passed since then, and the global order, including the old colonial arrangements, have undergone many transformations. It seems, however, that the territories around the globe that were demarcated as colonies still live in the main with a legacy of underdevelopment, dependency and debt.

The primary exception to this is that band of colonies along the Atlantic seaboard in North America that had the temerity, or the wisdom (as one chooses to view it), to issue their own money in spite of imperial edicts, and, incidentally, grew to be the dominant nation of the world for the last century and a half. Is that a coincidence? Was the exercise of their own monetary power the critical factor that allowed the North American colonies to emerge as a strong and independent nation, as opposed to the languishing disunited even until now in a "third-world" condition?

There are, of course, many complex factors that guide history, and we should be careful about being simplistic or dogmatic about attributing too much to any given one. That said, it still might be fairly argued that the extent to which a people picks up and exercises its right to issue and control its own money has been shown to be a preeminent factor in determining whether nor not it eventually is able to achieve its potential as a nation.

Fast forward from colonial times to 2008. The people of Massachusetts again look out on a bewildering world in which many of them see their sovereignty, present well-being, and hopes for the future threatened. The menacing specter is no longer the British Empire and its Bank of England, but rather a globalist corporate order and private bank-based monetary system. We are yet standing a bit too close to the trees to know precisely what to call the forest, and so there are may views on what this all means and how to characterize it.

Whatever the case, it is growing increasingly difficult to not feel overwhelmed by the onrushing tribulations of the times. But, advised Thomas Jefferson, ". . . follow principle, and the knot unties itself." It may not be too late to emulate our forebears and re-plant the seed principle of the public issuance of public money into our common economic ground. From there, as before, "the knot" just may start to untie itself. We can only hope that the Concord Resolution (or inspired initiatives by others across the land) may in our day and time succeed in effectively re-invoking the world-transforming deed and spirit of 1690. It has to start somewhere.

Column #12 SOME AMERICAN VOICES ON MONEY & THE REVOLUTION

(Week 2 - Saturday Aug. 9)

I can imagine that the line of thought presented over the course of this last week concerning the American experience with money, how it led to the Revolution, and how its lessons are applicable to the problems of the today (particularly those that have to do with the funding of public works), may seem to the reader unfamiliar, to say the least. To bring a greater sense of reality to the discussion, I would reach for the words of prominent voices from our nation's past.

Senator Robert Owen, banker, first chairman of the Senate Committee on Banking and Currency, and widely respected authority on money, explained that when the Rothschild-controlled Bank of England heard of the situation in the Colonies:

"They saw that here was a nation that was ready to be exploited; here was a nation that had been setting up an example that they could issue their own money in place of the money coming through the banks. So the Rothschild Bank caused a bill to be introduced in the English Parliament which provided that no colony of England could issue their own money. They had to use English money. Consequently the Colonies were compelled to discard their script and mortgage themselves to the Bank of England in order to get money. For the first time in the history of the United States our money began to be based on debt."

"Benjamin Franklin stated that in 1 year from that date the streets of the Colonies were filled with unemployed."

Alexander Del Mar (1836-1926), who is considered by many to be the preeminent monetary historian of the 19th century, stated the crux of the matter with great force:

"Lexington and Concord were trivial acts of resistance which chiefly concerned those who took part in them and which might have been forgiven; but the creation and circulation of bills of credit by revolutionary assemblies in Massachusetts and Philadelphia, were the acts of a whole people and coming as they did upon the heels of the strenuous efforts made by the Crown to suppress paper money in America, they constituted acts of defiance so contemptuous and insulting to the Crown that forgiveness was thereafter impossible. After these acts there was but one course for the Crown to pursue and that was, if possible, to suppress and punish these acts of rebellion. There was but one course for the Colonies; to stand by their monetary system. Thus the bills of credit of this era, which ignorance and prejudice have

attempted to belittle into the mere instruments of a reckless financial policy, were really the standards of the revolution. They were more than this: they were the Revolution itself."

Finally, perhaps no one stated the matter more prophetically than Thomas Jefferson:

"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 will deprive the people of their property, until their children will wake up homeless on the continent their fathers conquered."

I leave the reader with a riddle to ponder: "Why is this quintessentially American debate so conspicuously missing from the public discourse now?"

This rounds out the set of six columns for the week. They were initiated by a first-anniversary looking back at the Minneapolis bridge collapse (and levee failures at New Orleans) to discern why we as a society have somehow not been able to follow through on our widely asserted resolve to never again let the funding of critical public infrastructure lapse. This seeded a discourse that unfolded around the themes of public works, public issuance of money, and the American Revolution.

I will try to pick up on a different line of approach to contemporary preoccupations about money for Monday's column, as the events in the news over the weekend may suggest. The reader is invited to present his or her own burning question(s) and concern(s) to prompt the process.

Thank you for your attentive interest.

Column #13 THE CREDIT CARD SWIPE

(Week 3 - Monday Aug. 11)

In Column #3, "Where Does Our Money Come From?", I made the statement that ". . . virtually every citizen of the country has had a direct personal experience of the process by which our money comes into being. Indeed, many of us participate in one or more of its various forms almost daily, and yet remain completely unconscious of what we are actually doing. The process I am talking about is the deceptively simple act of borrowing money from a bank."

This statement begs the question, what form of borrowing money from a bank is so common that many of us participate in it almost daily, and yet remain completely

unconscious of what we are doing? It is the act of using a credit card to buy something, or to get cash.

To illustrate, I would invite the reader to imagine a person in a clothing store taking a garment they wish to purchase to the cashier's counter. Let us suppose further that they are using a credit card to pay for the item. The customer will get out the card and swipe it through a register. If the card is accepted, the price of the item (let us say $50) will appear on a monitor. A machine connected to the register will print out a small slip of paper that lists the terms of the purchase. Typically, the customer will sign it, and then go off about his or her business without taking much thought about what has just transpired.

The critical point to take note of here is that the customer has entered into a loan contract with a bank (which is why there are always bank logos on credit cards). This means that the $50 dollars that were used to purchase the garment did not exist the moment before the card was passed through the machine. More precisely, the dollars were not "borrowed," but rather created with the swipe of the card and the pre-programmed electronic process by which the card was quickly approved. Now the $50 does exist (in the retailer's bank account), and the signing of the "receipt" by the customer is essentially the signing of a contract with the bank to whom he or she promises to "pay back" the $50, with "interest" if full payment is not received within a month.

This credit card purchase is one form of the basic bank loan transaction by which our money is created and put into circulation, just as surely as if one had walked into a banker's office to make the application. If the card is used to get cash from an ATM, the transaction is still a bank loan, except the money goes into the pocket of the cardholder instead of the account of a retailer. Technically, there will generally be a middleman involved in the form of the credit card company, and they will charge a fee for each transaction, but this does not change the fact that new money is created every time the card is taken out and used to access purchasing power (It should be noted that this does not apply to debit cards, or credit cards from institutions of deposit (e.g. credit unions) which operate under rules that prohibit them from creating money).

I would pose the query to each of us, "How many times have we gone through the motions of making a credit-card-purchase and not been mindful of the fact that we, along with the bank, were causing new money to be created at the point of transaction?" The answer to this question will give us an indication of the level of consciousness we bring to what we do with money. It will also, in my experience, provide insights into why our financial lives seem to have gotten so out of our control.

In tomorrow's column we will pick up the thread of this thought to see where it leads.

Column #14 THE REVOLVING-DOOR TRAP

(Week 3 - Tuesday Aug. 12)

I invite the reader to return to the image I drew in yesterday's column of the person paying for a garment with a credit card. The card is swiped through the register and approved in a preprogrammed electronic process, after which a number appears on the monitor. This number represents new dollars that are being created in that moment by the bank that issued the card. The card holder then signs a printed "receipt," which is in reality a contract with the bank by which the cardholder promises "pay back" the money, plus an "interest" charge, if he does not do so in full within the first month.

The new money that was just created ($50 in the case of our example) is passed electronically into the bank account of the store owner, and now becomes part of the funds he has available to pay his cost of merchandise, wages, building rent, lighting, etc. As he does so, that $50 enters into general circulation as part of our public money supply.

Let us assume that the consumer makes other charges to the card on a regular basis. He will receive a statement from the credit card company at the end of each month that lists the amount of each new charge. The total for these items is precisely the amount of new money he, along with the bank, created and spent into circulation by the use of his card.

Looking over the monthly statement, the consumer will also notice that the credit card company is demanding to be paid back considerably more money than it "lent." There would be an "interest" charge that can run as high as 39.99%, plus, likely, other fees and penalties. If he is carrying a significant balance, the cost of these extra charges can mount to a level where he has all he can do to pay only the interest and fees, without reducing the balance owed.

He may elect to make what is noted on the monthly billing as the "minimum payment," which often covers little more that the "interest, "plus fees and penalties. On a $10,000 balance this can add up to $300 dollars for the month, which, in turn, diminishes by that sum the amount of money the card holder has available to make payments against the balance owed. Let us suppose, as is common, he falls into the routine of making only the minimum payment month-after-month, and the balance remains essentially the same (even if he does not make any new purchases). He enters what is called in the

credit card industry the "revolving door." He makes hefty payments, but makes little, if any, progress on paying down the loan.

The important question for this discussion is, "What are the larger implications of falling into the revolving-door trap?"

In Col. #5 ("Where Does Our Money Go?") I described how, when one makes a payment on a bank loan, it is divided into two parts. One portion of the money is applied to retiring the principal of the loan, and is extinguished. The other passes into the account of an "investor," who has obtained the privilege of receiving the money that is paid in as "interest" by buying the rights to the "debt" contract by which the loan was secured. Such an "investor," typically, will not put that money back into circulation by spending it, but will instead withhold it from circulation until he finds a place to "reinvest it" (i.e. finds someone to re-loan it to). The "interest" payment is thereby transformed into more "debt," and released back into circulation. This constant recirculation of "interest" payments through the "private-investor" mill, then, is the very engine that is driving the economy ever further into overwhelming "debt."

The point to be noted here is that, with the widespread advent of credit cards, the predatory practices associated with their promotion, and the ever more usurious terms of their use, the speed with which we the people are descending into "debt" has quickened to a dizzying pace. What is more, the practice has become so widespread that almost anyone with an economic life in the modern world has engaged in it, increasingly with a degree of regularity. I would pose the question, "How many of us ever take thought of the full implications of what we routinely do so unthinkingly with this one simple act?"

I would hasten to add a caveat. It is not my intention here to make moral judgments about anyone's use of credit cards. Truth be told, I use them also. My purpose is to raise our awareness of what we are doing in this act, as in all financial matters, to the point where we can penetrate to the heart of what is actually transpiring when we perform it. This will, I believe, helps us discover a way to move forward into our economic future with a real solution to our "debt" crisis.

Column #15 FRONTLINE CREDIT CARD REPORT

(Week 3 - Wednesday Aug. 13)

I recently watched the Frontline report on PBS titled "Secret History of the Credit Card" (available online). I found it to be a well produced piece that presented the story of this new fixture in our financial lives from its corporate beginnings in South Dakota, to the

plastic phenomenon that has spread to every level and niche in society. It was a balanced and well-researched presentation that, as far as I could see, strove to include voices from all sides of the credit card question.

That said, there was one factor that was, to my mind, conspicuously missing. That is that nowhere was it mentioned that when a consumer uses a credit card, he is, in conjunction with a bank, causing new money to come into existence. Nor did I detect any indication that such a thought was even a glimmer in the minds of the producer, or any of the people in the film.

There were experts that offered sober advice about how to use credit cards responsibly. We do live in a time when they appear to be part of our financial lives (for better or worse), so how could one argue against being prudent in their use? I certainly could not. There seemed to be an underlying assumption, however, that if only we could use them "responsibly" we could keep them under control. This seems reasonable if one takes a short term view of the matter. It is problematic if one takes the longer view.

The truth is that any level of usage (assuming one does not pay off one's balance each month before charges apply) unleashes, given enough time, financial pressures into the lives of people (both the cardholders and others) that tend to drive them ever deeper into "debt." This is true especially given the astronomical rates of "interest," fees and penalties that credit card companies tend to charge.

The source of this pressure is, as for all bank loans (which a credit card transaction is), that the money to pay back the principal of the loan is issued with the loan and retired with the payback, but the money dedicated to "interest," fees and penalty payments is recycled through the financial markets and reemerges as yet more consumer "debt." If we are to think through to the end the full implications of credit card use, this is a factor that must be fully taken account of.

None of this is meant as a criticism of the Frontline producers or their show. On the contrary, I thought it was an excellent, informative and entertaining presentation, and I would not hesitate to recommend it to others. I say this despite the fact that this most central element of the credit card transaction went completely unmentioned in the report, and as far as I could tell, unnoticed.

My remarks are intended, rather, as a commentary on the irony of a culture that is utterly immersed in money and "debt," and yet does not see the private-bank-loan elephant in the room. Viewed with fuller awareness, this Frontline documentary can serve, not only as an excellent chance to learn more about the credit card phenomenon, but also as an object lesson for what our culture has become blind to in our financial

lives. When we integrate the two, we will start to come to answers about the credit card dilemma.

Column#16 CREDITS CARDS: VIEW INTO THE HEART OF THE SYSTEM

(Week 3 - Thursday Aug 14)

There have been many reports in the media which document the financial distress in people's lives that often accompanies the use of credit cards. Is there perhaps, dare I call it, a "redemptive" side of the credit card question? If we can approach our experience with their use with sufficient awareness, it is possible, in my view, that it may yet be turned to good account.

The emergence of credit cards in people's lives can serve as personal view into the inner workings of the financial system. In earlier times people lived a daily existence that was far less immersed in the details of money. The business of banking was some mysterious affair that took place behind the temple-like facade of a building downtown. The average person made only a rare visit there to borrow a few dollars when times were tight. Many lived out there lives without making the trip at all. They mostly grew corn, built their houses and raised their families.

Now we carry around the keys to the banking system itself in the plastic cards in our wallets. At one time, the decision to create and issue money was made by gray men in paneled rooms after sober deliberation. Today, we the consumer routinely cause vast quantities of money to be created and put into circulation very quickly, often on mere impulse, at the cashier's counter. That we don't realize it doesn't change the fact of its occurrence.

If we take care to track the effects of our use of the card through our monthly statements, it is not difficult to see that the high charges for "interest," fees and penalties on that newborn money quickly absorbs future potential buying power, thus creating a self-fulfilling need to create and bring into circulation ever more quantities of money (increasingly not for discretionary items, but for gas and groceries). The vicious cycle of "debt" expansion is thereby accelerated, and its workings laid bare before our eyes.

At length we are drawn into the revolving-door trap of making minimum monthly payments. Now we are working to pay only the "interest," fees and penalties, and making little, if any, headway in paying down the loan. When we finally stumble and fall on the minimum-payment treadmill, bankruptcy is the next step. This financial dead end has been the natural tendency of the money-issuance-by-private-bank-loan principle all

along, particularly since its formal institutionalization in the Federal Reserve Act of 1913.

Much economic travail has transpired under its influence, but until recent decades it has been prevented from running completely amok by the humanity of bankers themselves. This will be a strange saying to some, and it is not to suggest that bankers have always been beyond reproach in their dealings (certainly they have not), but it is significant that at the point of the credit card loan transaction (and other practices in modern banking) the banker is no longer there. The human element has been removed, and now it is between us and the machine.

The credit card phenomenon is running amok as one aspect of finance that is conducted virtually completely via electronic means. Both the financial profession and the people it serves have been shoved equally aside, but it is alike in both their interests to get back together and start talking to each other. That is the critical lesson to be learned from our experience with the credit card.

If we have the wit to see it, the credit card crisis constitutes a unique opportunity for people to get a close look into the workings of the adverse principle at the core of the monetary system from their own experience, and come to a reckoning with their own part in it. We all have something to take responsibility for. The respectful dialogue that could rise out of that epiphany is the first step in implementing a solution that goes to the heart of the system.

Column #17 "REVOLVERS" & "DEADBEATS"

(Week 3 - Friday Aug. 15)

So far this week I have described the credit card phenomenon as a great engine of money (and therefore "debt") creation that has been handed over to (some say foisted upon) the common citizen, and is pressuring many into an unmanageable "debt" burden. In my view, this remains true, but there is another side.

There is a great loophole in the credit card scheme. That is, if one pays off one's balance in full when the bill arrives at the end of the month, then one does not have to pay any charges for "interest," fees or penalties. That means that by borrowing money from a bank using a credit card, and then paying off the full balance at the end of every month, one is causing to be issued into circulation money on which an "interest" or other charge is never paid (admittedly for only a month, but when multiplied by millions of such cardholders the numbers add up).

This is the only significant source of "interest-free" money currently entering into circulation that I know of, and it comes directly from the use of the instrument of finance that is greasing the slide of the less fortunate and the nation as a whole most speedily into "debt."

This loophole has not gone unnoticed by the banks and credit card companies. In fact, there was talk in the industry about lobbying for legislation that would shut down this obvious free ride, but that has abated largely because its beneficiaries tend to be of the wealthiest and most politically-connected segment of the population. So, naturally, the cost of the system would just have to be borne by those in the middle or near the bottom of the economic totem, especially the one's that experience the need to rely on the card for necessities.

This apparently disproportionate burden would be exacerbated by the passing of a new bankruptcy law (in 2005) that would insure that even the relief offered by that extreme measure would become more expensive and difficult to access.

By the way, the credit card profession has a name for those who pay up their debt every month - "deadbeats." For customers, they very much prefer the late-paying-trying-to-survive-on-their-way-to-bankruptcy"revolvers" (those struggling to make minimum monthly payments). From what I have seen, card-company practices are evidently designed to nudge as many of their "deadbeat" customers as possible into the "revolver" category.

This adds a twist of irony to the words of a credit-card industry spokesman I once saw on TV testifying to a congressional committee about the proposed industry-sponsored "bankruptcy reform bill." He said, in effect, that it was needed to protect their reliably-paying customers from the costs occasioned by the irresponsible behavior of those that were having difficulty in 'meeting their obligations.' (i.e. to protect the "deadbeats" from the "revolvers").

Lest I leave the impression that I am being moralistic, permit me to give the issue another twist. I would say that for those "deadbeats" that can afford to charge on their card and pay off their living expenses every month, let them do it (I did when I could afford it). The money that they bring into circulation thereby will help not only their personal finances, but also serve to bring into circulation the only significant sum of currency in the money supply for which nobody in the society is paying an "interest" charge to keep it there. That could be deemed as a boon to everyone.

To wrap it up let me say that I am not offering anyone moral or financial advice. That is not what I do. What I am trying to accomplish is to draw a picture that will bring into

focus the profoundly paradoxical effects and implications of credit card use as currently practiced, and how the credit-card phenomenon is a microcosm of the monetary system itself in the present era. Tomorrow's final column of the week about the credit card will examine what is perhaps the greatest paradox of all.

Column #18 CREDIT CARDS & THE AMERICAN REVOLUTION

(Week 3 - Saturday Aug. 16)

This week's series of columns about the credit card phenomenon was inspired by an article in Sunday's (August 10) edition of the New York Times titled "Credit Cards Tighten Grip Outside U.S." It was a report on how this American 'innovation' is spreading rapidly throughout the world, to the point where "More than two-thirds of the world's 3.67 billion payment cards circulate abroad."

The article goes on to provide anecdotal tales testifying to both the terrible effects and seeming benefits of this burgeoning trend. I do not dismiss the value of such a discussion, but it overlooks a vastly more fundamental story.

In the second week of this series of columns (particularly #'s 10, 11 & 12), I introduced the idea that the American Revolution was the result most specifically of the British refusal to agree to the colonists' demand that they be permitted to issue their own money through the public sector (the colonial government), instead of having to borrow their money supply from foreign bankers, thereby putting themselves perpetually in "debt" to and under the control of foreign creditors. This was a truly revolutionary concept that, I believe, was the critical factor that enabled the American colonies to bind together and form a powerful nation, while, for the most part, the other former colonial territories became what is today commonly called the "third world," which still struggles to escape its dependency status and ongoing revolving-door "debt."

The American experience demonstrated a shining way out from under the imperialist boot, but, it seems, we as a nation have forgotten our own authentic heritage and gift to the world; i.e. the example of a nation that could truly exercise its sovereignty and freely develop its own potential through assuming the power to issue its own money.

It is perhaps providential that the American monetary system even now reaches out into the world as a transformative force, but it is utterly paradoxical that it does so as the agent for spreading the financial machinery of money creation based on "debt." Even the Times article picked up on the underlying sense of contradiction when it observed wryly, "As the American blessing of credit cards became widespread, so did the American curse of debt."

Most of the article focused on Turkey, a largely Islamic nation that connects the East and West. The Islamic world still holds fast, relatively speaking, to the ancient prohibition against "usury" (using money to make money at the expense of one's fellow man), which is a foundation stone of the Judeo/Christian tradition also.

The people of the Islamic world, as well as other emerging nations, have a rightful interest in sorting out on their own terms how they would choose to adopt, or not, the material blessings of the Western world, but thoughtful consideration of such is increasingly overshadowed by the fact that "moving into the modern world" is effectively accompanied by the obligation to embrace American modes of finance. At this juncture this translates into having to accept virtually whole a system based on usury (as embodied in the private bank loan transaction). To many in the developing world this amounts to a profound betrayal of their deepest values, and seeing everything they hold dear in their lives becoming swallowed up in a tidal wave of commercialism and "debt."

I do not mean this as a blanket proscription against credit card use, or even export. In the right context, they could be a genuine benefit to those who use them wisely (as debit, credit union, and other non-money-issuance cards often are now).

At a time when some of the most powerful financial institutions are struggling to stay afloat, the Times article reports that VISA and MasterCard have become "Wall Street wonders," with VISA recently making the largest stock offering in American history, and the value of MasterCard's shares going up almost 500 percent since 2006, both largely due to their success in expanding operations to foreign lands.

It is an irony of breathtaking (and, dare I say, tragic) proportions that for the nation that fought a glorious revolution to establish in the world the right of a people to issue their own money, perhaps its most "successful" export has become a credit card industry, whose mode of operation is the very quintessence of the private-bank-loan transaction that is driving the world into dependency and "debt."

Column #19 McCAIN & OBAMA

(Week 4 - Monday Aug. 18)

On Saturday evening the nation was presented with its first one-to-one encounter between the presumptive Presidential nominees for the two major parties, John McCain and Barack Obama. It was a unique "faceoff" in that the two candidates never actually sat across from each other, but came to the stage in alternate one-hour sessions (decided by the luck of the draw), each answering an identical set of questions from the

same interviewer, Rick Warren, pastor of Saddleback Church in Lake Forest, California.

The form of the event lent itself to a direct comparison of the two men, but without the posturing and sparring that dominates the dynamics of more conventional political debates. In their respective ways each acquitted himself well. Each delivered what I perceived to be intelligent and heartfelt responses, and the reception by the audience appeared to be genuinely warm for both. The event was, it might be said, the American political pageant at its challenging, but congenial, best.

Within the context of their respective worldviews, I found the words of both to be credible in all categories except for one; i.e. almost anything having to do with money and the economy. My remarks here are in no way motivated by a desire to cast a shadow on the abilities and good faith of these two men. On the contrary, on issues related to the economy, as on others, they seemed to be bright and sincere. What then, the reader might fairly ask, is this writer talking about?

It is my experience that when it comes to money and economics, virtually the whole of the American political discourse lives within a strange through-the-looking-glass realm where nothing is what it is purported to be (readers may by now have gotten a feeling for what I mean in the columns that have preceded this one).

This may seem to be a bold statement, but, I suggest, it is easy to document from the newspaper headlines of the present, and of the last half-century or more. Candidates for Federal office (Congressman, Senator, President) claim, election cycle after election cycle, that if the nation would only adopt their particular nuance of taxing and spending priorities, we would at last turn the corner on "the deficit," and in turn the other intractable economic dilemmas of our times. Some combination of those presented get elected, but when the next cycle rolls around, the problems are still there, only worse. We hear, in repackaged form, the same purported remedies and earnestly delivered promises all over again. I would suggest that we as a nation cannot afford to go much further without coming to a realization of what is wrong.

Candidates for office, almost without exception, treat the economic question as if it were fiscal (i.e. budgetary) in nature; i.e. as if its problems could be remedied by adopting some particular combination of taxing and spending policies; be they liberal, conservative or any variation thereof. I would suggest that this is an illusion. The "deficit" is not a fiscal problem. It is a monetary problem; i.e. related to the way we as a society create, issue and control our money. Prudent budgetary practice is well, but if by the very mode by which our society gets its money it always comes up short in the ability to pay its bills, then no conceivable combination of taxing and spending parameters is going to remedy the shortfall.

Neither McCain or Obama give any indication whatsoever that they understand the true nature of the problem, which is not surprising since almost no other candidate on the American scene in the last half-century has done so either (there was a time when many, and the mass of the electorate, clearly did). The extent to which the economy was addressed in the Saddleback event was disappointingly brief (Obama hardly touched upon it), but the candidates' positions are easily ascertainable from other sources, and the candidates' websites themselves.

So, what specifically is it that the McCain and Obama need to become aware of to be effective with respect to their economic intentions? We will address that in the next column.

Column #20 WHAT THE CANDIDATES DON'T "GET"

(Week 4 - Tuesday Aug. 19)

There is an area of critical public concern that John McCain, Barack Obama, and the entire lot of candidates for Federal office (Congress, Senate, Presidency) will no doubt hold forth on endlessly, but it is also true that virtually none of them have a clue as to how to resolve it. "It's the economy, S#*/@d!" The form this issue most commonly takes is an obsession with how to deal with the yearly Federal "deficit" and mounting Federal "debt." The range of other economic issues will be derivatives, more-or-less, of the alarm over the rising national tide of red ink.

We will be admonished by each candidate that the government is taking in too little revenue and/or spending too much money. With virtually a single voice they will tell us that when we come to our senses and start running the Federal government more "like a business," then we will get our economic house in order. Typically, each will claim to have discerned the taxing and spending priorities that will allow us to "grow the economy" so we can "turn the corner" and "start paying down the debt" so "our children won't have to."

This is truly a laudable intent, but an utter mischaracterization of the problem. There is no combination of taxing and spending priorities that will remedy the so-called "debt" problem. The "debt" does not come from "taxing-&-spending," and no variation thereof will fix it.

Our unquestioning attachment to this framing of the "national debt" issue, and the whole array of ideologies, notions and interests that have grown up around it, is the great rock upon which the political process, ship of state, and best intentions of we the people are

foundering. If that were not so, why has no generation of elected public servants virtually in the last century succeeded in "turning the corner on debt"? Is the answer as simple as saying that the category of human beings we call "politicians" (and whom we elect and re-elect) is uniquely corrupt beyond any capability of answering their calling, or does blaming politicians too often excuse us from having to think more deeply on the matter?

We the electorate are frequently admonished as to how we can't pay down the "debt" because we have not achieved enough "economic growth." In the century-almost since the establishment of the Federal Reserve System, the U.S. economy has in real terms experienced an ongoing explosion of economic production that quantitatively dwarfs the increase of any nation (perhaps all nations combined) before it, and now threatens to overwhelm the capacities of the earth on which we depend. Why, then, has not this "growth" enabled us to "grow" out of the "debt." Why does the "debt" evidently increase in lockstep with the "growth." Is more "growth" the answer?

The United States is a sovereign nation with the right to issue its own money supply. There is no cost in doing so, regardless of the amount issued (except for the incidental material cost of handling whatever medium of currency is deemed to be most convenient).

To say that the overall economy of a nation that has the power to issue its own money supply, can also be in "debt" within the circle of its own domestic production-&-consumption cycle is a contradiction in terms. People within an economy can be in debt to each other, but how can an economy be in "debt" to itself? How can a free people who are conscious of what they are doing hold themselves in "debt" bondage? Stranger still, why, supposedly, is it necessary to sell bonds to foreigners so that we can get enough money to circulate as purchasing power in our own domestic marketplace to cover the cost of the products we ourselves make? Stated more succinctly, why are we not richer for all our wealth, instead of poorer by all this "debt"?

These are the questions that McCain and Obama need to be able to answer. I will offer my own suggested answers in very succinct terms as these columns unfold.

Column #21 WHY TAXING & SPENDING ADJUSTMENTS CANNOT ELIMINATE "THE DEFICIT"

(Week 4 Wednesday Aug. 20)

In yesterday's column I said that there is no combination of taxing and spending

priorities that will remedy the Federal "debt" problem. This statement is contrary to conventional economic wisdom, to put it mildly. To make my case I would direct the reader's attention to the private bank loan transaction by which our money comes into being.

We as a sovereign nation have the right, power and responsibility to issue our own money supply as a public good and an essential feature of the commons. The public body to whom this task naturally falls is the Federal government. Unfortunately the people who compose the Federal government have long since been pressured into abrogating that essential trust to private interests, and we the people have not held them accountable because, to a great extent, we too have been influenced in ways that are contrary to our true welfare.

Now if the nation needs a money supply with which to conduct its commerce, it cannot turn to its government, but is obliged to go to the banks. As private businesses, banks work for a profit. They are happy to "loan" to the nation its circulating medium, but on the condition that they get paid back more than they "loan." If a nation (as for a person) borrows at "interest" the money it needs to live on, it follows that it can only slide ever deeper into "debt."

It makes little difference to the banker whether the "borrowing" is done by persons from the private or the public sector. The overriding fact of life within our present system is that someone has to bite the bullet and take on more "debt." The struggle over who that will ultimately be is the hidden engine that drives the fractious nature of our political life. There are compelling factors that make it virtually certain that it will fall to the Federal government to do much of the borrowing. The taxing and spending policies of a President can affect this balance, but realistically only to a limited extent.

It should be noted that private banks within the Federal Reserve System are controlled by what is called a "fractional reserve formula." This is a pyramid scheme that is too complex to describe in detail in this short article, but one of its features is that the money borrowed into circulation by the Federal government and deposited in banks forms the "fractional reserve" base upon which the banking system can create new money. This means that there has to exist a Federal "debt" for the system, as it is designed, to even function.

It is not mandatory that the Federal government assume as large a share of the taking on of national "indebtedness" as it has done, but it remains a fact that the private and public sectors combined must take on more "debt" at a continuously increasing rate for the nation to avoid a contraction of the money supply, which can only lead to economic recession, and eventually depression.

The rate of Federal "debt" aggregation does in fact increase or decrease from time to time, as when deficit spending increased for the Reagan/Bush/Bush years, and decreased during the Clinton presidency. It should be noted, however, that there were underlying social, monetary and political cycles that were driving the numbers associated with these periods, and the relative size of the Federal deficit had little to do with how quickly the country as a whole was sinking into "debt."

For complex reasons, during the Clinton administration the private sector took on "debt" at a rapid rate, and so the government did not have to. During the Reagan/Bush/Bush years, in contrast, private borrowing decreased and the government found itself in the position of having to step in as the borrower of last resort to keep the economy supplied with enough money.

None of these Presidents, as far as I can see, ever gave any indications that they understood the economic wave that they in their turn were riding. Instead, their spokespersons spent their energies manufacturing spin by which they attempted to take credit for whatever favorable numbers emerged, and explain away those that put them in a bad light.

In the meantime, the nation continued its uninterrupted combined private and public descent into "debt," and has arrived now at a point of reckoning where the situation can no longer be denied or papered over. This is what McCain and Obama need to be talking about.

Column #22 WHAT ABOUT RON PAUL?

(Week 4 - Thursday Aug. 21)

Many people have asked me – "What about Ron Paul?" Is he not talking in a fundamental way about the monetary issue you are saying is missing from the political discourse? Indeed he is, but his proposed answer to the monetary question would, in my view, only make the situation as bad, or worse.

Ron Paul is a congressman from Texas, and until very recently was a candidate for the Republican nomination for President. He is unique in that he is extremely knowledgeable and articulate about the monetary system, and has built much of his campaign around his proposal to repeal the Federal Reserve Act, and re-establish the monetary system on a different (in his view "constitutional") basis.

On a personal level, he impresses me as someone who is genuinely committed on the

issue, and has the courage of his convictions. I find his informed outspokenness to be a breath of fresh air in the gaff-averse, talking-point-oriented modern political scene.

He is something of a throwback to an era when there were many learned and eloquent voices in the political arena who carried on a classic debate about what ought to be the basis for how this nation creates, issues and controls its money, and how it all relates to the ideals of the American Revolution. That debate has so completely disappeared from the scene that Paul comes off to many as an anachronism (one whose time has passed).

The notion that he is somehow passé is belied by extraordinary grassroots support he inspired during the campaign, especially from young people. He was beyond doubt a political phenomenon. Paul espouses many strongly held positions that together are characteristic of what is often described as a Libertarian worldview (he was in fact the 1988 Libertarian candidate for President).

He is adamantly pro-life, anti-gun-control, opposed to all but the most minimal involvement of the government in private matters, a foe of the Patriot Act, against the entanglement of the country in the affairs of other nations, and a staunch opponent of the War in Iraq. There are many analysts on the political scene who attribute Paul's surprising appeal to his unabashed and principled stance on these issues, and no doubt there is an element of truth to that. In my experience, though, the congressman has also touched a deep nerve in the American psyche about money. For this reason I heartily welcome his contribution to the political discourse.

That said, there is also an aspect of his program that I find highly problematic, and that has to do with the specific change in the monetary system he proposes. Stated succinctly, he feels that thetrue alternative to a currency based on "debt," (i.e. borrowed into circulation from a private banking system), is one in that is "backed by gold."

The debate over whether the currency of a nation should be based on gold, or the fiat of the sovereign (in the American case the sovereign being we the people through our government) is one that goes back to ancient times. This is obviously too big a story to tell in detail in this short article.

Suffice it to say that the question had a formative effect in the emergence, shaping and preservation of the American nation. For example, as the Civil War was breaking out President Lincoln was pressured to borrow the money to fight it from the banking system, reportedly at interest rates ranging from 24 to 36%. Lincoln wisely rejected that advice, and instead had the U.S. Treasury issue United States Notes, a currency that came to be known as the "greenbacks."

The policy was deemed so successful, and proved to be so popular, that the nation emerged from the war with a solid majority of the people favoring the greenback as the basis for the money supply. By many accounts this led to a great deal of intrigue by which the will of the people was allegedly subverted, and the nation was denied its preferred money due to the influence of bankers who advocated that the currency be based on gold ("hard money" they called it).

This so outraged the public that a host of "populist" parties emerged (some becoming very influential and scoring major electoral victories), plus major pro-greenback factions coalesced in both the Democratic and Republican parties. Indeed, in the half-century after the Civil War the dominant issue on the political scene by a wide margin was who was going to have control over the creation, issuance and regulation of money, and on what terms.

At the 1896 Democratic convention in Chicago a relatively unknown senator from Nebraska, William Jennings Bryan, gave what is widely recognized one of the most eloquent and impassioned orations in the annals of American history. Known now as the "Cross of Gold" speech, it ended with the words – "Having behind us the producing masses of this nation and the world, supported by the commercial interests, the laboring interests and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."

The thunderous approval that arose from that hall catapulted Bryan from being an obscure "prairie populist," to the Presidential nominee of his party that year, and in two subsequent election cycles. Has Ron Paul forgotten this chapter of our history? I would love to hear his thoughts on the matter.

Column #23 WHAT ABOUT DENNIS KUCINICH?

(Week 4 - Friday Aug. 22)

Some people have asked me – "What about Dennis Kucinich?" Has he not also addressed the monetary issue in the course of his campaigns? My answer it yes, but not in the deep, central and consistent manner that is required to plant it effectively in the American consciousness (overcoming, in the process, his marginalization in many people's minds as a politician of the "extreme left").

As someone who followed the political scene, I had taken notice of Kucinich's career from his days as boy-wonder candidate for the office of mayor of Cleveland. He was for

a time a national curiosity. His slight stature, impish looks, outspoken views and tender age (elected to city council at age 23, to mayor at 31; youngest ever for a major American city) earned him the moniker "Dennis the Menace" from the media, who seemed determined to not take him seriously.

In the first year of Kucinich's term he ran afoul of the financial establishment by refusing to sell the Muny Light, the publicly-owned electric utility, to a private competitor (whose directorates and finances were thoroughly interlocked with the banks) as a precondition for the extension of credit to the city to roll over its previously abused finances. The result was that Cleveland's loans were called in, and the city entered into default.

Kucinich was, to all appearances, committing political suicide in the early stage of a most promising career, and he did in fact lose his bid for reelection in '79. Worse still, he became a pariah in his hometown, couldn't find a job, nearly lost his home, and commenced on an inward journey that took him into the deserts of New Mexico.

He emerged fundamentally changed, and eventually returned to the political fray in Ohio, where the wisdom of his principled action, and courageous nature of his sacrifice was starting to be appreciated; so much so that he adopted as his campaign symbol a light bulb. His vindication was complete when in 1998 the city council gave him an award "in recognition for his courage and foresight." He was elected to the state Senate in '94, and to the U.S. House of Representatives in '96. Since then he has become a leader on the national stage, and made runs for the Democratic nomination for President in 2004 and 2008, from which he has established a modest, but dedicated, base of political support across the nation.

By wildly serendipitous circumstance, Kucinich met and married Elizabeth Harper, the close aid of Steve Zarlenga, who just happens to be by some accounts (mine included) the preeminent monetary scientist and historian of our time. Now Kucinich, who had demonstrated his instincts and proved his metal by facing down the banking system, had formed a close relationship, through his wife, with the person who could perhaps teach him more about money that almost anyone else on the planet.

Kucinich learned much from Zarlenga, and became the keynote speaker at a monetary conference sponsored by his American Monetary Institute in Chicago in 2005 (a link to the video can be accessed on the AMI website).

This is a dream situation. All the pieces are there. In my estimation, however, the potential of the situation has not (yet anyway) been realized. I don't know all the reasons why. It seems to me that Kucinich has the character, knowledge and brilliance to effectively introduce the monetary question into the political scene in a profound way,

but for some reason he has not as fully embraced and embodied the issue as he might. It remained a marginal and infrequently-mentioned topic even in his 2008 campaign, and it was not fully developed or adequately featured on his website.

I still have hope that Dennis Kucinich will one day emerge as one of the key voices that will reintroduce the issue of money to the American political discourse.

Column #24 WHAT ABOUT THE GREENS & RALPH NADER?

(Week 4 - Saturday Aug. 23)

Some people have asked me, "What about the Greens and Ralph Nader?" As America's "third-party" alternative, many have looked to the Greens as a pivotal movement around which a force for fundamental change could possibly gather. In my view, there has been some basis for this hope.

The Greens have for the most part not been involved in the movement for monetary transformation on the Federal level. They have attracted a fair number of activists for local currencies, barter networks, land trusts, and the like, but they have largely stayed clear of taking on the issue of national currency reform.

I was for a time a member of the Green Party, and found the people there to be a fine and dedicated group of souls who talked a great deal about economic issues, but the conversation rarely extended to the nature of money. My Green friends would tell me that this obscure "banking issue" I seemed to be so obsessed with was all very interesting, but right now we have starving people to feed, wars to stop, and a planet to save, so it would just have to wait. I was never able to get them as a group to consider that perhaps this "banking issue" was in fact the very engine that was driving all those problems, and to leave it unaddressed would only insure our ultimate inability to effect transformative change.

The Greens would do well to reclaim the historical roots of their own party. They have an antecedent namesake in the Greenback Party, which was, in fact, a key player in the anti-bank-money populist movement of the late 19th and early 20th centuries. There is an evolution that has proceeded from the populist parties, through the farmer/labor movements, to the progressive/liberal/grassroots politics of more recent times, of which the Green Party is a prime beneficiary. They have a genuine heritage on the monetary issue, if they will awaken to and embrace it. It represents their authentic vehicle to break out of the perceived disgruntled-left-wing-of-the-Democratic-Party ghetto.

The Greens at this point are sometimes deemed to be a radical left-wing import, and not

fully American. By re-invoking the true issues of the American Revolution, as opposed to the conventional jingoistic mythology, it could move to the very highest and most patriotic ground. From that pinnacle there is no major constituency it could not speak to. There is no argument from the "major parties" it could not trump. This is a historic opportunity.

The groundwork that has already been laid down by Ralph Nader should be taken a critical step further. He is in the eyes of many the most famous, expert and eloquent (though sometimes a bit demagogic) spokesman on the predations of corporate practice, yet I have never heard him say a word about the ruler of them all, the corporation (Federal Reserve) which has been unconstitutionally granted the charter for money creation. I can't be sure he has never done so, but clearly it has not been the centerpiece of his efforts. Without making it so, the rest of his heroic labors may find limited success on particular issues, but are doomed to overall futility, as it will leave corporate money power still "enthroned" (as Lincoln had warned about).

If Nader and the Green Party had truly picked up on the monetary issue, they would have had the formula for a truly revolutionary program that could transcend all regions of the political and ideological spectrum. The money-creation franchise is the linchpin of the entire globalist corporate order, and it would all come undone if it were removed.

With Ralph Nader as its presidential candidate, the Greens emerged briefly as a force to be reckoned with in American politics in the late '90s. Since then the party has declined, and Nader has moved on to independent runs for the presidency in 2004 and 2008. It would appear that whatever opportunity the Greens and Nader had to be that political force for monetary redemption in America has been largely dissipated. Still, for the sake of the country, one can only hope that it could return?

Column #25 THE FORMS OF "NATIONAL DEBT"

(Week 5 - Monday Aug. 25)

There is, in my view, a very direct and completely effective way to address the problem of the "national debt," which is, by my definition, any monetary "indebtedness" that is taken on by the society or nation as a whole, and not in particular by any of its members or sectors. We can list four forms by which the "national debt" manifests at present. These are:

(1) – The "Federal deficit" – This is the amount of money borrowed by the Federal government in a given year from the nation's semi-private (some say quasi-public) central bank (Federal Reserve) to make up for the deficiency in tax revenues collected,

which causes it to come up short in meeting its budgetary obligations.

(2) - The "Federal debt" - This is the ongoing sum of yearly "Federal deficits," which constitutes the total amount of money borrowed by the Federal government from the Federal Reserve.

(3) – The "balance of payments deficit" - This is a net monetary imbalance caused by this country buying more goods from foreign nations than we sell. When we sell goods to foreign countries we receive a net inflow of money, or stream of "national income." When we buy goods from foreign countries we spend part of that income. If we buy more than we sell, then there is a net outflow of money from the U.S. to foreign lands, which is referred to in the current economic discourse as a "balance of payments deficit."

(4) – The "money supply" - This is the amount of money that the participants in the social order or nation as a whole, including both public and private sectors, "owe" to the private banking system for the system's having made available the supply or pool of money which society requires to conduct its commerce.

The first three of these forms of the "national debt," and the arguments about them, no doubt look like familiar features of the national debate over money, and the descriptions that I have provided above are essentially the conventional ones. I would assert, however, that they are not what they commonly appear to be. In my experience, the terms "Federal deficit," "Federal debt" and "balance of payments deficit" are misnomers. That is, the phenomenon that each ostensibly refers to is not what the words themselves would seem to indicate. They are all abstract figures of speech that effectively serve to cover up the real nature of what is happening in the financial affairs of the nation, though, I dare say, very few people realize it. Typically, these expressions pass for what a literal interpretation of their words would tend to indicate, and that, in turn, is the cause of untold dysfunction and misery in the economic life.

Item #4, the "money supply," is one I have never heard identified as being an aspect of the "national debt," but previous columns in this series may give the reader some basis for understanding what I mean by identifying it as such.

In the next few installments I will offer very specific thoughts about how, in principle and practice, these aspects of the "national debt" were formed, and how they can be eliminated (to be clear, I am not proposing eliminating the money supply, but rather eliminating it as "debt"). In the end, we will discover that the very expression "national debt," when used in a monetary sense, is a contradiction in terms.

Column #26 WHAT CAUSES A "NATIONAL DEBT" TO ARISE?

(Week 5 - Tuesday Aug. 26)

In yesterday's column I defined "national debt" as any monetary "indebtedness" that is taken on by the society or nation as a whole, and I then listed four ways in which this "debt" manifests. The issue of "national debt" suggests a series of questions, which can be stated in a fivefold manner:

(1) – What causes a "national debt" to arise?
(2) – To whom is this "national debt" owed?
(3) – Is the "national debt" a real debt?
(4) – Can the "national debt" ever be "repaid?"
(5) – What is the solution to the "national debt?"

For this column let us focus on point #1 - What causes a "national debt" to arise? (1) – A "national debt" arises when an elite private group (or person) manages to usurp the power of the sovereign to create, issue and control a nation's money. In earlier periods of history this power was usually vested in a monarch, czar, emperor, dictator, or other authoritarian ruler. The American experiment represented something new in that sovereignty was deemed to reside in the people themselves, and exercised through their elected representatives within the rule of democratically determined law.

Since the beginning of civilization there have always been private parties (as opposed to rulers or executors of the political life) who have sought to co-opt society's money power, because in doing so they could effectively gain control over the whole nation. Indeed, in important ways it was better than ruling a nation in an overt political sense. The "money-lenders" got to skim-off the cream of the wealth of the country, while pulling the strings of power and staying safely in the shadows. The monarchs and politicians, on the other hand, were obliged to endure all the exposure, risk and abuse of being in public office.

Much could be said about the human motivations that cause people to seek such an extremely advantaged position in society (some would say, a stranglehold over it), but whatever the case, it is sufficient for now to state that whenever a person or group is successful in capturing the power over a country's money, it has gained effective control over the nation itself. That is what Mayer Amschel Rothschild (founder of the Rothschild banking dynasty) meant when he said, "Give me control of a nation's money and I care not who makes the laws."

Once the control over a nation's money has been handed to private persons, a "national

debt" will arise, virtually as night follows day. This is because they will invariably use their power to supply the nation they purport to serve with money on such terms that, not only individuals, but the society as a whole will become, and remain, perpetually in their "debt."

This is not necessarily a simple case of avarice. Those with control over money may believe that they have been handed this privilege for good reason, or even as a sacred trust (and many have articulated a case for their view). The way this has unfolded in human history is extremely complex, and we should not be too quick to judge issues of motivation. Nonetheless as a practical matter, private money goes hand-in-hand with "public debt."

In the American experience, the crucial power of sovereignty (the power to create, issue and regulate money), has been abdicated by the elected representatives of the people in favor of a private banking cartel that issues the nation's money supply through a form of "private-bank-loan" (actually private-money-creation) transaction, by which a compounding "interest" fee that realistically cannot be paid is attached.

Therefore, this nation has a "national debt." It is a straightforward matter of cause and effect.

Column #27 TO WHOM IS THIS "NATIONAL DEBT" OWED?

(Week 5 - Wednesday Aug.27)

Yesterday I offered the view that the reason we have a "national debt" is that we as a people and a nation have allowed our sovereign prerogative to create our own money supply to be usurped by a private banking establishment. This raises the question, "To whom is this 'national debt' owed."

It would be easy to assume that because the "national debt" arises from transactions in which money is "borrowed" from banks, it must be to these banks that this "debt" is owed. If we trace carefully the course of the bank-loan-and-payback cycle we will discover that this is not the case.

I have described in previous columns how the banker is not really "loaning" money in the common sense use of the term. He is, rather, creating it out of his authority to do so as an agent of the banking system.

I have also described how, when a "borrower" makes a payment on a bank "loan," the payment is divided into two parts, with one portion being used to the pay down the

amount of the "loan," and the other applied to "interest." The money credited towards the pay-down of the "loan" is extinguished back to "thin air" in a process that mirrors its creation out of "thin air."

The part that is credited towards the "interest" payment goes instead (after the bank subtracts its operating expenses, that is) into the account of a speculator in "financial-debt" contracts, usually described as an "investor," whose interest typically in the transaction is not to be a financial partner to a productive enterprise, but to be the recipient of the "interest" payments.

It is these "investors" to whom the "national debt" is owed. So who are these "investors?"

This is a big question that can be answered on many levels. At the highest level of finance, they are the persons who have both the means and the privilege of being in a position to act as the first link in the buying and selling of "debt."

For example, the quantity of money borrowed by the Federal government that is allowed to circulate in the economy (the so-called "high-powered money" that serves as the basis for how much money banks can create according to the "fractional reserve formula") is regulated by the buying and selling of U.S. government bonds through the "Open Market Desk" of the Federal Reserve Bank of New York. This "open market" is in reality a strictly limited market, in that the privilege of buying and selling these bonds is restricted to certain few dealers.

After the bonds are bought by these dealers, they are generally sold to "investors," by whom they may or may not be resold. Theoretically, they can wind up in the financial portfolio of anyone in society, even the world, and in fact they do get widely dispersed.

It is not, however, an equitable distribution. The system is set up in such a way that those who are privileged to be the primary bond dealers and their customers (or are otherwise strategically positioned in the system), as well as others who already possess an excess of funds to "invest," have a distinct and often insurmountable advantage in the game.

To illustrate, if one person manages to move into the financial position of being the receiver of "interest" payments (e.g. by buying mortgage contracts), and another finds himself obliged to be a regular payer (e.g. by making payments on a mortgage), then generally, while the latter works to be a producer of wealth (i.e. earns a paycheck), the first will become wealthy without further expenditure of effort. I would caution the reader that this illustration can be simplistic if one tries to apply it dogmatically to real human

situations, but it remains a reality in the overall picture that the private-bank-loan transaction by which our money is created is the great engine of inequitable wealth redistribution.

While much has been said in the public discourse about the inherent greed of "the bankers" because they are supposedly getting the benefit of all this money that they "create out of nothing," it is evident from the financial section of the newspaper that the banks too are experiencing difficulties. In fact, many are on the brink of bankruptcy. That is because they are not sovereign entities, but instead have been co-opted themselves as the agents of a perverse principle at the heart of the monetary system which would tempt persons to use the control over money to satisfy their desire for undue private gain, and to exercise control over humanity itself.

To be sure, there are to all outward appearances people who act as this principle's particular promoters, facilitators and even conspirators, but I think a suspension of judgment is necessary if we hope to divine all the way to the core of the "national debt" matter. In truth, the acquiescence to this obverse monetary principle has become culture-wide. Directly or indirectly, in big ways or small, virtually all of us are at least partly responsible for the "national debt." Would it be too much to say that we are all part of the problem, and, potentially, the cure?

While we need not and should not ignore the gross injustices of the monetary system that do arise, it behooves us also to be aware that none of us is wholly blameless. This is a topic that will be explored in an incisive, but dispassionate manner as these columns unfold.

Column #28 IS THE “NATIONAL DEBT” A REAL DEBT?

(Week 5 - Thursday Aug. 28)

When we talk about a “national debt,” does this expression refer to money that actually exists, is loaned out for a time, and is then paid back? Is it “real” in the dictionary or common-sense use of the term “debt”? I would offer a description of two outwardly similar loan transactions, and perhaps through them we can discern the answer to the question.

(1) – A Loan from a Friend:

Suppose I needed to borrow some money, say $1,000. I might approach a personal friend and ask for a loan. He checks his bank account to see if he has the money to lend, and makes an assessment of whether I am likely to pay him back. Let us suppose that he has the money and is willing to lend it, but on one condition; that I agree to pay

him more than I borrow (i.e. interest on the loan). After all, is he not foregoing the use of that money for a year, and is there not a risk that I might not pay it back?

We agree that he will lend me $1,000, and I will pay him back the $1,000 principal of the loan, plus a $200 interest charge (for a total of $1,200) at the end of a year. He writes up an I.O.U. on a slip of paper, and I sign it. He then writes a check for $1,000 out of his account, and hands it to me.

At the end of the year when I give him the $1,200, he marks the I.O.U. “paid,” and the loan is deemed by both of us to be satisfied.

(2) – A Loan from a Bank:

Now suppose that instead of borrowing the $1,000 from my friend, I decide to go to a bank. After all, is that not what banks are for? I approach the banker and ask for a loan. Like my friend, he checks what he has in his accounts, but not because he is planning to loan me any of that money. Instead, his intention is to create the money he will “loan” to me out of “thin air” by virtue of his authority as a banker. The reason he checks his accounts is to make sure that he has enough money “on reserve” to create the new money according to the “fractional reserve formula” by which he is governed.

He makes an assessment of my “creditworthiness,” and the loan is “approved.” We agree that he will lend me $1,000, and after a year I will pay back the $1,000 principal amount of the loan, plus a 20% interest charge ($200). He writes up a contract which states that I promise to pay back the loan, and I sign it. He then writes a check for $1,000 out of his authority to create money, and hands it to me.

At the end of the year when I pay him the $1,200, he marks the loan contract “paid,” and the loan is assumed by us, and deemed by the legal authorities, to be “satisfied.”

On the surface there are many similarities between these two transactions. In fact, the operative words of the discussion (“loan,” “interest,” “debt,” “payback” and “satisfaction”) are used in what appears to be identical ways. If one filmed each session, except for the incidental settings (one across a kitchen table and the other a banker’s desk), one would be hard pressed to detect any substantive difference between the transactions.

My experience has shown that when people go into a bank and borrow money, they generally assume that they are involved in an upfront common-sense transaction (like with their friend), whereby the banker is loaning them some money that he will no longer have on deposit in his bank for a time, and that he therefore needs the interest charge to compensate for the risk that he will not be paid back, and further, that when he is paid back all the conditions of the loan will

have been satisfied without any residual debt to the borrower, banker or society as a whole. This is mistaken all counts.

If we carefully track the steps of the bank loan transaction we can see that:

- It was not essentially a process to “loan” money, but to create it.
- The banker did not charge “interest” on the “loan” because he was “at risk” of losing something substantial that he had entrusted to the “borrower.” Rather, the compounding “interest” charge was a fee that he was privileged to attach to the principal of the “loan” as the agent of a private banking system that had acquired the power to control the terms by which society would gain the use of its own money.
- This “loan” at “interest” is not a “debt” in any true meaning of the word. The money created and issued was done so out of a prerogative of sovereignty that was unlawfully (in my view) appropriated from the social order of which the borrower is a part. How can we the people be “in debt” for borrowing something that rightfully belongs to us, with an attached compounding “interest” charge to boot?

By logical extension then, the “national debt” is not a real debt.

I would hasten to stipulate that I am not in any way advocating the tearing down of the banking system, or even defaulting on the “national debt.” Rather, I would redeem it, the banks, and the nation’s financial life, by returning the way this country creates, issues and regulates money to sound principle. This, I can imagine, may sound strange now, but the idea will be fleshed out as we go.

Column #29 CAN THE “NATIONAL DEBT” EVER BE “REPAID”?

(Week 5 – Friday, Aug. 29)

In yesterday's column we walked through the private-bank-loan transaction by which our money is created, issued and controlled to show that the "national debt" does not refer to money that actually exists, is loaned out for a time, and is then paid back. It is not "real," therefore, in the dictionary or common-sense meaning of the word "debt." The question naturally arises, "How then can this "national debt" be "repaid" (whatever "repaid" might mean in this case)?"

The quick answer is, it cannot be "repaid." It can, however, be eliminated in a systematic manner by changing the basis on which the **monetary system** operates. **Thomas Jefferson** said, "But follow the principle, and the knot unties itself." If the

operation of the monetary system were returned to sound principle, the so-called "national debt" would disappear in an orderly way over time, virtually of its own accord.

The present **Federal Reserve System** operates according to what might be called the "private-debt-money" principle. Our money is created by a **private banking system**, and "loaned" out at "interest," thus creating a supposed "debt" of society to that system. The money required to pay back such "loans" is available because it circulates in the **money supply**, but the money needed to make the "interest" payments is not because it was never issued. This means that participants in the economy must, in the aggregate, "borrow" increasingly **more money** into circulation in order to keep making the principal and "interest" payments on old bank loans, while maintaining a **money supply**. This is another way of saying that the "debt" associated with older money must be redeemed (rolled over) with "debt" attached to new money, with the result being that the total "debt" the nation "owes" to the banks builds up continuously in a snowballing manner.

If the present system issued money directly out of the U.S. Treasury, it would be operating according to what might be called the "public-debt-free-money" principle. Our money would be created by our own government, and then spent or loaned interest-free into circulation. This public money would for a time be used to make the principal and "interest" payments on old bank loans, and maintain a circulating money supply. The crucial difference is that in the new system, more money would not have to be "borrowed" into circulation from a private banking system to accomplish that. Old "debt money" would be redeemed with new "debt-free money," resulting in an ongoing reduction of the total amount of money in circulation for which the people "owe a debt" to the banks.

With the "private-debt-money" principle, the life of the nation serves money. With the "public-debt-free-money" principle, money serves the life of the nation. The contrast is that stark.

As bank loans were paid off with public money, the bubble of "national debt" that is attached to the nation's money supply would be deflated without default or economic disruption. By this process the "national debt" would be retired over time in an orderly way, and fade naturally out of existence.

This states the matter in principle, but the next step is to describe how, specifically, this would work out with respect to what I described in Col. #25 as the four forms of the "national debt"; i.e.

the "**Federal deficit**," "Federal debt," "balance of payments deficit" and "money supply." I will pick up on that task in the next installment.

Column #30 WHAT IS THE SOLUTION TO THE "NATIONAL DEBT"?

(Week 5 - Saturday Aug. 30)

In Monday's column I described the four forms by which the "national debt" manifests at present: the Federal deficit, Federal debt, balance of trade deficit (with foreign countries) and money supply. By tracing the emergence of the so-called the "national debt" from the private-bank-loan transaction by which our money is created, I tried to show that it is not a genuine "debt." It is, rather, a fee in the guise of a compounding "interest" charge attached to our money at its point of creation. It was never anything "loaned," and it cannot therefore be "repaid." It can, however, be eliminated in an orderly manner by changing the basis on which the monetary system operates.

(1) – The "Federal deficit" is the amount of money borrowed by the Federal government in a given year to make up for the deficiency in tax revenues collected. If it simply issued the additional money it needed through the U.S. Treasury there would be no need for borrowing, and therefore no "deficit."

(2) - The "Federal debt" is the ongoing sum of yearly "Federal deficits." With a yearly "deficit" no longer being added to its total, the "Federal debt" would obviously cease to grow, but what would happen to the "debt" already on the books?

This "debt" is in the form of bonds that are being held by the public, both domestically and around the world. They will, at their date of maturity, have to be redeemed at a value that is greater than the amount of money the government got for selling them originally. The difference is due to the "interest" charge attached to the bonds.

Since the Treasury is only borrowing (not issuing) money at present, its only option is to pay the "debt" represented by these old bonds by printing and selling yet more bonds that, in turn, represent an even greater "debt" that will have to be paid when they are redeemed in the future.

If, on the other hand, the Treasury were allowed to issue money, then these old bonds could be redeemed with new money (not more bonds), and the cycle of compounding "debt" would be broken. Over time (about three decades) all outstanding bonds backing the "Federal debt" would be turned in for redemption with public money, and the "Federal debt" itself would cease to exist.

Perhaps the last great champion of a free public currency in our national government was Congressman Wright Patman from Texas. He was member of the House Committee on Banking and Currency for forty-seven years, and its chairman for twelve. Among his pronouncements on the subject of "Federal debt" are:

"The dollar represents a one dollar debt to the Federal Reserve System. The Federal Reserve Banks create money out of thin air to buy Government Bonds from the U.S. Treasury . . . and has created out of nothing a . . . debt which the American People are obliged to pay with interest."

"In many years of questioning high experts on the matter, I have yet to hear even one plausible answer to the question (of) why the Government should extend money-creating powers to the private commercial banks to be used, without cost, to create money which is lent to the Government at interest."

As far as I know, Congressman Patman's question remains unanswered.

In the next column I will move on to the solution to the "balance of trade deficit."

Column #31 SOLUTION TO THE "BALANCE OF TRADE DEFICIT"

(Week 6 - Monday Sept. 1)

The "balance of trade deficit" is a net outflow of money caused by this country buying more goods from foreign nations than we sell. Like the Federal "deficit" and "debt," it has its root in the private-bank-loan transaction by which our money is created, but to trace out how it works takes a longer explanation. The reader is urged to follow this thread of thought carefully.

The "interest" payments that must be continuously made in order to maintain a money supply borrowed from a private banking system cause, from the perspective of the consumer, a net loss of purchasing power, because he does not receive anything of value in exchange for it. The result is that not all the money that is paid to people who produce the goods in the domestic economy shows up as buying power on the consumer side of the production-balances-consumption market equation (I am using a very broad definition of "goods" here that includes all goods and services).

This causes goods to pile up as unsold inventory in the marketplace, which means that orders for more goods will decrease and workers will be laid off. Those still employed will experience the same cycle of having part of the money from their paychecks being siphoned off for "interest" payments, which, in turn, causes a deficiency of purchasing

power, that results in still more goods piling up as unsold inventory, even at the reduced rate of production. More workers will be laid off. If this vicious cycle is allowed to continue unchecked, the country will enter an economic "recession," or even "depression."

This winding down of the physical economy parallels the contraction of the money supply described in previous columns, both of which are the result of the requirement to make "interest" payments on the private bank loans.

The apparent answer to both the physical and financial shortfalls would seem to be the same; that is, find a way to bring more money into the circulation. The option that has been talked about in these columns so far (short of making the transition to a public monetary system) is for masses of people to borrow ever greater quantities of money into circulation from the banking system. There is, however, one other possibility that I have not yet talked about; that is, achieve a "positive trade balance" with other nations.

One way that unsold inventory piling up in the domestic marketplace can be disposed of is to sell it to foreigners. What is more, such sales would bring money into the domestic money supply that has been lost to "interest" charges. It looks like a win-win solution, except for one factor. That is that virtually all other currencies around the world are also borrowed into existence from private banks, so the domestic economy of every other nation exhibits the same problem, and, therefore, the same need for a "positive trade balance."

Ideally, world trade is a zero-sum game. Everyone can't have a "positive trade balance" with everyone else. The "positive balances" must of a mathematical certainty equal the "negative balances." For the last few decades, the U.S. has been losing in the balance-of-trade competition. Therefore it has been running up a huge "balance of trade deficit" that can only be made up for by taking on more "debt," particularly in the form of the selling of bonds backing the "Federal debt" to other nations.

We have gotten away with this so far because the U.S. dollar is the "reserved currency" for the world. This means that it is the currency that every other nation has to hold a quantity of to back up their own currency (which is why it is sometimes called "paper gold"), as well as insure their own buying power in the international marketplace (e.g. trade for oil is conducted only in dollars).

If the dollar became publicly-issued, the rest of the world's currencies would be obliged to follow suit and become publicly-issued as well. If that happened, the people of every nation would have the ability to redeem the full value of everything they produced in their own domestic marketplace, because to maintain their money supply they would no

longer be losing the buying power that is currently leaking away due to having to pay "interest" to the banks.

What is more, it would also be possible to calculate an equitable trading value for every currency in the world such that balance of trade surpluses and deficits would disappear. All trade is essentially goods-for-goods, and there is no reason why that could not be reflected in equitable exchange rates between the currencies that facilitate their exchange.

What stops this equitable exchange from happening now is the "debt" that attends the creation of all major currencies, and renders any hope for a just, stable and sustainable world impossible. This opens up a whole new area of discourse that there is not room to do justice to here (will be explored in future columns), but I hope it gives the reader at least a glimpse of what is possible if we were to return to sound monetary practices.

Column #32 THE LESSONS OF FLINT, MICHIGAN

(Week 6 - Tuesday, Sept. 2)

On this Labor Day week of 2008, it would be well to reflect on what happened to Flint, Michigan. This small city northwest of Detroit was for many years the site of one of General Motor's largest production complexes. It was here in 1936-'37 that what came to be known as the "Flint Sit-Down Strike" transformed the United Automobile Workers from a collection of isolated locals on the fringes of the industry into a major union, which, in turn, led to the unionization of the auto industry in the U.S.

The number of people employed by GM in Flint fell from a high of 80,000 in 1978 to about 8,000 today. We should pause to ask, what has been the cause of such a steep decline? Many reasons have been offered, but almost all boil down to a supposed "lack of competitiveness" on the part of American industry, and by implication, the American worker. This is a tragic misinterpretation of what is essentially a monetary problem, and the industrial laborer, the country, and indeed the world is paying a terrible price for it.

In his classic film "Roger and Me," Michael Moore pursued the CEO of GM, Roger Smith, to try to find out why his corporation was closing auto plants in Flint, and reopening them in seemingly illogical places like, say, the desert in Mexico. He never did successfully corner Mr. Smith for an answer, but we can assume that the rationale would have had something to do with "competitiveness." Let us take a look at which location is really more "competitive" from the stand point of the physical and human realities involved, leaving monetary considerations aside for the moment.

To begin our reckoning, let us note that to move the site of production, the factories that had already been constructed over generations and at great cost in Flint would have to be disposed of and rebuilt in Mexico. What is more, those plants are located in Flint for good reason. They are within reach, via the greatest inland waterways in the world, of the vast iron ore deposits of northern Michigan and Minnesota. They have convenient access to the high-quality coal deposits of Appalachia via a well-developed rail system. They are in proximity to a bountiful fresh water supply. Flint's factories are located in mature communities with good roads, housing, medical facilities, schools, utility infrastructure, and all manner of amenities. They are interlinked with a well-developed network of suppliers and services that have grown up over the years as adjuncts to the auto industry.

The desert in Mexico is clearly lacking in all of these. If one were to make a listing of the tangible features of the Flint-vs.-the-Mexican siting, one would find that virtually all of the advantages are squarely in the Flint column. The only plus I can see for a Mexican location is perhaps a limited potential for assembly for local Mexican consumption, but even that is dubious. In any case, what reason could one offer for forcing Upper Midwest residents to buy their vehicles from Mexico?

But, we are scolded by pundits and politicians, American workers can no longer "compete." We need to take a closer look at this. The workforce at the Michigan plants is already well qualified for the job by training, experience and cultural tradition. I know that Mexicans are fine and hard-working people as well, and are fully capable of learning and performing the same jobs as those in Flint, but I have worked in the American workplace all my life, including a number of factories (one staffed almost entirely by immigrant Mexicans), and Americans labor well and hard also. There is not much to choose from when comparing the fitness of respective populations.

This begs the question, "Given the overwhelming preponderance of bona fide advantages embodied in the Michigan option, why can a factory in Flint 'not compete' with one in Guadalajara?" The answer is deceptively obvious and simple; the worker in Michigan gets paid in dollars, while the one in Mexico collects his wages in pesos.

But, I hear it argued, the peso is worth less than the dollar. Says who? Where is there written some universal law that dictates such things? Currencies are abstract human creations controlled by the banking system. They would find their own reasonable levels relative to each other if they were not forced out of such equity by the insatiable need to feed the "interest" bubble now almost universally attached to all currencies.

The notion that there is some natural disequilibrium in the exchange ratio between the dollar and the peso that impels economic actions which are in such stark contradiction

to any sensible assessment of physical and human realities as there were in Flint, ought to be a huge blinking red light to alert us to precisely where the problem lies. The root is with the currencies themselves. The problem is traceable to the creation and issuance of "debt"-based currency by a private banking system, and the ensconcing of the dollar as the privileged "reserve currency" for the world.

We will continue our look into the lessons of Flint, Michigan in tomorrow's column.

Column #33 WHY THE VALUE OF THE DOLLAR REMAINS SO HIGH

(Week 6 - Wednesday, Sept. 3)

In yesterday's column we noted that into the late 1970's the city of Flint, Michigan was the home of one of the largest automotive production complexes in the world, but after a concerted program by the management of General Motors to relocate these factories to other areas (like, for instance, the desert in Mexico) that in a physical and human sense had virtually no natural advantages over Flint (in fact were hugely disadvantaged), the workforce shrunk to only ten percent of its previous size in less that three decades.

The economic reason widely attributed in the media and claimed by the GM management to have compelled such a drastic move was that the Flint plants and workforce were somehow no longer "competitive" in the "global marketplace." By constructing a mental checklist of the relative physical and human advantages of the Flint-vs.-Mexico siting I attempted to demonstrate that this could not have possibly been the reason in actual physical or human terms. The only factor that did seemingly make the move economically compelling was the relative disequilibrium in the exchange ratio between the dollar (which currency American workers get paid in) and the peso (by which Mexican workers are paid).

If the value of the dollar remains high enough for long enough, this effectively becomes the reason that American workers cannot "compete," supposedly, with their foreign counterparts. That has evidently been the case for the last few decades, as the U.S. has run up enormous and mounting "balance of trade deficits." The perception that this "imbalance" was in effect, and would be for some decades at least, must, it would seem, have been a factor in the mindset of GM management (though perhaps not consciously in these terms) when they decided that they just had to move those plants to save the company.

The question then becomes, what has caused the value of the dollar to remain so consistently high with respect to the rest of the world that the American worker, even with every physical advantage, is no longer "competitive" (i.e. can no longer sell his

goods at a competitive price on the international market)?

The answer is that the American dollar is the "reserve currency" of the world. That is, it is effectively the backing for every other currency. This status was established officially at the Bretton Woods Monetary Conference in 1944 which set the basis for the post-WWII monetary order. The dollar was unofficially dubbed "liquid gold," and it has since evolved in a way that is consistent with that nickname due to many factors.

These include that the U.S. economy for several decades after WWII was by far the largest, most materially productive and most stable in the world. It is only natural that the currency which was backed by the economic (not to mention military and cultural) might of this "superpower" would become the most sought after in global trade. If one had a dollar, one could be confident of being able to spend it freely almost anywhere in the world. If a nation had an ample supply of dollars in its central bank, that signified in the eyes of the world that it was "solvent" (much as gold used to indicate the same),which bolstered the value of that nation's own currency as well. World trade in oil was conducted (and still is) only in dollars. The list goes on.

The demand for the dollar has been, and remains, huge; so much so that well over half of American money circulates outside the U.S. (which is not to say that confidence is not wavering). As we have talked about since the start of this series of columns, the dollar is a "debt"-based currency that is created and borrowed into existence through private banks. It is out of the combination of these two factors that the potential for the American government to sell trillions of dollars worth of bonds "backing the dollar" arises. The process manifests in a cycle that basically unfolds as follows.

Participants in the U.S. economy borrow hundreds of billions of dollars into circulation through the private banking system every year. This money injects tremendous buying power into the American domestic market (which is complemented by American's huge appetite for goods). Americans could use the money to buy the output of their own factories, but it is often less expensive to purchase what they want from foreign nations, partly because these nations are willing to sell their goods more cheaply in order to obtain in the exchange the dollars that they need. They must, for example, have dollars to buy oil on the international market.

So, the U.S. runs up a huge "balance of trade deficit", and our dollars flow to foreign countries; but, they can't stay there. They have to flow back. Otherwise they will cause inflation in their own domestic market such that they will lose their "competitive" trading advantage and the flow of dollars will stop, or reverse.

Generally, foreign central banks, to support the value of their own currencies, buy up

the "debt" paper (i.e. Federal bonds and other "debt" contracts) by which U.S. currency comes into being. They become the recipients of the "interest" payments that are made to service the "debt" on the U.S. money supply, and the American people abandon their "uncompetitive" industries, and borrow more money in an attempt to keep up lifestyles.

What I have described above is, in very simplified terms, the cycle that the American productive sector has been caught up in and driven out of business by, as exemplified by the fate of the auto industry in Flint.

The ways this play out are vastly more complex that what could be covered in this short article. The key to not getting lost amidst all the bewildering intricacies is to keep in focus that this all starts with the fact that the entire world is slipping into "debt" because it borrows its money into circulation from an international banking oligarchy, and these complexities arise out of the incredible manipulations that all parties feel obliged to participate in simply to survive.

Column #34 THE MATTER OF "CHEAP LABOR"

(Week 6 - Thursday, Sept. 4)

The virtual closing down of the automotive industry in Flint, Michigan is an arch-typical example of what has happened to the industrial base across America in the name of industries having to move their operations abroad, driven by the "realities," supposedly, of having to remain "competitive" in a new global marketplace. A less artful way in which the issue is often stated is that American corporations have felt compelled to search the globe for "cheap labor." What, we should ask, is "cheap labor?"

The very idea that there is something that can be properly called "cheap labor" implies that there are "cheap people." To even utter such an expression without being mindful of what one is really saying is to demean inadvertently the work of all people. It is regrettable that this phrase seems to have been picked up by activists of all hues of the political spectrum. Even those who have presented themselves (sincerely so) as heartfelt champions of the victims of globalization too often repeat, without due reflection, the argument that industries leaving one country for another ostensibly because of "cheaper labor" is some new "global reality" that we have to live with, and premise their arguments from there.

If only, I have heard it said, we could improve secondary education, provide universal health care, offer inexpensive day care, inspire workforce motivation, make more investment in infrastructure or cut taxes, then we could "compete" more successfully in the global marketplace. Don't misunderstand. I am not suggesting that education, health

care, child care, workforce motivation, infrastructure and wise fiscal management are not essential in their own right (one could find "debt"-based money at the root of their debilitations also). My point is that they are not the core of the perceived "competitiveness" problem, any more that taxing and spending parameters are at the heart of the "national debt" (see columns # 25 –31).

The problem is not "cheap labor," but rather "cheap money." If workers in different countries around the world were paid in national currencies that reflected the real value of exchanges of goods between those countries, the values of the currencies themselves would tend naturally to a just and equitable balance relative to each other. In fact, this is a long-held principle of classic economics.

What, then, has kept it from happening after the passage of centuries of time for such leveling to occur? The answer is that there have always been inequitable currency patterns established that more or less guarantee the dominance of one part of the world over the other.

For example, when the colonial powers were establishing their dominance over Africa in the eighteenth century, one of the first measures they would take was to levy a tax on every household that had to paid in a currency that was set up for that purpose. The only way the people could get the money to pay the tax was to work for their new rulers or supply them with the fruit of their land. As a matter of course, this currency was kept in short supply so a certain portion of the people, and eventually the country as a whole, were fated to sink into "debt." These patterns of "debt" still exist in "third-world" countries today, and the essential foreign currency is mostly dollars.

I sometimes detect in the usage of the expression "cheap labor" a certain "first-world" hubris that regards the workforce that lives in relatively "third-world" conditions as being "less developed," "less skilled or educated," "harboring lower expectations," or otherwise being expected to resign themselves to a lesser state of living. There are many variables at work here, and I don't want to be simplistic. Truth is that even such stereotypical labeling reflects some degree of reality, and/or alternative values and virtues described in a pejorative manner. For example, the lesser material "prosperity" of a given society may in part reflect their authentic valuing of less material wants, and embody its own virtues in the end.

Whatever the truth of the matter, such personal and cultural preferences deserve the chance to find their own natural expression. To have millions of people around the world laboring under inhumane conditions because they get paid in a currency that hardly buys anything, while they spend their days and life energies making luxury goods for those who have borrowed dollars to spend, is not something that can be lightly

attributed to their misfortune of living in areas where labor is "cheap." There is cause and effect at work in such conditions, and one cannot get to their root without taking into account the monetary parameters under which each society labors.

The bottom-line truth is that nobody's labor is "cheaper." Humanly speaking, we all exert and sweat just the same to perform a given task. We all have the right, in freedom, economic and otherwise, to seek our full measure of dignity, development and expression. That won't be fully realized in a world in which there is "cheap money" posing as "cheap labor."

Column #35 THE MAQUILADOROS: MEXICO'S "FLINT"

(Week 6 - Friday, Sept. 5)

The Maquiladoros is a huge industrial district in Mexico which stretches along the U.S./ Mexican border. It consists of thousands of factories that are foreign-owned, and were attracted to the country mainly by the "lower production costs" (a euphemism for "cheap labor"). The output of these plants is largely exported to the United States and other countries. This is where many of the factories that used to be in Flint, Michigan were relocated.

It would be difficult to find a place in the world where the evident contrast between "first world" vs. "third world" economics (high-value vs. low-value currency) is more starkly drawn. In San Diego on the U.S. side of the border, the average home is priced at upwards of a half-million dollars, while wages in the often horrific working conditions of the Maquiladoros on the Mexican side average $3.70; not per hour, but per day.

Most of the Mexican labor force consists of hard-working folk who have been driven out of the countryside because, as farmers, they could not compete with the heavily bankrolled and highly-subsidized agribusiness production of basic farm commodities on the American size of the border (where, at the same time, American family farmers have been losing their farms in large numbers because they can't pay their loans to the banks).

Perhaps the most ironic outcome of this process is that many of the Maquiladoros industries are themselves now being closed and relocated to other locales (mostly to China) in the never-ending corporate search for even "cheaper labor." As the Maquiladoros is shut down, thousands of displaced Mexicans feel compelled to cross the border into the U.S., where, if they make it, they will likely find economic opportunity that is relatively better than the desperate options in their home country, but they will also find themselves in the position of being re-exploited, as they are obliged to do the

most difficult, dirty and dangerous work for whatever wage and working condition they can find. They have little recourse because they have scant political rights, being that they are not only "cheap labor," but "illegal labor."

Where is all this going? We can see in the Flint-to-Maquiladoros-and-beyond economic progression a compressed view of what is happening under the influence of the private "debt"-money system. The world is dividing ever more starkly into the "rich" vs. the "poor," the "haves" vs. "have-nots"; those who use money to make money vs. those who earn money by doing the work. This is not a matter of good people vs. bad. It is rather the virtually inevitable outcome of an inequitable monetary order.

To put it simply, the "haves" are those who are the recipients of the "interest" payments on money that is issued as "debt." The "have-nots" are the ones who make what is increasingly a less-than-living wage doing the basic work necessary for the maintenance of society, while making the "interest" payments on money they are forced to borrow into circulation to live.

The vaunted American work ethic is increasingly being rendered moot, as wealth accrues, not to productive labor, but to the exploitation of labor (i.e. ownership of the contracts for "debt" which those who labor are obliged to take on merely to live).

We are becoming a "civilization," both in America and throughout the world, in which the wealthy few dominate, through their privileged niche in the monetary order, the working many. There is still enough distribution of wealth in America to make it look like a middle class society, but the middle is eroding, as the many who are struggling just to maintain their lifestyle (or stay in their home) often attest.

The jobs that pay a living wage are disappearing, the work is being done by immigrants who are working for inadequate wages, and the middle class is struggling to hang onto its lifestyle (for now) by taking on more "debt." There is a relatively small (and shrinking) percentage of the population that is growing wealthy by "living off the interest." All are basically good people, but they are caught up in a dysfunctional economic order they don't quite understand, and more-and-more can't seem to control. Its mounting inequities are ultimately a threat to everyone, and are rooted in how our money is created, issued and controlled. That is the lesson of the Maquiladoros and Flint.

Column #36 WHAT COULD THE EXECUTIVES AT GM HAVE BEEN THINKING?

(Week 6 - Saturday, Sept. 6)

The shutting down of the auto plants in Flint, Michigan, and their relocation to locales (like the desert along the American border in Mexico), in spite of the evidently overwhelming preponderance of physical and human reasons not to do so (see Col. #32), is often held up as a prime example of the "greed and stupidity" that supposedly has infected corporate America. To be sure, it would not be difficult to find justifications to criticize the move, but looked at from a wider perspective, is the matter really that simple?

I was not present at any of the board-room deliberations at which it was decided that the factories in Flint had to go, but I can well imagine that there were present expert accountants with flip-charts heavy with graphics and ledgers full of numbers that presented 'carefully researched facts' and 'reasoned arguments', the 'bottom line' of which gave 'incontrovertible testimony' that GM had no other financial option than to move those plants. Furthermore, I can well imagine that these human beings - accountants, board members, even Roger Smith himself - may have acted, more or less, in what they perceived as good faith. As they saw it, presumably, did they not have a company to save, and would not the continuing 'high cost of labor' that would be incurred by a decision to stay in Flint result in the closing of these plants, and the loss of local jobs, anyway? After all, they had only to look around them and see most of corporate world coming to a similar conclusion in their own respective spheres.

Is it possible that all these supposedly "best and brightest" people in the business world could be "greedy and stupid," or was there some greater reality (real or imagined) at work in this now global economy that they felt compelled to recognize and make the necessary adjustment to? In my experience I have had occasion to work, from time to time, with people from the executive suites (as well as many from the factory floor), and have found them generally to exhibit the same tendencies for human integrity and corruptibility that I find in any group of human beings. I have experienced them on the whole, in the terms of their own perceived worldview, to be fine and conscientious people.

Notwithstanding, the question still remains, how then could such a judgment (abandoning Flint and relocating the plants), which seemingly flies in the face of every physical, human and indeed economic reality that lies around them, seem to otherwise intelligent, knowledgeable and responsible people to be a necessary conclusion?

The answer, I believe, lies in the deceptiveness that is an inherent part of the private-bank-loan transaction. It arises because the transaction is not a common sense borrow-money-and-pay-it-back routine (as it purports to be), but rather a money-creation-and-issuance process by which a compounding fee (called "interest"), that is in a practical sense unpayable, is attached. Thus the terms used to describe this process, such as

"borrow," "loan," "debt," "interest," "payback" and "satisfaction," all have a disarmingly familiar ring, but the actualities of the steps they identify do not fit the their common sense meanings or dictionary definitions.

The building of a whole monetary universe on the foundation of an unsound mode of creating and issuing currency, and an inaccurate use of language associated with the process, has spawned a financial culture that is skewed at virtually every turn. There is not room to do the topic justice here (it will be explored as these columns continue), but the extent to which this has compromised the ability of persons in our civilization to think clearly on matters concerning money is jarring to behold. I find this to be true across the full spectrum of society, white collar and blue included.

Not only management, but the participants in the labor movement in America as well, would, I suggest, benefit from examining more closely their roll in the whole Flint drama. Only then will they be able to come to grips fully with the tragedy that has befallen them, and move forward with confidence and clarity into the future. I will take up that thread in the next column.

Column #37 THE LESSON FOR LABOR FROM "FLINT"?

(Week 7 - Monday, Sept. 8)

In yesterday's column I suggested that not only management, but also the participants in the labor movement would perhaps benefit from examining more closely their roll in the whole Flint drama.

The laborer who lost his job may indeed, with justification, criticize the board and CEO of GM for what they perceive as the board's callous decision to move the majority of the plants to "cheap labor" locales. On the other hand, to even suggest that those who lost their jobs may have had a hand in the disaster may seem to many to be grossly insensitive, given the difference in the political power, monetary compensation and personal suffering experienced by those on the respective sides in the matter.

In last week's columns I offered the view that the Flint episode was a prime example of a phenomenon that is happening throughout the country, caused in large part by a lack of awareness in the corporate world of the effect of the private-bank-loan transaction by which our money is created and issued within our present monetary system.

It is only reasonable to ask, given that the unconsciousness about the monetary system is culture-wide, if the labor movement, like management, is not in its own way susceptible to a narrowed vision on the same subject, and thereby also an unwitting

contributor to the calamities (like Flint) that have befallen its members.

The heroic pioneers of the unionization movement truly were the leading edge of a just attempt by working people to at last secure, among other things, a better-than-starvation share of the economic pie for their labors. The lot of, not only the strikers, but virtually all working people was transformed for the better, and the industries they worked for benefited as well because they now had customers for their products with money in their pockets. It was a win-win.

Over time, however, something began to change. That is that, for a variety of reasons, the "interest" payments necessary to keep a burgeoning cold-war, consumer-society superpower supplied with money began to double and redouble. This meant that, while the economy was expanding by leaps and bounds, and while it seemed to many (maybe most) citizens that it could go on doing so indefinitely, there was a growing shortfall in the ability of the citizens of the nation to, as consumers, purchase the full value of their own production in the nation's domestic marketplace.

For people who worked for a livelihood this meant that, because so much money was being lost to the "interest" payments required to service the "debt" against the large and growing money supply, there was certain to be a shortage of purchasing power circulating in the economy to pay their wages, regardless of how high or low they were (or how productive they were in their labors).

This shortage of buying power was at core, not a wage-price-and-productivity problem (important as these considerations are), but a monetary problem. Like the world of corporate management, the labor movement did not recognize that. The result was that, like management, they took measures that only made the matter worse, and hastened the crisis that culminated in the virtual abandonment of Flint by the auto industry.

Flush from their victories in the late thirties and forties, the more powerful unions struck for very high wages and benefits, thinking that there would be a ripple effect from their gains that workers in the rest of the economy would be caught up in. Gains were made for a time, and it seemed to be working, but then it all came undone. Wages and benefits have since plummeted, and the organized labor movement itself is greatly diminished and in disarray. The unions were criticized for using their new-found clout to make demands that proved to be too high to sustain, relative to other segments of the workforce. A strong case can be made for this argument.

I think, though, that whether their demands had been high or modest, a process similar to what happened at Flint would still have unfolded. This is because the real issue for the worker is not whether the numbers on his paycheck are big or small. It is, rather,

whether there is enough money circulating in the economy for the consumer (who is just the worker when he goes home) in the aggregate to buy the full value of whatever the workforce (who is just the consumer when he goes to work) in the aggregate produces.

A problem arises because this nation's money supply is borrowed from a private banking system, and so a large part of the average worker's wage is lost to "interest" payments for which he does not receive anything of value. This makes it inevitable that unsold goods, equal in value to that lost purchasing power, will pile up in the marketplace.

The pressure caused by the disparity between production costs and consumer buying power can be relieved in the short term by participants in the economy (including the Federal government)borrowing more money into circulation from the private banking system, selling the surplus goods to foreign countries, laying off workers (the cost of which is picked up by a public welfare system), or by corporations cutting their "short-term financial costs" by closing plants in the U.S. and relocating them in locales that have "lower productions costs" (i.e. "cheaper labor").

If the nation had a system whereby its money supply was issued directly out of the public domain (i.e. U.S. Treasury), a balance between the costs of production and consumer buying power would be assured. Unions, like management, don't seem to understand that. Their strategy of striking for high wages and benefits for the particular part of the workforce they represent, and assuming that this would cause a tide that would lift all boats, has proven to be disastrous in practice. It is time, I suggest, to reassess this approach.

In the end, I think that what will be found is that management and labor are not natural adversaries, but rather productive compliments of the economic whole. If they could but realize that and join together in the quest for a just and equitable monetary system, tragic episodes such as what happened in Flint, Michigan could be a thing of the past. Michael Moore and the CEO of General Motors might even become fast friends. Wouldn't that be worth a movie?

Column #38 THE UNITED STATES AS A "BUSINESS"

(Week 7 - Tuesday, Sept. 9)

The nominating conventions are over, we know who the candidates are, and now there begins a two-month media blitz in which they will make their best pitch as to why we should elect them. If the past is any indication, I expect to hear strident rhetoric about how we as a nation need to "balance the budget," "live within our means," "practice

fiscal discipline," "pay off our debt" and otherwise run America more "like a business." After all, say even consummate insiders running for re-election, the problem in Washington is that all these politicians, lobbyists and bureaucrats have for the most part never run a "business," and so have no feel for the sort of sensibilities and skills it would take to "balance the budget" for the nation as a whole.

This is, in my view, a fundamental mischaracterization of the nation's chronic problem with "debt." The United States is ideally not a business. Rather, it is a sovereign nation within which businesses operate. To facilitate the people's commerce within its boundaries, it has the power to issue a public money supply, without cost. Businesses need a source of income to offset expenditures, but the nation, as a sovereign economic entity that can create its own money, does not.

Unfortunately, the sovereign power to create the people's own money (the most essential element of the commons) has been abdicated to an extra-national (outside national control) banking cartel. The net effect of this abdication is that the sovereign socio/political/economic nation we call the United States has, in effect, been transformed into a "business" in the portfolio of an extra-national financial order.

Our elected representatives, who hold the trust to safeguard the people's monetary prerogative, have (with the people's negligent acquiescence, if the full truth be told) abandoned their responsibility to "coin Money (and) regulate the Value thereof", and have instead set up a scheme (the Federal Reserve System) whereby the only source the American people have from which to drawn the currency they need to conduct their commerce is to "borrow" it at "interest" from private banks.

There are millions of businesses that exist within this economy, and they each have their respective revenue flows, but as a whole combined enterprise the American economy (let us call it "Enterprise U.S.A.")has only one source of operating funds, and that is the money supply it borrows from the Federal Reserve System. "Enterprise U.S.A." always owes more to the banks than is in the money supply due to the "compounding-interest" fee attached to all bank loans. It follows, then, that "Enterprise U.S.A." is always obliged to go further into "debt" in order to meet its expenses. In essence, it is living by borrowing.

Any financial enterprise that cannot stay in business except by continually borrowing more money to finance its operations is by definition in a state of bankruptcy. "Enterprise U.S.A." (the American economy as a whole when seen as a "business," because it has given up its power to create its own money) is, therefore, in a state of bankruptcy. This is not a play on words. It is economic actuality. Our economic life has been transformed from the free and lawful expression of a sovereign people, into a

"business" which is perpetually beholden to its creditors.

There is a sort of perverse "Golden Rule" that is bandied about in the back corridors of power. It says, "He who has the Gold rules." A more relevant version is, "He who is the creditor rules the debtor." The people of the United States have allowed their country to be transformed into a "debtor" nation that, to a large extent, no longer governs itself.

Column #39 WHAT OFFICE ARE OBAMA & McCAIN ACTUALLY RUNNING FOR?

(Week 7 - Wednesday, Sept. 10)

Barrack Obama and John McCain (as well as Ralph Nader, Cynthia McKinney, and others) have now gained the nomination of their respective parties as their candidate for the office of President of the United States, but, I would suggest, this is not an entirely accurate description of the office they are aspiring to.

Yesterday's column traced out the reasons why the U.S. has effectively ceased to be a sovereign economic nation, and has instead become a "business" in the portfolio of an extra-national financial order. It selected representatives (with the acquiescence of its people) have abdicated their power to create and issue the nation's own money to a private banking system, which then "loans" to the nation the money it needs to conduct its commerce, but on such terms that there is never enough in circulation to satisfy those "loans" without going further into "debt."

As an economic entity, the United States has allowed itself to become a "debtor" that can no longer pay its bills. Any economic enterprise that has no hope of financing its operations, except by borrowing ever greater amounts of money, is by definition in a state of bankruptcy. It can be truly stated, therefore, that whoever directs such an enterprise is not the chief executive officer of a viable organization, but rather the receiver in a bankruptcy re-organization.

It follows, then, that whoever gains the office of President of the United States will not be the executor of the democratic will of the nation, as outlined in the Constitution, but will serve instead as the elected receiver in the ongoing bankruptcy re-organization of "Enterprise U.S.A." (the American economy as a whole when seen as a "business," because it has given up its power to create its own money).

Admittedly, this is a startling assertion, but I think that it is justified. What is more, it has immense implications for all aspects of American life. If one starts with this observation as a point from which to reckon, one can begin to see why the problems of the nation

are so intractable, and why money seems to control the government. A "debtor" is obliged to do what his "creditor" tells him to do, or he will not have the money he needs to survive. This applies to people, and nations.

This is a consideration that goes far deeper than who makes the campaign contributions, pays the lobbyists, or passes through the career revolving door between government and the corporate world. It is a foundational monetary problem built into the financial structure of the American nation itself.

I can imagine that the Presidential candidates have not thought of the position they are striving for in this way even for a moment, and yet given the economic realities of the situation, is it not an accurate description? One candidate will win the "Presidency," but it will be a hollow victory because the government he or she will head is without the essential prerogative of sovereignty; that is, the power to create and control the money of the nation. He or she will instead "win" the "office" of receiver for a national "business" that is in ongoing bankruptcy.

This is why, precisely, Nathan Mayer Rothschild, who gained control of the Bank of England, could boast, "I care not what puppet is placed upon the throne of England . . . The man that controls Britain's money supply controls the British Empire, and I control the British money supply." By the same principle, whoever controls America's money supply controls America.

Column #40 HOW CAN WE HELP THE CANDIDATES?

(Week 7 - Thursday, Sept. 11)

It is a feature of the growing malaise in American politics that, no matter who we elect, they seem to do essentially the same thing once they get into office. The sharp distinctions the candidates were at pains to draw between themselves prove to be of little consequence because once they assume their duties their real mandate is to keep the bankruptcy re-organization process moving forward so the country can at least function while the "debt" continues to climb.

To make the game palatable to the electorate, they inherit a tacit public relations mandate, which is to deflect attention from the fact that the "debt" is a monetary problem that is caused by the nation having given up the power to create its own money supply. Instead, they will feel obliged to exhort the people endlessly that if only we adopted the right taxing and spending priorities, then budgets would be balanced, the economy would "grow," and the "debt" would start to be paid. Such rhetoric only obscures the real problem.

I have followed the pronouncements of both Obama and McCain carefully and have heard no evidence that either is at all aware that of the true nature of the "debt" problem, though that is not to assume that they don't have thoughts in private. Several of the other Presidential aspirants have given some indication that they possess a measure of understanding. These are Ron Paul, Dennis Kucinich and Ralph Nader. Unfortunately, none has demonstrated the level of urgency on the matter that would show that they realize that, without rectification of the monetary system, their otherwise laudable intentions will be in the end moot (to be fair, Ron Paul might be an exception, but his cure, the gold standard, is as bad as the disease).

This has not always been the case in American Presidential campaigns. At the Democratic Convention in Chicago in 1896, Williams Jennings Bryan declared, in what has come to be known as his "Cross of Gold" speech, "If they ask us why we do not embody in our platform all the things that we believe in, we reply that when we have restored the money of the Constitution, all other necessary reforms will be possible, but until this is done there is no other reform that can be accomplished."

The nominating conventions of that era were not choreographed media events. They were actual deliberative conclaves. The public at that time was savvy about the basic principles of money, and the delegates knew what Bryan was talking about (would the delegates of today?). In fact they were so moved that the speech propelled him from being the dark-horse candidate, to the party's nominee (the position Obama occupies now) for three election cycles.

What does all this say about the monetary knowledge, understanding and wisdom of, not only the current Presidential candidates, but also we the people who elect them? Shall we passively watch them on TV while they pour themselves out to pander for our approval, or would it be better to seek a way to help them become edified through this process? After all, one of them will be our next President. We the people certainly have no stake in their futility. Let us hope that whoever is elected will have a better chance to lead than merely manage the bankruptcy of our nation.

So, how might this be done? I would suggest that we the people take on the task of learning about money, and then work to open up a public discourse in which the candidates can feel free to join in. I have reason to believe that they have thoughts and questions about the subject, but do not feel free to give them voice. Many of us complain that they are scripted, but with our often gaff-obsessed, litmus-issued judgmental attitude, we keep them imprisoned in their script. Their evident failings notwithstanding, these are bright, talented and motivated people. Surely they are capable of the monetary conversation.

Column #41 POST-SEPTEMBER 11 REFELCTIONS

(Week 7 - Friday, Sept. 12)

On September 11, 2001 two hijacked airliners slammed into the Twin Towers of the World Trade Center in New York City, another into the Pentagon in Washington DC, and a fourth went down in a field in Pennsylvania. This cathartic event is destined to define the world for our time, perhaps for all time, contingent upon whether we choose to be merely reactive, or to grow in the face of the reckoning it presents. Do the commonly invoked religious/ideological arguments, a supposed "clash of civilizations," or even the phenomenon of terrorism constitute the most fundamental questions presented by this event? Is it not, rather, about whether humanity is able take a quantum evolutionary step up upon this calamity, or instead succumb to a descent into deepening acrimony, violence and darkness. Fear ripples out, the Constitution is subverted, military forces deploy, dark specters haunt the media, and World War III is talked about by pundits as a foregone conclusion. America, many fear, slides towards losing its principles, its mission, and its destiny, much to the detriment of the world at large.

Seven years have passed. The task of civilization now is to redeem horror of "9/11" to a new meaning. In a veritable sense, this tragic event was a culminating convergence of an unrecognized historical malady that has its roots in ancient times. To a great extent, it arose out of the failure of humankind to come to a profound realization of the true nature of "Money." To be sure, heated debate in the public discourse that touches upon money swirls around the event, but because it rarely talks about how and by whom it is created and issued, it is for the most part a distraction that misses the mark. The blessing that the medium of money potentially represents has been co-opted for gain, much to the undoing of human well-being and edification.

Those gleaming towers were magnificent structures, but to many of the impoverished masses around the world they seemed to mock their desperate plight. In an address to the nation shortly after the catastrophe our President, George W. Bush, asked rhetorically "Why do they hate us?", and then answered, "They hate our freedoms." I have no doubt that there are those who peer at America with hateful, envious eyes, and covet the intention of doing it violence, but we are a nation of providence, constituted to bring something new to the world.

The American Revolution was a three-legged stool. Two of the legs any schoolboy who does his lessons is familiar with; i.e. (1) personal freedom within the context of (2) democratically-determined law. But, what was the third leg? It was the bringing of a new economic order founded on the ideal that the people are sovereign, and endowed with

the essential right of the sovereign; 'to coin our own money and regulate the value thereof,' and thereby possessed of the means to not fall under the heel of the moneylender.

Our consciousness of that third mandate has slipped, almost to nothing, until we are become the world agent of the Bank-of-England (now Federal-Reserve) "debt-money" system; the very foe that our colonial forebears defeated on the battlefield, and the people have through episodes of our history striven to eradicate.

I would suggest that "they" (the resentful millions of the world, to the extent that that is the case) do not hate us for our freedom, but for our failure to live up to its promise. We have let our nation become the instrument for exporting the private-debt-money tyranny that those who came before us once had the inspiration and common sense to resist. Fortunately, the dream does not die easily, as the people of the world still await the awakening of America to its authentic calling.

The world is now one world, and faces all-together a convergence to a terrible 'end-of-time'; or the opening up to a liberating new dispensation. The providential moment of ultimate choosing is at hand, and the 911 event was a throwing down of the gauntlet. This assault was meant to take the world from us; let us resolve to take it back, and this time rectified to a more perfect truth.

Emphatically, none of this is to absolve the heinous acts that were committed on that terrible September morning, nor to say that those responsible need not be brought to justice. Rather, it is a call to regain our destiny as individuals, as a nation and as a world community.

In holy writ we are admonished to "get wisdom; and with all thy getting get understanding." Horrific images of 9/11 and its fallout have been burned into the hearts and minds of people in every niche of the globe. It is necessary now that they be informed with new understanding. Rather than seek vengeance out of a feeling of being victimized, it is imperative that we the people of this nation, and indeed the world, embrace the opportunity for maturation that this crisis presents, and step up upon it to a new vision; one founded upon true brotherhood in a just social order, and that made manifest in a transformed economic life.

Column #42 THE WRONG ANSWER TO THE MORTGAGE CRISIS

(Week 7 - Saturday, Sept. 13)

Over that last year, the reading and viewing public has been increasingly regaled with

personal horror stories about vulnerable people being lured by shady mortgage brokers into signing contracts using deceptive practices and on falsified terms. Such contracts typically were loaded with questionable financial gimmicks such as "adjustable rate mortgages," "balloon payments" and "zero-principal mortgages," and had principal loan balances that were simply beyond the financial reach of the borrower.

It is becoming evident that the "sub-prime housing crisis" is only the tip of the proverbial iceberg. Now it appears that the nation's two largest mortgage finance companies, Fannie Mae and Freddie Mac, will need a massive injection of capital (some reports say as high as $300 billion dollars), or an outright takeover by the Federal government, to keep them in business.

So, what has gone wrong? The media is filled with finger-pointing and recrimination about how with the "sub-prime," and now the "prime," mortgage industries have been driven to the verge of collapse. There seems to be a growing consensus that the politically ballyhooed deregulation of the financial industry over the last three decades has allowed unscrupulous financial entrepreneurs to run amok, and that this is the prime cause of the crisis. If only, so the wistful thinking goes, there had been sound financial management in the industry this crisis would never have happened.

That unscrupulous financial entrepreneurs have run amok is beyond doubt, but does it follow that had more prudent financial stewardship been in place, then arriving at a point of crisis would have been avoided? Let us examine the question.

Suppose that the financial industry had not been deregulated and/or had been more conservatively managed. Then hundreds of thousands, if not millions, of these reckless loans would presumably not have been made. This also means, it should be noted, that many billions of dollars of new money would not have been created by the banking system, and loaned into circulation.

When a bank makes a loan for a mortgage, the new money this transaction generates goes from the pocket of the buyer, to that of the seller, and then continues to circulate as he spends it into the money supply. Over the last several decades, the mortgage market has been flogged by government policy and financial practice for all it is worth as an engine of new money generation for the economy. If there had not been all this bloated "prime" and "sub-prime" borrowing, hundreds of billions of dollars that are circulating in the economy right now would not exist. That means that much of the money in the typical person's wallet or bank account would not be there. With a greatly diminished monetary pool, there would be much less money in circulation to make payments on mortgages that had been contracted before the latest wave of borrowing, and less circulating to meet the needs of commerce.

This is a classic catch-22 situation. If we borrow more money from the banks, then we experience a bubble of prosperity, followed by a crisis of excessive "debt" when the payments come due. If we refrain from borrowing, then not enough money enters into circulation to meet old "debts," plus maintain an adequate money supply to do our business. For the last half-century we have chosen the path of rapidly increasing borrowing. The more frugal option, then, is the road not taken, and so we do not experience its effects. Nonetheless, there is a "debt" crisis at the end of either scenario.

The answer to the mortgage crisis is to stop borrowing our money supply at "interest" from a private banking system, and start issuing it publicly through the U.S. Treasury. This would take away the impetus to manipulate the housing market towards higher prices decade-after-decade as the primary engine for "debt"-money creation. Publicly-issued money is the path, I suggest, to a stable market with prices that are consistent with the actual physical cost and human effort required to build and maintain the housing we live in.

None of this is to say that the cavalier conduct of unscrupulous financial entrepreneurs is in any way justified, or that it has not greatly exacerbated the cost in personal suffering of the "debt" crisis. The reality, though, is that a "debt" crisis was sure to emerge, in one form or another, regardless of their conduct. Fiscal stewardship is an administrative problem, but the mortgage crisis is at root a consequence of faulty money creation.

Already in the newspapers I see proposed various schemes to fix the mortgage industry, virtually all of which involve borrowing ever more massive quantities of money to finance so-called "bailouts," and giving yet more control to the people and institutions that have presided over the present fiasco. This is the wrong answer.

Column #43 A PROPOSED BREATHER

(Week 8 - Monday, Sept. 15)

With six weeks worth of this column having gone out, it is perhaps time to take a look at how it has been received so far, and how it might proceed into the future. The response has been gratifying; more so than I could have expected. I say this with respect to numbers of people who have opted-in, and the many thoughtful questions, comments and critiques received. This is all greatly appreciated.

There are at least two places on the net where these columns are posted (on the initiative of others) as they come out, and a complete set maintained. These are listed at

the bottom of this page. Others have offered to do the same, set up a dedicated website, or otherwise help to get these and other of my writings out. There have been more offers than I have been able to follow up on so far, but I am grateful for every one. I am moved by the news that a number of people have indicated that they make hard copies of the columns and give them to people they know who might be interested.

The greatest challenge with the columns so far, I am informed, is that some folks are having a difficult time keeping up with the volume of reading. These articles are meant to be short enough in length to read over the proverbial "morning cup of coffee," but people today often lead harried lives (got to keep up with the monthly "interest" payments, after all), and have a difficult time in finding place for even the smallest tasks. Many are indeed keeping up with whatever they hope to get out of the content, but others are not.

The content is designed to be a tightly reasoned and integrally connected discourse that can (supposedly) in a step-by-step manner help the reader awaken to a wholly different perspective about money than is offered in the conventional dialogue. I write each article in mindfulness that there may well be readers who are joining in for the first time, or rejoining after an absence. Consequently, each installment has to be at least minimally decipherable to the uninitiated within the terms and context presented in any given piece. That said, much groundwork for understanding is laid as the series unfolds, and if parts are missed something is inevitably lost. There are many readers who, according to the feedback I am getting, feel the same way, and experience frustration if they "fall behind." There are others who work to consolidate their understanding by going back over past installments.

In light of these considerations, plus other commitments coming up in the near future, I am contemplating taking a two-week breather from October 5 through 19 during which no new installments will come out. The series would pick up again starting October 20, and presumably focus on the issues that have gained public attention during the run-up to election day on November 4. I would welcome whatever thoughts anyone has about this.

There is yet much that needs to be said about money and the economic times that we live in. I don't anticipate that subject will ever be exhausted. Accordingly my commitment to getting this dialogue out, through New View on Money and other channels, remains ongoing. Thank you for your patience with this process and continuing interest.

I close with a monetary thought for the day:

"I believe that banking institutions are more dangerous to our liberties than standing

armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."

Thomas Jefferson, letter to the Secretary of the Treasury Albert Gallatin (1802)

Column #44 "WHERE DID ALL THAT MONEY GO?"

(Week 8 – Tues. Sept. 16)

During the recent Bear-Stearns (BS) meltdown, a stock trader friend told me about the billions of dollars that had supposedly been lost, and asked incredulously, "Where did all that money go???" The answer I gave him was "It didn't go anywhere. It wasn't money. It was the air in a speculative bubble." Let me explain.

The morning of the BS crash its stock was trading for $60 (before it fell to two dollars later in the day). This represented a supposed "net worth" for each share then of $60. The next question is "Where was this $60?" The simple answer is that it was an abstract number that was calculated from an anticipated "price-earnings ratio" (i.e. the ratio between the price an "investor" pays for a stock and the amount of money he expects to "earn" from holding it), much as the "value" of bonds, bundled mortgages, and other investment vehicles are reckoned respectively from their "discount rate", "interest rate" or "rate of return".

The concepts these financial expressions refer to are not money. They are only promises (or anticipations in the case of stocks) to pay a "return on investment" at some point in the future. The "value" of stocks expressed in dollars is a theoretical number based primarily on calculations by traders of dividends expected to be paid by the stock, and a subjective estimation of the "risk" that such proceeds might not be realized.

Stocks may have the illusion of being money because, while there is still life in the stock-market game, one can redeem them for cash. This is to say that the owner of a given stock may assume that there is someone out there who will be willing to bet his own cash-in-hand against the prospects that a given stock will pay dividends at a rate that is at least as high as what other traders in the current market expect, and/or there will be other "investors" coming along that will anticipate an equivalent or higher dividend in the future, and thus be willing to pay even more for the stock, thereby allowing the current "investor" to "cash in" (sell his stock) at a profit.

Within a market where participants imagine that they can expect a "10% return on

investment" (given the range of financial opportunities available where the "investor" could put his money), for a share stock of in BS to be "worth" $60, there must exist momentarily in the trading culture an anticipation that it will be paying out $6 at the end of its fiscal year. This is affected by many factors, but in general anticipated dividend and perceived risk govern what price traders are willing to pay. Even the most optimistic "investor" realizes that prices of stocks cannot increase exponentially forever, but they are betting that they can buy into the market, and then sell their holdings for a "profit" before the speculative psychology that drives prices up in market goes bust. When it does pop the expectations reverse, and there ensues a stampede to "cash in" one's stocks, such as the one the market experienced yesterday.

I anticipate that there will be cries in the media about how many billions of dollars are being "lost" through this latest market contraction, but this would not be an accurate characterization of what is transpiring. In previous columns we have already seen how virtually every dollar in circulation is created and issued through the process of someone going into a bank and "borrowing" money which the banker creates on the spot with the "writing of a check." If tomorrow's newspaper headlines try to tell us that 'billions of dollars have been lost to the economy' since the morning before, we should ask ourselves, "Does that mean that millions of people were suddenly possessed to walked into banks yesterday, where they took cash out of their pockets or funds out of their accounts, and paid down the principal balances on their loans, whereby the banker was obliged to extinguish (mark "paid") this money, thereby wiping it off of his books, and leaving the nation with billions of dollars less in circulating medium?"

Common sense would tell us that nothing of the sort happened. It follows, then, that there are essentially the same number of dollars in circulation as there were twenty-four hours before. The only change in the money supply will be the net differential between the quantity of dollars "borrowed from" vs. "paid back to" the banking system, as is the case on any given day. What has really happened is that "billions of dollars" worth of speculative air has been let out of the bubble of (unrealistic) expectations that the actual dollars in circulation are expected to support.

Notwithstanding, as we arise to this new day, the papers and morning shows will no doubt be filled with hysteria about how the financial world is about to come undone. A few minutes ago I turned on the radio just in time to hear a financial "analyst" warn that we may be on the verge of another "depression." Such alarming talk carries with it very real danger if it is not carefully considered in that it can become self-fulfilling prophecy all too easily.

We the people have a choice. We can either believe the catastrophic hype we are being bombarded with, or we can look around and see that, as ever, the sun beams down, the

rains fall, the plants grow, the infrastructure persists, and the hands, hearts and minds remain willing and able to do the work. The whole "financial crisis" that the world is experiencing right now is not some objective reality that the universe is laying upon us. It is, rather, an illusion that we as a human race have created, believed in, and sacrificed our very life substance to.

This may seem to many to be an extreme, even bizarre, assertion, but it is something that we would do well to contemplate seriously now, as an antidote to being overcome by fears about money. I do not hereby mean to dismiss the very real suffering that people experience under the boot of the monetary system (I suffer with it also), but we can be free of it if we as a society can wake up what is happening. That is what the discourse about money that is being put forth in these columns is intended to be all about.

Column #45 DEFLATING THE "DEBT" BUBBLE VIA BANKRUPTCY

(Week 8 - Wednesday, Sept. 17)

One of the great secrets of the capitalist system is that it depends on bankruptcy to survive. This is how air is let out of the bubble of unsupportable "debt" attached to our money supply due to the demand for ever greater "interest" payments attached to the issuance of our dollars. Otherwise pressures associated with "debt" would become too high for the system to be sustained. Indeed, if one were to check the historical record, this is how capitalism has achieved longevity. The trick for those players who would survive, and even prosper, is to make sure that the air expended is someone else's air.

Regular episodes of widespread financial failure restore a sort of pseudo-confidence in the system because anyone whose balloon doesn't get popped experiences a sense of relief, is in a positions to exercises relatively more control in the social order for his "success," can feel like a "winner" (one of the "smart" ones), and may even wax righteous in their faith in the system. After all, so the thinking goes, does not the occurrence of such periodic convulsions to the economic order provide a way to weed out its "less fit" players (for the good of all or course), and correct "imbalances" in the system (never mind that these "imbalances" are due to the instability inherent in a system in which there is never enough money in circulation for people to pay their debts)?

A prime example of how the debt-bubble-deflation-through-bankruptcy process operates has transpired in the Midwest Farm Belt over the century - almost since the establishment of the Fed. At the time of the passage of the Federal Reserve Act, a third of the people lived on the farm, and at the start of WWII it was still a quarter of the

populace. Now less than two percent remain, and it is questionable as to how many of these are "farmers" in the sense of being independent entrepreneurs (as opposed to subcontractors for major food cartels).

In the history of the world there has never been a population that has been evicted off its land, much less from a plain as fruited as the American Midwest, without wrenching trauma. How then was this fiercely rooted rural society removed in little over a generation? It was done by creating a context in which it was not possible for the occupants as a whole to make the ends meet in their financial lives (i.e. pay their expenses, earn a living, and have enough to reinvest into another crop), and then let them work it out in a desperate scramble to see who could hang on.

The factor that made the farm situation untenable was not, as claimed, "over-production" (in a world where tens of thousands of children perish each day of starvation-related causes). It was, rather, the so-called "debt" against a money supply that is "borrowed" into existence from private banks on terms that made it financially "impossible" for the producer (in this case the farmer and supporting rural businessman) to receive enough for his product in the marketplace to avoid the necessity of taking on ever more "debt".

For reasons that are complex, the shortfall of buying power available to complete the market cycle in any "debt-money" regime was directed first in a concerted way against the rural sector (as historically it has generally been). Meanwhile, there were policy papers put out by corporate think tanks that, for example, called for ". . . a program, such as we are recommending here, to induce excess resources – primarily people – to move rapidly out of agriculture." (An Adaptive Program for Agriculture – by the Committee for Economic Development (CED)). The practical way to do this was to manipulate the monetary situation in such a way that farmers could not receive for their product a "parity price" (one that would allow them to make a living, and keep them in structural balance with other participants in the economy).

Fundamentally, the "farm problem" is in reality a monetary problem. Historically, it almost always has been. The key to evicting the rural population from the land was to hide its true nature with a subterfuge ("farmers are being too productive"), and then rig the markets so that their financial collapse played out over a period of time.

Accordingly, farmers were obliged to go broke at a rate of a percent or two per year. Those still struggling to not be one of the losers typically saw no other course but to show up at the auctions of their bankrupt neighbors and pick up the equity in their capital supplies and equipment at pennies on the dollar. Old "debts" (air in the bubble) were wiped out in part because not enough could be salvaged, and the net

"indebtedness" of the countryside experienced some relief, but the growth of the bubble resumed, and eventually almost everyone went down, except those who had deep enough pockets, or a position of advantage within the system (e.g. large corporate operations), sufficient to enable them to pick up the pieces of their neighbors' ruined lives. This process was wrenching, both for the rural folk involved directly, and the country as a whole.

The vital rural community is now virtually gone, and what is left effectively are corporate farming contractors (which often are now getting good prices and high subsidies), "Wal-Mart" regional commercial strips (to which there adhere increasingly satellite communities), and food imported from "cheap-labor" plantations (where the Mexican farmer is being economically driven off his land, and effectively compelled to migrate across our southern border).

Of course, since the demise of the rural areas, the "debt-bubble-deflation" scheme has moved on to the manufacturing sector, as our industries (e.g. the automotive complex in Flint) have been shipped overseas. Now the "service industries" are being forced out (e.g. the transfer of customer-service phone banks to India), followed closely by the intellectual sector (e.g. hi-tech programming).

Naturally, this has all been extremely traumatic, but these "adjustments," going back to the pre-WWII days, exist yet in the memory of our more elderly fellow citizens who lived through them. Still, we as a nation have not noticed the economic elephant in the room; i.e. the debt-bubble-deflation-through-bankruptcy process.

The "debt" bubble has to be deflated somewhere, and it was inevitable that the game should move at last to the banking-and-finance sector, which has been most instrumental in bringing this distress to the rest of the economy. This is what is happening at present.

Column #46 THE FRACTIONAL RESERVE OF THE GOLDSMITH BANKER

(Week 8 - Thursday, Sept. 18)

The mode of banking now in use is commonly described as "fractional reserve banking." The expression "fractional reserve" is one that is carried forward from an earlier form of the craft known as "goldsmith banking." As applied to modern practice, this expression is a misnomer that effectively obscures any true understanding of how our present monetary system operates, and why it is currently in such distress. To get a clear picture of this, it is first necessary to gain an understanding of what "fractional reserve"

originally meant, and then how the concept has been misapplied.

In Europe of the 15th century there were many smiths that worked with gold, and therefore required vaults to securely store this precious material of their craft. Over time citizens and merchants that owned their own gold and used it in trade found the metal to be inconvenient and hazardous to keep in their personal possession. Consequently goldsmiths engaged in the sideline business of storing people's gold in their vaults, and issuing a receipt for the storage.

These receipts began to circulate as a currency with tradable value, as if they were the gold itself, and so became a form of paper money redeemable in gold. As payment the goldsmith charged a percentage of the value of the gold stored.

The goldsmith noticed that under normal circumstances only a very small percentage of his customers at any given time would redeem their receipts (i.e. take possession of their gold). For long periods the great majority of their metal merely gathered dust in his vault. At length it occurred to him that he could write more receipts and offer to "loan" the gold he was entrusted to hold to others, with an "interest" charge attached of course. In actuality he had nothing to loan because the gold already belonged to another customer, but who would know the difference. He could, in effect, profit on gold that he had, in a figurative sense, "created out of thin air."

The key to making this scheme work is that he would need to limit the amount of receipts issued such that the gold that he had on hand would, in the normal course of business, represent at least a certain "fraction" of the face value of the outstanding paper claims against it. This gold on deposit, then, would act as a "fractional reserve" that could be dipped into in the event that he experienced an unusually high demand for redemption at any given time.

The goal of the whole arrangement to the goldsmith was to issue as much "interest-bearing" paper as he dared against the stock of gold in his possession (thereby maximizing his income), while guarding against the possibility that the day might come when he would not be able to redeem with gold a receipt that was presented to him.

At first the scheme was a trade secret. As its workings became an open secret, many people regarded it as simple fraud, but others deemed it a necessary way to get the quantity of medium into circulation that a growing commerce demanded. In any case, the populace was eventually obliged to accept the goldsmiths' methods as the accepted way of doing business, or effectively forego much of its money supply.

By this mechanism the goldsmiths effectively began to operate as "banks-of-issue"

(banks that create and issue money), and "fractional reserve banking" was born. The scheme worked well as long as there was not a "run on the bank"; that is, a rush by depositors to redeem their receipts for the gold because they had lost confidence in the institution.

As a sidebar to the goldsmith-banker story, it bears mentioning that this group has borne a great onus in the historical reckonings of many would-be monetary reformers. It is easy to find good reason for that assessment, but the whole story is not so simple. It could be argued that they were in effect coming up with a money–creation mechanism that did in fact put a great deal of currency into circulation in an age when that was sorely needed for its own inherent reasons. They operated in a time when the society itself did not have a sufficient sense of the science of money to create an adequate system in the public sphere where it rightly belongs (the same might be said of the situation with respect to money and banking that we find ourselves in today).

Were the goldsmiths simply a class of scam artists, or were they people who saw an essential need of the society around them and found an innovative way, however imperfect, to meet it? The answer presumably is both, and all degrees in between. They were, after all, people. Many deem the legacy they left behind as threatening the demise of civilization. It could also be argued, however, that had they not initiated such a practice, the evolution of Western society would have been seriously hindered. I leave that question to the reader's judgment.

In tomorrow's column we will begin to examine how a pseudo version of the goldsmith's method, recreated in our time as the "fractional reserve system," has planted the seeds of the present collapse of the financial sector.

Column #47 "FRACTIONAL RESERVE" IN MODERN BANKING

(Week 8 - Friday, Sept. 18)

In yesterday's column I described how the 15th century goldsmith banker held a minimum quantity, "fractional reserve," of gold in his vaults, relative to the much greater face value of the receipts or claims for that gold that he had issued, to serve as a hedge against not being able to redeem a receipt in a time of unusually high demand (which would signify his operation's bankruptcy). I also asserted that a pseudo version of the goldsmith's method, recreated in our time as the so-called "fractional reserve system," has planted the seeds of the present collapse of the financial sector.

The "fractional reserve system" of the modern banking era operates according to a formula that defines two-levels of money creation, the second being constructed upon the foundation of the first.

Level 1: "High-powered money" is the bankers' term for money created and put into circulation as a result of "borrowing" from the Federal Reserve itself by our Federal government.

Level 2: "Credit money" is money which is created and enters into circulation through the private-bank-loan transaction by which participants in the economy (except the Federal government) "borrow" money from private banks.

Creation of "High-Powered Money":

When the Federal government determines that it needs to "borrow" money, the Treasury Secretary (or his agent) approaches the Fed, and asks for a loan. The Fed agrees to "loan" the money, but requires security (collateral) in the form of bonds offered by the Federal government and signed by the Secretary of the Treasury.

The government prints and delivers the bonds to the Fed in exchange for newly created dollars being credited to its account at the Federal Reserve. These bonds, then, act effectively as "loan contracts" between the government and the Fed. It is critical to note that the Fed created this money out of nothing ("thin air") at the moment it credited the account. In addition, the face value of the bonds (the value printed on their face indicating the amount due the holder upon maturity) is much greater than the amount of money the government "borrowed." This is due to the "interest" charges which accrue from the date the bond is issued to when it is redeemed (paid off).

As the Federal government spends these new funds they end up on-deposit in the bank accounts of those contractors, builders, suppliers, service providers, employees, etc. to whom the money was paid. For purposes of this illustration, let us ignore the relatively small amount that circulates as pocket cash, and assume that all of it winds up on deposit in the banking system.

This new money "borrowed from" (in actuality "created by") the Fed and on-deposit in banks is referred to as "high-powered" money. The total quantity of high-powered money on deposit in the banking system, combined with a number known as the "fractional reserve ratio" mandated by the Federal Reserve Board of Governors, determines how much "credit money" the banking system can create through the bank-loan process. The formula that governs the procedure works basically as follows.

The "Fractional Reserve Ratio":

Let us assume that the "fractional reserve ratio" has been set by the Fed at 1/10 (10%). In mathematical terms, this means that the banking system as a whole (The Fed and the private banks it oversees combined) have the potential of creating an amount of money that is the quantity of high-powered money on deposit, times the inverse of the

"fractional reserve ratio." If the ratio is 1/10th, this allows the banking system to create overall an amount of money which is a multiple of the inverse of that number (i.e. 1 ÷ 1/10), which equals 10.

Simply put, this means that if borrowing and spending by the Federal government causes a billion dollars of "high-powered money" to be created and put on deposit in the banking system, the private banks can use this billion dollars as a foundation ("fractional reserve") to create another nine billion dollars of new "credit money." The total amount of new money, "high-powered" and "credit," that can be created through this process, is equal to what the Federal government "borrows" and spends into circulation, times ten (in this case, ten billion dollars).

Creation of "Credit Money":

To show how the process unfolds, let us suppose that $10,000 dollars of high-powered money has wound up on deposit in a given bank. The banker at this institution has thereby gained $10,000 dollars in new "reserves" against which he can create new money to "loan" out. The question is, how much can he create?

Since the banker in our example has $10,000 dollars of "reserves" on deposit, he can create up to $9,000 dollars in new money to "loan." Let us suppose that someone comes in and asks for a $9,000 loan, and his application is approved. The banker writes a check for (or electronically credits an account in the amount of) $9,000 dollars, and gives it to the "borrower." According to the way bankers think about this process, the banker in our scenario has just "loaned out" $9,000 dollars, and has, as required, left $1,000 "in reserve" as a hedge against the bank becoming "insolvent" (i.e. going broke).

At first glance, the process described in the above paragraph looks very much like the method the goldsmith banker used to protect his bank from becoming insolvent. Common sense dictated that he keep in reserve in his vaults an amount of gold which represented a reasonable percentage (fractional reserve) of the face value of gold receipts he had issued that were circulating as money in the economy, as a hedge against an unusual level of demand for the redemption of those receipts by his clientele who, overall, had been "loaned" the same gold several times over. Similarly, the rule governing modern banking which requires banks to keep in "reserve" a certain "fraction" of their money when they create loans, would seem to be a common sense measure to provide a margin of insurance against the possibility that the banks might find themselves in the position of not being able to redeem their depositors' accounts for cash at the teller window.

These two scenarios have, upon cursory look, a very similar appearance. If one examines more closely what is really happening, however, it will be found that these respective processes are very different, and have, not similar, but virtually opposite

effects. The fractional reserve practice of the goldsmith banker lent a measure of stability to their system, but the so-called "fractional reserve" formula of modern banking is the very source of its chronic instability. In tomorrow's column we will continue with the description of how the "fractional reserve formula" unfolds, and take up the thread of how it is at the root of the collapse in the financial markets at present.

Column #48 THE "FRACTIONAL RESERVE FORMULA"

(Week 8 - Saturday, Sept. 20)

Two columns ago I described how the goldsmith banker of the 15th century initiated the practice of keeping a quantity of gold in reserve in his vaults which represented a fraction of the outstanding receipts that he had issued against that gold (and which now effectively circulated as money). This fraction was determined by the size of reserve he deemed necessary to be reasonably certain that in the normal course of business (apart from a "run on the bank") he would have enough gold on hand to redeem any receipt for it that was presented at the teller window.

Yesterday I described the first steps of the "fractional reserve" mode of money creation used in modern banking, and asserted that it is superficially similar to the fractional reserve method of the goldsmith banker in that it requires the banker (in the language of the profession) to keep in "reserve" a quantity of money that is at minimum a certain "fraction" of what he is giving out as "loans," as a hedge against the bank becoming "insolvent" (going broke). Anything "reserves" beyond that level are called "excess" (i.e. "reserves" upon which new money could be created, but has not yet been).

Note that in each of these processes the banker is essentially creating new money; the goldsmith when he is writing out multiple claims against a reserve supply of gold in his vault, and the modern banker when he is writing out a check against a "reserve" supply of paper or electronic deposits of money in his bank.

Despite what may seem like close parallels between these two processes, they are fundamentally different, and have opposite effects.

The goldsmith banker is in possession of an actual reserve supply of something (the quantity of gold in his vault) that can be dipped into to stave off catastrophe in a time of emergency (much like a reserve of grain can stave off starvation during a drought). Catastrophe in this case would be defined as the goldsmith running completely out of the precious metal, with the result that he could no longer redeem at his teller window a promissory note he had issued that said the bearer was entitled to receive his (the note bearer's) gold. In this event, public confidence in his operation would collapse, notes still

outstanding would become worthless paper, and his business would be declared "insolvent" or "bankrupt." It should be noted, however, that this would not have transpired until his reserve of gold was completely exhausted.

The modern banker is not in possession of any such reserve supply of something that he can dip into to stave off catastrophe in a time of emergency. His "fractional reserve" is a bookkeeping illusion. In yesterday's column I described how if a banker has $10,000 in "reserves" on deposit in his bank reserves, he is allowed to create $9,000 in new money to "loan" out.

In the idiom of the banking profession, of this $10,000, the banker has loaned out $9,000, and kept $1,000 "in reserve." Note, however, that none of the original $10,000 of "reserves" on deposit is actually loaned out. It all remains on deposit. The status of the $10,000 has changed only in the sense that this particular $10,000 has now been spoken for as the baseline of money on deposit that the banker could use to create $9,000 in new money. To speak as if $9,000 was loaned (as if some money on deposit was lent to someone and left the bank), and $1,000 kept "in reserve" (as if it were in any way comparable to the tangible reserve of the goldsmith banker) is to mutter nonsense.

According to the rules of "fractional reserve" banking, if the person who had that $10,000 on deposit came to the teller window and withdrew it, the $9,000 that had been created using it as a baseline would now be unsupported. If the owner of the $10,000 withdrew even a small part of it, say $100, that would mean that 9/10 of $100 ($90) would be unsupported in their formula, and a way would have to be found very quickly to either "call in" (cause to be repaid) $90 of that loan, or find $100 dollars in new "reserves" (money that was not yet designated as supporting newly created money on top of it).

If a modern bank dips into its "fractional reserve" for even a single dollar, the formula by which it is governed is violated, and the whole fragile structure by which it creates "credit money" comes undone. This singular fact transforms what should be among the social order's most stable institutions (banking), into a game of brinksmanship by which, in the pursuit of their mandate to maximize profits, bankers are obliged to come as close to "needing" to use their "fractional reserve" as possible, while knowing that if they miscalculate and step over that line their bank will instantly "fail" (be declared "insolvent"). The banking system as a whole has been moving ever closer to the "fractional reserve" tipping point, has gone past it, and can no longer stop its own fall. That is why the Federal government is, in people's perceptions, being obliged to step in.

Column #49 THE "FRACTIONAL RESERVE" PYRAMID

(Week 9 - Monday, Sept. 22)

In yesterday's column I gave a brief description of how a banker who has $10,000 in "reserves" on deposit in his bank can use them as a basis for creating $9,000 in new money to "loan" out. When the borrower spends the money, almost all of it winds up in the bank accounts of the people he pays it to.

To keep the math simple for our illustration let us assume that our borrower spends all the money in one place, and the entire $9,000 ends up on deposit in one bank. From the perspective of the banker at this institution this newly borrowed and spent money is regarded as $9,000 dollars in "fresh reserves." In other words, he can use this $9,000 as a basis for creating yet more money to "loan."

Let us suppose another person walks into the office of the banker in whose bank the $9,000 in "fresh reserves" has been deposited, and asks to borrow some money. Based on the $9,000 that has just been put on deposit in his bank, he can now write a check for newly created money to lend to this new borrower in an amount up to $8,100 ($9,000 times 9/10), leaving, as the banking system describes it, $900 ($9,000 times 1/10) as a "fractional reserve."

The person with whom he spends this newly created $8,100 will presumably deposit it in his bank account, and this deposit will be seen by his bank as $8,100 in "fresh reserves," upon which, in turn, this banker will be able to create another $7290 ($8,100 times 9/10), and leaving an additional $810 dollars ($8,100 times 1/10) "in reserve."

This process can continue for many successive cycles as new money created and loaned out by one bank is deposited in another, where it is seen as fresh reserves that can be used as the basis for creating yet another round of money to loan. For each cycle the amount of new money created and fresh reserves deposited diminishes in proportion to the fractional reserve ratio. In the long run it approaches "0", but it never quite gets there. The amount does, however, become so small that the procedure does effectively provide a limit to how much "credit money" can be created from the quantity of "high-powered money" originally borrowed into existence from the Fed by the Federal government, which ended up on deposit in the banking system, thereby seeding the fractional reserve process.

It may be helpful for the reader to visualize the monetary system as a pyramid. The foundation stones of the pyramid are Federal bonds, which are essentially the "loan" contracts by which the Federal government borrows money from the Fed, and which winds up on deposit (as "high-powered money") as the initial "reserves" in the banking system. The first cycle of "credit money" created by a bank and then deposited in the

banking system forms the next course of blocks in our pyramid. From there, each cycle of new money created through the loan process, and deposited in the banking system is represented by successive courses of stones. Each course of stone is shorter by the fraction represented in the fractional reserve ratio (1/10 in our example), so the lengths of the courses (the amount of new money that can be created and re-deposited as a fresh reserve base) are never quite zero. This suggests the image of a pyramidal-shaped wall with ends that slope towards each other, but also curve in such a way(asymptotically) that they reach for the sky, but the slopes never quite meet. The fundamental shape imparted by the fractional reserve ratio gives this pyramid an appearance that is relatively tall and slender, so much so perhaps that it is suggestive of a degree of instability.

Still if the courses of stone are sound, the structure might stand. The problem is that in monetary terms, the courses are not sound; they are crumbling. This is because they are being eaten away by "interest" charges against the money supply.

If a person takes out a bank loan and spends the money into circulation, the value of those dollars (the stones in our monetary pyramidal wall) are, from the moment they are issued, beginning to be eaten away by the interest charges on the loan. For example, suppose a person borrowed and spent $100 from a bank. He has thereby added $100 dollars to the money supply. There is, however, an "interest" charge attached to that money that is accruing as long as that $100 is in circulation. Because this "interest" charge in practical terms constitutes a net subtraction from the net value (amount of money) realized from that loan, it is effectively eating into the principal proceeds of the loan that brought it into being. Given enough time, the monetary value of the loan will be fully consumed (e.g. $100 will still be owed, despite $100 or more having already been paid in, as is typical in a revolving credit scheme).

Looking at the face of the wall, one sees a shape that resembles a pyramid, but one that is fundamentally unstable because the courses of stone of which it is composed (the bundles of dollars that are created and put into circulation via bank loans) are crumbling (being eaten away by "interest" charges). The present monetary system is the ultimate "pyramid scheme" (new "debt" money attracted to the scheme by old "debt" money). One can scramble to find new material to repair the growing holes in the blocks (find new borrowed money to "bail out" the financial interests whose bundles of money are "invested" in the lower courses of the wall), and thereby attempt to save the wall itself (keep the monetary system from collapsing), but patching can be effective only for so long. Ultimate collapse is inevitable.

For one with eyes to see, this is precisely the image, I would suggest, of what is happening with our monetary structure at present.

Column #50 BASE COURSES OF THE "FRACTIONAL RESERVE PYRAMID"

(Week 9 - Tuesday, Sept. 23)

In yesterday's column I drew a word picture to help the reader visualize the monetary system as a wall made up of courses of stone (bundled "loans" of money borrowed at "interest" from the banking system) that resembles in shape a sort of tall slender pyramid, whose ends slope towards each other, but also curve in such a way that they reach for the sky, but never quite meet. The nature and shape of the wall is determined by the "fractional reserve formula," which governs how banks create and loan out money.

The foundation stones of the pyramid are Federal bonds, which are essentially the loan contracts for money the Federal government borrows directly from the Fed, that winds up on deposit as the initial "reserves" in the banking system. The second course or layer of stones in our pyramid is the first cycle of "credit money" created by banks and then deposited back into the banking system. From there, each cycle of new money created through the loan process and deposited in the banking system is represented by successive courses.

Each course of stone is theoretically of the same nature in terms of the "debt-based-money" it represents, but they occupy relatively different positions in the structure of the wall. If one or more stones (bundles of loans) of an upper stratum failed, that would not threaten the integrity of the pyramidal wall as a whole, as there is little or nothing in the way of newly created money that is being supported above it (i.e. that it is designated as the "reserves" for). If, however, a stone near or at the bottom were to crumble, it could threaten the integrity of the wall as whole (as a significant portion of the loan bundles above it would have been created using it as the original "reserves"). If a few stones at or just above the foundation course were to disintegrate it, would threaten the wall's very existence.

It is obvious that, structurally speaking, the layer of government bonds supporting the dollar is the most crucial. Accordingly, this "high-powered" base strata cannot be allowed to fail without bringing the whole system down. This is why (it is said) the "full faith and credit of the Federal government", "backed" by the full force of same, stands ready to see that this does not happen. This, then, makes the government bonds "backing" the dollar the logical "investment of last resort" (the one that will fail only after all the others have failed), regardless of whatever else is going on in the financial order (which is why these bonds are selling at a premium in the current crisis).

The next several courses up are made of the "reserves" that are on deposit at the major commercial and investment banks. These represent the first levels of "credit money" created on the basis of the "high-powered money" on deposit from loans to the Federal government. They do not constitute the foundation per se, but are so closely linked to it that for a major bank or banks to fail is deemed to be tantamount to the failure of the system itself. If a big bank fails, by the rules of the game a lot of other loans that piggy-back off the "reserves" its money on deposit represents would, by the rules of the banking system, not be supported. In the prevailing view, monetary liabilities for which the large banks are responsible must be honored so as not to precipitate a fatal undermining of the system. When that possibility seemed to loom, the Federal government has in the past intervened (as with FDR's "banking holiday" and "suspension of gold redemption", the Continental Illinois bailout, and the Mexican "debt-restructuring").

Closely linked to the viability of these bottom courses are the fortunes of the banking system's biggest customers, including large corporations, major public entities (states, cities, bonding districts, etc) and the mega-wealthy. These are the "important players", and confidence in the system rests, it would seem, on the public perception of their remaining able to pay their "debts." This imperative is commonly deemed to be significant enough, depending upon circumstances and the vagaries of the political process, to warrant, supposedly, government rescue from insolvency (as for the Chrysler Corporation and New York City bailouts).

In tomorrow's column I will describe the upper courses of the fractional reserve pyramid, and show how their relative positions in the monetary structure accounts for the evidently scant regard the regular hard-working, bill-paying citizen is receiving in the spate of current proposals designed, supposedly, to save the financial system.

Column #51 MIDDLE COURSES OF THE "FRACTIONAL RESERVE PYRAMID"

(Week 9 - Wednesday, Sept. 24)

Yesterday I described how the lower courses of the image I am using to describe the fractional reserve formula that governs how banks can create and issue new money (a stone block wall which resembles a sort of tall pyramid) are ostensibly closely linked to the fortunes of the banking system's biggest customers (large corporations, major public entities, and the mega-wealthy). Thick portfolios of "debt"-paper instruments (securities) which supposedly represent wealth (bonds, mortgages, stocks, etc.) are used as collateral for borrowing massive amounts of money into existence, which in turn constitute the base of "reserves" upon which creation and issuance of the "credit

money" that constitutes the bulk of the money supply rests (or at least that is how the world of high finance imagines it to be).

The Middle Courses:

Above the base are the middle courses, where we find the bank deposits of the hard-working, bill-paying, family-raising wage earner, small businessman and consumer (i.e. the "middle class"). In real physical and human terms, these folk are the ones who perform the bulk of the wealth-creation work in society. They make their living by growing food, making things and servicing people's needs. Their money in the bank is where the bulk of the pyramid lies. Ultimately all production is meant for consumption, and the "consumer" in this country is effectively synonymous with "middle class". It buys virtually everything that is sold on the market, either directly or indirectly. The personal credit of middle class has been the great engine of monetary growth since WWII. We have truly established a consumer society, and its real and dubious glories have become synonymous with the "American Dream".

The middle courses can generally be thought of as occupying three zones. The first one up (closest to the base) is where the biggest investments in people's lives are financed. The preponderant factor here is home-loan mortgages. This has been seized upon by the banking system as the great engine of "debt"-money creation in the private economy (which is why it is in trouble now). A certain rate of default can be tolerated in this stratum as long as there is enough floating cash or willing credit worthiness in the housing market to purchase homes that enter into default, thereby avoiding any serious disturbance to the continuing escalation of "real estate values." The system itself is soulless, and does not care if a person has a home (to be sure, people in the system may care). It is effectively concerned that there exists enough solvency in the peoples lives, however desperately obtained, to keep its tottering credit pyramid from crumbling.

The next zone up is maintained by purchases for big ticket items and durable goods. This is the level of borrowing for education, high-end vehicles, luxury lifestyles, small business investment, and personal financial "investments." Higher rates of default are tolerated here, but it would have to be very high to pose any threat to the monetary structure.

The top layer of the middle zone up consists of small business and consumer loans for mid-to-minor capital items (economical vehicles, appliances, furniture, vacations). The consequences of loan default at this level with respect to the economy are less severe simply because "credit money" at this level is not supporting much of a credit structure above it. Very high rates of default can be tolerated. Such a phenomenon usually becomes a political problem before it becomes an economic one, as far as the financial

system is concerned. Lesser neighborhood banks could find themselves in trouble, but that is not, relatively speaking, a great threat to the monetary pyramid itself. There is always, it seems, another buyer who can step in cover the equity in a repossessed car.

Tomorrow we will talk about the economic trauma increasing numbers of people are living in in the top zone of the fractional reserve pyramid.

Column #52 TOP COURSES OF THE "FRACTIONAL RESERVE PYRAMID"

(Week 9 - Thursday, Sept. 25)

In the last two columns I have described the lower and middle zones of the image I am using to describe the fractional reserve formula that governs how banks can create and issue new money (a stone block wall which resembles a sort of tall pyramid). The lower zone consists of a foundation course of money on deposit in the banking system which are the proceeds of borrowing by the Federal government, and a number of layers stacked on top of that which are composed of the money on deposit of the banking system's biggest customers (large corporations, major public entities, the mega-wealthy).

Above the base layers are the middle courses, where we find the bank deposits of the hard-working, bill-paying, family-raising wage earner, small businessman and consumer (i.e. the "middle class") who perform the bulk of the wealth-creation work in society.

The Sub-Prime/Revolving-Credit Courses:

The top zone (upper courses) of the fractional reserve pyramid is made up of the money on deposit in the banking system of the people who are borrowing to live. Any pretense of this being funds that are "invested" is virtually gone. This is the level of "finance" where people live from "paycheck-to-paycheck" (if they are fortunate), and "loans" are taken out to buy groceries, put gas in the car, and pay for uninsured medical care. These are the folks who live in the financial purgatory of sub-prime mortgages, credit card dependency and payday lenders.

Whether consumers in the sub-prime/revolving-credit zone default on their "debts" is of little consequence to the monetary system as a whole. Business at this level is all gravy to the banking system, with little cost, except printing and postage on the billions of "new offers" they send out in the mail. That specifically is why people in the midst of a major credit-card "debt" crisis continue to have their mailboxes stuffed with new offerings, even from the same companies they are in arrears to. If the consumer went

bankrupt the "debt" on these cards would lapse, but all the money that could have been squeezed out of their beggared estates would by that time have been collected anyway. Fresh "credit money" created out of thin air could be safely issued again, next time on even harsher terms.

For a system that depends ostensibly on the ability of people to pay their "debts", the controlling factor in the pressure-relieving bankruptcy game is not as simple as "loan repayment, or no", but rather the stratum in which any default occurs. In the base strata of the monetary pyramid, institutional default will convulse and even threaten the existence of the system itself (at least that is the fear fed by the fractional reserve formula). As one moves up the pyramid, this default-phobic reflex becomes progressively less operative to the point where in the top zone the banking system does not even want its customers to pay up. That is why privately credit card companies refer derisively to their customers who do pay their bills in a timely manner as "deadbeats". Their business practices result in keeping the consumer running ever faster on a tread-wheel of revolving credit, at increasingly harsh terms, the end of which is almost certain to be bankruptcy.

It should be noted that the soundness of the financial blocks in the bottom row still depend, however indirectly, on the performance of some of the lesser grade courses on top. Their portfolios are ultimately "debt"-based, and so depend on real people being able to "perform" on their financial obligations. A certain amount of rot can be tolerated, but let that be the problem of the middle managers in the upper layers. Of late, however, these prime players have had to reach further up into the realms of "sub-prime and revolving debt" in an attempt to keep their own stones in the "fractional reserve" wall patched up with enough money on deposit.

The perverse logic of this whole scheme is that if the common man goes bankrupt, even if millions do (especially in the sub-prime/revolving-credit zone), it is treated in the world of high-finance and the politics that attend it mainly with lip service, because their "loan" proceeds are not strategic stones in the wall (not the "reserves" for much "credit money" creation), but if a major bank fails it threatens to bring down the whole credit structure. The crazy upshot of this situation is that there is a degree of reality to it; as long, that is, as we the people accept the dubious "financial realities" of a monetary order that is based on the "fractional reserve formula" as propounded by powerful media, financial and political interests.

And so the public may acquiesce (if history is any guide) to these "bailout" schemes, albeit amidst indignant demands for more "accountability" in the system this time around. Those who labor to make mortgage payments, sub-prime and prime, are losing their homes by the millions, while Fannie Mae and Freddie Mac (the financial agents for

those "investors" who "own" their mortgages) are getting hundreds of billions of dollars in "bailout" money. The fortunes represented by the lower courses of the fractional reserve pyramid scheme are thus secured, the banking system is "saved", and the system is made ready to go another round of "debt"-money expansion.

Column #53 THE PRESIDENT'S ADDRESS TO THE NATION

(Week 9 - Friday, Sept. 26)

Following are selected excerpts from President Bush's speech to the nation on Wednesday evening in which he addressed the current financial crisis, and urged the adoption of a proposed $700 billion dollar scheme to "rescue" banks and other major financial institutions. To his words quoted below, I have added my own commentary and explanatory (in my view) inserts in [brackets].

"Financial assets related to home mortgages have lost value during the house decline, and the banks holding these assets have restricted credit." [These "financial assets" are people's mortgage contracts that "investors" have bought up with money borrowed from banks in order to be the recipients of their "interest" payments. (see Col. #5)]

"As a result, our entire economy is in danger." [The condition of our "entire economy" is being linked to the interests of the financial speculators who are buying up our "debt" paper.]

"So I propose that the federal government reduce the risk posed by these troubled assets and supply urgently needed money so banks and other financial institutions can avoid collapse and resume lending." [It is being proposed that the federal government borrow money to replace what the banks lost through speculative lending. The phrase "avoid collapse and resume lending" is an indirect reference to the idea that the money lent to buy such "troubled assets" is on deposit in the lower courses of the fractional reserve pyramid, and constitute, therefore, much of the "reserves" that are supporting the consumer borrowing above it.]

"This rescue effort is not aimed at preserving any individual company or industry." [It is aimed at preserving the gains of the speculative financial "industry".]

"See, in today's mortgage industry, home loans are often packaged together and converted into financial products called mortgage-backed securities. These securities were sold to investors around the world... Two of the leading purchasers of mortgage-backed securities were Fannie Mae and Freddie Mac." [Fannie Mae and Freddie Mac have been presented to the public as financial agencies dedicated to getting people into

their own homes. Whatever good may have been done through them in this respect, the President's words are a tacit admission that "when push comes to shove", it is the "investments" of speculators in home mortgages who are getting "bailed out", while the investment of the homeowners who pay them is not taken seriously into account.]

"The decline in the housing market set off a domino effect across our economy." [This is another way of saying that the decline of the housing market has precipitated a collapse of the fractional reserve formula.]

"When home values declined, borrowers defaulted on their mortgages, and investors holding mortgage-backed securities began to incur serious losses. Before long, these securities became so unreliable that they were not being bought or sold. Investment banks, such as Bear Stearns and Lehman Brothers, found themselves saddled with large amounts of assets they could not sell." [The phrase "incur serious losses" makes it seem (though not explicitly) as if banks and speculative "investors" were holding money that is now being lost. They were not holding money; only speculative paper that gave the appearance of being money because there was always someone else waiting in the wings, presumably, that had money in hand that they were ready to trade for that paper. There is virtually as much money in the economy as there was a month ago, except that now the holders of it are not so willing to play at the gaming tables in the casino that the monetary system has become.]

"I'm a strong believer in free enterprise, so my natural instinct is to oppose government intervention. I believe companies that make bad decisions should be allowed to go out of business." [Then why do we not let the speculators go out of business, and leave the productive sector unburdened by their "enterprise"?]

"And if you own a business or a farm, you would find it harder and more expensive to get credit. More businesses would close their doors, and millions of Americans could lose their jobs. Even if you have good credit history, it would be more difficult for you to get the loans you need to buy a car or send your children to college. And, ultimately, our country could experience a long and painful recession." [The American people possess the key to their own credit, and that is to issue their own adequate supply of money directly out of their own public treasury, which is the sure antidote to "recession".]

"But given the situation we are facing, not passing a bill now would cost these Americans much more later." [I find this to be a misguided sense of urgency. It is as if we the people are being rushed to plunge back into the "debt"-money system before we have had a chance to think about what it has wrought. This is our perfect opportunity to see the workings and consequences of the private-bank-money system exposed and

examined. If the enforcement of the fractional reserve formula were suspended, we could let the money in the banks just be money (not "reserves"), and that would allow us to take any time we needed to come to our senses.]

"First, the plan is big enough to solve a serious problem. Under our proposal, the federal government would put up to $700 billion taxpayer dollars on the line to purchase troubled assets that are clogging the financial system." [If one finds dead leaves clogging one's gutters, the sensible thing to do is to flush them out, or at least allow the natural flows of water over time to do so. Why, then, do we not allow the "troubled assets (i.e. unsupportable "debt" contracts) that are clogging the financial system" to be flushed out?]

"The government is the one institution with the patience and resources to buy these assets at their current low prices and hold them until markets return to normal." [The President is acknowledging that the government is effectively the borrower of last resort (after the people lose confidence and/or are no longer willing or able to borrow more) for the private monetary system.]

"And when that happens, money will flow back to the Treasury as these assets are sold, and we expect that much, if not all, of the tax dollars we invest will be paid back." [This is wishful thinking. The proliferation of "debt", public and private, will only continue.]

"The final question is, what does this mean for your economic future?" [This "bailout" would insure that our economic life in the future would be consumed by ever greater quantities of "debt."]

"Earlier this year, Secretary Paulson proposed a blueprint that would modernize our financial regulations. For example, the Federal Reserve would be authorized to take a closer look at the operations of companies across the financial spectrum and ensure that their practices do not threaten overall financial stability." [I fear that "modernize our financial regulations" is a euphemism for transferring even greater power to the institutions that have presided over the crisis that is now coming to pass.]

To be clear, I am not singling out our current President as the scapegoat. Truth be told, I don't hear either of the "major" Presidential candidates say anything that gives an indication that they have distanced themselves from the mode of thought that got us into this mess (though some of the less regarded do, namely Ron Paul, Dennis Kucinich, Cynthia McKinney and Ralph Nader). Surely President Bush has had his part in this, but so have previous presidents, and virtually everyone who has in their own sphere helped to shape the economic life. This is not a time for haste, blame or recrimination. Rather, it is a pause for soul-searching, both as individuals and as a nation. I do not exclude

myself. I think that there is a bright new future than can come out of this "financial crisis," but it will not happen by making an ill-conceived and massive "bailout" of the failed ideas and practices of the past.

Column #54 MY SOLUTION TO THE "DEBT CRISIS"

(Week Nine - Saturday, Sept. 27)

I would suggest that there is an answer to the current "debt crisis" that is very straightforward and consistent with common sense. This is the time to pause, take stock of what has happened, and do some soul searching before getting stampeded into any multi-hundreds-of-billions-of-dollars "bailout" scheme that only serves to compound the mistakes of the past. In my view, there is a better way. I hereby propose the outlines of a genuine solution based on three principles.

Principle #1:

As a society we need more and more to see money, not as a means for private gain, but as a channel for serving the needs of our fellow man and taking care of the planet. This is not a mere truism or sentiment. It is the only practical way forward. The current monetary order grew out of the current monetary culture as naturally as a tree grows from its own seed, and now we are seeing the fruit thereof.

If the whole truth be told, it is not only the financiers who have entertained a measure of avarice in their hearts when it comes to money. Dare I say that virtually everyone has unduly coveted it to a degree in their own respective spheres, and acted on that impulse, at least in part, within the context of to their own opportunities? Who has not accepted what has come to them through the system as their due, while protesting against what is perceived to be the unwarranted fortune of others? I mean no judgment or accusation by this. We all have an inner conscience to which we must give an accounting, and I have my own to face.

I believe that a society-wide change of consciousness about money is possible, and would be reachable if each person strove to cultivate a right inner attitude.

Principle #2:

The "debt"-based private-bank-loan mode of money creation and issuance must be abolished, and the people must rouse themselves to reclaim their sovereign power to create and issue their own money. I don't mean to sound dogmatic on this point, but I believe that if returning the monetary franchise to the people where it rightfully belongs

is not at the heart of a proposed solution, then it is no solution at all. This is a principle that cannot be compromised in any hybrid "rescue plan" without re-planting the seeds of the monetary order's, and thereby the social order's, undoing.

Public issuance of currency is not a scheme to get "free" money out of the government. Rather, it is the taking up of a responsibility that we as citizens have neglected for too long. We have allowed our monetary affairs to be taken over by a private agency, the so-called "Federal Reserve" (which is neither "Federal", nor a "Reserve"), and our own currency to be doled out on terms favorable to the private interests are represented by it. Now we will have to get serious about, not only our prerogatives as a sovereign people, but also our duties as stewards of an essential trust.

As a practical measure, the first step politically would be to repeal the Federal Reserve Act. This does not mean demolishing its buildings and telling its employees to look elsewhere for work. Rather, the skills and dedication of the workforce could be turned to good account in helping to administer a new way of handling money.

Nor does it mean abolishing private banking, or even the lending of money by banks at interest. The banks would continue to perform their necessary services, but the essential change is that they would cease to be the agencies that issue our money supply. In their new configuration they would operate more like savings-&-loans and credit unions do now.

Principle #3:

There must be established a world trading order in which the relative values of currencies are allowed to find their equitable exchange ratios through the normal processes of trade, much like water finds its own level. This would tend to happen naturally now, except that the "interest" charge that is attached to the issuance of virtually all currencies is constantly draining them of their value, thereby igniting "trade wars" by which nations feel obliged to make up for that lost value through a "positive trade balance". It is not possible for every nation to have a "positive trade balance" with every other nation. The result is that no just and stable equilibrium can be achieved in the global economy.

My proposed new world trading order would be essentially the "level playing field" that the sincere proponents of "free trade" aspire to, but cannot seem bring about. I welcome any other thoughts.

Column #55 PRESIDENTIAL DEBATE – SEPTEMBER 26, PART 1 THE "FINANCIAL RECOVERY PLAN"

(Week 10 - Monday, Sept. 29)

On Friday evening the two "major-party" candidates for President, John McCain and Barack Obama, met for the first face-to-face debate of the Presidential campaign. Overall the session was divided into two main segments, their respective themes being the current financial crisis in the economy, and the Iraq and Afghan wars in the Middle East. In this installment, let us take a look at the first segment, the current financial crisis.

Moderator Jim Lehrer opened with the question - "Where do you stand on the financial recovery plan?" (the "financial recovery plan" being, presumably, the $700 billion dollar bailout of the financial industry proposed in an address to the nation by President Bush earlier in the week).

I found the responses of both candidates to be evasive and non-substantive. They lapsed into the vague platitudes, truisms and bromides that virtually always seem to attend economic issues. For Senator Obama's part, he talked about the need for "more oversight", measures "to make sure that we protect taxpayers", arrangements to "make sure that "none of that money is going to pad CEO bank accounts", and steps "to make sure that we're helping homeowners". Senator McCain's replied by asserting the need for more "transparency", "accountability", "oversight" and options that don't require the government taking over. These are all very fine sentiments, but, borrowing from a Presidential debate in 1984 between Walter Mondale and Gary Hart, "Where's the beef?" That is, where is the substantive thought in their respective responses?

I would ask the reader, if the words and phrases attributed to each candidate above were cut out and presented without identification as to who uttered them on this particular occasion, could you tell which belonged to whom? Or, rather, are they not in fact abstract vagaries professed endlessly in the common political-speak by which politicians attempt to garner credit for sincere intent, and create an aura of being on top of the problem, but convey no substantive thought on the matter at issue?

Both declined to be responsive in the first go-round to the clearly stated intent of the moderator's question, so he felt obliged to re-ask it. The answers were only slightly more responsive the second time around. Obama deferred in part by saying that "we haven't seen the language yet", and McCain related an inspiring in is own right, but irrelevant in this case, anecdote about General Eisenhower to reiterate his point about "accountability".

In yesterday's column I stated that, "...if returning the monetary franchise to the people where it rightfully belongs is not at the heart of a proposed solution, then it is no solution

at all." There was no mention whatsoever about the need to return the monetary franchise to the American people, and so in my view there was no effective dialogue about a solution. In fact, neither candidate even mentioned the monetary system, let alone the private-bank-loan transaction by which the nation's money is created and issued, or the collapsing fractional reserve formula which is creating the perception of the supposed urgency to push through a "rescue plan" immediately before the banking system shuts down.

This is a far cry from when three-time Democratic Party nominee for the Presidency, William Jennings Bryan, declared in his famous "Cross of Gold" speech in 1896:

"If they ask us why we do not embody in our platform all the things that we believe in, we reply that when we have restored the money of the Constitution, all other necessary reforms will be possible, but until this is done there is no other reform that can be accomplished."

Can one imagine a "major party" Presidential candidate saying such a thing today? Perhaps more importantly, can one imagine a national audience understanding what he is talking about? This is a point to keep well in mind before we blame McCain or Obama for their failure to address the core issue at the heart of the financial crisis. A culture-wide amnesia has descended on the populace related to the monetary issue, and, of course, the "major candidates" we get are a natural reflection of that.

To be fair, both candidates made attempts at more substantive responses as they talked about the need to "balance the budget". What was missing, however, was any awareness that the current financial crisis is not in its nature a fiscal problem (i.e. related to balancing taxing and spending), but a monetization problem (i.e. related to how and by whom money is created and issued) [see Cols. #19 – 21]. Until they gain such a realization, their "debates" on this critical issue will continue to be almost completely unresponsive to the wrenching financial turmoil that citizens, the nation and the world are experiencing at present.

Column #56 PRESIDENTIAL DEBATE – SEPTEMBER 26, PART II THE REAL "COST" OF THE IRAQ & AFGHAN WARS

(Week 10 - Tuesday, Sept. 30)

In yesterday's column I offered commentary on the first half of the Friday evening debate between John McCain and Barack Obama, which was directed towards the current financial crisis in the economy, and President Bush's proposed $700 billion dollar "rescue plan" to save the speculative financial "industry" and the banking system.

Much of the discourse was about how the "debt" the Federal government would inevitably take on in any such plan would ultimately have to be made up in the future through ever more prudent priorities concerning taxing and spending.

In my view, this is a hopelessly off-target attempt to address the problem. The Federal "debt" is not a fiscal phenomenon (i.e. an imbalance between taxing and spending), but arises out of improper monetization (i.e. the process by which money itself is created and issued) [see Cols. # 19 – 21]. We can gain a dramatic insight into the difference between these two perspectives by examining the real "cost" of the Iraq and Afghan wars, which preoccupied much of the last half of the debate.

It can hardly be disputed that the wars in the Middle East are costing our country dearly in materiel, blood and lives. Many also argue that it is costing us the love, trust and admiration of our fellow human beings in the community of nations, and some even say that it is costing us our sacred honor for the supposedly devious reasons for which it was entered into (to be sure many feel otherwise). One would find little disagreement that the conflicts are imposing costs in carnage and suffering on the Iraqi and Afghan people that are difficult to even imagine, not to mention the toll that it is taking on their infrastructure and lands.

All this said, the question remains, what is the "cost" of these war sin terms of money? Each of the candidates lamented the vast sums that are being spent on these conflagrations. I understand where they are coming from, but I would suggest that there is another way of looking at the matter.

From the beginning of this series of columns I have examined and frequently referred to the private-bank-loan transaction by which our money supply is created and issued. I have also tried to show that it sets up a monetary dynamic whereby ever greater amounts of money need to be borrowed from the banking system and spent into circulation in order for people to be able to make the principal payments on old loans, plus the "interest" payments on those loans, while maintaining a necessarily growing money supply.

If this fails to occur, then the money supply will begin to contract, bankruptcies will multiply, and the economy will spiral down into recession or depression. Somebody has to keep going deeper into "debt". It does not matter to the banking system whether it is the people in the private or the public sector that feel compelled to make the plunge. At present, the confidence of the borrowing public is at low ebb, and their ability and willingness to take on vast quantities of new "debt" is largely exhausted. This means that if the economy is to not go into the tank the Federal government has no choice, seemingly, except to step in as the "borrower of last resort".

The key to making this work is to find a way to generate the political will to take on a vast public "debt". Spending on universal medical care, freely available education, public infrastructure, cleaning up the environment, and a dignified basis of support for all its citizens has been so discredited in the eyes of the public as "wasteful spending" (which is not to say that some things proposed are not indeed foolish and wasteful), that a political will sufficient to allow the government to borrow the huge sums necessary to stave off economic collapse under the current "debt" load cannot, as a practical matter, be attained. What can succeed in creating such a mandate is to start a war against a feared and hated enemy. Then no amount of "financial sacrifice" (i.e. government borrowing) is too much, and almost any politician who says otherwise runs a grave risk of being turned out at the next election cycle.

Far from being a net "cost" to the economy, the Iraq and Afghan wars have been the great engines of money creation that have kept the economy from imploding. I would hasten to add here that I am not saying that our national leaders have consciously gotten this nation embroiled in the Middle East morass for the purpose of going into "debt". On the contrary, on the whole they sincerely believe that the war is "costing" money that will have to be, in some vague and unspecified way, made up for by fiscal frugality after the conflict(which is an illogical notion given the virtual imperative imposed on the people by the private-bank-loan transaction to go even deeper into "debt" whenever new money is created)

When money is created and spent into circulation, it does not stop with the procurement for which it was originally issued, even if that is for weaponry. It goes into the paychecks of whoever produces the products and the profits of the company they work for, and thereafter becomes blended into the monetary pool. I would urge the reader to contemplate the thought that, of the dollars in his or her wallet or bank account right now, a large portion have entered into circulation as a result of government borrowing to pay the "costs" of the Iraq and Afghan wars. Monetarily speaking, if it were not for these wars, those dollars would very likely not be in existence, and the economy would be proportionally contracted, arguably to the point of recession or depression.

To be absolutely clear, this is not a rationale to start a war (or go into "debt" even for more benign domestic reasons). It is, rather, an absolutely compelling reason to change the basis of the monetary system away from one in which the madness of having to borrow the nation's money at "interest" from a private banking system becomes an effective economic imperative at whatever ruinous cost.

What I am saying here is nothing new. The fact that war, in its many guises, has been the great engine of money creation when the public could not be aroused to the task of

taking on vast quantities of "debt" for any other purpose has been long discussed in classic economic writings, but has virtually disappeared from the more "sophisticated" canon of modern texts.

The real monetary "cost", then, of the wars in the Middle East is not the vast sums of money "borrowed" to finance them (which, unlike lives, can be created in any amount by the "flick of a pen"), but the ever deepening penetration of public consciousness with the flawed basic premise of the "private-debt-money" system itself (i.e. that the numbers associated with money creation at "interest" are the "hard realities" that must be accounted for, and everything else is a "cost"). It is a lesson that we as a modern civilization will have to relearn. In my view, this is what McCain and Obama need to be talking about if they are serious (and I can only imagine they are) about stopping these wars.

Column #57 MONETARY CRISIS – THE RECENT HISTORY OF

(Week 10 - Wednesday, Oct. 1)

If one understands the imperative imposed by the private-bank-loan transaction by which our money is created and issued (for participants in the economy in the aggregate to go continuously deeper into "debt"), then the run up to the current financial crisis by can be readily discerned by tracking the major economic swings of the last three decades.

The early stages of the dismantling of the manufacturing base, the Vietnam War, the OPEC oil embargo, the prohibitively high "interest" rates of Paul Volker's tenure as Fed chairman, the "stagflation" of the '70's, and feelings of impotence engendered by the Iranian hostage crisis left the nation with a crisis of confidence that inhibited the people's ability and willingness to borrow money from the banking system.

In the 1980 election, the nation turned to a "conservative" President in the person of Ronald Reagan to reign in the "reckless liberal spending" supposedly at cause for the economic "malaise" of the Carter years, and get the Federal budget back in balance. The Reagan administration responded by racking up record deficits, in the name of a war of course (albeit a "cold war"). Whatever the ideological contradictions, the Reagan era deficits caused massive amounts of new money to be injected into circulation. In the short term this stimulus did work, as the infusion of "debt"-money into the economy (along with Reagan's personable, upbeat demeanor) restored "confidence" in the future, and the citizenry themselves started to make the trek to the bank.

This mood of national self-assurance continued to swell as the U.S. "won" the Cold

War, and the Iron Curtain came down. Moreover, with our main enemy no longer on the scene the nation could anticipate an economic "peace dividend". Moderate "economic growth" in the private sector was augmented by another shot of government borrowing as the country was roused to finance the Persian Gulf War during the first Bush administration. As a result, the people of the nation felt relatively flush with cash, and optimistic about the future. This encouraged even higher levels of private borrowing that effectively allowed the government to step down as the engine of "debt"-money creation at the beginning of the Clinton years.

The corporate-inspired economic impetus of the '90's was the development of financial vehicles and training of the public mindset to encourage consumers to go into perpetual "debt". The monetary culture shifted, and hardly anyone paid for anything anymore. The new byword was "cash flow". If one could make the payments on something, one could have it. "Innovative" financial vehicles, from credit cards, to student loans, to financial derivatives, to stock and bond portfolios, to easy credit over the Internet were aggressively promoted. More and more, people leased their cars and other durable goods, or financed them over greatly extended periods. Home mortgages were artificially inflated by the lending practices of Fannie Mae and Freddie Mac against their speculative prospects for being cashed in later at higher prices, as opposed to being paid for in proportion to their utility as dwellings at prevailing wages.

The net result was that for the decade of the '90's, the private sector took on so much new "debt" that it was able to service the overall principal and "interest" payments attached to the money supply, and the government could step down from its roll as the principle bank-money borrower for the economy. This made for a period of "economic growth" (i.e. private "debt" expansion) when most government agencies (Federal, state and local) did not have to resort to "deficit spending" to balance their budgets.

Politicians of the Clinton years boasted about how good the economy was on their watch, and how the "deficit" was finally being brought under control. They made every effort to take credit for the supposed good news, but in actuality they were merely riding a wave they did not understand. Meanwhile, the economy when considered as a whole, public and private combined, continued to slip into "debt" at an undiminished pace.

Alas, the period of reduced "Federal deficits" could not last. The ability and willingness of people in the private sector to take on ever greater quantities of "debt" was largely exhausted. By the time the second Bush Presidency came along another major impetus for "debt" creation had to be found. This appeared in the form of the political will that coalesced around the "war-on-terror" that followed 9/11, and the renewed round of government borrowing that tragic event has initiated.

With the number of "debt" dollars circulating on which "interest" payments needed to be made increasing at an ever faster pace, and even government borrowing for a domestic "war on terror" and foreign wars in the Middle East was not proving to be sufficient to keep the "debt" bubble pumped up, especially given the economic slowdown of the last few years in the private sector.

Then came the housing collapse, first in the sub-prime arena, and now the prime. This has sent shock waves out to other areas of the economy, which are now entering into their own precipitous declines as well.

It became evident that the monetary system could be kept from collapsing only by the government borrowing yet more money and effectively passing it out, with the hope that any political backlash against such bald-faced "debt" creation would be muted by the calming effect of people receiving checks in the mail (which, evidently, was a correct assessment); hence the recent "rebates" sent out to all taxpayers.

It was still not enough. Public confidence is waning quickly, and the "debt" numbers are piling up. So, what is the answer to this crisis that the leadership in Washington has come up with? What else could it be but to borrow at "interest" yet more money from the banking system to redeposit in the banking system, thereby shoring up the collapsing fractional reserve formula? Now they are proposing a $700 billion dollar "bailout" scheme for the speculative financial industry.

Where will this end? The answer is that it won't; not so long, that is, as the private-debt-money system remains in place. There are myriad possible scenarios as to how this crisis could play out, but none that might occur within the context of the present system are, in my view, anything less than catastrophic.

This is doubly tragic because a return to a public monetary system could allow the situation to turn around quickly, and the economy be put on a sound and understandable basis in relatively short order.

Column #58 MONETARY CRISIS – TAKING STOCK OF WHERE WE ARE NOW

(Week 10 - Thursday, Oct. 2)

With respect to the "debt"-based monetary system, we have reached a tipping point, and which way the situation will fall is uncertain. While the productive capacity of the physical economy has virtually ceased to grow (or declined), the economic expansion it has heretofore generated is slowing, and financial ledgers burgeoning with new "debt"

can no longer be balanced with new money secured by actual production. That is why, for example, state budgets across the nation have gone from being balanced, or even flush with extra money a decade ago (in my state, Minnesota, they even sent out a rebate to taxpayers), to huge-cash flow deficits now, with little visible sea change in physical reality to account for it.

The stock market is in precipitous decline. Housing prices are no longer supportable in real terms, and are falling. Good paying jobs have been systematically shipped abroad or replaced with minimum wage positions. The newest crop of college graduates, already saddled with student loans and credit card debt, face a declining job market, and will not be able to provide the economy with the upwardly mobile spending impetus that has traditionally driven its growth. People's ability and willingness to go into new debt has in the aggregate been maxed out. Old debts, obligations and entitlements (both private and public) made under expectations of ad-infinitum exponential economic growth are coming due. The environment is being depleted. The infrastructure is crumbling. The baby-boomers are entering retirement.

The net effect of all these factors is that the "debt" load can no longer be serviced adequately with new borrowing within the constraints of the domestic market. Federal Reserve banker John Exter warned, "the Fed is locked into this continuing credit expansion. It can't stop. If ever bank lending slows . . . the game is up, and the scramble for liquidity starts." and "The Fed will be powerless to stop a deflationary collapse once it starts."

Judging by the strident stories in the newspapers, it would seem that the "deflationary collapse" has begun. Clearly there is a danger of such a thing happening, but as a nation and a world, we are entering an unprecedented time and it is difficult to say what scenario might play out.

The proponents of the "rescue plan" may indeed get their $700 billion dollars, and "save the financial system". What that means is that the obligation will be added to the "national debt". This "debt" is a ruse in the sense that it is never paid down anyway, but it does cause a further escalating of "interest" charges to be taken out of tax revenues to "service the national debt"; until, that is, these charges grow large enough to eat up the whole budget, and the government has to borrow every dollar it needs to fund its operations. This is a theoretical extreme, of course, and it is hard to imagine the situation getting to that point before the system breaks down completely.

If the rescue plan, as conceived, were implemented, it would, in the short run, inject a huge fresh stream of cash into circulation. When combined with the fact that a lot of "debt" that the money supply had been supporting will have been wiped out through

bankruptcies (mostly in the productive sector), the freed-up "liquidity" (cash flow) may allow the economy to revive for a time. Politicians who voted for the scheme will boast about how it "worked", and the country will be setup for a round of "debt"-money expansion that is more crushing to its citizens than before.

It would certainly not be long, however, before the economy is back at the same impasse. By this time even more massive "interest payments on the debt" will consume public revenues. The productive capacity of the economy would almost certainly have deteriorated due to the supposed need to pour ever greater portions of its financial capital into "servicing debt", more and more buying power would have been lost to snowballing consumer "debt", and we would have become a nation that is even more dependent on living off borrowed money, while those abroad work for inadequate compensation to supply our material needs.

What is more, much greater control will have been invested in a small click of power brokers who would increasingly run our society in exchange for keeping the monetary spigot turned on. Already there are widespread reports in the media of proposals to "reform" or "streamline" the system by concentrating ever more power and authority in the Fed. It will become an unaccountable de facto government to an even greater extent than it is now.

Inevitably, at some point the journey down this path of "compounding-debt" will not be sustainable. The economy will "collapse" anyway. Are we there now, or can the reckoning be put off again until some time in the future? I don't know. Civilization has never been in this position before. In a world in which subsistence skills have been largely sacrificed to the mixed benefits of technology, and mutual global dependency has become the norm, one can only imagine what a "collapse" of the monetary system might look like. I will offer some sobering, as well as hopeful, thoughts on this in tomorrow's column.

Column #59 WHY WE CANNOT HAVE ANOTHER DEPRESSION

(Week 10 - Friday, Oct. 2)

In these last three weeks I have heard from voices in the media and people I have conversed with much speculative talk about whether the current financial emergency indicates that we are entering into another "Great Depression" of a nature similar to what the world endured in the 1930's. That such a comparison would arise is natural, given that many of the same factors that attended that crisis seem to be present in this one also. Many elders still living among us have a vivid memory of that time.

People are free, of course, to engage in any musings they feel moved to express, but I would suggest that, absent critical thinking, such speculations are effectively loose talk that pose a danger of becoming self-fulfilling prophecies. The depression of the 30's was a real historical occurrence for which a relatively good picture can be formed. The term "depression", as it is somewhat uncritically used now, is, in my view, an abstraction that can distract our thinking from a real perception of what is happening now, and what needs to be done.

Since the 1930's the world has changed so fundamentally that, I would suggest, the litany of events of that period offers only minimal potential for guidance as to how the current crisis might unfold. To be sure, there are lessons from that episode that need to be learned, but the present crisis is happening in a world that is in many respects so changed as to be almost unrecognizable. The nation was able to survive the Depression of the 30's relatively intact (albeit with great hardship), and emerge stronger than ever on the world scene. In my estimation, such an outcome would not be certain if such a catastrophic monetary contraction were to occur today. Why do I say that?

In the decade of the 30's a quarter of the population still lived on the land, and a farm still, typically, had chickens and hogs for meat, a garden which was augmented by extended storage capabilities (canning & root cellaring), a woodlot for heat, a diverse mix of "organic" crops, simple equipment, and a limited need for cash flow. Farms were still embraced by a network of small rural towns, and communities where people knew and supported each other on a personal basis. This was true also of the town banker.

Now less than two percent of the populace remains on the farm, and the average age of the farmer is about sixty. Increasingly he is no longer an independent operator, but a manager who produces on contract to a corporation. The farmstead chickens, hogs, gardens, woodlots, crop diversity, and simple equipment are virtually gone. The limited need for cash flow has been supplanted by a huge appetite for money to buy seed, fertilizers, fuel, equipment, and other inputs.

The upshot is that if the monetary economy ceases to function to the degree that it did in the 30's, even the few farmer's who remain will for the most part be in the food line almost as quickly as the urban dweller. Where would our food come from? One can easily imagine the implications of such a situation for the cities.

In the manufacturing sector most products have gone hi-tech, and the capacity to produce real sustaining goods has been dismantled and shipped abroad. In the transition a wide range of practical manual and mental skills have not been passed on to the next generation. During the depression of the last century the skills most in demand, even in downtown office towers, were relatively basic. They depended largely

on manual and mental dexterities that are rarely practiced anymore. They have been supplanted by highly specialized computer software routines that would be useless as survival skills if the money to finance their capital-intensive workstations stopped flowing.

The big growth area of the last few decades, it seems, has been in the service sector, but many of these jobs are essentially "doing the paperwork" on each other's lives (albeit in a software mode). Now many of these "service" jobs have disappeared to other shores in the endless search for "cheap labor". In any case, the service sector cannot be materially sustaining. We have to produce something. We can survive only so long by selling each other insurance, while borrowing more money to have foreigners make our products and do our work.

My purpose here is not to recite a litany of how much better life was in the good old days, as opposed to how untenable it has become now. Truth be told, many of these changes represent the impelling forces of human evolution, and embody in themselves their own virtues. My point here is simply to say that the times have changed. The economy is now high-tech, high-cash-flow, and global. Hardly anyone survives on their own efforts anymore, or even on the labors of their local, regional or national communities.

The division (or should I say atomization) of labor has become virtually utter, and globally dispersed. Like it or not, in this new socio/economic order people do not work for themselves anymore. They work to do their bit in supplying the needs of others who live often half-a-world away, and whose language they do not speak. The transformed conditions since the time of the last great global economic upheaval I am describing here is, of course, relative, but in essential ways it is effectively a "world turned upside down".

The web of relationships that holds all this together works through the monetary system. If that goes down, unlike in the last depression, we do not have the subsistence capabilities by which a modern civilized society can survive, save at unthinkable human trauma (if even then).

We as a nation, and as a global community, have no good option except to redeem the monetary system by transforming it, if it is not to implode, taking us and our civilization with it. There is an argument that can be made for going for the $700 billion "bailout" in the hope that we can buy some time before the final reckoning, but it is the same self-delusional reasoning that courses through the being of an addict who wants to stave off the inevitable by indulging in his weakness just one more time. The "bailout" may (or may not) keep the system going for a time, but there is no doubt that in the end the

price we will pay will be more certain and ruinous for our having put off coming to terms with our addiction to "debt" money.

But, life is a leaf; turn it over. Unless we will it so, this crisis is not the end of the world. On the contrary, it may be our opportunity to step up and emerge into a bright new morning. There has been a lot of tragedy and suffering that has transpired in the course of getting to this juncture, but we can choose how events will unfold from here. Indeed we must.

There is a silver lining of grace in the dark cloud that looms over the financial world right now. The present crisis is not our grim chastiser (unless we refuse to understand it otherwise), but our teacher. If only we could behold the lesson it has to reveal (the necessity of returning, in the spirit of service (not gain), the monetary franchise to the public domain), a breathtaking vision of a new world would open up on the other side.

Column #60 KINDLING A FLAME

(Week 10 - Saturday, Oct. 4)

This is the last of the first sixty columns before I, and those readers that have accompanied me on this journey, take a two-week hiatus. I plan to resume the series on October 20. It is time, not only for a chance to catch our breath, but also for inner reflection on what has been said.

The writing has had its satisfactions, but it is a poor substitute for meeting in person. If it were possible I would have each of you in front of me for a face-to-face conversation. That goal is not attainable realistically, but it can be realized in part through voice-to-voice conversation over the phone. Accordingly, I am herein listing my phone number: 218-828-1366 (many of those on my distribution list have it already). I invite critiques, questions and commentaries. I also welcome the many written responses I have been receiving, but often I can see in them subtle, but important, issues of understanding that can only be addressed in voice-to-voice conversation.

The tenor of these articles might, if one is not fully attentive, seem to be a broadside against bankers and banking. Let me be clear; the enemy is not bankers or banking. Rather, it a powerfully perverse principle that has gotten a hold on the human heart and mind. To be sure, bankers have often played their unfortunate part, and the institution of banking has to a great extent been the agent for the devil's work, but they are by no means unique in that status. In this modern age we are virtually all economic players, and have in our own particular niches contributed to the difficult circumstances that are unfolding in our financial life at present. I had intended to speak to greater depth upon

this subject, but that idea was overtaken by events in the financial world that had to be addressed.

I have worked at this monetary "obsession" for going-on three decades, and have encountered a receptiveness, and even hunger, that has grown over the years for the conversation about money. There is a palpable impulse for change emerging in the people I meet. Many times the discussion is animated and the demeanor eager. Often, there is a reluctance to let the epiphany of the encounter come to an end. The next time we meet the personal warmth and enthusiasm is still there, but that special moment of recognition of the fatally flawed nature of the present monetary system, and the way out, has not taken root.

I have seen the flame of awakening on the subject of money kindled many times, but it has been, for the most part, a kindling of green wood. It will burn as long as the flame of my or other's speaking in person to the matter is held to it, and perhaps a while after, but the awareness needed for it to sustain itself is not yet arrived, and so it goes out. Still, something remains. A glowing ember from the moment of recognition when the hearer could peer through the veil of the present malaise and see that there is indeed an answer remains deep in the hearer's memory, but is not sufficient to re-kindle the flame on its own.

The time approaches in the progression of human evolution where a living consciousness about money can, and indeed must, be sustained on its own. It has been the conscious purpose of this series of treatises to expedite that transformation. The idea has been to break down a subject that is bewilderingly vast, complex and immersive into daily digestible bites that can be taken in as an antidote to what is, in my view, misguided, misleading and depressing media fare. My hope is that whatever merit is contained in these tomes will serve as lessons that will, over time, season the inner timber of mindfulness on the subject of money.

The success or failure of this initiative will be measured by how much it encourages and inspires people to take up spontaneously the seeking of truth about money in the context of their own life experiences, and their own original thoughts. Only then can the flame of understanding be said to have been lit. From there it can be shared with others until it kindles a mighty conflagration of realization that no force on earth can hold back.

At least that is my idea. If it is my delusion, let it be so, but I can't spend the day worrying about what others think. There is too much to do. The headlines, of late, have sewn a seed of urgency in many I have met or who have contacted me. Humankind has come a long way without coming to a deep realization of "what is money", the sophisticated world-encompassing financial structures we have built up notwithstanding.

But the question can no longer be put by. It demands an answer, or fearful forces out of our control will impose one on us.

In my perception, all the signs of the times converge in a worldly sense upon the same reckoning, and that is what to do about money. If we would see it, the very occurrence of the present world financial chaos is a priceless opportunity. Whether we seize upon it for good or ill will make all the difference. I suggest that this is something to contemplate until we resume.

Thank you all for your interest.

Column #61 AMERICAN MODE OF CREATING & ISSUING MONEY

(Week 11 - Monday, Oct. 20)

We the People of the United States need a public money supply with which to conduct our commerce. Under the current Federal Reserve System, our money is issued via loans from a private banking system.

When a private person, corporate entity or government body borrows money from a bank, the banker creates the money he is loaning when he writes the check for the loan or credits the account of the borrower. That is the rule upon which the Federal Reserve System is founded. In a booklet published by the Fed, "Everyday Economics", the section titled "How Banks Create Money" states as its opening sentence -"Banks actually create money when they lend it."

The borrower then goes out and spends that money for whatever purpose he took out the loan to fulfill. The money from the loan (principal proceeds) thereby enters into general circulation.

Over time, the borrower will be required to pay back the loan. The terms of the loan contract, however, will state that he will be required, not only to pay back the money he borrowed, but also pay a compounding fee described as "interest on the loan". A problem arises because the money from the loan entered into circulation and is therefore available to be paid back, but the money to make the interest payments was never created and issued. It can only be obtained by taking it out of the money from other loans that are still in circulation.

This means that there will not be enough money in circulation for others to pay their loans. The only way this shortfall can be coped with in practice is for people to borrow more-and-more money into circulation on a continuously increasing basis, both to

service the principal and interest payments on old loans, plus bring enough newly borrowed money into circulation to maintain an adequate money supply. People almost certainly will not think of what they are doing as being motivated by maintaining an adequate money supply, but as the amount of money in circulation drops, people are progressively less able to pay their bills, and so will tend to resort to borrowing from banks to make their financial ends meet, which, in turn, has the effect of filling up the monetary pool.

Eventually, the amount of outstanding indebtedness becomes so great that people are simply not able to pay it, and a wave of financial defaults results. This temporarily relieves pressure on the money supply relative to the amount of "debt" it is being called upon to service, but at great cost in personal trauma to those who are obliged to bear the resultant bankruptcies.

As a domino-like default phenomenon gains momentum, a psychological state takes over whereby people become more prone to consolidate their financial position by paying off old "debts" (as opposed to taking on new "debts"), and even banks become reluctant to create and lend more money. The net effect is that the money supply goes into a contraction, which, if not arrested, can lead to economic depression.

One further effect is that the "investments" (bonds, mortgages and other "debt" contracts) bought up by financial speculators are in jeopardy of becoming worthless paper. Technically this is not really a danger to the economy, as the collapse of such paper would relieve pressure on the existing money supply to service "debt", but it does create a great disorder and confusion of interests because many ordinary people also are significantly invested in "debt" paper (as held in money-market accounts, retirement portfolios and the like). In any case there will be voices from the academic, political and financial arenas that will try to convince the public that their distress can only be relieved by rescuing the "investments" of the "speculative industry".

Complicating the whole picture is the fact that the "fractional reserve formula" that governs the banking system will start to break down, sending the banks themselves into technical "bankruptcy".

The upshot of all this financial mayhem is that there arises a general fear in the populace that the monetary system is in danger of "collapsing" if it is not "rescued" with a massive injection of freshly-borrow private-bank money. In truth there is such a danger, but mainly because widespread belief in such a scenario makes it self-fulfilling. This fear, plus the lack of realization concerning what to do about the situation, is precisely what is driving the headlines announcing a general monetary meltdown at present, and the promulgation of a $700 billion "bailout" plan.

Such a plan may (or may not, if a degree of confidence and order cannot be restored) stave off near total disruption of the economy in the short run, but it will inevitably result in the citizenry taking on an ever greater amount of "debt", in this case indirectly through government borrowing. An increasing portion of tax receipts will be diverted into making more hundreds-of-billions of dollars of "interest" payments on a ballooning "national debt", until even the Federal government will not be able to borrow enough new money into circulation to meet its operating expenses.

The churning of the monetary system will continue amidst increasingly unbearable complications. We live in unprecedented times, and where this all may lead is difficult to envision, but the end thereof, and the rough ride getting there, can only be catastrophic in the extreme.

Turning the leaf over, the remedy to the crisis is simple, straightforward and quintessentially American; that is to restore the authority to create our money to the public sector (as stipulated in Art. 1, Sec. 8, Par. 5 of the U.S. Constitution). Money is created "out of thin air", whether this function is performed by a public body that serves the people as a whole (the U.S. Treasury), or a corporation that serves the interests of private gain at the expense of the whole (the Federal Reserve).

If the public's money is borrowed at "interest" from a private corporation, the social order as a whole cannot help but fall increasingly into "debt" to the financial interests that that corporate entity serves.

If, on the other hand, our money supply is issued publicly out of the U.S. Treasury, We the People issue it to ourselves, and no "debt" of the economy as a whole to private financial interests can result.

This was the very monetary principle the Founding Fathers incorporated into the U.S. Constitution, which would, if reinstated, resolve the crisis of crushing "debt" that is today plaguing individuals, the nation, and the world.

Column #62 THE CONCORD RESOLUTION REVISITED

(Week 11 - Tuesday, Oct. 21)

In Col. #9 (Wednesday, August 6) I reported about an initiative being undertaken by citizens of Concord, Massachusetts that seeks, in a form suited to our time and circumstances, to recreate the momentous step taken by the Colonial Assembly of Massachusetts in 1690, by which the political body that represented their social order as

a whole began to issue the colony's own money supply.

I can imagine that, for the most part, the deed was not contemplated by these loyal British subjects as an act of revolution with respect the England and the Crown, notwithstanding that in time it did indeed lead to a train of events that took on that character. It was more likely conceived of as a straightforward measure that was meant to address a pressing problem of immediate import in a simpler time; the need for a circulating medium. Surely these colonists had little or no sense of the world-changing developments that would unfold from what must have seemed to them to be an audacious, but seemingly limited, act.

We live in a vastly different era, and whatever problems were manifest then are redoubled many times over. That said, we are now, like they were, faced with a stark choice. That is, should we as a society submit to borrowing our money supply from the modern equivalent of the Bank of England (Federal Reserve System) backed by the power of the state, or should it be issued publicly (out of the U.S. Treasury) backed by the sovereign political prerogative of We the People.

The primary advantage we have over our colonial forebears is being able to see the implications of this act as it played out in almost three hundred and twenty years of history. America has been a veritable laboratory for monetary development, and its lessons can now be drawn upon in the interests of serving human evolution, with transformative benefit to the individual, the nation and the world.

The Concord Resolution was originally contemplated as a grassroots educational and political initiative aimed at formulating and bringing to the Concord town meeting a Warrant Article ("resolution" in more common language) to petition the town's Congressional representatives to introduce a bill which would set up a procedure whereby counties and municipalities across the nation could, in an orderly way, apply for interest-free loans issued directly out of the U.S. Treasury to pay for essential public works. This would be in lieu of their feeling obliged to sell bonds on the private bond market to raise needed funds, which typically causes the cost of a project to double or triple due to the "interest" payments associated with the bonds. Presumably, if the idea behind the Resolution caught on across the country, that would open the door for the eventual transformation of the monetary system itself, perhaps within a few years.

What has changed since then is that there is a newly palpable sense of urgency about the condition of our economic life due to the unfolding worldwide financial crisis. I was reminded of this again today as I heard reports in the media that our representatives in Congress are considering a proposal for yet another "financial stimulus" package. This is political speak for having the Federal government borrow even more money, and

passing out the proceeds as a way to mollify a citizenry that is smarting over feeling obliged to foot the bill for the $700 billion "bailout" of the "speculative financial industry." All this is after the massive monetary expansion facilitated by borrowing to fund the Iraq and Afghan wars, and the "tax rebates" sent out earlier this year.

The "debt-money system is essentially a confidence game, and confidence on the part of the public, and even the bankers, is hemorrhaging. It seems that there is no amount of new "debt"-money transfusion that can stabilize the situation. I sense that there has occurred amongst the populace a virtual acquiescence to the idea of letting the government and the Fed have their way in taking any they like to patch the system, while being in denial of the terrible price that will have to be paid in the long run for this relinquishing of our responsibility as a citizenry for our own economic life.

Urgency does not mean panic. Our monetary house is indeed burning, but there is still time and opportunity to put out the fire and save the structure essentially intact. The moment is now, however, when we must be about facing what needs to be reckoned with, or the whole question will become catastrophically moot.

Over the last two months what seemed like the revolutionary scope of the Concord Resolution is now shown to be inadequate in the context the financial tsunami that has swept over the global financial order. A more direct and transformative approach is called for. Accordingly, the focus of the Concord Resolution has moved from funding infrastructure, to changing principle by which the monetary system operates; i.e. restoring the monetary franchise to the public sector.

Truth be told, the Massachusetts colonists who in 1690 initiated the first publicly issued paper money in the Western world founded on the free enterprise and backed by the sovereignty of We the People did (whatever may have been their conscious thoughts on the matter) nothing less, and that has made all the difference.

Column #63 "WHAT CAN I DO ABOUT MONEY?"

(Week 11 - Wednesday, Oct. 22)

The most common question I hear is "What can I do about money?" This is commonly meant in one of two ways, one inward looking, the other outward.

The inward looking is focused on what the inquirer can do to preserve, expedite or otherwise conduct his or her personal financial situation in a way consistent with the greater realities in the world today. The outward is aimed at determining how he or she can act in a way beneficial to the larger economic concerns of the world from his or her

own unique position in it.

What I find encouraging at present is that people are asking ever more earnest questions about the nature and realities of money itself. Heretofore, it has been treated more as a given, and the main concern has been to about how to catch one's share of its currents as it passes through from wherever it came, to wherever it goes. Now people are waking up to the more fundamental questions of "What is money?", "Where does it come from?", "What is its effect?" and "What can I do about it?"

I am not a financial advisor, political pundit or ideological proponent, and have no specific answers or moral judgments to render. My inclination is to offer a conversation out of my own experience that can perhaps help others to clarify their own thoughts and feelings related to matters of money, and thereby come to a determination of what in their life is to be done with it.

This is not to say that matters of substantive personal relevance can't be talked about; only that it is incumbent upon each of us to come to our own final determination of what is to be done.

One thing that can be offered of which I have a sense of certainty is that, whatever our disposition with respect to money, any contemplation needs to begin with ourselves. In a phrase, what is called for is "soul searching". My observation is that the human race has a most disorderly and disharmonious relationship to money at present, and virtually every one of us has contributed to, and indeed continues to participate in, the problem. There is no criticism or judgment in this, in that it is a natural stage in the evolution of a soul from innocence to adulthood.

But now we are adults, and are called upon by the demands of maturity to put away childish things.

Like children looking for whom to blame, the public dialogue on our current monetary straits is filled with expressions of accusation, recrimination and denial. If only, so the thinking goes, we could find out who is responsible for this mess, then we could hold them responsible and somehow clean it up. The culprits may include bankers, the Fed, Wall Street financiers, politicians, the "conservative right", the "liberal left", communists, the media, the corporations, the mega-rich, a coddled middle class, the destitute poor, welfare moms, the Chinese, Islamic terrorists . . . The list goes on ad infinitum.

To be sure, people in each of these spheres have played a role, but the realities they live with are never simple. It would serve the situation well to hold the attitude of removing the beam from one's own eye before attempting to extract the mote from the

other.

In the modern world we are all economic creatures, and the actions we take, both by commission and omission, have an economic dimension. Even to move to the woods and live like a hermit is a profound economic act. This is a condition of our age, and it cannot be avoided.

The attitude that we are all responsible, then, becomes the starting point for an intrepid introspection that will lead ultimately to a unique answer for each to the question, "What can I do about money?" I will have more specific thoughts to offer on this in the next few columns.

Column #64 TO BORROW, OR NOT TO BORROW: THAT IS THE QUESTION

(Week 11 - Thursday, Oct. 23)

During a workshop I conducted in Wisconsin, one participant posed a question about a personal financial dilemma in which she felt morally torn between the possibility of borrowing money to purchase a 20 acre parcel of land that was contiguous to a like-sized parcel she was living on, or foregoing the opportunity and thereby obviating the need to go to the bank. She had what she felt were a number of moral reasons for wanting to make the deal, but wasn't sure that such factors adequately justified taking on more "debt". Clearly in this case, to borrow and buy would not be a justification-by-necessity act, but she felt that it could be a humanly creative choice. She wanted my advice on whether she should borrow the money and make the purchase, or not. It was a question for which I could not give a direct answer, but could instead offer conversation that might help her in her determination of what course to take.

I suggested that in making her decision, it might be wisest to ignore the monetary implications with respect to whether or not it would cause more "debt" to come into existence. This seemed to her like a strange response, given that I had just delivered a long dissertation about how borrowing money from a bank causes more compounding "debt" to enter the system, which winds up being carried by the society as a whole on a never-ending basis into the future even after one's loan from the bank is technically paid off. This happens because the proceeds from the "interest" payments are typically converted into more "debt" by "investors" who have purchased the right to be the recipients of these payments. They "recycle" these funds back into circulation by loaning them out at "interest", this time without even the benefit of newly created bank money entering the money supply (see Col. #5, "Where Does Our Money Go?").

How, then, does ignoring the monetary implications of whichever course is taken make sense? It is because, monetarily speaking, the "to borrow, or not to borrow" dilemma is really a Hobson's choice (one with two equally problematic alternatives).

On the one hand, if one goes ahead and borrows the money, whatever benefit flows from the purchase that is financed by the loan is compromised by the burden to the individual and society of the "debt" thereby taken on. It should be noted that if the borrowing was done through a bank, the additional money created does continue to circulate through the money supply after the initial outlay, and this, in turn, does provide to the economy always-needed (but never enough) additional circulating medium.

On the other hand, if one does not take out the loan the "debt" burden is averted, but so is the benefit that might have transpired through whatever the money would have paid for. It should be noted that not borrowing also does not cause additional circulating medium to enter the money supply, and so in effect occasions a contraction of the economy relative to the level of activity it could have supported had the loan been made.

There are other nuances to this choice that could be traced out at length, but the upshot is, I believe, that considered as merely a monetary question, the decision "to borrow, or not to borrow" is, as an economist might say, a "wash" (a choice which has diametrically different, but equally offsetting, outcomes). The reasonable course, then, is to make the decision on the basis of the human merits of the case, and let whether or not the trip to the bank is made follow.

In the case of the lady at the workshop who wanted to know whether she should borrow more money to buy the adjacent land, the decision would presumably be based on a comprehensive consideration of the actual physical and human factors involved. To be sure, such deliberations can run deep, and may even extend in the minds of many to spiritual considerations which are wholly out of the domain of calculation, but whatever the case the question is by its nature uniquely personal, and precisely fitted to the actual people, circumstances and unit of time in which it takes place.

This is not to say that the human cost of carrying a resultant "debt" burden is necessarily not a factor that should be weighed in, but the decision in principle about whether to borrow, or not, is another matter.

The long and short of my advice (if I might presume to offer such) is, when making any economic decision, to follow as much as possible the best option available with respect to benefiting life, and let the finances take their course. Ultimately, the monetary system in its current configuration is not sustainable whether people borrow at a high or low

rate. The important point is to not let life suffer anymore than it has to due to the pernicious workings of the system in the knowledge that any determination concerning whether or not to take on "debt" arrived at truly will in the short run avail life, and in the long run buy time for people to come to their senses and remedy the flawed foundation upon which the system is founded. That, in my view, is an optimum course of action, however it might play out in detail in any particular case.

The example we have examined here pertains to the finances of one particular person, but how does that relate to the to-borrow-or-not-to-borrow question for society as a whole? That is a question I will take up in tomorrow's column.

Column #65 TO BORROW, OR NOT TO BORROW: THAT IS THE $700 BILLION QUESTION

(Week 11 - Friday, Oct. 24)

I reported in yesterday's column about someone who sought my advice concerning whether she should borrow money from a bank for what she deemed to be a creative, but not strictly necessary, purchase; and thereby take on more "debt" that she, and ultimately the larger society, would have to bear. I recommended that she follow as much as possible the best option available with respect to benefiting life, and let whether that meant borrowing money, or not, take its course.

Our nation has recently passed through a similar point of choice, though on a vastly greater scale. This was in reference to the decision about whether Congress should pass and the President sign legislation by which the Federal government would borrow $700 billion from the Federal Reserve in an attempt to "rescue", supposedly, the failing financial system. Within the context of the present monetary system one could make a case for either course of action.

For purposes of this discussion, I would first make an argument in favor of the measure. There is a chance that such an injection of funds will succeed in restoring a measure of order and confidence in the financial system that, in a nation which has largely lost its local subsistence capabilities, we all depend on literally for survival. Standing by while it implodes is not an option. In addition, the bill will put into play billions of dollars of circulating medium that are sorely needed to expedite essential economic activities that people in many areas of life are looking for funds to accomplish. This runs the gamut from paying mortgages, to financing business activity, to investing in alternative energy, to repairing infrastructure, to hiring school teachers, to providing health care, to getting the homeless off the street, to feeding the hungry, to (fill in the blank). It is inevitable that some of the money will reward speculation and end up financing otherwise unproductive

and unethical enterprise, but is that any reason to let economic activity that is in this moment needed for pressing human needs to go unrealized?

Next I would make an argument against the bill. Sure it might restore a measure of order and confidence in the system, but only temporarily, and at what price? Taking on yet another round of "debt" will come down as an additional burden on the already buckling shoulders of the productive participants in the economy, and will in the long run only serve to compound the problem and put it off to a more terrible day of reckoning? Admittedly it will provide a useful injection of currency into the economy, but in the larger picture is it not really cruel to allow a society that is addicted to "debt" one more fix of the very substance that is bringing it down? In any case, much of this supposedly needed economic activity is not "needed" at all. A large share of the money will go to reward usury (using money to make money at the expense of one's brother or sister, instead of acting as a financial partner to expedite genuinely beneficial enterprise), and it is doubtful whether the added level of economic activity financed will be worth the damage done.

Whatever one's view of the choice that was presented, the bill has been passed. My purpose in revisiting the decision is not to second-guess the road taken, but to use it as an example for how we might approach such dilemmas. The nation could not have avoided selecting on outward course of action, but inwardly we must explore what we are evidently doing wrong that causes such mutually problematic choices to be seemingly our only options.

We need to step up out of the to-borrow-or-not-to-borrow catch-22 into a new way of thinking for the future. Right now financiers, pundits, academicians, politicians and other "leaders of public opinion" are for the most part not offering much of a conversation to help We the People do that.

Too often in the political realm, for example, the options are presented as ideological arguments. We can hear this reflected in the debate between the Presidential candidates at present where the rhetoric of one is designed to sound plausible to a "conservative" base, and the other a "liberal."

It is interesting to note that history has shown that once a President is in office, or a party in power, the demands of their new duties dictate that they act a lot less differently with respect to each other than their ideological pronouncements would have one believe. Witness in this case how Senators McCain and Obama strain to highlight supposed differences in their respective approaches to the present financial crisis, but in the end support the essentially the same course of action. This is a tacit recognition that, when it comes to coping with real-life situations, ideologies don't matter. Acting out

of one's highest consciousness of what is needed in the moment matters.

What, then, is needed in this moment? It is not recriminations about whether the $700 billion deed should have been done. The real question is what have we gained from this experience that can help up us move into the future? Cleary, the monetary problem has not been solved, but if the "bailout" is "successful" some time has been bought. This time of "crisis" is truly a gift if we know what to do with it. I say this, not in the spirit of taking lightly the suffering that people have experienced through its travail, but in the fervent hope that such sacrifice can be redeemed to good account, and its lessons contribute ultimately to their economic liberation.

This hope will be in vain if we cannot lift ourselves up into a higher plane than the one on which the to-borrow-or-not-to-borrow-$700-billion issue was debated. To be sure, we need to make the best of whatever options present themselves in the exigencies of the moment, but it is imperative to leave dogmatic biases about whether, or not, to take on more "debt" out of the question. A primary lesson of this whole "debt crisis" episode, I would suggest, is that ultimately we have no choice but to get serious about the matter of restoring the monetary franchise to the public domain.

Column #66 WHY DON'T THE CANDIDATES TALK SENSE ABOUT THE "DEBT"? – Part 1

(Week 11 - Saturday, Oct. 25)

As I listen to the rhetoric of the Presidential candidates, the "big two" in particular, concerning the current "debt" crisis, I hear essentially only one proposed response. There are variations of detail that are put forward with great emphasis to be sure, and buttressed by their supposedly contrasting ideological dispositions, but I find them to be distinctions with hardly any difference. Their common answer goes something like this:

"We as a nation have failed to exercise ethical fiscal discipline, both with respect to the private financial sector, and to government taxing-and-spending. Now we have run up this enormous debt that will have to be paid down by instituting the proper constraints and oversight provisions in the private sector, and reigning in out-of-control government spending. Hopefully, we can avoid the abuses of the past, and ultimately pay this deficit down so our children will not have to."

This response is, in my view, hopelessly unrealistic. If the private sector and/or the government for any reason steps down in their ability and/or willingness to borrow, that means that less money will enter into circulation. Private participants in the economy will find themselves increasingly in the position of being unable to pay their bills as the

money supply shrinks. That will put greater pressure on the public sector to do the borrowing needed.

Government will at first experience this pressure in the form of having to cover social needs that are no longer being met in the private sector when people are losing their jobs, health insurance, pensions, homes through foreclosure, ability to meet business payroll, and so forth. The levels of government below the Federal will increasingly look to Washington to help out with their mounting budgetary shortfalls caused by increasing social need and falling tax revenues. The Federal government itself will be saddled with the additional problem of keeping the monetary system going by seeing that the monetary pool on which all phases of the economy depend does not run dry. Like it or not, under the present system that means more borrowing.

Faced with these imperatives, I would ask the Presidential candidates how they expect that this mounting national "debt" crisis is going to be redeemed by reigning in "out-of-control spending." Any attempts to "balance the budget" will be futile given the "debt"-based principle on which the monetary system is founded, and under present circumstances could only result in a catastrophic contraction of the money supply, thereby sending the economy into an imploding spiral.

Politicians have for decades virtually always asserted that the "debt" crisis of the moment can only be brought under control through fiscal restraint, but they have virtually always in the exigencies of the moment felt the need to act in a precisely opposite way.

The "conservative" Reagan and Bush I administrations lifted the economy out of the doldrums of the Carter era by running up record deficits, thereby pumping enough money into the economy to restore "confidence".

This allowed President Clinton to claim credit for bringing down the deficit as the ample supply of circulating medium induced private persons to borrow record amounts of money themselves in a euphoria of "economic expansion", and the government could for a time step down as the borrower of last resort; notwithstanding that the country as a whole, public and private combined, continued to slip into "debt" at an undiminished rate.

By the time the second Bush presidency came along, the ability and willingness of private parties to go into still more "debt" was running out, and another source of credit had to be found. The great engine of "debt-money" creation since then has been the Iraq and Afghan wars.

With the decline of the housing market, the biggest source of private "debt" creation (home mortgages) has contracted to the point where even borrowing to finance the current wars is not sufficient as a generator of new money creation, so earlier this year the government felt obliged to borrow even more money and simply pass it out in the form of "tax rebate" checks (as if there were a surfeit of Federal tax receipts).

Confidence in the system has continued to plummet anyway, and now even bankers are so shaken that they are reluctant to lend. Consequently, our national leaders have been at a loss concerning to how to arrest the collapse of the whole monetary order, except to mount a hurry-up effort to borrow the staggering sum of $700 billion and inject it into the speculative financial industry on the basis of vague assurances from the experts (who guided the ship of finance into this storm) that this desperate measure will somehow redeem the situation for the sake of all the people.

The ink has hardly had time to dry on that bill, and already our representatives in Washington are talking about borrowing yet more money to fund a new "stimulus package". Through all of this the public is assured that the abuses will be stopped because there will be some unspecified details written into these "financial packages" that will assure greater scrutiny and control, plus the taxpayers will get their money back out of the "future profits" of these already failed "investments" that the government will buying up. I don't know what is in the minds of the current Presidential candidates, but surely, given their years of experience in government in which they have seen from the inside the futility of trying to wrestle the "debt" dragon into submission through budgetary variables, they cannot possibly have confidence in what they are saying. What is going on here? I will pick up on that question in the next column.

Column #67 WHY DON'T THE CANDIDATES TALK SENSE ABOUT THE "DEBT"? – Part 2

(Week 12 - Monday, Oct. 27)

In the last column I posed the question of why the current candidates for President, like almost every candidate for national office in election-cycle-after-election-cycle going back decades, repeats the same mantra about their intention to reduce the Federal deficit by at last reducing "out-of-control spending", in spite of the fact that the Federal "debt" arises from the very process by which money is created and issued in our system (via borrowing money at "interest" from a private banking system), and cannot be effectively addressed within the context of taxing and spending parameters.

In September I had a conversation with Ralph Nader that may shed some light on the riddle. He, of all candidates, has been a strident and knowledgeable critic of the abuses

wrought by corporations. I asked him if he realized that a private corporation has been granted a charter (via the Federal Reserve Act of 1913) to issue the nation's money supply, and that it does so by creating and "lending" it out on such terms that our nation as a whole cannot service the "debt" so incurred (due to the attachment of a compounding "interest" fee) without borrowing ever greater quantities of money, and thereby slipping ever further into "debt." I also suggested to him that this private-money-creation franchise was the linchpin of the whole globalist corporate order of which he offers such an impassioned critique, and that the abuses he documents cannot not be effectively resolved until the monetary power is returned to the public sector.

He said that he understood this to be the case. Why, then, I asked him, does he never mention the corporate control of the issuance of the public's money supply in his public pronouncements? He replied that he does indeed mention it in very small gatherings, but he has not found a way to talk about it to the larger public.

From my decades in trying to address the matter in public, I can understand his dilemma. The public's consciousness about money has deteriorated greatly since William Jennings Bryan won Presidential nomination of the Democratic Party for three election cycles after declaring in his famous Cross-of-Gold speech in 1896 that he did not put all the issues he believes in into his platform because: ". . . when we have restored the money of the Constitution, all other necessary reforms will be possible, but until this is done there is no other reform that can be accomplished."

The lesson of this story is that clearly the monetary awareness of the Presidential candidates of the modern era has changed; but so has that of the public. Do the candidates not talk sense on the issue of "debt" because they do not know what is happening, because they are in denial about the facts, or because they cannot find an opportunity in the public discourse to talk about their true thoughts? Is it possible that McCain and Obama have an understanding on this matter that runs deeper than what they are letting on, but feel constrained because, in the current cultural and political climate, any mental processes they might express that fall outside the bounds of the dominant socio/economic/political paradigm (and this would certainly be that) would be interpreted by the pundits and public alike as unintelligible gaffs that would quickly destroy their candidacy? I don't know the answer to that question, but I do know that we need to lay aside the talking points and partisan bombast, and start talking sense with each other on matters of money.

There is an element of cynicism in the country that is convinced that the major candidates are bought-and-paid-for shills of the system, and as such are lying outright to the electorate. I can't prove that that is not so, but the assertion seems to me to be simplistic at best; dangerously irresponsible at worst. I observe that great mass of the

electorate, as well as the media pundits that would presume to pose the burning questions of the day in our stead, are themselves virtually universally ready to accept the bromide that it is out-of-control-spending that is causing the "debt", and would likely dismiss any candidate that would dare to suggest otherwise. How, then, could we summarily blame any candidate for not committing political suicide by speaking out?

A more productive course of action, I would suggest, is for each of us to think carefully and self-reflectively through the subject of money for ourselves; always seeking the truth, and leaving aside our pet ideologies, idiosyncratic prejudices and personal interests. From there we can cultivate a dialogue that would bring people together to discuss the subject on a fresh basis. Such an approach would naturally include an invitation for the candidates to join in. This may seem like a futile gesture given the shortness of time before the day of decision and the scope of the issues involved, but it behooves us to look beyond the election. We have to start somewhere.

It has become axiomatic to say that this is a pivotal election cycle, but pivotal around what? If We the People, candidates and voters alike, cannot break out of our habitual unproductive thought patterns concerning the "debt" crisis, I see only precious time lost, and a turn for the worse in our prospects for coming to grips with its monetary cause. But, if we can use the period of heightened public consciousness in the run-up to election day to plant the seed of an authentic dialogue, even if there is not time and opportunity for it to come to fruition by November 4, then truly we can hope to turn the situation for the better. Events are telling us that the monetary matter is urgent, and we have already put it off for too long.

Column #68 WHY OUR CHILDREN WILL NOT INHERIT THE "NATIONAL DEBT" – PART 1

(Week 12 - Tuesday, Oct. 28)

Debates about the "national debt" (especially as concerns the Federal "debt") are frequently accompanied by admonitions that we need to deal with our "debt" now so our children will not inherit it. Politicians have been professing a sense of urgency about the matter for decades, and the public has come to expect the familiar rhetoric from them. Their proposals are invariably vague and couched in ideological terms, and, it seems, once whoever is elected assumes office the net indebtedness of the nation continues to snowball, except at an accelerated pace.

The "national debt," both public and private, has continued to mount for decades, across the generations, until now it is simply galloping out of control. We are being subjected to the same promises in this election cycle, but the numbers have gotten so

immense that it makes one wonder how anyone can have the temerity to utter such claims anymore. It is as if they can't think of anything else to say.

This situation begs a few questions. What is happening here? What is it about debt that we don't get? What are we doing wrong? Is there no way to turn the fiscal corner and finally start paying this thing down? Are we helpless to arrest the mortgaging of our own children's future?

In my view the concern often expressed by politicians and citizens alike about not wanting to burden our progeny's future with our irresponsible financial profligacy is for the most part authentic. The problem is that our most heartfelt efforts are bringing about the very opposite effect. The irony is that the more we resolve to fix the problem, the more we make certain that this downward spiral into "debt" continues. This is a case of unintended consequences run amok.

We are counseled in holy writ, "Wisdom is the principal thing; therefore get wisdom: and with all thy getting get understanding." (Proverbs 4:7). In not wanting our children to fall into indentured servitude to the moneylenders we have indeed embraced "the principal thing," but as a culture we lack the understanding of how to accomplish it.

To get this understanding, I propose that we start by revisiting the private-bank-loan transaction by which virtually every dollar in circulation comes into being. I ask the reader's patience in that this will require an explanation that will unfold over the length of several columns, but understanding its implications is absolutely crucial to seeing how our children's future can be rescued from the irredeemable "debt" that seemingly threatens to foreclose on it now.

When a person borrows from a bank, the banker does not get the money he is "loaning" from funds on deposit in his vault. Rather, he creates the money with the "writing of a check" (or the electronic equivalent of creating deposits in the borrowers account with a few keystrokes on a computer). In other words, the money did not exist the instant before he "made the loan", but it does now. This is the very moment in which new dollars come into existence within the Federal Reserve System.

Already we can see that the banker is not making a "loan" in the dictionary or common sense meaning of the term. That is, he is not handing over something tangible that he is in possession of, and therefore must now do without until the "borrower" returns it. Instead, he is bringing an abstract value into existence that is essentially conjured "out of thin air." It would be more proper to describe this, not as a "lending", but a "monetization" process. Monetization is the creation and issuance of money as an extension of a commodity that exists and has worth so that it, or goods of equivalent

value, can be bought and sold.

The existence of this more accurate terminology notwithstanding, the common practice in the world of banking is to call the issuance from this money-creation process a "loan", which by implication results in a supposed "debt".

(to be continued)

Column #69 WHY OUR CHILDREN WILL NOT INHERIT THE "NATIONAL DEBT" - PART 2

(Week 12 – Wednesday, Oct. 29)

In yesterday's column I offered a description of how the private-bank-loan transaction by which money in the present system is created and issued is not a "loan" in the dictionary or common sense meaning of the term, but is actually a creation-and-issuance procedure by which new money is created when the banker writes the check (or electronically credits the account), and enters into circulation when the "borrower" spends it. The banker is not handing over funds that were on deposit in his bank, but, rather, is bringing an intangible value into existence that is essentially conjured "out of thin air" in a process that could more properly be called "monetization" (the assignment of monetary value to already existent wealth (i.e. collateral)).

By the terms of the contract that the "borrower" is required to sign to get the money, he agrees to take on a "debt" to the bank in spite of the fact that the money could not be properly said to have been a "loan", but rather an assignment of monetary value to the property (collateral) of the "borrower".

It must be asked, where did the bank get the privilege to effectively write the money that created a "debt" which the citizen who applied for the "loan" is obliged to bear? It proceeds from the exclusive franchise to create money granted to a private corporation by the Federal Reserve Act of 1913. The granting to a private corporation of the franchise to create the nation's money supply is unconstitutional because such authority is a legislative power, as stipulated in the Art 1, Sec 8, Para 5 of the United States Constitution (Congress shall have the power to . . . coin Money (and) regulate the Value thereof).

Notwithstanding that they have done so, it is no more justified for the Congress to abdicate this Constitutional mandate than it would be for the President to contract out his executive duties, or the Supreme Court its decision-making trust to a private contractor. President Andrew Jackson stated the matter succinctly in his message to

Congress on the occasion in 1832 of vetoing the charter of the Second Bank of the United States (an institution much like the Federal Reserve):

"But if they (the Congress) have . . . power to regulate the currency, it was conferred to be exercised by themselves, and not to be transferred to a corporation. If the bank be established for that purpose . . . Congress have parted with their power for a term of years, during which the Constitution is a dead letter."

In assuming the authority to create money, the private banking system (under the direction of the Federal Reserve) has usurped a power that properly belongs to the citizenry as a whole. That it then "loans" the money so created back to them is an act of civic effrontery that We the People cannot accede to without becoming as a body citizenry accomplices to the act, and at length indentured serfs to the private interests that have been vested with this misplaced prerogative.

The resulting "debt", then, is not a common-sense debt any more than the "loan" that supposedly created it is a common-sense loan. Indeed, the very legitimacy of both concepts must be called into question. There is one more factor in this line of reasoning that needs to be established before it can be stated definitively (in my view) why our children will not inherit the "national debt". That will be the topic of tomorrow's column.

Column #70 WHY OUR CHILDREN WILL NOT INHERIT THE "NATIONAL DEBT" - PART 3

(Week 12 - Thursday, Oct. 30)

In the previous two columns I suggested that nether the "loan" from a private bank by which money is created and issued, nor the "debt" that results, are what the words would purport to mean by the dictionary or common sense meaning of the terms. Moreover, I questioned the very legitimacy of both concepts as they are used in this particular transaction.

Attached to the "debt" is a fee, commonly called "interest", that compounds over time until the "loan" is "paid back". The charging of this "interest" fee is commonly attributed to "the cost of money", but the phrase is not justified. The "cost" in real terms is essentially the small effort it takes to lift the pen and write the check.

If a private person had a checkbook out of which he was able to write checks for any amount with no requirement that there be funds somewhere to draw upon, and, further, he chose to "loan" the money so conjured to people who simply did not have that privilege, would it be proper to say that a compounding fee attached to the use of such

funds constitutes a "cost of money" to the person writing the check? While a modest incidental levy might be justified, an "interest" charge can assume such proportions that it can total more than the principal amount of the "loan" itself; often a multiple thereof. It can even result in a revolving-door payment on the "debt", with the principal of the "loan" not being retired at all. Can the fact that a particular group has been awarded control of the spigot that dispenses the economic life's blood of society as a whole be attributable to anything but a disparity of privilege?

Money is the most vital element of the commons. How can it be justified for a private corporation to possess the franchise to create it, while everyone else is obliged to pay a heavy tribute for its use?

But, I hear it said, banks are businesses, and like other businesses they are obliged to pay their expenses and earn a profit. This is true, but most of the expenses of banking are covered by the many fees they charge for their services that are not related to "interest". Why, then, are they justified in tacking on an additional compounding surcharge that requires that the money they create out of essentially nothing be "paid back" in quantities that are often multiples of the amount "loaned"?

Others will say that if banks did not charge "interest", what would be the incentive for them to loan out "their money"? They are not loaning out their money; they are "loaning" ours (i.e. the public's). We should be turning the question around and asking, what is the incentive for We the People to "borrow" at "interest" money that is already ours to create? I would add, why are we not asking this question in sufficient numbers to put the monetary issue on the political agenda?

To be complete, I would note that there are banks that do indeed loan out money on deposit. They are generally referred to by specialized names, such as "savings banks", "savings-&-loans" or "credit unions". What are commonly identified as a "banks" within the Federal Reserve System create new money using funds on deposit (called "reserves") as a baseline from which, within the rules of a mathematical (fractional reserve) formula, they are permitted to create new money to "lend".

The Federal government (i.e. We the People through the Federal government) is supposedly in "debt" to the Federal Reserve for a sum that is currently in excess of $10 trillion dollars. Over a period of time, it will cost the government that much and more in "debt" service payments just to avoid defaulting on the "loan" (without ever reducing the "debt"). Will the Fed really have incurred a "cost" of $10 trillion dollars (as measured by what was needed to cover material expenses and employee wages) in servicing the paperwork on the amount "loaned"?

In the private sector a "loan" of $500,000 might well be sufficient to compensate the architect, suppliers, tradesmen and other necessary contributors to the building of a large house, but does it really cost another $1,000,000 dollars ("interest" and fees) over the period of the "loan" (mortgage) merely to manage the paperwork?

Clearly, there is a grossly disproportionate charge for actual services rendered at the very least. In reality a virtually culture-wide denial is happening in matters of money that is effectively camouflaged by euphemistic language and dubious patterns of thought, which, in turn, have become the words and phrases that we as individuals and as a civilization have available to think with.

What needs ultimately to reckoned with is that, due to the compounding "interest" fee attached to bank "loans", the "debt" of society to the banking system can never be "paid off". Again, to be complete, it is technically possible for the "debt" to be satisfied if the "investors" who bought up the "debt" contracts generated by the banks all forego retaining the "interest" payments collected, and return the money as gifts to the social order. In fact, there is some of this that goes on, mainly in the name of philanthropy, but it is hardly the reason that motivates the majority of the gamblers in the monetary casino. Practically speaking, the "debt" that is attached to the public money supply is unpayable.

How then can our children ever "pay" it? More on that tomorrow.

Column #71 - WHY OUR CHILDREN WILL NOT INHERIT THE "NATIONAL DEBT" - PART 4

(Week 12 - Friday, Oct. 31)

In the previous three columns I have attempted to establish a three-part premise to establish a basis for understanding why our children will not inherit the "national debt". It can be enumerated as follows:

#1 – The so-called "loan" from a private bank by which money is created and issued is not a loan in the dictionary or common sense meaning of the term, but is, rather, a process by which money is created "out of thin air".

#2 – Since no money has been loaned, how can there be a resulting "debt"? In truth what is called a "debt" to the banks within the present monetary system results from the creation and issuance of money by a private corporation out of a power that rightfully and constitutionally belongs to the body of citizenry to whom the money is being "loaned". How can We the People be in "debt" to ourselves?

#3 – The compounding fee called "interest" attached to the supposed "debt" created via bank "loans" makes it impossible, even by the rules of the Feds own system, to "satisfy" the obligation so created in a final sense, because when the principal sum of the loan is issued, the money to pay the "interest" is not. The aggregate of "debt" that created the money supply can only be rolled over by continually "borrowing" ever more money into circulation.

Given that the "national debt" is the aggregate of the principal balances of all outstanding bank "loans" (public and private), that such "loans" are not real loans, that the resulting "debt" is not a legitimate debt, and that this "debt" cannot be satisfied in any case due to the compounding "interest" fees attached, how can our children ever pay it?

The straightforward answer is that they cannot, simply because the very idea of a "national debt" makes no sense. It is an abstraction that has no basis in reality. In truth, it is a belief system that the adult world pays tribute to because we think it is real.

The real burden we place on our progeny, therefore, is not in any objective sense some "debt" that they will inherit, but a belief in such. From the time they emerge from the womb, virtually every adult voice in their world is in effective (though not conscious) conspiracy to convince them that their future is already mortgaged away.

If the economic pundits have it right, when a newborn innocent draws first breath he will already "owe" some quarter-million dollars to a supposedly compassionate world that has gone so mad that this abject absurdity is deemed to be hardnosed, bottom-line "reality" from which to reckon his economic future.

But they have a secret; one which even they don't know. It is that the child is not in "debt". His future is not "mortgaged" (i.e. "death pledged") after all. In the economic aggregate there is no such thing as fiscal "debt". Its smoke-&-mirrors "substance" is the usurious bubble attached as a rider at the birth of money itself into the social flow, as alluded to in the private-bank-loan transaction.

All voices in the child's universe - teacher, politician, financier, scientist, psychologist, clergyman, TV personality, parent - conspire to insure that he will be inoculated against the secret; they being not cognizant of it themselves. If the spell is not broken, it will settle upon the youth a yoke of phantom "debt" which in hypnotic stagger he will bear to his grave. Let us resolve now that we disabuse his tender mind of this spirit-crushing bugbear.

Column #72 - PRIVATE BANK MONEY: THE STRANGE SUPERSTITION OF OUR AGE

(Week 12 - Saturday, Nov. 1)

Christopher Hollis, British economist and guest professor at Notre Dame University, observed:

"Indeed the historian has to record that in almost every age there was some superstition or other of utter unreason which strangely occupied the minds of men, otherwise of activity and vigor . . . We are sometimes ready to congratulate ourselves that our age has outgrown all superstitions. But the historian of the future will, I fancy, reckon in the same class . . . the strange superstition that, whenever money is invented, a percentage must be paid forever afterwards as a propitiation to a banker. It is on that superstition that the whole empire of Mammon is built."

Private bank money is the "strange superstition" of our time. It behooves we modern scientific sophisticates to ask ourselves if we as a civilization have fallen for an assumption that is as unscientific as the flat-earthery of an earlier time. Frederick Soddy, a British scientist and Nobel Laureate in Chemistry, was appalled by the anomalies caused by the usury-based monetary system. He wrote,

"The sensationalism of the scientific prophet could hardly imagine anything so sensational as this. A nation dowered with every necessary requisite for an abundant life is too poor to distribute its wealth, and is idle and deteriorates not because it does not need it, but because it cannot buy it."

Such thoughts precipitated an inquiry on his part which resulted in what many consider to be a classic volume, Wealth, Virtual Wealth and Debt. This treatise compares economics with physical science. The creation of real wealth, he reasoned, always involves the expenditure of energy, and must conform to the laws of thermodynamics, whereas to set up "debt" paper as the source of wealth turns reality on its head. Among his many insights was the conclusion that,

"If we reasoned similarly in physics, we should probably discover that weight possessed the property of levitation."

My observation is that in our "enlightened" era, denial, especially when related to money, is perhaps the strongest human failing. I can imagine a time in the future when our descendents (for whom we are so ostentatious about not wanting to pass on our "debt"), will come to their senses and dispel the bank-money bogeyman back to the

irrationality from which he came, and wonder in amazement how an age of "science" could ever have believed in him. They will regard with horror the terrible price we were willing to pay, rather than relinquish our attachment to this pernicious notion.

In my view, the so-called "national debt" is a phantom. By taking it at face value, and arguing within an arena circumscribed by its own ostensible terms ("loan", "debt", "interest", "pay back", etc) , howbeit even "against" it, we effectively legitimize its chicanery and cement it as a fixture of our intellectual landscape. Our reflexive hand-wringing on this "issue" needlessly traumatizes our children into believing this abstraction is real, and unintentionally programs them into an acquiescence to a dead-end future. We do untold violence to their prospects, their psyches and their hopes, however unintentionally, because we are reluctant to break our denial on this.

If We-the-People were to wake up to the reality that the "national debt" is a made-up construct, and that it could be de-constructed, there would be a new world in the morning. What is more, the sky would not fall, and the whole financial mess the nation finds itself in could begin to be resolved directly, systematically, transparently and without default to anyone.

Monetarily speaking the way forward is straightforward. It begins with the restoration of the money creation franchise to the public sector. It continues with the deflation of the "debt" bubble (not a paying of the "debt") by the redemption as they come due of already outstanding U.S. bonds with real money (United States Notes; as per the "Greenback"). It is completed with the scrapping of the fractional reserve formula, and the redefining of all "credit money" already issued as legal money.

The playing out of the transition is bigger and more complex than this of course, but eminently doable. This may sound like a preposterous vision, but, I would suggest, it is not. It only seems so because our minds have been trained out of the ability to even entertain such fits of common sense by the cumulative force of our "debt-money" rooted acculturation.

Next week the citizens of the nation will enter the voting booth in what is widely billed as a "pivotal election that will determine the future of our children's future." In spite of what has come to be years of strenuous campaigning at a cost of hundreds of millions of dollars, the issue of money is not even represented by anyone on the ballot in any definitive way. Whatever the turnout, and whoever the victors, this is a great tragedy for our nation. It was not always so. Let us resolve that it never be again.

Column #73 - ELECTION DAY: DAY OF DECISION, OR RATIFICATION?

(Week 13 - Monday, Nov. 3)

Tomorrow is "election day". Ostensibly, this is the long-anticipated pivotal day of decision on which we set a bold new direction for the future of ourselves and our children. After observing the pattern set in previous election cycles, it might be fairly asked if it is not instead an empty civic ritual whereby, amidst much expensive political hoopla, we participate in the ratification of the same old system, with no realistic chance of making a choice for the positive? In the persons presented on the ballot (as per John McCain and Barack Obama, for example; not meaning to overlook the fact that there are others also), is there presented a bona fide choice between two divergent roads forward, or is it essentially a non-choice, between "Tweedle Dee and Tweedle Dum". Is the only real alternative to "waste" one's vote on a protest third-party candidate?

Taking the question a bit deeper, is it a constructive act to cast one's vote at all? This, to be sure, may appear to be out of synch with the civic tenor of this special day, but in my travels the question is presented to me frequently by serious-minded souls who are seeking an affirmative way to act, but are torn between hoping that they can make a difference, and feeling that their precious time and energy are being co-opted to add political bunting to the same old corrupted civic structure.

For my part I am encouraged that the level of interest and participation among the electorate, even after what seems like an interminable four-year grind since the last Presidential election. In a peculiar sort or way the vast quantities of cash that have been pouring into campaign coffers is an indication that there is a vast reservoir of hope that is being drawn upon, even to the extent that people are electing to vote with their financial substance through a difficult time. For all that, however, the issue of monetary transformation, is nowhere represented on the ballot, except in the guise of the tired old rhetoric of getting-spending-under-control-and-balancing-the-budget-so-our-children-won't-have-to-pay-our-"debt". What could be more discouraging?

This begs the question, is there a reason for hope? I believe that there is.

Permit me to offer an analogy. In the field of chemistry there is a phenomenon known as a "super-saturated solution." By way of explanation, if one were to take a liter of water and then begin to add small quantities of a salt, the salt would dissolve into the water forming a solution; until, that is, the water held in solution all the salt that it could hold. At that point the solution would be "saturated", and any additional salt added would fall undissolved to the bottom of the container.

Now suppose that one started with a solution that was already saturated (with no extra salt at the bottom), and began to let water evaporate out of the container. As the water

evaporated the salt would be left behind, but the measure of salt that was supposedly dissolved by that amount of water would stay dissolved, and not precipitate to the bottom. The solution in the container would have entered a state of being a "super-saturated solution"; that is, it would be holding in suspension more salt than it could supposedly hold. The reason that it would stay in suspension is that there is nothing identifiable in the solution that represented truly the pattern the excess salt would precipitate into if it had the chance. If one were to introduce into the solution a seed crystal, however tiny (it need only be at least one molecular replication of the true pattern), then the excess salt in the solution would precipitate out (this is in fact how crystals are grown).

The state of the macro-political climate at present is analogous. The energy in the hopes, fears, debates, activism, anxieties, seeking and prayers of the people around the world about the present state of affairs constitutes a mighty socio/economic/political super-saturated immersion. There is a great deal of angst-ridden argument out there about having to find a new and better way. Many issues are raised, some which venture tantalizingly close to the core truth, but we remain yet at a collective loss as to what precisely the problem is, and what exactly can be done about it. If, however, the seed crystal of a true alternative can be sown into the public consciousness, what would precipitate out would be breathtaking. That is what this column, hopefully, is all about. If in fact it can be constituted so as to form a seed crystal of what is yet unmanifest, but striving to be born. This is no mere metaphor, but a principle of real power and change.

Seen in this light, the tremendous energies that have been poured into this election cycle, without, in the view of many, evident fruit need not be lost. They do indeed come from a deep font of human hope in the future that can be precipitated out into a bright new vision for the future. The seed crystal that is yet lacking, I would suggest, is a true dialogue about the nature, realities and practice of money.

Column #74 A POETIC THOUGHT FOR ELECTION DAY

(Week 13 - Tuesday, Nov. 5)

The campaigning is done, and each office seeker has made his or her case. This poem is offered from the heart as something to reflect upon as each reader casts his or her vote. If one cannot find clear expression for the thought and sentiment it raises on the current ballot, then may it at least plant a seed of resolve for the next time around (which starts tomorrow).

"Why?"

Hark the entreaties of the broken
Souls who have borne usury's curse,
Debt-money's train of death and woes.
The huddled betimes scarce awoken
Soon to find wit and will aburst,
The hour, impending, no one knows.

The meek get ready to inherit the earth,
The earth prepares to receive the sky,
The youth anon will discover a future,
The wise, in love, smile – and now you know "Why?"

May we all walk in wisdom on this day of decision.

Thank you for listening.

Column #75 ELECTION NIGHT MUSINGS

(Week 13 - Wednesday, Nov. 6)

I have spent the evening in the company of good friends with whom I watched the election returns on the television. At this late hour I am more in the mood to be personal than analytical. Election days are singular in their effect upon me. They are a unique hiatus between one rhythm of life and another. The campaigns are over, and now we go back to work.

I am a quintessential baby-boomer and child of my time. I grew up in what I experienced as the halcyon 50's, and came of age in the turbulent 60's. The thought that kept coming to me tonight is, "what a difference forty years can make". I was born and raised in Chicago, and grew up with familiarity with Grant Park, site of Obama's acceptance speech. Forty years ago it was the location of the massive disorder ("police riot" some called it) that swirled around the '68 Democratic Convention. How different that was compared to the virtual love fest that reigned there tonight.

I did not experience the mayhem in Grant Park in '68 because I was in the midst of another chaotic scene in Vietnam. From there it seemed that "the World" (what we called the states from "the Nam") was coming apart. Over a hundred cities, we were told, were beset by rioting and on fire. Martin Luther King had been murdered in the spring. Bobby Kennedy, who's last public utterance was "And now on to Chicago", met the same fate shortly after. This finished off, it seemed, the innocence of a generation, coming as it did less than five years after the assassination of his brother.

I experienced a particular feeling of sadness upon hearing McCain's most gracious concession speech. I realized that no veteran of Vietnam had served in the office of President, and that McCain was perhaps the last best hope of that happening. It still isn't too late, or course, but I had the feeling that with the public taking a pass on his candidacy, perhaps the torch was being handed off already to a new generation. It seemed that the experience of the souls who had served in the war that marked our generation, but were still keeping it all inside, was somehow being passed over also.

Obama's dignified acceptance address aroused in me feelings of hope. More so did the looks on the faces of his crowd. Much has been said about the shallowness, mendacity and venality of modern political campaigns (not without reason), but I did not see evidence of that in the countenances of this celebratory, but serious, throng. How long will such comportment last? I do not know, but it is reassuring to know that it is there and can be called forth if the moment can be made right.

As I reflect upon the differences between the times now and forty years ago, it strikes me that, culturally and politically speaking, much has changed, except perhaps the one thing that needs most to change. That is, we still cannot have an authentic public dialogue about money. To be sure, there are many partisan ideological arguments about taxes being too high, spending being out of control, having to pay the "debt" so our children won't have to, and the like, but those are not sober soul-searching conversations about what money is, how it is created and controlled, and who it serves.

McCain and Obama both talked in a heartfelt way about the need to come together. Money is one topic that is common to us all. Notwithstanding that it is typically invoked in a divisive manner, my experience is that it is the one subject around which it is most possible to have a unifying transcendent dialogue. I have tried to demonstrate something of that potential through these columns. It is my hope that in the relative political calm between now and inauguration day, the seed of a productive discourse on money can be planted, before the looks on those faces fade again into the disunity of political business as usual.

Column #76 WHAT NOW?

(Week 13 - Thursday, Nov. 6)

This nation has from time-to-time passed through periods of incredible euphoria for the heights of achievement and sacrifice it has achieve. I sensed such a moment in the aftermath of Obama's victory amidst the throng in Grant Park in Chicago. The People basked briefly in the sublime light of fulfillment in their realization that this nation's very

soul, though sullied by its passage through chattel slavery, Jim Crow and racial bigotry, had traversed the length of human mendacity in at last coming to elect as its leader the first African American President.

Few believe that being black, or of any other particular description, is a qualification for high office, but the identity of the candidate in this case cannot be separated from the momentousness of the attainment. Obama had endured the vicissitudes of the process, and that few seemed inclined to question that he had fairly "won" (whatever that means in politics) was somehow cathartic to the nation. Even John McCain could not help but dedicate the first words of his concession remarks to that historic achievement, and President Bush issued his own declaration commemorating the event. We have long been a people that prides itself on the belief that any new soul born into its fold could aspire to any position in the land. Until last night this promise was in some measure hypothetical, but the question is now laid to rest.

Had the election tipped the other way, an historic precedent would have been set in another direction; i.e. the first woman to attain to the office of the Vice-Presidency. There was a time when for even one party to entertain the idea of having a Catholic on the ticket was pushing the bounds of thinkable thought (as for JFK), but now it seems the breaking of the Protestant-white-males-only-need-apply rule was done it stride. Surely as a nation we have grown up.

What now?

The events of yesterday were in part a culmination of the American Revolution, but something crucial remains undone. After a heroic War of Independence announced with a noble Declaration and guided by "founding fathers" of high principles, one might think that the establishment of the right of the nation to create, issue and control its own money would be a foregone conclusion, but if history teaches anything it is to not underestimate the money power (the amorphous principality that the power of money, as co-opted by forces inimical to the commonweal, represents; it is not any particular persons, but persons of every class or description can, and do, fall under its spell). While the People have on occasion arisen to great heights of purpose and sacrifice, afterwards they understandably tend to turn back to their private lives. The money power, on the other hand, never rests, leading monetary historian Alexander Del Mar to observe ruefully:

"Never was a great historical event (the American Revolution) followed by a more feeble sequel. A nation arises to claim for itself liberty and sovereignty. It gains both of these ends by an immense sacrifice of blood and treasure. Then, when the victory is gained and secured, it hands the national credit (the authority to create money) over to

private individuals, to do as they please with it."

This is the unfinished business of the American Revolution. It is what we will have to reckon with if the promise of the nation, so clearly reflected in the yearning faces seen last night in Chicago, is to be fully realized. None of this is to take away from the momentous import of what has already been achieved, but if We the People merely turn back to our private lives after the great mobilization of energy, resources and willingness to get involved represented by this election cycle, then our hope will have been allowed to expire in yet another "feeble sequel", and America's promise will in the end ring hollow.

Column #77 PLANTING TIME

(Week 13 - Friday, Nov. 7)

The only time one can affect what type of tree will grow is when one selects and plants the seedling. So it is in the political process.

A critical lesson I learned from my years of political activism is that once the campaigning starts, even in its pre-public stages, the chance for fundamentally affecting its direction has effectively passed. By then the decision about why a candidate is running is set, the early money attached to expectations has started to flow, and the themes and aspirations of the candidacy have been virtually cast in cement. The only things left to work out are how they will be reflected in the talking points and campaign strategies.

Once a candidate has made the plunge into the frenzied pace of running for office, he or she will have precious little time for input or reflection. To expect that any major change in direction can be effected is unrealistic. The deliberative pretense of the electoral process, with its glad-handing photo-ops and staged "town meetings", is a charade. If one would be so uncouth as to pose a question, however cogent, that is not within acceptable bounds, he or she will be made to feel as the intruder who released flatulence into the room. Candidates on the trail are not interested in going out into the public to discover what the people think. Rather, they have already determined what the public ought to think, and the formidable machinery of campaigning is geared to effecting that end.

The problem is not so much the venality of the candidates themselves. How could they do otherwise given the ordeal we put them through so that they might demonstrate their mettle to our satisfaction? This is not a process that supports earnest exchange or conversation, so it is futile to expect it.

If there is any real deliberative process that does go on, it happens well before the campaigning starts. At that point politicians contemplating a run for the prize may well be involved in a discovery process. They may even be seeking inspiration. At the very least they are looking for those initial elements of support that can start the "momentum" ball rolling in their favor. In my experience it is at this very nascent stage that they are accessible, and looking for ideas. This phenomenon varies, of course, and career pols tend to be in a more-or-less campaigning mode virtually all of the time, but if there is any openness and flexibility possible in the situation, it will be in the formative pre-campaign stages.

If one would hope to plant the seeds of a monetary dialogue in particular, this early open-endedness is crucial. If the candidate is indeed a seeker of truth (I believe that there are a few, but we tend not to recognize them because we treat them badly) there will at best be a narrow window of opportunity to gain a deep hearing. If it is not seized upon, then virtually every word, thought and position that comes after will be rooted in a socio/political/economic culture that springs from the private-bank-loan transaction upon which the social order is founded. The usual, but spurious, intellectual cornerstones related to "balancing the budget", "running the government like a business", "paying down the 'debt' so our children won't have to", creating "economic growth" (a euphemism under the current system for "borrowing" more money), the "un-affordability" of human services, and so forth, will be immediately set, and the argumentative structure of the candidates' appeal will be built on top of them. After that, they are almost helpless to fundamentally change their direction even if they "see the light" and reach a different conviction in some greater or lesser degree.

This immediate post-election period, then, is the season for planting the seed of the tree. After such a long and tedious election cycle, the People will almost universally be inclined to turn to the more personal business of celebrating the upcoming holiday season. Who could blame them?

But, the power of money never sleeps, the demand for "interest" payments is unrelenting, and whatever potential the age of Obama represents is being undermined even now. Despite our undeniably momentous achievement, we can be sure that we as a nation are being set up by the seductive allure of lucre (as after the War of Independence) for yet another "feeble sequel". If we cannot stay conscious, determined and vigilant throughout this transition, then it has, in critical ways, all been for naught.

Column #78 REGAINING CONTROL OF OUR DESTINY

(Week 13 - Saturday, Nov. 8)

In "*Religion and the Rise of Capitalism*", historian R. H. Tawney observed:

"Few who consider dispassionately the facts of social history will be disposed to deny that the exploitation of the weak by the powerful, organized for purposes of economic gain, buttressed by imposing systems of law, and screened by decorous draperies of virtuous sentiment and resounding rhetoric, has been a permanent feature in the life of most communities that the world has yet seen."

It is time to arrest this tragic litany. Throughout history there have been many struggles to win the rights, protect the dignity, and insure the welfare of mankind. Unfailingly, these demands have been resisted by a reactionary establishment whose power is rooted in the economic order of their day. It at first denies, then stonewalls, then grudgingly accommodates the demands. Eventually it preempts and incorporates the changes for its own devices, as part of the "imposing systems of law" and "decorous draperies of virtuous sentiment and resounding rhetoric" with which the system props itself up.

Chattel slavery is abolished, universal suffrage is won, the rights of labor are established, a social safety net is laid out, environmental protections are enacted, and a multitude of other reforms are accomplished. A black man is elected as President of the nation (alternately a woman nearly elected Vice-President), and the euphoria of the moment transcends party lines. Our society indeed moves ahead by quantum leaps.

Still, there is something crucial we are not getting at. That is that the energy of our civilization, and in turn its social, political and economic structure, is still controlled from the top for the benefit of the few, rather than percolating up from the bottom for the welfare of the People. Indeed, it may be argued that the economic polarization is getting ever more extreme. What is more, one could make a case that we, as a species, are lurching dangerously close to self-annihilation on many fronts, from resource exhaustion, to disease pandemics, to species extinction, to loss of genetic diversity, to environmental poisoning, to nuclear holocaust, to climate change, to moral degradation, to (fill in the blank).

The reason for this, I believe, is that we have not properly recognized the bedrock importance of the nature and control of the monetary system. Money is an abstraction. It is weightless, colorless, odorless, ephemeral and intangible in every physical way; yet is seems to control everything. It is the essential energy, the life force, the prana, the chi of the system.

To draw a medical analogy, if a pathogen attacks a body, it does so through the blood, the fluids, the nerve synapses, and other processes by which it circulates energy to live and grow. If a pathological agenda attacks a socio/political/economic body, it does so through the monetary system for the same reason. This is not just another issue, but a little recognized reality that underlies all issues. We have come to an unprecedented point in history where it can no longer await its turn for attention. Humankind has reached the stage where we have the power to threaten our very existence through many avenues. We must at last gain control of our own energy processes.

Expanding the medical analogy, in a material sense a dead body may contain every element it had when it was alive, down to the most infinitesimal cell structure. What has changed is that the connection with the intangible energy that animated every fiber of its being has dropped below viability and ceased to function.

An economy is much like that. The physical part abides. The sun beams down, the rains fall, the plants grow, the infrastructure persists, and the hands, hearts and minds remain willing and able to do the work. This is equally true in times of boom and bust alike. What changes is this ephemeral abstraction which seems to control everything: the monetary system.

Money is a paradox. It is nothing, yet it is everything. We must finally transcend that paradox if the human race is to gain control of its own destiny. In doing so, we will at once transform the debate on all issues, from an impasse in which we appear to be checkmated by lack of funds, to an open-ended march to the future with all the physical and human resources we can mobilize. Money will cease to be a bludgeon that hinders or drives the social order. It will instead become a superconductor that transfers energy efficiently and equitably though it.

When we get fully into this process we will be dealing with, not just finances, but the transformation of our whole civilization. It is the economic dimension of a larger key to crack the whole mess we are in wide open. We would at last break out of the "debt-money" straightjacket, and dispel the Federal-deficit sword of Damocles. Then we will start to get a handle on our other seemingly intractable problems; social, political, ecological, agricultural, urban, rural, education, health care, or whatever. Living morality will merge with common-sense practicality as we begin to reclaim the creativity, civility and humaneness of our civilization.

For those with the vision to see this represents, not merely a solution for an economic problem, but also the opening of a new horizon; one which could light up the imagination of a whole new generation. To be sure, the audacity of the prospect is intimidating, but if we approach it with grace, determination and aplomb, it may turn out

to be our nation's greatest adventure yet.

I saw in the youthful faces of those gathered in Chicago Tuesday evening a deep yearning for what might be. Let us not foreclose on their hope for the future by failing to act.

Column #79 A NEW ROTATION

(Week 14 - Monday, Nov. 10)

Everything evolves, and so does this column. The initial concept was to put out a daily message of four to five hundred words that could be read over "morning coffee" as a daily antidote to the standard media fare. In practice I have found that these offerings tend to take on their own natural length, which turns out to be roughly twice what was originally contemplated. It has required a major exercise in discipline to keep them within even those bounds, as anything that touches upon the topic of money tends to swell in the enumeration. Truncating or dividing the topic arbitrarily tends to cut the heart out of it, and so I let whatever is wanting to be written have its way. The upshot is that I have produced twice the amount of verbiage that I intended, and keeping up that pace is not sustainable.

Most of the feedback I get indicates that while much, if not most, of the readership has kept up with the reading, they too sometimes fall behind, and the unread email mounts up. There seems to be on their part a determination to keep up, as the columns as a series represent a systematic and carefully measured development of thought. If a link is missed, something is lost.

Taking this all into account, I have decided to reduce the frequency of the installments to three per week; those coming on Monday, Wednesday and Friday. This column is the first of the new rotation. I anticipate that the length of the typical column will be approximately the same, but the less frantic pace will leave me more time to devote to producing each one, plus attending the correspondences and dialogues which the columns have been a seed for starting. I have tried to be responsive to communications that have been sent to me, but have fallen far behind in spite of strenuous efforts. I apologize for that. I look forward to catching up on my backlog and being more responsive in the future.

All this said, this effort is not about writing columns. It is about precipitating change. We are at a juncture in the life of our nation where the portent of that sentiment has never been more acute that now. The providential turn represented by the latest election has released a breadth and depth of hope into the world that, if harnessed in the right way,

could provide the boost to at last overcome the opposition to permanently transformative change in the realm of money. This would be truly the culmination of a battle of the ages.

It is not mere coincidence that our new President will take office at the height of the greatest financial crisis the nation, and the world, has yet faced. Indeed, the urgency of the matter will not even wait for him to take his oath, as it is pressing down upon him even now. It is a foreboding sign that already he is being hedged about by a coterie of heavy-hitting financial advisors that will surely impress upon him the importance of going even deeper into "debt" as a way of resolving the "debt" crisis. I do not say that such voices should not be heard, but truly liberating virtues of public money need at last have their hearing.

If the promise of the moment bounces back unrequited in the unfolding of events, then the present euphoric mood will turn upon the People as it metamorphoses into the bitterness of cynicism, and our state will be at the last incalculably worse than at the first.

What is more, nothing will be changed by reading; only by acting. We Americans are doers. That is what we bring to the world. What then to do? That is for each to determine out of his or her own inspiration.

As a thought, there are practical initiatives that can be pursued in concert with others. One is the Concord Resolution, which is an effort to recreate in our time essentially what was done by the colonial government of Massachusetts in 1690; that is, to issue public money in service to the commonweal of the People, as the alternative to relying on private money, which would make of the colony a debtor to the moneylenders. This Resolution has been reworked of late to make it more focused on the transference of the money-creation franchise itself from the private banking system to the U.S. Treasury. It has also been presented in such a way as to encourage others around the nation to introduce parallel resolutions in their communities. It is our hope that this could become a movement.

It is incumbent upon me to address the matter of resources. I have, and will continue, to offer up the column, and the fruits of all other initiatives that I am engaged in, free of charge, and remain true to that commitment regardless of whatever personal sacrifices it entails. That said, the effort cannot move forward without resources. To date that burden has fallen upon a very limited circle of people who have effectively emptied themselves out to insure that the work, at least on a minimal level, continues to move forward. The level of critical work that needs to be done with respect to the monetary sphere far exceeds the resources available to perform it. It may not be too much to say

that this is a tragedy of our time.

Help is needed in researching specific topics on money, and I would be willing to speak to anyone who is willing to lend a hand.

Basic material help of many kinds is sorely needed. This, of course, includes financial assistance. Funds contributed to the effort become in effect monies that are consecrated to the liberation of the whole of humanity from the ravages of a bogus "debt". This is not simply a worthy sentiment, but a spiritual principle that works through money itself. I will have more to say on that subject in future columns.

Finally I would express my appreciation for all who have taken an interest in these discourses. I have received hundreds of communications posing questions, offering critiques, or lending encouragement. I am grateful for every one. In the future it is my hope that I can be more responsive, and tighten up the time lag in the dialogue.

The time for action on the transformation of the way our society creates, issues and controls money is now. I encourage each to find their own path of commitment according to their own authentic calling. For those with ears to hear.

Thank you for your patient and considerate attention.

Column #80 - THE AIG "BAILOUT PACKAGE"

(Week 14 - Wednesday, Nov. 12)

The lead article in Monday's Wall Street Journal announced that the Federal government has agreed to offer AIG (American International Group), the nation's largest insurance company, a "bailout package" worth $150 billion. This raises the question, has there occurred somewhere recently massive losses of life, injury and property that have made such a financial rescue plan a necessity? Clearly there has not. If we follow this line of inquiry through to its logical conclusion, we will discover that "insurance companies" are no longer primarily insurance companies. Rather, they have become more-and-more a means to create pools of capital to be used for financial speculation.

Theoretically an insurance company is a business that has been granted a corporate charter by the society it supposedly serves to gather and manage a pool of money for the purpose of providing people with protection against catastrophic financial expenses brought on by loss of life, health or property. The idea is that each person that subscribes to the service contributes money to a common pool of funds through the payment of premiums, and those relatively few people who experience a loss are then

compensated out of it. The premium rates, then, would presumably be set at such a level that the amount of money in the pool would be adequate to compensate expected claims, plus provide enough left over to cover the actual expenses of the company, and allow for a modest profit. This is all so straightforward that it hardly warrants explanation, but increasingly it is not what happens.

Instead, insurance companies use the premiums they collect to create "investment" funds, which they then use for speculation in financial markets. While it is true that they do in fact pay claims out of premiums collected, their unstated financial speculation agenda causes them to have to charge higher premiums than they would otherwise have to merely to cover claims. They justify their "investments" by saying that they are merely acting responsibly with their customer's money. After all, so the rationale goes, since there always needs to be a substantial pool of capital maintained to insure that there are adequate funds available for when their customers experience a loss, they may as well "invest" these funds so that the income they produce in the meantime can be used to defray part of the cost of the premiums. On the surface this sounds reasonable. On a deeper level it is very deceptive.

To begin with, excess funds that are bound up in such "investments" are not, relatively speaking, very "liquid". That is, they are not readily available to cover ordinary day-to-day claims made against the capital pool. Therefore, the "investment" pool is essentially extra capital that must be maintained over and above the actuarial requirements of the insurance function itself.

It could be claimed that the nature of a given company's business is such that it insures against losses that occur infrequently and on a large scale, as might be the case, for example, for one whose primary business is to cover losses incurred from natural disasters. It would make good business sense, supposedly, to earn "interest" from these idyll funds while they are lying for long periods of time at the ready, so to speak. This argument too breaks down. Such a monies may need to be paid out on short notice, and therefore the essential financial quality that is called for is liquidity. A large capital pool that is bound up in a portfolio is almost by definition not very liquid, and the necessity to make it so quickly may result in having to dump its speculative-paper contents on the market in what is essentially a fire-sale circumstance, thereby driving down the its redeemable value. That would tend to defeat the argument that the purpose of "investing" their customers' premiums is a way to defray their cost. As a hedge against this, the tendency will be again to maintain a fund that is larger than is necessary for the purposes of insurance alone.

Looking deeper into the problem, when an insurance company collects a premium, it is taking money out of the money supply for which the consumer receives no immediate

value in return. Essentially the buying power it represents is held in abeyance until a claim is made and the money paid back out. To the extent that this is necessary it can be justified as a business practice. To the extent that premiums are "invested", however, it cannot.

With respect to the market cycle in the economy, the "investment" of insurance premiums has a net affect that is similar to that created when "interest" payments are made on private bank loans, whereby the payments go to "investors" who have bought the "debt" contracts by which the loans were created so that they might be the recipients of those payments. The consumer in the aggregate is shortchanged of the earned income required to pay the cost of the goods and services equivalent to what he produces. This money is effectively withheld from circulation until someone comes along who is willing to "borrow" such funds from the "investor", thereby returning it to the money supply, but now with an increased "debt" obligation attached.

The money that is paid in as premium payments to an insurance company that is excess to the amount required to cover claims, plus the actual material costs of and a reasonable profit to the company, acts in much the same way as those "interest" payments made on bank loans. These net over-payments represent a net subtraction from the money supply, which, in turn, creates a need for someone to "borrow" this money back into circulation so that the market cycle can be completed.

This practice, then, of insurance companies maintaining capital pools that are "invested" in financial instruments, supposedly for the benefit of their customers, is revealed to be a wealth transference scheme that is carried out at the expense of their customers, and of the society at large. Increasingly, the insurance industry has become a cash-cow for the speculative financial industry, and AIG is the prime example. If that is not so, then where are the actual losses in life, limb and property that the citizenry is being called upon to pay? With this AIG "bailout" package, We the People, through our government, are being asked to take on an enormous "debt" to cover the losses of financial speculators. It has absolutely nothing to do with the legitimate functions of the insurance business.

Column #81 THE MONETARY ASPECTS OF INSURANCE

(Week 14 - Friday, Nov. 14)

The essence of insurance agency is the formation of a pool of money into which people make a contribution, and from which they can expect to receive compensation to cover the financial cost of a potentially catastrophic loss of life, limb or property. These funds are generally managed by corporations. This means, supposedly, that such businesses

have been issued a corporate charter by the society they supposedly serve to perform this specific function for the benefit of that society. As long as what transpires stays within these bounds, everything is very upfront, straightforward and transparent. The function for which the agency was formed is perfectly legitimate, and the social order that chartered it is well served.

Over time, this has been less-and-less the case. The premium payments which people make have been dedicated less to protecting them from loss, and more to forming pools of capital out of which financial speculators gamble with their money. This is done in the name of "investing" their premiums to help defray their cost, but in reality it is a withholding of policyholders money under deceptive pretenses, which is then used to buy up the increased quantity of "debt" paper that the public (including the company's clientele) is obliged to take on due to the decreased consumer buying power that is caused by the very withholding of that money.

Understood in this way, this widespread mode of doing business by the insurance industry can be seen, not only as a matter of questionable business ethics, but also as a practice with monetary implications. To put it succinctly, insurance companies have become financial purveyors on behalf of their stockholders at the expense of their policyholders and the public at large.

The question then becomes, what can be done about it? The obvious answer may seem to be more regulation, but this does not get at the root of the problem, which is that within a monetary system in which money is borrowed into circulation at "interest" from private banks, there exists a virtual financial imperative for that "money" itself to earn "interest" to cover the "interest" cost of maintaining it in circulation. It is very difficult for a person in a position of fiduciary trust to justify doing otherwise.

If regulations governing the insurance industry were put into effect which mandated that they maintain the monies collected through premiums as idle (non-invested) pools of capital, then that in itself would constitute a diminishing of the money supply which would have to be made up for with more borrowing by the nation as a whole, whether privately or through government. This is a catch-22 that executives of the insurance industry are not realistically in a position to do anything about by themselves (whether they realize the nature of their dilemma, and would be inclined to do anything about it is another matter). For the most part they are playing the game the only way they can see to play it.

The solution for the problem needs to come from society as a whole through its political process. The key is for the People to direct their government to reclaim their rightful money creation franchise from the private banking system. The initial steps in that

process would be to repeal the Federal Reserve Act of 1913, purchase the outstanding stock of the Fed from the member banks who are holding it, and convert its resources and employees to the task of facilitating issuance of public money under the direction of the U.S. Treasury.

The Treasury would thereby gain the ability to maintain a quantity of currency in circulation that is calculated with precision to meet the needs of commerce for the nation. If one of those needs is to maintain an extra margin of money in circulation so that a certain amount is available to lie "un-invested" in pools of capital required to underwrite insurance policies, that is not a problem, as the increment of funds so designated can be issued at virtually no cost simply by adjusting the level of money supply.

The amount of capital needed to underwrite insurance policies is in the national aggregate considerable, even under the strictest interpretation of the requirements of the business. As such, it represents a great sum of money upon which, within the current system, someone is obliged to make "interest" payments just to keep it available for that purpose. To "invest" such funds, then, can seem to be the responsible option, the fact that this is in the larger picture monetarily self-defeating notwithstanding.

The very existence of such an "investment" opportunity attracts financial players who are not necessarily concerned about the ethics or logic of the way insurance companies do business, but are simply looking for a way to make money with money. Through the ownership of insurance company stock, they can make their demands and reap their reward. Whatever the case, insurance executives are effectively pressed into being agents for "investors" seeking a "profit" through the control of their policyholders' excess premium payments.

With the establishment of a system in which money is issued publicly, this seeming fiscal imperative (in the case of good-faith insurance agency), or opportunity (to the financial speculator) is effectively removed. This is because whatever amount of money was needed to be tied up in pools of insurance capital could be made up for quite readily by letting the level of the money supply rise as a matter of public policy.

Insurance companies could then be limited to being compensation pool managers by restrictions written into their corporate charters. As businesses, this need not be experienced as an arbitrary limitation, because it would allow them to focus on the crux of their task; or as a competitive hardship, because other companies working in the field would be obliged to observe the same boundaries. Their operations would be simplified, their costs lowered, and, I can imagine, the burdens of management greatly relieved. The net contributions through premium payments, and payouts for claim satisfaction

could be tracked through a transparent public accounting. The company's customers and the public at large would be well served, and, I suggest, there would never have arisen a need for any massive "bailout". I wonder if the executives at AIG would agree.

Column #82 THE SUPPOSED "RAIDING" OF THE SOCIAL SECURITY TRUST FUND

(Week 15 - Monday, Nov. 17)

The virtually universal view of pensions or retirement accounts is that they are monies that are put away in dedicated funds that are held in trust until the day they can be drawn upon when the beneficiary reaches an eligible age. This is not, in my view, an accurate description of how these accounts are presently constituted within the current monetary system, and the widespread misunderstanding about that has led to expectations that cannot possibly be fulfilled. The result is that, while we as a society have enacted social contracts designed to insure the financial wellbeing of those who have attained an advanced age, they have been formulated in such a way that millions of people who are counting on the solvency of such arrangements are in the current financial crisis seeing their value decline precipitously, or are losing them altogether.

Retirement accounts can take on many forms. Let us look first at the one we citizens of the nation hold most in common, and perhaps take most for granted; i.e. the Social Security Trust Fund.

Let us imagine a situation in which money is deducted from the wages of a worker early in his productive years and "put away" in this fund. Now fast-forward to, say, three decades later when this person retires and draws his first Social Security check. Let us suppose that he spends the first of those dollars on eggs for his morning breakfast. I would ask the question, were those eggs really purchased with dollars that were earned thirty years before? If one answered "yes", one would also have to answer the question, "Where, then, have these dollars been held for all that time?"

For some strange reason we in this "financially sophisticated" society seem to think that when retirement money is deducted from a paycheck it must be put into some vault where it is kept for safekeeping until the day that we need it. I would point out that if that were indeed the case, then the money so sequestered would constitute a net withholding of money from circulation that would have to made up for by someone "borrowing" an equivalent amount into circulation from the private banking system. To "fully fund" the Social Security Trust Fund, therefore, the social order would be obliged to take on an immense amount of new "debt" on which compounding "interest" payments would need to be made. What is more, these idle funds held in trust would

themselves represent a vast quantity of money that had been borrowed into circulation, and upon which "interest" payments would need to be paid in an ongoing manner. Essentially we the people would be paying double "interest" charges for the use of the sum of money held in the trust fund. Monetarily speaking, this is a prohibitively expensive arrangement.

Nonetheless, in our political dialogue we as a society seem to lack a basic understanding of this fact. If that were not so, why then in the political arena is there an almost universal chorus of protest raised about the supposed raiding of the Social Security Trust Fund to finance general expenses of the Federal government? Do we really expect that these hundreds of billions of dollars should be left to languish in a vault unused until the workers from whose checks they were deducted retire and start to draw them out? The "interest" payment on such a sum would of itself typically offset the whole value of the fund, or more.

This professed platform plank is so contrary to the realities they are obliged to deal with in their budget-making processes that it makes me wonder what they could be thinking of when they say such things. Assuming that they are for the most part sincere, then the passion and tenacity with which they cling to this dubious idea can only be a telling example of the great disconnect between their understanding of the monetary realities they are called upon to deal with, and the economic notions that they hold. Truth be told, I don't think that our leaders are alone in this confusion, as I almost never hear anyone challenge them on this view in the public domain. On the contrary, almost invariably there comes an echoing demand from the public to "get spending under control" and stop the supposed "raid on their money".

The economic activity required to produce the first eggs of post-workforce life occurred within a few short days prior to their being consumed, and the money that financed that activity had to have come from cash flow that was concomitant with the productive process that was responsible for the material manifestation of the product itself. In other words, material wealth that is coming into existence today is financed by dollars flowing today. Whatever dollars were deducted from a worker's paycheck years ago had to have long since flowed into other economic activities. The notion that this could be otherwise within the current "debt"-based monetary system is a bookkeeping fantasy. Our failure to understand the actualities of our financial lives and deal with them in a clear and positive way is at the core of why we have become so anxious about the certainly of these so-called dedicated funds being there when we reach retirement age.

In truth the Social Security "Trust Fund" is not a trust fund. It is not money that has been put away. It is, rather, a system for the tallying of credits that determine the eligibility of each citizen for access to the money that is flowing through its operating budget in any

given month after one has reached the age of eligibility. The monies that are is paid out through Social Security do not come out of a pool of capital that has been put away for that use, but are taken out of revenues flowing through government coffers in present time.

The problem with thinking of it as a fund that is being raided is that it distracts our minds away from the true nature of the threat to the national economy which underwrites this social welfare program, which in turn is the source of the perception that it is being raided it in the first place; that is, the unrelenting demands placed upon the economy in general, and government budgets in particular, by the "interest" payments required to maintain the money supply. Such misunderstanding leads to the misguided proposal to insure the purported fund's solvency into the future by opening it up for "investment" in the financial markets. The ultimate irony is that if such a proposal is carried out, it truly will become a fund that has been raided. I will continue with this analysis in the next column.

Column #83 THE COUNTER-PRODUCTIVE ASPECT OF RETIREMENT ACCOUNTS FUNDED WITH "DEBT"-BASED MONEY

(Week 15 - Wednesday, Nov. 19)

In yesterday's column I talked about how the Social Security Trust Fund is not a pool of money deducted from paychecks and held in trust, as is commonly assumed, and that the political recriminations over the supposed "raiding" of this fund to cover the general expenses of government are misguided in that there is no way that these funds realistically could be withheld from the general revenue flow without creating an effective need to borrow an additional sum into circulation at "interest" from the private banking system to replace the monies so sequestered. Thinking of it as a fund that is being "raided" distracts our minds away from the fact that the remedy for the "trust fund" issue is dependent on making the transformation from a "debt"-based private monetary system, to one in which our money supply is issued directly out of the U.S. Treasury.

The problem with private retirement funds, including 401k's, Keoghs, company pensions and other private-nest-egg accounts, is similar, though it manifests in a somewhat different way. Rather than being used to make up for deficits in other sectors of the Federal budget, private retirement accounts are effectively capital funds for monetary speculation in the financial markets (government accounts other than Social Security can be a mix of the two). Within the context of an economy whose money supply is borrowed at "interest" from private banks, this could hardly be otherwise.

Most people realize their nest-egg money is being "invested", and generally approve of

the idea. After all, the earnings are being applied towards growing the balances of their accounts. To be sure, this is one way their money can be managed, but I would suggest that if people thought through fully the implications such an arrangement, they would see the high cost that they, and the social order in general, are paying for the widespread practice of providing for retirement accounts via private "investing" of "debt"-based money.

To understand this, we need to take a look at the basic dynamics of the free-enterprise market cycle. Goods are produced, and then they are sold in the marketplace. The cost of bringing goods to market is accounted for exactly by the wages, salaries and profits paid to those who are responsible for producing them. In the aggregate, the number of dollars paid to those responsible for producing goods (i.e. the cost of production) always matches, to the dollar, the income they take receive as they transition to the role of consumers (i.e. gross income). This is a mathematical identity, and its balance cannot be upset any more that a drop of fluid circulating in a closed system can avoid coming back to the place where it started, unless, that is, there is a leak in system.

In a market cycle within which the circulating medium is "debt"-based dollars there is indeed a leak in the system; specifically the leakage cause by the obligation to pay "interest" for the use of the currency. The way that works out is this:

Let us say that a worker gets paid $2000 for whatever value he is responsible for producing. He takes home his paycheck and pays his bills. Let suppose that he makes a mortgage payment of $600, of which $200 is applied to the retirement of the loan, and $400 is credited towards the "interest" payment.

In his role as producer, our consumer accounted for $2000 dollars worth of goods, but on the consumer side of the equation he has less than that to spend. The $200 dollars applied to the retirement of the loan is actually accounted for as purchasing power, because it is part of the sum of money he borrowed to compensate other people for building his house. For the $400 paid towards the "interest", however, he receives no goods of tangible value. This means that by the time he has spent his paycheck he will be able to purchase only $1600 dollars worth of goods, and an equivalent of $400 worth of unsold goods will pile up in some producer's inventory.

If money paid out as the cost of production does not show up fully as disposable income, goods go unsold, orders for new goods decline, workers are laid off, less goods are produced, and the market cycle goes into a spiraling contraction. The only way this tendency can be prevented is for someone to keep borrowing more money into circulation to buy up otherwise un-sellable goods.

Just as "interest" charges attached to the creation of money cause a shortfall in purchasing power, so does the subtraction of money from the income of a working person to fund a retirement account. Rather than being used to buy up goods produced in present time, purchasing power deferred until retirement is "loaned" back to workers in the economy indirectly through "investments". These will include buying up the "debt" contracts that people will increasingly be obliged to take on in their lives by the very fact that the deferring of purchasing power represented by these retirement accounts will rob the economy of the ability to complete its own market cycle, and so make such borrowing necessary.

Thus, a pernicious cycle is set up whereby income earned becomes purchasing power deferred, which is compensated for by its transformation into "money loaned". The irony is that the very funding of retirement accounts with "debt"-based money eats away at and eventually destroys the economic base that retirees will depend upon. The cumulative burden of this snowballing "debt" and speculative expectation is precisely what is causing millions of retirement accounts at present to lose much of their value, or go belly-up altogether.

None of this is to say that the material wellbeing of the elderly portion of our population cannot be provided for. On the contrary, to do so is both a moral and an economic imperative. We will be exploring ways to make it happen on a sound and consistent basis as these columns continue.

Column #84 MONETIZING SOCIAL SECURITY

(Week 15 - Friday, Nov. 21)

In the last two columns I have described the problematic financial nature of how retirement accounts are currently conceived and set up. In the case of Social Security it is not realistic to expect that deductions from paychecks would be monies put away on behalf of retirees until the day when they can begin to draw them out. In actuality they constitute a tax that finances current revenue flows, out of which benefits are paid. As for private retirement accounts, money put away, whether by involuntary payroll deductions or voluntary contributions, are effectively transformed from being purchasing power earned in present time, into funds that are used to make financial "investments". These "investments" will, most commonly, be in the form of "debt" contracts that people are obliged to take on in their lives by the very fact that the deferring of purchasing power represented by these retirement accounts will deprive the economy of the ability to complete its own market cycle, and so make such borrowing necessary.

In both of these scenarios the benefit sought through the putting away of money for

retirement is ultimately not realized. Such arrangements may have seemed to have worked for the last two or three generations, but that is because the shortchanging of purchasing power could be covered by the taking on of more "debt" to cover current financial flows, and their workings obscured by deceptive concepts and language. Now that cost is coming due, as indicated by the massive losses in the supposed value of retirement funds, or their going bankrupt altogether. The mounting indebtedness of the economy is now reaching the point where even the basis for Social Security appears threatened.

The prerequisite to resolving this crisis is to take back the money-creation franchise from the private banking system, and return it to the public sector. This can be done through a legislative act that would repeal the corporate charter of the Fed, purchase its outstanding stock from member banks, and bring its capabilities under the direction of the U.S. Treasury. From that point, money would be either spent or loaned into existence directly out of the Treasury.

With respect to Social Security, beneficiaries would, as now, receive checks from the Treasury, but the difference is that the Treasury would not itself have to "borrow" the money to cover them, and thereby add to the Federal "debt". It would instead create the money "out of thin air" with the writing of the checks (as banks do now for the money they lend to the government). Monetarily speaking, their ability to do this is unlimited, so the mental ruse of thinking that there must exist some fund out of which the money is being drawn would be less tenable. The only real limit to what can be funded is determined by the physical actualities of the resources available to the society as a whole to provide for the needs of the elderly. An assessment would be made (much in the manner that any budgetary process is conducted now) that would determine what part of the national income would need to accrue to seniors, and then legislated into law. That sum, apportioned between eligible recipients by whatever formula is used, would be what each would receive.

Alternately, within a public monetary system, it would also be possible for the Treasury to maintain enough money in circulation so that deductions could be made from paychecks and put away in a Social Security Trust Fund against the day when it would be drawn upon. This would work in this case simply because money issued publicly would not be obliged to "earn interest". There would be no cost associated with letting such funds lie idle, for decades even, because the additional money that would be needed to compensate for their withdrawal from general circulation could be issued by the Treasury and spent into existence.

That said, I recommend that it not be done this way. This is because to do so would effectively begin to put conditions on the allocation of resources that wound be available

when these monies are eventually paid out, which, in turn, could create issues of equity and adequacy that could not be anticipated. As a compromise solution, it would be possible to assign social credits to money earned (instead of subtracting money to be put away), the value of which would be determined at the time of retirement, but this would create additional paperwork and also introduce possible complications with respect to the equities of distribution.

In any case, if we went to a public monetary system all of these options, or combinations thereof, could be made to work on a sound and consistent monetary basis. We as a society would have opened up the possibility of working out provision for the elderly that was reliable, understandable and based upon the physical ability of the economy at the time to provide it.

A question naturally arises concerning whether this inflow of "cost free" money into the economy would balloon the money supply, and thereby cause inflation. If it were managed well it would not, simply because any excess buildup could be removed from circulation through taxation, and retired. Thus would the quantity of money in circulation be maintained at the level required to monetize (lend a monetary dimension to) any activity in the economy that needed to be accounted for, including putting away funds to cover Social Security, if that were what is called for.

In the next column I will describe how a return of the monetary franchise to public control could open the door to resolving the problems associated with private retirement accounts.

Column #85 MAKING SENSE OF PRIVATE RETIREMENT FUNDS

(Week 16 - Monday, Nov. 24)

I would pose a question. Let us imagine that a young worker, say twenty-five years of age, wanted to find a prudent way to insure that he would have enough money when he retired forty years hence. Let's suppose further that he subtracted money out of his paycheck to provide for that eventuality, which would, of course, amount to a foregoing of the benefit of already earned purchasing power for those intervening decades. Would it be reasonable for this worker to hand this money over to a casino gambler based on the assurance that he could be trusted to gamble with it "prudently" and return these funds in due time, with interest, out of his winnings?

Would we not say that this worker was naïve at best, foolhardy at worst, to accept such terms for the supposed safekeeping and management of his heard-earned money? Yet, that is essentially the arrangement people agree to when they allow their money to be

given over to retirement portfolio managers to hold in trust and, hopefully, grow the value of their accounts.

I am not saying that retirement portfolio managers are in their own minds willful gamblers with other people's funds, or necessarily dishonest. On the contrary, they may very well be honest brokers who take seriously their fiduciary responsibility to hold in trust and manage wisely their clients funds. The problem is that such pools of deferred earned income act essentially as slush funds out of which "investors" (financial interests looking for ways to earn money with money, as opposed to investing in actual economic enterprise) draw capital to use in speculative financial activity.

We have been through a period of some decades when this scheme seemed to work. After all, have there not been millions of people who have had money deducted from their paychecks or made voluntary contributions to retirement accounts and pension funds who have in due time drawn out the benefits promised? Indeed, this has happened (though not nearly in all cases, to be sure). It should be noted, however, that we have in recent decades lived through an unprecedented era in which real economic output has for many reasons multiplied many-fold. This is true especially since the 1930's, which saw the advent of Social Security and the beginning of the proliferation of privately funded retirement accounts, in large part due to the successes of organized labor at the bargaining table. This burgeoning economic activity has made it possible to keep up with paying benefits promised out of current cash flows. This could not have been done otherwise since, within a "debt"-based monetary system, there is no way that monies supposedly sequestered for decades could actually have been held out of the flows of the money supply without causing catastrophic economic contraction.

The possibilities for continuing in the pretense that income withheld decades ago is somehow the source of funds being drawn upon to maintain current retirees can no longer be maintained. The actual physical economy can no longer double and redouble on a regular basis to keep up with continually compounding promissory paper. That is why retirement accounts are presently losing massive amounts of supposed value, or going broke altogether.

The prerequisite for a solution to the retirement account crisis is to return the money-creation-and-issuance franchise to the public sector, after which it would be possible to maintain the quantity of money in circulation at any level desired as a matter of public policy.

The size of the monetary pool could be set such that a large portion of it could indeed be put away in retirement accounts without creating the need to borrow money into circulation at "interest" to make up for the amount so sequestered. Some of it could

even be invested in bonafide economic activity. With the existence of an adequate money supply assured, opportunities for making "investments" that are essentially schemes to "earn" money with money would be greatly reduced, and those who would be inclined to invest their retirement savings would be obliged to seek their opportunities in the role of financial partners to productive enterprise. Thus the genuine activity that current "investment" strategies purport to be would become a reality.

This said, I would recommend that the putting away of monies for funding our "golden years" be deemphasized. Even if this arrangement is supportable within the context of a publicly-issued money supply, it is a bit of a ruse. This is because material wealth generation that is dedicated to supporting needs in any given period of time is actually financed by money flowing in that same time. Injecting funds that have been inactive for decades into that flow would introduce monetary distortions that would have to be compensated for with a great deal of extra "paperwork", both to manage payouts in present time, and to maintain such funds over the years. To be sure, the numbers could be made to work, but why accomplish the same end by a more laborious route?

A better way to handle the situation, I would suggest, is by the establishment of social contracts to manage the distribution of resources to meet real needs in real time. In effect, that is what we are doing anyway, the extra mental gymnastics required to maintain the illusions of money-put-away notwithstanding. A hybrid of the money-put-away and social-contract techniques would be to set up arrangements whereby abstract credits could accrue to work history, the ultimate value of which would be determined at the time benefits were drawn upon.

As a further evolution in our thinking, I would suggest a relatively lesser dependence on financial arrangements, and a greater emphasis on investments in the material and human realities, to provide for our later years. The idea of the myriad members and sectors of society mutually supporting each other across every stage of life, as opposed to each of us competing to have our needs covered individually through financial nest eggs, needs to be explored. One factor that would expedite this evolution would be the removal of the threat to the family homestead caused by property taxes. In my view, property taxes are unwarranted, illegal and anti-ethical liens against already paid-for personal property. Their elimination would be a major factor in enabling people to secure their personal estate in old age.

Finally, I would suggest that we think of the provision for those of advanced years, not so much in terms of special "retirement" benefits, but as an integral part of the securing of the material adequacy and personal dignity of every person. Such a social ethic would contribute to the regarding of our "retirement" years as a period ripe with life and

the possibilities of elderhood, rather than a social institution for the presumed idleness and "pensioning off" of those no longer deemed "economically useful" in the labor force.

Column #86 PLAYING POKER, FEDERAL RESERVE STYLE

(Week 16 - Wednesday, Nov. 26)

The U.S. economy itself is essentially a gambling house managed by a financial corporation (Federal Reserve) that manages the game according to "house rules" that assure that those who own the House get their "return on investment", while those who labor in the productive sector and are responsible for all wealth creation are expected put up their hard-earned money for the game, and to cover all losses. We could picture the way it operates as follows:

Suppose that a gambling house offered to host a group of poker players, and that their game would be subject to only one house rule; that is, that the House would collect five percent of every pot. As the game commenced the fortunes of the players relative to each other would rise and fall however they might. The single outcome of which we could be certain, however, is that due to the one governing house rule, the money that the players brought to the game would disappear at an inexorable five-percent-per-pot rate into the bank accounts of the owners of the House.

Eventually the players who fared relatively poorly would begin to run out of funds, but no matter. The House would "graciously" offer to lend them money so they could stay in the game. The House would of course need more than the word of a gambler as security for such a loan. It could perhaps demand a contract signed by the gambler that promised that if he failed to pay back the money, the House could collect its "debt" in the form of some item of value held by the player, like say the title to his car or the deed to his house. If a player were foolish enough to continue his participation on such terms, this money would eventually go back to the House also, and his only option for continuing would be to borrow still more. It would not be long before he, and indeed all his fellow players, would lose virtually all their wealth and become indentured servants to the House.

This poker game analogy is an accurate image of the U.S. economy at present. The players are the workers in the economy who produce all wealth. The dollars they bring to the game are like the poker chips that serve as its currency. The playing table is the marketplace where they risk their money. The "pots" are represented by the monetary wealth subject to changing hands in the course of a fiscal year. The percentage of the action due the House is reflected in the yearly "interest" charge that accrues to the use of the dollars. The House itself is the Federal Reserve System.

Let us suppose that the banks of the Federal Reserve System attached, on average, a five percent yearly "interest" charge to the use of their Federal Reserve Notes. That means that at the end of one year, for every one thousand dollars in the game, the banking system will have drawn out $50, and the players as a whole would still be holding $950. After two years the House's cumulative take would be $97.50 ($50 + [$950 x 5%]), and the players would be left with $902.50. After three years the split would be $143.63 and $857.37, respectively. In subsequent years the distribution (rounded to the nearest dollar) would be as follows:

Fourth - $185 vs. $815
Fifth - $226 vs. $774
Sixth - $265 vs. $735
Seventh - $302 vs. $698
Eight - $337 vs. $663
Ninth - $370 vs. $630
Tenth - $401 vs. $599
* * * * * * *
Fifteenth - $537 vs. $463
* * * * * * *
Twentieth - $642 vs. $358
* * * * * * *
Twenty-fifth - $723 vs. $277

We can see that after twenty-five years (one generation) the amount of money still in play is only about a quarter of the original total. If we continued to follow this progression we would see that the take of the House would approach 100 percent.

Often, when I outline this poker-game analogy, people immediately recognize that anyone who submits to playing under such terms is being very foolish indeed. Is it not obvious, they wonder, that however well one might fare in the short run, the prospect of coming out a winner diminishes inexorably with each play of the game? Of course, there are many people who do play in casinos under house rules while imagining they will "beat the odds" and become rich, but if they are compelled to do such under a spell of addiction and denial (as opposed to accepting their losses as a cost of entertainment, and, some would argue, even then) we say that they are deluded.

This begs the question, why do we as a civilization that imagines itself to be sophisticated in matters of finance continue to submit our lives and fortunes to just such a game in the casino that the Federal Reserve economy has effectively become? Why is the affect of the "house rule" represented by the "interest" payment on our money

supply hardly even mentioned in the public dialogue about the current "debt" crisis? Why have I virtually never heard it spoken about directly by the politicians and experts who have been paraded before us in the media as the ones, it is presumed, who are going to lead us out of the "debt" wilderness?

The answer, I believe, is that we also, as individuals and as a social order, are acting out of an addiction to the illusions of the "debt"-money game, and are in a denial of that condition. This is something that we, individually and collectively, need to come to grips with. I mean no blame or criticism by this assertion, as a lack of consciousness about money is a condition of culture at this juncture of human evolution. I continue to struggle with it in my own life. The providential task before us is to wake up to what we are doing, and at long last walk away from this rigged game.

Column #87 "NOT WORTH A CONTINENTAL"?

(Week 16 - Friday, Nov. 28)

On June 22, 1775, the Second Continental Congress meeting in Philadelphia assumed the power of sovereignty by issuing the first currency that was common to all the Colonies, the "Continental Currency". This act could be deemed to be the effective break with England, though it preceded the Declaration of Independence by slightly over a year. This was a publicly-issued currency, not tied to precious metals, commodities, land banks, or other forms of "backing".

There is a common "wisdom" that assumes that the eventual failure of the Continental Currency proves that the issuance of money should be left to private banks. In fact, the oft-repeated phrase "not worth a Continental" arises from this period. This phrase is, in turn, routinely picked up and repeated by those who argue against the public issuance of currency. The historical record, however, indicates quite a different story. The Continental Congress authorized and printed $241 million, but after accounting for the redemption of worn bills, there were never more than about $200 million in circulation at any one time. The British spared no efforts at trying to render the currency worthless by counterfeiting and distributing this amount many times over (estimated at one to two billion).

It has long been recognized that to debauch their currency is an effective way to undermine the power and will of an adversary, and the Revolutionary War period was not the only time that this principle was used by the British to further its interests. In the 1790's they engaged in a counterfeiting campaign to destroy the Assignats, a publicly-issued currency of the French Revolutionary period. When contesting the Dutch over New Amsterdam (New York) they even flooded the colony with Indian wampum

(beaded sea shells used for ceremonial purposes), which the Dutch had adopted as currency.

The British counterfeiting campaign was massive and sophisticated. Benjamin Franklin, an advocate of paper money, noted:

"The artists they employed performed so well that immense quantities of these counterfeits which issued from the British Government in New York, were circulated among the inhabitants of all the states, before the fraud was detected. This operated significantly in depreciating the whole mass."

They ran an ad in a British-occupied New York paper which read:

"Persons going into other Colonies may be supplied with any Number of counterfeit Congress-Notes, for the Price of the Paper per Ream. They are so neatly and exactly executed that there is no Risque in getting them off, it being almost impossible to discover, that they are not genuine."

This "unparalleled piece" prompted George Washington to comment, "... no Artifices are left untried by the Enemy to injure us." In spite of this, Continental Currency continued to function reasonably well. After three years of war it was still exchanged at $1.75 against $1.00 of coinage. This led and exasperated General Clinton to complain to Lord Germaine (cabinet secretary in charge of war in the American colonies), "The experiments suggested by your lordships have been tried, no assistance that could be drawn from the power of gold or the arts of counterfeiting have been left untried, but still the currency . . . has not failed." The currency did finally collapse, but not before seeing the new nation through its birth pangs, prompting Thomas Paine to write, "Every stone in the bridge that has carried us over, seems to have a claim upon our esteem. But this (Continental Currency) was a cornerstone, and its usefulness cannot be forgotten."

Evidently its usefulness has largely been forgotten, and what remains in the culture to commemorate its critical importance is the phase "not worth a Continental". The eventual collapse of the Continental Currency is very frequently cited as evidence that the issuance of money cannot be trusted to the government, and should instead be left to private banks, but these sources virtually never mention the massive counterfeiting of the currency by the British (as well as private counterfeiters encouraged and protected by the British). How often this is a willful omission is hard to say, but I have many times heard it repeated reflexively even by those whose intention of the moment was evidently not to make a monetary argument. This is an example of how our culture and founding national mythology has been co-opted into an effective, though largely unconscious, conspiracy to cause us to forget our true monetary heritage.

Column #88 THE ECONOMIC IMPERATIVE OF CHRISTMAS SHOPPING

(Week 17 - Monday, Dec. 1)

Every year about this time, it seems, the mavens of economic prognostication hold their collective breath until the returns begin to come in on how willing and able people are to show up at retailers, money in hand, ready to engage in Christmas shopping. This year in particular, they are waiting with bated breath. Will the people flock to the stores, and thereby demonstrate a "show of confidence" in the economy (despite losing jobs, savings and home equity), or will their malaise and beggared circumstances be too great for the usually festive air (or patriotic spirit of shopping) to overcome?

This year the early returns are, it seems, "encouraging." A few minutes ago I heard a newscaster on Public Radio report that retail sales on Black Friday (the shopping day after Thanksgiving) were reportedly up three percent from last year. The next benchmark will be "cyber-Monday" when the initial wave of shopping over the Internet is expected to take place.

That this is good news for the retailers and suppliers who produce the profusion of gift items is obvious, but holiday shopping is also billed as a bellwether for the overall economy. If sales are up, so the thinking goes, then the economy is sound; if they are down, it is an indication of "structural weakness." If the grim economic indicators that we have been hearing in the news belie any notion of soundness in the economy, the willingness to shop, especially for non-essential items, is taken as a barometer of "consumer confidence," which in the end, supposedly, is the key to turning the overall economic situation around. Within the context of the present monetary system and culture, there is perceived to be an effective economic imperative for Holiday shopping.

This raises the question, how does this seeming need for shopping reflect upon real economic health? Is it a sign of a genuinely robust economy, or the reckless indulgence of a narcissistic consumerism?

The question needs to be answered in the context of the monetary realities that influence overall consumer behavior. In a "debt-money" based economy there is a constantly felt need for "economic growth" (i.e. borrowing more money into circulation) to expand the economic base against which more money can be borrowed. Without it, an imploding monetary spiral can indeed set in, and present a threat to the economy as whole. The perception of such a need, therefore, is not entirely without cause. If not enough merchandise is sold during the annual shopping binge, the effect will be to cause a net contraction of the economy, and the unpleasant effects of that will indeed

ripple out, in whatever relative measure, through all sectors.

Monetarily speaking, the system does not care who does the borrowing, or for what purpose. It could just as well be for the citizenry taking out a Holiday Season loan or laying their credit cards on the store counter for Christmas gifts, as for municipalities building schools, the Federal government requisitioning tanks or the well-healed consumers purchasing luxury vehicles. Holiday shopping is a major factor in the Gross Domestic Product (GDP), and if it is down the economy as a whole does indeed take a hit, the fact that much of the shopping does not make sense in terms of human welfare, or even true giving, notwithstanding.

The question arises, "What sense does this all make in terms of genuine economic life?" I would answer, "None!" As in virtually all other areas of economic life, the imperatives imposed by "debt"-based money have turned genuine economics on its head. From a common sense perspective, it is most advantageous in terms of human life to accomplish the most with the least expenditure of resources. Within a system where money is created and borrowed into existence from private banks, that logic is reversed; i.e. the economy is deemed the healthiest when it does the least with the greatest expenditure of resources.

To illustrate, common sense would say that an automotive vehicle is most economical when it goes the greatest distance on the least fuel. The "problem" is that this is also the condition that contributes the least to the GDP. If a given vehicle burned twice as much gas to go the same distance, that activity would produce, monetarily speaking, twice the economic activity, and therefore contribute twice the amount to the GDP, and therefore cause economic indicators to rise. The net effect of our society's dependence on "debt-money" is to encourage a wasteful use of resources. Indeed, as the amount of "debt" increases the "health" of our economy comes to rely in a peculiar way on gratuitous consumption. That is why, for example, the proliferation of vehicles that cover people's transportation needs via a maximum consumption of resources has been encouraged by the financial order.

Of all patterns of spending, holiday shopping tends (arguably) to be among the most frivolous, and yet it is widely touted as a great engine of consumption that is counted upon to give the economy a yearly boost. This has nothing to do with real human welfare, or even genuine gift-giving, but everything to do with the monetary "need" to borrow more money into circulation so that "interest" payments required to maintain the money supply and keep it growing can be satisfied.

My purpose here is not to be a Scrooge. Indeed, much seasonal shopping is conducted mindfully in the spirit of true gift-giving and satisfying each other's needs. Many people,

if not most, would likely agree that this laudable intent has given way to a rampant materialism that has overtaken the original spirit of the seasonal observance. This is a complex issue, and it can be looked at from many perspectives, but I would suggest that the monetary imperative for people to continuously take on more "debt" is major factor that has driven it in the "rampant materialism" direction.

If we were to adopt a public monetary system, the "debt-imperative" fuel would be removed from the holiday-shopping fire. To be sure, merchants and suppliers would still be interested in peddling their wares, but even for them lower overall levels of "debt," much of which they now account for as a cost of doing business, would reduce the urgency of their situation. This would open the door to seasonal celebrations that were sane and not nearly as driven by the need to sell superfluous goods.

Concerning the monetary soundness of the economy as a whole, the yearly holiday-shopping boost itself would become a non-issue. With adjustments in the quantity of money in circulation, the society's buying and selling could be allowed to expand or contract according to real human needs and desires, including whatever level of holiday shopping and gift-giving people might deem to be good and natural for its own intrinsic reasons.

Column #89 MONEY – THE PARADOX OF OUR TIME

(Week 17 - Wednesday, Dec. 3)

Charles Dickens opened his classic novel A Tale of Two Cities with perhaps the most famous of all literary curtain risers (after "In the beginning . . ." that is); i.e. "It was the best of times, it was the worst of times . . ." He was referring specifically to the nascent-industrial England of the late 18th century, but the same can be said of the present epoch. Indeed, contemporary global civilization has stretched this dichotomy to the most extreme polarity possible.

It can be said that a large portion of humankind at present lives in a cornucopia of unfolding progress, possibilities and richness that fairly beggars the imagination. In the historically-brief last century or two it has plumbed the depths, spanned the heavens, opened the floodgates of material abundance, developed vast technological capabilities, shrunk the world into a global village, exploded the boundaries of artistic expression, enacted sweeping social and political reforms, unlocked the atom, mastered incredible techniques for healing, and approached the mysteries of the creation of life itself.

Yet, in spite of all of that, it may be fairly asked if we are not approaching the brink of the incomprehensible suicide of civilization, or even the destruction of earth itself,

through any number of possible avenues; be it the spontaneous unraveling of the ecosystem; the overwhelming of the last barriers to infectious pandemics; the revitalization of class, ethnic, racial or religious intolerance; the grinding realities of agricultural, industrial and service labor; snowballing monetary indebtedness; the ever more maddening pace and dehumanization of modern life; the exhaustion of material resources; the collateral consequences of an imperialist New-World-Order hegemony; nuclear holocaust; or the wrath of an angry creator.

What are we to think of this impossibly contradictory state of affairs? The juxtaposed "best" and "worst" of times is in actuality not a contradiction, but rather an expression of the poles of the overarching paradox. What, then, is the paradox? This may be expressed many ways, but in an outward sense it surely is reflected in the reality that humankind, in this era of vastly expanded financial activity, has not mastered money. In what life does money not exist as the most polarized of love/hate, embraced/condemned, or sought/feared elements? It is indeed the essential riddle of our time.

The fact that the subject is money dictates that the discipline of banking be brought most particularly under the green shade of scrutiny. The problem, though, is by no means limited to those involved overtly in the banking or financial professions. In this modern era, we are all economic creatures, and do in fact mould the form of the economic life with our thoughts, feelings and actions. If the economic cake were sliced along a different cross section, any number of other walks or categories of life could be held up for similar treatment.

If there is a 'bottom line' to this story it is that, while different "classes" (a divisive word, to be sure) of society may indeed have their respective economic issues, there is ultimately no us-vs.-them factor in their resolution. This premise is held forth adamantly in the fullness of the narrative represented by the unfoldment of these columns. As fellow sojourners in the earth we are all in this together; both as agents for the problem, and as hopes for the cure. If there is any distinction to be said for people of finance it is that theirs is a special calling in an age when the full blossoming of the economic life is coming providentially to the fore.

In the course of performing any economic activity within the present system I suspect that we virtually all experience on some level an existential split, and stand in our respective ways in the need of liberation and healing. In this time of great historical reckoning and economic unfoldment, the chasm occasioned by matters of money, both between people and within them, can no longer be accommodated. It behooves each of us to engage in soul-searching as to our truest and deepest relationship to money. The space for a free dialogue between people of finance and the body of the social order

must be opened up for a bracing, but empathetic discourse. Clearly, the truth cannot be spared, but in our quest there can be no place for attitudes of condescension or recrimination.

Rather, it is our task in this time to seek in brotherhood the transformation of the economic order from one premised on scarcity (i.e. there is only so much money because someone has to borrow it into circulation, and pay the "interest" on the loan), to one of abundance (i.e. we as a people and a civilization can do as much as we in freedom elect, and the money to finance it is available in whatever quantity needed out of our sovereign power to issue it). This will change everything.

Column #90 WHAT DO THE BIG-THREE AUTOMAKERS REALLY NEED?

(Week 17 - Friday, Dec. 5)

The "Big-Three" American automakers have come to Washington as the latest applicants for financial "bailouts," these in the form of loan guaranties in the aggregated amount of some $34 billion dollars. Much has been said about the supposed mismanagement of these corporations, the unrealistic demands of organized labor, and the effects of foreign competition as being contributing factors in the seeming inability of these companies to continue on their present course. Relatively speaking, I find merit in almost all of what has been said, but have heard virtually no dialogue (except to a minimum extent in the non-mainstream media, mostly on the internet) that goes to the heart of what has caused the financial position of such a huge industry and virtual American institution to become untenable.

The myriad issues of manufacturing efficiency, new technologies as they relate to environmental realities, model-development decisions, arriving at Senate hearings via corporate jets, executive compensation, workforce benefits, and the increasing ambivalence about automobiles in the culture as a whole, are, to be sure, all worthy topics for discussion, but there is one aspect of the automotive question that, in my view, is conspicuously missing from the discourse. That is, how is the industry's financial crisis affected by the very nature of the money that is the life's blood of its financial life?

The fundamental problem at the heart of the apparent insolvency of the automotive industry is the fact that the money that finances its operations is issued in the form of loans from a private banking system, to which is attached a compounding "interest" charge. This means that the executives and workforce who are responsible for bringing the wares of industry as a whole (of which the automotive industry is a major part) to

market are losing buying power out of their profits and paychecks before they can spend them, to "interest" payments on bank loans, for which they receive no value. This means that the "cost of production" for goods brought to market, which consists entirely of money paid to people responsible (directly and indirectly) for bringing those goods to market, is not matched in the marketplace by consumer buying power.

This sets up a chain of cause and effect whereby goods will pile up as unsold inventory, orders for new goods will be reduced, and workers will be laid off. Fewer goods will be produced in the next round, but even this reduced level of production will not be able to be sold because the paychecks of those fewer workers also will have their purchasing power depleted by interest payments before they can spend them, and so will not be able to purchase even the reduced equivalent of what they produce. This causes a further reduction in orders for new goods, creating more layoffs, and so forth. The tendency for the economy, then, is to sink into a spiraling economic contraction.

The way this can be counteracted is for the economic players in society (whether private individuals, corporations, or civic bodies) to take on ever increasing amounts of "debt." Until recently the citizenry has been, for the most part, able and willing to do that, but the numbers associated with that "debt" have become astronomical, their ability to take on more has been tapped out, and their confidence in being able to pay off even what they owe now (let alone after taking on more) has declined precipitously.

For the automotive industry this has had a particularly devastating affect because cars are what economists call "durable (long term) goods" that are for the most part not in immediate need of replacement (one can almost always get a few more miles out of the car one already has), and replacement for most people requires the taking on of major new "debt." Their reluctance to do this has been exacerbated by other factors, such as the sudden disinclination of the public to buy the large fuel-thirsty vehicles the industry is offering in this time of ballooning gas prices. It is true that gas prices have plummeted recently, but confidence that they won't come back in the long term has been shaken.

Added to this is that the almost utter dependence upon the automobile that we have effectively cultivated has come into question. This society has now lived through the effects of a century of automotive proliferation, and many people are asking fundamental practical and moral questions about that dependency.

The upshot of these and other converging factors is that the Big Three of the American automotive industry are experiencing great difficulty in selling their wares. This has become, not only a business problem of unsold automotive inventory, but also a financial crisis that threatens to draw the larger economy into an imploding monetary vortex. Financing for new vehicles is one of the great mechanisms for "debt-money"

generation, and when people decide for a time to make do with their old vehicles and concentrate on paying off their loans at the bank, this causes a net contraction of the money supply, which in turn fuels a deepening crisis of confidence.

The question is, what can be done to halt this vicious spiral? Much of the discourse that is going on related to efficiency, new technologies, model choices, executive compensation, workforce benefits, and the reliance of our society on automobiles is healthy and will lead to new answers in many respects, but the monetary question needs to be brought into the dialogue. In my view, there is no resolution without it. If all the other factors are addressed effectively, but the monetary question is not, then the industry will be back again asking for more money. The syndrome of inadequate-purchasing-power-available-to-cover-the-cost-of-production-caused-by-"interest"-payments-on-the-money-supply will not be broken.

What the Big Three automakers really need, I suggest, is precisely what all segments of the economy need (including the auto executives, the automotive workforce, and the customers they serve); that is, a return of the money-creation franchise to the public sector so that the pool of money upon which we all rely will not be drained of value by "interest" payments, with the result that we as a community of participants in the economy cannot buy what we produce. With a publicly-issued money supply, an adequacy of funds to cover the aggregate cost of producing goods will be guaranteed, and the more specific problems of the automotive industry raised in the public dialogue at present can be addressed in a truly effective manner.

Column #91 THE SEVENTH-GENERATION LAW

(Week 18 - Monday, Dec. 8)

The Great Law of the Iroquois Confederacy states, "In our every deliberation, we must consider the impact of our decisions on the next seven generations." This passage is often quoted and widely admired in our culture for its farseeing wisdom, especially among those who are concerned with the human and environmental "cost of doing business," but I find it dismaying that it is rarely invoked with respect to the monetary question.

Those who "invest" with the idea of making money with money (i.e. look for opportunities to buy up the contracts that secure "debt") will naturally expect to "earn a return." Otherwise, why would they "invest"? The factors that determine the "yield" (increase) will vary, but let us assume that the "market expectation" is that one should be able to double one's money (adjusted for inflation) at least once per generation to make the process worthwhile (a very modest expectation by historic standards). For

simplicity of discussion let us assume that one generation is twenty-four years, which is the period of time it would require for an "investor's" money to double at a compounded three-percent rate of return.

Let us suppose that someone took out a loan of $1000 from a bank that was repayable as a "balloon payment" (principal and "interest" due all at once) of $2000 dollars in twenty-four years. The borrower brought $1000 into circulation with his loan, but he will have to gather up $2000 at that time, and remit the money to the bank. This scenario will be replicated throughout the economy with millions of loan-and-payback-with-"interest" transactions. Each will require that there be more money than was borrowed available for payments as they come due. If we assume that on-average the money supply is maintained through loans taken out at three-percent "interest," the quantity of currency in circulation must also grow at a three-percent annual rate to maintain a constant ratio between funds available and money owed. This is what is required to keep old loans from going into default, and maintain an adequate supply of circulating medium.

Banks do not lend out significant sums of money without collateral, and so the financial requirement that there be twice the money in circulation at the end of each twenty-four-year generation must be matched by twice the amount of wealth or economic activity in existence against which money can be borrowed.

We as a society have reached the point where our entire capital wealth, as measured in dollars, is roughly equivalent to the amount we "owe" to private "investors" through the banking system for the privilege of having a money supply. This means that if the "fractional reserve formula" pyramid scheme by which the monetary structure is governed is not to collapse over the next generation, the level of economic activity at the end of the next twenty-four years must be such that for every car manufactured and sold this year, there must be two in that year, for every gallon of gas burned this year there must be two burned then, for every unit of human service performed now there must be two, and so forth. It is not strictly necessary that such doubling be accomplished on a product-for-product basis, but the Gross Domestic Product (GDP) must in some way be multiplied by a factor of two.

The more germane question is, what are the implications of this monetary "necessity" for human life and the earth itself? Much human need may indeed be taken care of in the course for pursuing the satisfaction of this monetary imperative (there may even be a great deal of "green" enterprise that is included), but at what human and physical cost? It should be noted that the GDP, like bank collateral, is essentially a quantitative measure of economic activity, not a qualitative index. Ambulance rides, pollution cleanup, building prisons, and war materiel do wonders for the numbers, and that may

explain, at least in part, why such "enterprise" has become a larger part of our economic picture.

So far we have looked at only the first generation. To make it to the second while avoiding monetary collapse, the size of the physical economy must be doubled again, to four times the original level. Nor does it stop there. Taken to the seventh generation the physical economy would have to grow by a factor of 128 (2 raised to the 7th power). Is there any way one can look at the world today and imagine an economy on the earth that is, materially speaking, 128 times its present size?

I think it safe to say that this is not going to happen. Admittedly, the analysis I am running through here is in itself an abstract numbers game that correlates very imperfectly with life, but it is the game that we as a financial order are still trying to make work. The reliance on "economic growth" (i.e. the creation of collateral to borrow more money into existence) to keep the monetary system pumped up with "debt-money" is reaching its practical limits. The tragedy is that it has made "necessary" such dubious modes of "enterprise" as wasteful consumer consumption, sub-prime lending schemes, and borrowing for war as engines of money creation to keep what is essentially a pyramid scheme in the guise of a monetary system from collapsing. We have reached the point where even that is not enough; hence the spate of "bailouts."

By our society's failure to examine the monetary underpinnings of the current financial crisis, are we not by default effectively making a decision that is utterly untenable within the seventh-generation principle? Clearly, to persist on our present course will overwhelm human and environmental capacities. This is not to say that life does not still hold the possibilities for manifold growth in a multitude of directions, but to yoke that potential to the doctrine of the compounding material exploitation requisite to supporting "debt-money" expansion is, in my view, to effectively negate the possibilities for any future world we would care to contemplate.

Column #92 SEVEN GENERATIONS AFTER THE AMERICAN REVOLUTION: A HISTORICAL PERSPECTIVE

(Week 18 - Wednesday, Dec. 10)

In yesterday's column I talked about the Great Law of the Iroquois Confederacy which states, "In our every deliberation, we must consider the impact of our decisions on the next seven generations," and suggested that, by our society's failure to examine the monetary underpinnings of the current financial crisis, we are by default effectively making a decision that is untenable within the seventh-generation principle. If we were to step back for a broader historical look at the situation, the case could be made that

we as a nation turned our collective backs on our own monetary heritage, and in effect already made the decision, some seven generations ago.

In earlier columns (#10 - 12) I described briefly how the American Revolution arose mainly out of the determination of the Colonies to exercise their own sovereignty and set their own course, starting in 1690 when the Colonial Assembly of Massachusetts became the first government in the Western world to issue its own paper money with the intention of providing a pool of circulating currency to serve the productive enterprise of the People. The other British North American Colonies adopted the practice, which, in turn, precipitated a protracted struggle between them and the Crown over who had the right to issue the Colonies' money. This led to the Declaration of Independence, the first two itemized grievances of which are references to the stonewalling of Colonial monetary initiatives for which ratification by the Crown and Parliament was required.

The Colonies ultimately prevailed in the military phase of the struggle, but not in the monetary. This is what prompted Alexander del Mar, the great monetary historian of the 19th century, to write:

"Never was a great historical event (the American Revolution) followed by a more feeble sequel. A nation arises to claim for itself liberty and sovereignty. It gains both of these ends by an immense sacrifice of blood and treasure. Then, when the victory is gained and secured, it hands the national credit (the authority to create money) over to private individuals, to do as they please with it."

The result was that, led by Alexander Hamilton, the first Bank of the United States (effectively a private central bank, much like the Federal Reserve) was established through a corporate charter issued by the first Congress in 1791. The history of our nation since then has been a litany of the protracted struggle between the proponents of the two principles (public vs. private) for creating, issuing and controlling the nation's money. Judging by the form of our monetary system, the private-bank-money contingent has clearly prevailed, at least for now.

Sincere arguments have been put forward over the decades by both sides, but whatever their relative merits I think it fair to say that our evolution as a nation over the "seven generations" since the Revolution (assuming a generation is about 30 years) has provided a historical baseline from which the result of having turned away from our commitment to public money in favor of a gradual acquiescence to private bank money can be judged. Today's headlines would seem to indicate that the outcome has been much less than satisfactory.

To be sure, this column is for the most part a recap of thoughts that have been enumerated in previous installments, but I think it important at this critical historical juncture, especially given the current financial crisis and the changing of American political administrations, to slow down, take stock of where we are, and try to gain a fresh perspective on what is happening. The seventh-generation rule is a quintessentially American artifact of cultural/spiritual life. It is perhaps not entirely surprising to discover that it has a reflection in our own experience.

In my view, American capitalism has played out its seven-generation providence and is now making a turn towards another form; one that has immense implications for this nation and the world. With yesterday and today's installments as a basis for understanding, I will endeavor to describe what precisely I mean by that in the next column.

Column #93 BEYOND THE SEVENTH GENERATION

(Week 18 - Friday, Dec. 12)

It has been a full seven generations (at about a third of a century per generation) since the American Colonies declared their independence from the mother country, inspired in large part by the determination to exercise the sovereign power of their society to create their own money supply, and thereby take responsibility for the development of their own potential; as opposed to submitting to having their money lent to them by a private banking system, backed by the British state, on such terms that they would remain forever indebted and subject to "the moneylender." Understood fully, this was not so much a contest of state vs. rebellious colony, as it was between two great ideas about how money should be created, issued and controlled, that had fought for centuries for dominion over the minds of men. The battle had been intensifying for many decades within Britain itself, but came to a head in the North American Colonial experience.

The Colonies having prevailed in the military conflict, the new nation failed to maintain vigilance on the monetary front, with the result that its subsequent history has been a protracted struggle between the proponents of public vs. private money, with the private-bank-money partisans having emerged (for now) victorious. The "seven generations" period since the Revolution has provided a historical baseline from which the result of having turned away from our commitment to public money in favor of a gradual acquiescence to private bank money can be judged. Today's headlines would seem to indicate that such an assessment is urgently needed.

I stated in Monday's column that the need for the participants in the economy to take on in the aggregate ever greater amounts of "debt" to make "interest" payments on old

"debt," while maintaining an adequate money supply, has created a situation whereby virtually all significant physical wealth in the society is eventually brought into the banking system to serve as collateral for the borrowing of more money into circulation. This has progressed to a point where virtually the entire combined worth of all physical assets in the country is matched approximately by the amount of "debt" written against it.

What is more, the need for compounding amounts of money to be borrowed into circulation has not only consumed the worth of the country, but has of itself become a major driver for economic activity. The participants in the economy are obliged to seek out ever greater fields of economic exploitation to be able to make the ends meet in their financial cash flows. While it is true that much human need has been met in the course of such activity, and our society has in many ways achieved a measure of economic prosperity, the financial need for "economic growth" ("debt-money expansion) has come to supercede genuine human need, and now dominates the imperatives and forms of economic enterprise, whether such are in the true interest of human welfare, or not. Increasingly, they are not.

The endless "debt"-driven urgency for expansion makes the "growth" of such questionable areas of human benefit as wasteful consumption, sub-prime lending schemes, borrowing for war and many others, virtually inevitable. As the game gets stretched out, the true worth of the "collateral" generated by such enterprise becomes of dubious worth. It does, in a sense, induce economic activity that can be borrowed against, but consumer trash in the landfill, deflated real estate bubbles, expended military ordinance, and the like, leave behind little, if any, cumulative capital base for further "debt-money" expansion. Eventually the bubbles of imagined wealth begin to pop, and the monetary system is left without a source of new tangible wealth with which to "secure" its "debt" contracts.

This is the point that American capitalism has reached, and it is this inability of the human and physical economy, even in its most wasteful, illusive and speculative terms, to keep up with the mounting "debt" paper that is behind the collapse of the monetary system. Nor is the situation likely to improve any time soon, especially with such economic bulwarks as the auto industry beginning to implode. The question then becomes, what do we do now?

In my view, we as a society have already answered the question. That is, we have decided to keep borrowing more money into circulation anyway. This is not at this point a conscious decision, but rather the reflex of a culture that has almost completely lost touch with any basic understanding about money. This may sound like a strange statement to make in an era of extreme financial sophistication, but I would make the

case that it is a presumed "financial sophistication" and a losing touch with common sense that has landed us in our present straights. This is something to contemplate for everyone, not only people of finance.

The productive participants in the economy have lost the ability and confidence in the system that would allow them to them to continue to take on new "debt" at a pace sufficient to keep the financial (fractional reserve) formula that governs the banking system from collapsing. This has become true even for public borrowing within the context of normal "emergency" imperatives. The collapse of the credit structure is now so precipitous that we have little choice, it seems, except to throw all but a thin pretence of deliberation to the wind, and let those who have "guided" the macro-economic ship into this predicament, open the floodgates of yet more "debt-money" in the wistful hope that they can float it again.

I would raise the question, what is the collateral for all this new "debt"? The spokespersons for the rescue "assure" us that it is the "troubled assets" (i.e. already unsupportable "debt" contracts and failed enterprises) that the government is taking over. I find that explanation to be untenable. When the Federal government takes on new "debt," its collateral is the "full faith and credit of the United States." Supposedly, this is another way of saying "future tax proceeds." The problem is that the Federal "debt" is a monetary phenomenon, not a fiscal one, and there is no way that future tax proceeds can close the gap.

This brings us back to the question, what in reality is the collateral for such loans? It is the very assets, enterprise and life's blood of the whole nation. It is our land, our lives and our children; nobody in the end excepted. Our future is being signed away for a "debt" that is not payable. I find it peculiar that the same Secretary of the Treasury that we as a body-politic cannot seem to find the good-will to trust to use his signature to endorse the People's own money is allowed to sign our future away to this gargantuan "debt."

It has become a hallmark of personal success in the current financial culture to be able to get into an investment, make one's money, and then get out, debt free. We should be mindful, however, that when the Treasury Secretary puts his name to a "debt" contract on behalf of the government, he is actually signing it on behalf of all the People, both those nominally in "debt," and those who imagine themselves to be out of "debt." He has obligated the government to make good on that contract, even if (many fear) it influences its leaders to feel compelled to insure the continuing value of our currency by sending an army of our sons and daughters (of those in "debt," and those not) half-a-world away to enforce the "rule" that the trade for oil in the world remain exclusively in

the domain of dollars. The questions raised by this matter of "national debt" can become very heavy.

Column #94 BEYOND CAPITALISM

(Week 19 - Monday, Dec. 15)

With the current "debt" crisis, the economy is turning towards a new mode of operation. If we define whatever form it has taken on heretofore as "capitalism," then we can say that it is moving beyond capitalism. "Capitalism" has become a term that is used in myriad ways by different people, depending on their point of view. For many it is an emotionally and/or ideologically charged expression. I don't wish to take any part in those arguments. For purposes of this discussion I will define capitalism as the economic practice of linking physical capital with monetary capital in a symbiotic relationship that allows trade to be conducted and the enterprise pursued without undue resort to barter. The choice between the public or private creation and issuance of money, therefore, is essentially about which mode more truly serves this relationship.

In the last few columns I have described how, within the present system, money is created and issued when a borrower brings something of value into a bank and puts it up as security (collateral) for a loan. The only practical way this can be made to work over time is for people to bring ever greater amounts of collateral into the banking system against which new money can be issued, thereby expanding the monetary pool so that "interest" payments on old "debt" can be made and an adequate money supply maintained in circulation.

Proponents of the current system will say that there is no problem with this arrangement because an expansion of economic enterprise financed by new loans will create more wealth out of which interest payments can be made. They picture the loan proceeds as seed money, which will in due time beget more seed, much like the plantings of a farmer. Furthermore, supposedly, the necessity of having to cover the interest payments spurs the economy on to greater heights of economic activity, while also serving as a needed discipline to insure that such money is borrowed only for enterprise that is truly productive. They point to the fact with the private-bank-money system in place, the nation has lived through almost a century of what has been on the whole a period of explosive economic growth in real terms.

Critics of the system may say that while the contribution of modern banking practice has indeed made money available in unprecedented amounts, and has therefore played an important role in modern economic development, a high cost in human and financial trauma has been extracted because of the "debt"-based nature of the process.

Furthermore, they say, there is no practical mechanism built into the system for limiting the compounding of "debt" paper (save a partial deflation of the "debt" bubble attached to the currency occasioned by bankruptcies), and the real physical and human economy cannot be expected to keep pace with the need to service compounding "debt" forever.

What this current financial crisis is telling us, evidently, is that the "debt"-expansion process has reached its limits. In fact, it may have reached its natural limits some years ago, as indicated by the expansion of borrowing to finance the daily necessities of living (e.g. groceries and gas) via revolving consumer "debt" (particularly credit cards), and the proliferation sub-prime lending schemes. Investment in new production is in precipitous decline, and so monetary increase based on a symbiotic expansion of real enterprise (the defining characteristic of capitalism as given above) is no longer possible.

This leaves it up to the government to be the borrower of last resort to keep the economy from collapsing, a role which it has evidently taken on. I suggested in the previous column that the effective collateral for this huge "debt" expansion is the very land, lives and progeny of the People, and that this raises troubling questions as to what a future government might feel compelled to do to keep the monetary system from collapsing.

As the "debt" bubble against the economy continues to compound, however, even this concept of "collateral" becomes more than a bit abstract. The numbers have become so huge that correlation with any physical and human reality is becoming difficult to picture. It is at this juncture that what is commonly called "capitalism" is moving beyond itself into a new form. I will call it "debt-ism." By this I mean the "debt"-based monetary system has effectively left the real economy behind. It has embarked on a new course where any pretense of seeding productive economic enterprise has been all but forgotten.

As a case in point, how much of the $700 billion "rescue plan" is contemplated as seed money for new productive activity? As far as I can see, virtually none. President Bush has indicated that perhaps a small portion of these funds should be dedicated to rescuing the auto industry, but even in that case it is questionable as to whether the money would be used to create any new product, or merely to shore up the industry's tottering financial structure. Similarly, I find it difficult to identify much new productive capacity that was seeded by the "tax rebate" program earlier in the year, or the proposed "stimulus package" that seems to be gathering political support.

This raises the question, if this immense amount of new borrowing is not secured by economic collateral that is substantive, how can it be supported? The answer is that it

no longer needs to be. The "debt"-based financial infrastructure itself has taken on a life of its own to such an extent that it has effectively broken away from the real physical and human economy, and in a certain sense no longer needs it. Money, in effect, has come to do business of its own account. The "debt"-based workings of the money-creation machine have become so complex and inexorable that they have effectively escaped human control. "The system" is leaving behind, not only the laborer, but also the banker. This is why both ""Main Street" and "Wall Street" are being decimated, with no one coming forward that seems to know quite what to do about it.

To be sure, this is a relative, not an absolute, statement, but the extent to which it is true is sobering to contemplate. It is in the vital interests of both the worker and the financier to open up a conversation on this matter. What we are witnessing in the economy is a movement beyond the partnership of wealth creation and money creation (i.e. capitalism) from whatever perspective one might be inclined to think about it. I will begin to describe what I see as the basis and workings of this transformation in the next column.

Column #95 THE DEGRADING OF COLLATERALIZATION

(Week 19 - Wednesday, Dec. 17)

With the current "debt" crisis we are witnessing the economy move beyond the partnership of wealth creation and money creation (i.e. beyond "capitalism"). Let us trace out how this has come about.

The premise of the "debt-money" system is that if participants in the economy need money, they can borrow it by putting up some form of "collateral" (already acquired tangible wealth) that the banker can hold as "security" (saleable item from which he can recover the monetary value) in case the borrower fails to pay back the loan. The banker obtains the funds to "lend" out of his privilege to create money "out of thin air" granted by the Federal government to the Federal Reserve System via a legislated corporate charter.

This has resulted in a peculiar situation in that the money to repay the principal proceeds of a loan is thereby issued, but the money required to "pay back" the "interest" is not. The proponents of the system do not deem this to be a problem because they assume that the "economic growth" financed by new loans will be the basis out of which interest payments can be made. Supposedly, the necessity of having to cover interest payments of itself spurs the economy on to greater heights of activity, and also serves as a needed discipline to insure that such money is borrowed only for enterprise that is truly productive.

This method has worked for the almost-a-century since the passage of the Federal Reserve Act, but, according to critics, not without terrible human and environmental cost. Whatever the merits of the current system, it is clear that a physical economy cannot forever keep up with the demands of exponentially expanding "debt" paper. A limit will eventually be reached, and it appears that that may be what is happening now.

To be sure, it has not been experienced as the crossing of a bright white line, but rather as a stretching out of the substantive quality of collateral. This has manifest in many ways, including the increasing issuance of money based on revolving consumer "debt" taken on to obtain the necessities of life (e.g. groceries, gas, etc.), the proliferation of loans against inflated housing values, and the effective reliance on war (hot and cold, overt and covert) as engines of "debt-money" creation. Currency issued for such purposes becomes less of a seed for further enterprise out of which "interest" payments can be made, and more of a net drain on the already existent productive capacity of the economy.

The relentless imperative for new money creation within a "debt-money" system makes it inevitable that a resort to ever-less-substantive forms of "collateral" will take place. This unfolds in a natural progression that could be described as follows:

Commensurate collateralization - The principal amount of a loan is within the bounds of a realistic valuation of the property put up as collateral considering the cost to create or replace it. An example is a home mortgage for which the amount of money borrowed is reasonably affordable within the parameters of prevailing wages.

Inflated collateralization - The principal amount of a loan is beyond the bounds of a realistic valuation of the property put up as collateral considering the cost to create or replace it. An example is a "sub-prime" home mortgage for which the amount of money borrowed is not affordable within the parameters of prevailing wages.

Paper collateralization - The loan is not secured by already acquired tangible wealth, but by the liens or "debt" paper written against such. An example is money issued to finance the widespread practice of bundling home mortgages as "investment packages" or "structured investment vehicles" in the international financial markets. Borrowing "on margin" to finance stock market speculation is a similar sort of activity.

Phantasmic collateralization - The loan is no longer secured by even the pretense of existent wealth or wealth creation, but rather by the illusions of the socio/political/financial culture that invariably emerges to obscure the speculative nature and stubborn anomalies of a "debt"-based monetary system. Examples of this are

supported by mindsets that can see as justified monies raised or issued to finance hostile corporate takeovers, default credit swaps, commodity speculation, currency manipulation, all manner of derivatives, social contracts that can't be met (e.g. unrealistically structured pensions), and the promises of politicians (albeit well-meaning) who assure us that they will make certain that the $700 billion in "bailout" money will be paid back.

As an illustration of how disconnected from substantive wealth the monetary system has become, Bernard Lietaer (former Belgian central banker, and widely regarded authority on money) reports in his book "The Future of Money" that the world trading order has become a "…global casino where 98% of the transactions are based on speculation." This means that of the money that crosses international boundaries, only 2% of it can be accounted for as financing trade in goods and services (food, pharmaceuticals, cars, electronics, media, tourism, oil, weapons, and anything else tangible). The rest is essentially non-productive gambling in speculative financial instruments.

As extreme as the situation has gotten, the degrading of collateralization has gone a critical step further. I will describe that in the next column.

Column #96 MONEY AS VIDEO GAME

(Week 19 - Friday, Dec. 19)

The operating premise of the "debt-money" system is that money is created when a banker "writes a check" against no funds (i.e. "out of thin air") to a "borrower" (i.e. private individual, corporate entity or civic body) when they bring into the bank some form of collateral (already possessed tangible property) as "security" for the "loan."

The need to continuously borrow more money into circulation creates an ongoing necessity to put up ever greater amounts of collateral. This leads to resorting to less substantive forms of collateral, until its realizable cash value becomes more uncertain. Eventually it is perceived as fictitious, at which point confidence in its value collapses. Then people stop borrowing, banks stop lending, and the economy enters a precipitous contraction (as it has at present). In the last column I describe the stages of this degradation of collateralization as follows:

Commensurate collateralization - The loan is within the bounds of a realistic valuation of the property put up as collateral.

Inflated collateralization - The loan is beyond the bounds of a realistic valuation of the property put up as collateral.

Paper collateralization - The loan is not secured by tangible wealth, but by the liens or "debt" paper written against such.

Phantasmic collateralization - The loan is no longer secured by even the pretense of existent wealth or wealth creation, but rather by the illusions of the socio/political/financial culture that invariably emerges to justify a "debt"-based monetary regime.

To this list enumerated in the last column I would add:

"Debt"-creation collateralization – The loan is no longer secured by anything, except the ability to create more "debt-money" in the future.

In a certain sense, this has been the effective logic behind the "debt-based" system all along. There is, for all practical purposes, never enough money in circulation for people to clear their "debts." This is true whether the grade of collateralization generally offered is commensurate, inflated, paper, phantasmic or simply "debt"-creation collateralization. In fact, regardless of the quality of collateralization, the "debt" numbers compound-on in essentially the same mathematical progression. Strictly speaking, the continuation of the monetary game does not depend upon there being real goods behind it (no one ever stuffs goods into an envelope and sends them off to the bank when a payment is due), but only that there are registered somewhere (these days usually in cyberspace) in someone's name, sufficient monetary credits to satisfy the "loan" account. This process is by nature less about managing wealth than "keeping score." The reality is that the economy has come to resemble less-and-less a partnership between production and finance, and more-and-more a video game in which the enterprises are little more than names and logos.

Recently I spent a day with a stock market "day trader" (freelancer). He works in a room surrounded by an impressive wrap-around array of computer screens that alerts him to fast-moving trends amongst thousands of stocks being traded, and displays virtually every parameter of interest in real time. What the software is looking for is movement in the market (up or down), because that is where a trader makes his money. I can only describe what I witnessed as lightening-fast, high-stakes video gambling.

It is hard to imagine that it is humanly impossible for anyone to know enough about any more than a tiny fraction of these firms being traded to make considered decisions based on their actual physical and human realities. Essentially, they are just names, names and more names. It is hard to tell from most of them even the nature of the enterprise they are engaged in. After what has happened with GM, Ford and Chrysler, it

might be fairly asked whether it would make much difference even if one did.

For a sense of this, I would invite the reader to spend some time watching the major stock market shows on TV (I find CNBC to be the best example). The screen is filled continuously with a multitude of rapidly-moving names, numbers and graphics that I cannot imagine a viewer (even a stock broker) relating to meaningfully in a real-world way.

Nonetheless, the video game goes on, and hundreds of billions of new dollars are being rapidly pumped into it. Essentially, it has taken off on its own, and left the real economy behind. The monetary system has demonstrated an astounding ability to continue on its dizzying way literally as a game (as can a good game of Monopoly, whether Board Walk and Park Place even exist or not). This is not an absolute statement, of course, but it conveys too much truth to call it a metaphor.

This raises some fundamental questions. How long can the monetary economy persist and grow as a numbers game, while leaving real people behind to survive any way they can? What are the implications of an economic order where essential correlation between productive enterprise and finance is lost? How long can this "debt" continue to compound? What kind of new socio/political/economic order is this leading to? Will civilization continue? It would be easy to write a lengthy analysis exploring each of these and many other conundrums, but I believe that they would not arrive at any definitive answers. We live in an unprecedented time, and there are no models from the past that will tell us how this will all work out. I fear, though, that the end will not be well if we let ourselves drift without coming to a conscious mastery over money.

Column #97 NOW IT'S TOYOTA

(Week 20 - Wednesday, Dec. 24)

A headline on the front page of the Monday, December 22 edition of the New York Times proclaimed, "Car Slump Jolts Toyota, Halting 70 Years of Gain," elaborated in the subtitle with "Huge Decline In Sales." Does not this announcement have the effect of casting the troubles of the American automakers in a new light? What does it say about the conditions under which the auto industry is laboring if even Toyota, widely regarded as its most successful venture, is expecting to report "…that it will lose money this fiscal year on its vehicle business for the first time in seven decades"?

Much has been written about how the "big three" American carmakers have declined supposedly due to astronomical executive compensation, bloated union contracts and inferior or out-of-tune-with-the-times products. Such criticisms do indeed have merit

(and to be fair there are many positive things that could be said about the American auto industry), but the fact that Toyota is being sucked into the red-ink vortex also is telling evidence that on some level the problems of the automotive industry are universal. This is not to say that issues of executive compensation, labor costs and product quality don't matter. On the contrary, they do matter, vitally, and Detroit could indeed be criticized for undermining its own position in many ways.

That said, the crux of the problem the industry is faced with now is not primarily business in nature, but monetary. In fact, this is a factor that undermines the prospects for all sectors of the economy to endure in the long run. Stated simply, the productive part of the economy in the aggregate cannot attract enough money to pay its cost of production due to the buying power that is lost to "interest" charges attached to the bank loans by which money is created and issued into circulation. The result is that a portion of its product must go unsold, unless, that is, people are able and willing to go to the bank and take on more "debt" in large numbers. The effect of this is hitting the auto industry especially hard right now because people are reluctant to borrow large sums of money under current financial conditions, and the banks are reluctant to lend in any case.

This can only be remedied when the buying power of the consumer sector lost to "interest" charges is restored, and when the confidence of the car-buying public can be restored because people can see how this is so. Government borrowing of ever greater sums of "debt-money" into circulation willy-nilly via the "bailout" packages currently being enacted may, or more likely may not, get the economy moving again in the short run, but at best it will only put off to a more terrible reckoning the day when this simply does not work anymore.

The measure that will be effective, in my view, is to restore the money-creation franchise to the public sector; that is to have the US Treasury issue the nation's money supply for the public good, and not a private banking system for private profit. This is common cause for all segments of the economy, including the banking system itself (are not banks presently going bankrupt without government intervention at a fearful rate?).

The issue of money has long been used to divide the different segments of society, one from the other. We can readily see in the media how the interests of management, labor and the consumer have been pitted against each other over who will get the cash. This is happening because we are trying to carve up an economic pie that inevitably does not have sufficient funds to satisfy the need to make the financial ends meet for all three sectors without someone having to take on more "debt." If, on the other hand, the discussion were to turn to the idea of returning society's own money-creation power to

the public sector, the availability of enough aggregate buying power to fully purchase the fruits of production would be assured. Business factors aside, this is the basis for the auto industry's (and all industry's) salvation.

Under such a condition, it is possible that the monetary issue could be transformed from one that is divisive with respect to any social fissure that could be exploited, to one in which everyone, from the highest banker to the most destitute street-person, could engage in a unifying transcendent dialogue. I have spent two-plus decades pursuing such a dialogue, and have seen much on this path to give me reason to think that it is perfectly possible, and indeed natural, to be able to speak to matters of money with an assortment of folks of whatever mix or stripe, in such a way that the conversation resonates positively with all parties. To be sure, this is not automatic, and it remains an elusive goal in some cases, but in my experience the potential and/or reality is palpably there.

This is a conversation that we as a society urgently need to have, or our civilization is going to continue to degrade and fly apart over the very issue of money. The key to transcending matters of money is to break free of our habitual "debt-money" acculturation long enough to let new ideas enter in. There is no leap of faith involved, only a moving forward with an open mind, spirit of brotherhood and genuine communication. The alternative is to keep floundering in our present ineffectual way until the economy deteriorates to the point where even the most innovative, savvy and successful enterprises in the business world (i.e. the Toyotas) cannot make it.

Column #98 MONEY, ECONOMIC LIFE & THE GARDEN

(Week 20 - Friday, Dec. 26)

The lead-up to the winter solstice, the darkest time of the year, has come to be illuminated by a fantastic profusion of bright lights heralding holiday festivities. This is ostensibly to celebrate the advent of the brightest spiritual light ever to incarnate in the earth over two millennia ago. What follows for many is a season of "Holy Nights" (Christmas to Epiphany) that is marked by a turning inward to meditate upon the outer events and inner experiences of the preceding year, and a prayerful contemplation of the new year to come.

There is understandably a tendency to shy away from devoting further attention to the subject of money in this soul-searching, especially given the fit of holiday shopping and material consumption that has come to precede Christmas, but, I would suggest, this is precisely the time when it would be well to meditate upon money in its deepest and most spiritual sense.

To seed the process, I have offered below a fresh perspective on the Garden of Eden story common to Christianity, Judaism and Islam. The late Joseph Campbell, renowned American mythologist, observed that in creation myths from all around the world mankind began his earthly sojourn in a Garden-like setting from which by virtue of his own rebellion he became estranged. My feeling is that there is a foundational universality to this story that speaks to people whether they are of the Christian, Judaic or Islamic faiths, or not. I leave it to the reader to judge whether this is so. In any case I would offer, to be taken howsoever one would, the following thought:

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In the primordial Garden Man was charged with the responsibility to "Be fruitful, and multiply, and replenish the earth, and subdue it." The state of Man was destined to unfold from a purity of innocence, into a full consciousness of knowledge of the dark and the light, under the harmonious guidance of an all–wise, all–knowing spirit. His purity, however, was fatally sullied as he failed to wait upon God, but willfully reached for powers he was not yet fit to receive. As the wages of this rebellion he was ejected from the Garden, and henceforth obliged to labor by the sweat of his brow to earn his comfort and keep.

The travail of subsequent effort took on a coordinated form which replicated roughly the divinely symbiotic material and energy flows of the Garden. The evolving matrix of relationships thereby established became an aspect of the social body known as the "Economic Life," while the vitalizing spirit of that body took on the guise of "Money." Money, then, is a proxy for the spirit that imparted a burgeoning harmonic order to the Garden, while the Economic Life became the vehicle in the material world by which Man would seek, upon requisite redemption of personal goodness and completion of social evolution, to return home to the unspoiled state of the Garden; this time in the full consciousness of the dark and the light, but also with a purity of spirit that partakes of the innocence of Man's original state.

In the interim, though, the spirit of Money, and in turn the Economic Life, has been hijacked by forces that would seek to derail human evolution. Humankind has descended into abject materiality; estranged from one another and seduced by the shadow forces of false dominion; all orchestrated by the spirit of opposition that has co–opted Money. The woes thereby unleashed are legion. Brother has been pitted against brother in a false competition for livelihood. Mankind's Mother, the earth, is counted as a body to be ravaged and consumed. Tyrannies of number haunt Man's sleep. Clearly the redemption of Economic Life in the material world is called for.

The path to economic rectification is threefold:

(1) – To strive for redemption in oneself and others from the spiritual dissonance that was the cause of Man's alienation from a harmonious relationship with God in the earth,

(2) – From which it becomes possible to transform Money and rectify the Economic Order to a condition which reflects truly the state of providence in human evolution at present,

(3) – Which would, finally, redeem the Economic Life as a fit vehicle for the reassertion of Man's fruitful, replenishing and faithful dominion over the creation.

Thus would the Kingdom of God materially in the earth be at last established.

Column #99 TWO ECONOMIES – MICRO (PRIVATE) & MACRO (NATIONAL)

(Week 21 - Monday, Dec. 29)

It is timely and apropos in this landmark 100th column that the basis for understanding be taken to a bit higher level. To accomplish that, two concepts new to this discussion need to be introduced. These are already commonly referred to in the realm of economic theory, but not observed in a consistent way in the world of finance and banking.

As a beginning student aspiring to enter the realm of economics one is required almost invariably to take a course titled "Economics 101." From there the coursework divides into two streams, those being "micro-economics" and "macro-economics" (Econ. 102 & 103). Almost anyone who has found his life's work in dealing with money in a central way, whether as economists, fund managers, stock brokers, bankers or whoever, was introduced into the theoretical world of economics through this regimen of courses.

I took the Econ-101 course when I was 48 years old with the attitude of seeking answers to the dilemmas about money I had already encountered in my life. My life experience provided a basis for questioning, and not simply accepting, the premises of the course (an advantaged position few students experience). In the text out of which I was taught ("Economics", Case & Fair, 1989 ed.) the two streams of the economic discipline were defined as follows:

"Microeconomics – The branch of economics that examines the functioning of individual industries and the behavior of individual decision-making units, that is, business firms

and households."

"Macroeconomics – The branch of economics that examines the economic behavior of aggregates – income, employment, output, and so on – on a national scale."

I would offer my own definition of these respective terms as follows:

Micro-economics is the science of how people provide for each other's needs in the context of the various influences they are subject to from without, and impulses that arise from within. Ideally such activity is an expression of cultural, spiritual and entrepreneurial freedom. Participants include individuals, businesses, corporations and governmental bodies, except for the Federal government.

Macro-economics is the science of how a society organizes itself to create an equitable context in which its citizens can conduct their micro-economic affairs. Resolving issues of societal equity are a natural function of the political realm, and for the way our society is constituted at present (around the nation-state), this means that the central arena of macro-economic life is the national government.

To lend a picture to these somewhat dry definitions, a micro-economy (the object of which micro-economics is the study) is related to the macro-economy in much the same way that the trees are related to the forest.

To offer a sports analogy, a micro-economy is related to the macro-economy in much the same way that the sports teams are related to the league they play in. Ideally, the league does not make any of the plays, accrue any of the points, or take a partisan position with respect to any team. Its function, rather, is to set up a matrix of rules, resources and arbitration whereby the teams can strive to make plays, earn points and be confident that it will be done on a "level playing field." It is alike in the interests of all teams that the league perform this service in a consistent manner, as it will provide a setting for the optimum expression of the talents of the players, and the maximum enjoyment of the games spectators.

If the distinction between the micro and macro aspects of the game were lost sight of, and one of the league's teams assumed the functions of the league itself, then trust in the integrity of the game would be lost. Indeed the business of the league would tend to be conducted in such a way that it was favorable to whatever team was given control.

The root problem with our economy is that the distinction between its micro and macro dimensions has been lost, and one of the teams (the banking industry) has been put in control. Consequently, the rules by which points in the economic game are allotted (via

money) have become skewed in favor of the team in control (the private banking system). Now the micro-players in the economy (individuals, businesses and governmental bodies other than Federal) labor not only to work out the allotment of financial credits vis-à-vis each other, but also pay tribute to the league for the very playing of the game. It is as if there were a third posting on the scoreboard where for every "touchdown" scored by one of the teams, one of its points had to be donated to the league. In any individual contest the points tallied to the league would be less than the total points earned by the teams, but the league would accept its tribute on every scoreboard, and so come out with the dominant total with respect to everyone else.

This is a pretty silly situation, of course, and it is hard to imagine any sporting league that could live with such a nonsensical arrangement, but the question has to be asked, "Why do we arrange our monetary affairs in such a manner?" There is one team, the banking team, that has been given control of the game. The argument has been made that this is the way to keep politics out of money. It might also be suggested that this is the way to ensconce the fox in the henhouse.

I would add that what I am saying here is not an indictment of banking per se. After all, bankers have been put in the impossible position of having to serve two masters to even do their job; i.e. both the commonweal, and the private interests that would profit at the expense of the nation as a whole. This is a wholly inappropriate mixing of the private (micro) and public (macro) spheres.

The creation and issuance of money is a macro-economic function, and should be returned to the national government. Mixing money issuance and private enterprise in the way currently configured is in itself a corruption, and the system survives at all simply because the people involved in it (including bankers) have not allowed themselves to be wholly given over to corrupt influences on a personal level. That said, it is unrealistic to expect them to overcome the inherent inconsistencies involved in discharging their fiduciary responsibilities in ways that are in keeping with both their private for-profit, as well as public for-the-common-good missions. Can we expect, then, that these micro-economic players (bankers), who have been placed and continue to be maintained in this untenable position, to provide the macro-economic leadership that will lead this nation, and the world, out of the "debt"-crisis wilderness? Some may indeed emerge, but they will need help.

Column #100 MONEY AT TWO LEVELS: MICRO (PRIVATE) & MACRO (NATIONAL)

(Week 21 - Wednesday, Dec. 31)

There is a tendency in our culture to treat "money" as a commodity of a single nature that moves about in the matrix of economic relations, conveying value from one hand to the next. Is that not what we mean when we call it a "medium of exchange," "store of value," "unit of measure" or "common currency"? "A dollar is a dollar", so we are accustomed to saying, and if we want a stable economy the thing to be done is to pin down what exactly that means in terms of some representative "market basket" of goods. The orthodox view would say that a unit of currency may for the moment pass from this hand to that, play a roll in certain public or private cash flows, or facilitate trade in either the world of real goods or "investments" in the financial sector, but it remains a "dollar" nonetheless. It is, in a sense, presumed to be the common denominator of the whole economic order.

Outwardly this may seem obvious, but it is a narrow material assessment that produces only numbers and misses the many levels, essences and meanings that attend this all-pervasive social element. Money is a multifaceted manifestation, and to even begin to master it we must come to a living consciousness of that reality.

This is a huge topic, and there is not room to do it justice within the context of this short article. Indeed, it may seem too daunting to even approach the matter. It need not be so, as the topic may be opened up and developed on a digestible-bite-at-a-time basis from thoughts and observations that are perfectly within the reach of any thinking person. We, individually and as a race, simply have not done the work. That said, it is a consciousness that must be cultivated if we are to have any hope whatsoever of attaining a healthy social order, or perhaps for civilization to even survive. The question is, where to begin?

In the column previous to this I introduced the idea that the economic order has both a micro-economic and a macro-economic domain. This is a foundational concept upon which we can begin to build a new monetary/economic understanding. Micro-economics relates to the values, fortunes and acts of the "players" in the economy, while macro-economics relates to the structure, control and aggregates of the economy as a whole. The relationship of micro-to-macro is much like the trees to the forest, or sports teams to their league. The relevant question here is, "What is money with respect to the micro-economic, as differentiated from the macro-economic, domain?" Can money be described as dollars moving around within and between spheres, or does what we call a "dollar" have a different meaning and essence in each?

In my Econ. 101 course, I was taught (correctly I believe) that the micro and macro-economic aspects were indeed different realms with their own respective rules, functions and dynamics. The problem I experienced is that once that premise was established it was seriously violated to the point where orthodox economic thought has

become a mish-mash of confused thinking caused in large part by failing to follow though on the rigor required to keep the micro and macro dimensions properly distinguished from each other, and in their rightful places. One manifestation of this is that a macro-economic function (the creation and issuance of money) has been vested in a micro-economic entity (the private banking system). The result is that the United States as a whole (a macro-economic entity) has become a business (micro-economic entity) in the portfolio of a private corporation, the Federal Reserve (See Col. #38 – The United States as a Business). What is more, a whole culture of inconsistent financial thought has grown up around that anomaly to obscure the inconsistencies thereby generated.

What, then, is money with respect to the micro-vs.-macro-economic domains?

In micro-economics money can indeed be described as a "medium of exchange", "store of value", "unit of measure" or "common currency." It is the very life's blood that circulates in the economic social body, and fits in a general way many of the descriptions commonly associated with money.

In macro-economics, on the other hand, money is a structured matrix of relationships established in the law which governs how currency is created, issued and controlled. Whereas money on the micro level manifests as the blood that circulates in the economic social body, on the macro level it is the economic social body itself. It does not conform to the micro-economic processes by which it is presumed to operate, but in fact the opposite.

One place where the confusion between the micro and macro aspects of money can be clearly seen is in the current debate concerning what to do about the enormous "debt" that is mounting in the current financial crisis. The remedy that is commonly put forth is that we have to get our taxing-&-spending priorities under control. For a governmental body that is below the Federal (e.g. state government, which operates on a micro level), this makes sense. For them money is a stream that flows into and out of their operations. Public bodies that do not issue money must, like any business, find sources of revenue to balance spending.

In actuality the phrase "balanced budget" has no meaning on the Federal level, as it is a micro-economic expression that pertains to micro-economic phenomena. It would be more proper to describe the creation and issuance of money at the Federal level as a "monetization" process, which is kept in balance by the collection of "taxes." "Taxes" on the macro level are not a way to fund Federal programs, but a mechanism to remove overflow currency from the monetary pool. The issue of money, then, on the Federal level is a matter of structuring macro-monetary body in such a way that its life's blood

(currency) can ebb and flow naturally through its micro-economic organs.

The failure to differentiate between the functions of money at the micro vs. macro-economic levels is at the very heart of the current financial crisis. I would venture to say that if these two levels of money were fully understood (and presumably acted upon), there would be no "national debt" crisis. Indeed, there would be no "national debt."

In the next several columns my thought is to show how this confusion plays out through some of the major issues besetting our nation, and how a simple comprehension of the distinction between the character of money on the micro and macro levels of the economy could serve as a catalyst for the resolution of the current crisis.

Column #101 THE "COST" OF HEALTH CARE: MICRO VS. MACRO

(Week 21 - Friday, Jan. 2 / 2009)

A debate has been raging for years as to how to make health care available to all the people of the nation, including the tens-of-millions of uninsured. Virtually everyone agrees that this is a need that should not go unmet for any human being, but finding a way to get it done seems to have eluded us. At one pole of the argument there are those who say that health care is an individual responsibility, the obtaining of medical services should be left up to personal initiative and the workings of the marketplace. Others assert that it is a human right that ought to be written into the Constitution.

Whatever view of a solution one might hold, it will invariably be centered around the question of how and by whom the spiraling "cost" of health care will be paid. Increasingly doubts are expressed as to whether health care for all is ultimately "affordable."

The existence of such doubts indicates a lack of awareness on the part of the citizenry that there is both a micro and macro-economic dimension of money, and of the respective characteristics and virtues of each.

From a micro-economic perspective, there is indeed a financial cost associated with health care because a source of revenue for employing medical resources must be found.

From a macro-economic perspective, however, there is not a financial cost associated with health care; only a question about much money to create and issue to assure that there is enough in circulation to pay for it.

Stated more succinctly, from a micro perspective health care must be paid for, but from the macro health care is monetized. The way this would ideally play out in practice is as that at the macro-economic level, the social order (through the Federal government) would look out over the society and discern what material resources are available to meet the health care needs of its members, and then formulate a picture as to how ideally they might be utilized. The Congress would then pass legislation that instructed the Treasury to issue money in sufficient quantity that this monetization picture could be realized in actuality.

The ability of our society to fully fund health care to whatever extent it decides is optimal within context of the material and human resources available is thus assured. The notion that the citizens of this country cannot "afford" medical services to the limit of the actual means available to provide them is economic nonsense.

In a micro-economic sense, health care carries with it a financial cost. In contrast, on a macro-economic level the activities associated with health care constitute the very basis or "backing" of the money required to fund them. Stated another way, on the micro level, medical care costs, but on the macro it pays for itself. The key, then, is to cover the micro costs from money issued at the macro level.

For example, to whoever is managing a hospital's budget, a doctor seeing a patient appears as a financial cost for which funds must be found. From the national perspective, however, that same doctor and patient coming together appears to the government, not as a "cost" to be paid for, but as economic activity for which money can be issued. Indeed, any bringing together of human need with the resources to meet it is the very basis for issuing money. It need only be done in an amount that is commensurate with the level of activity to be monetized.

In the light of this understanding, the way out of the nation's health care crisis is this: The Congress would authorize the issuance of money on the macro-economic level according to its Constitutional power to "…coin Money (and) regulate the Value thereof" in such quantity that the extent of enterprise that would naturally emerge in the health-care field if money were not a limiting concern could go forward. This could be accomplished in either of two ways.

One is that medical services could be paid for directly by the Federal government out of funds created for that purpose. This would resemble in appearance the mode of funding commonly referred to as "single payer," as often advocated by the liberal perspective in current political discourse.

The other is that an adequacy of funds to pay for health care could be assured indirectly

through the Treasury maintaining sufficient money in circulation to finance whatever level of commerce would naturally occur in the economy, health care included. This would put a larger responsibility on people to manage their own medical-related finances, as is favored by the more conservative side of the political spectrum.

In reality elements of both approaches would almost certainly be employed. Regardless of the details of how that might be worked out, the important thing to know is that the availability of enough circulating medium to fully finance heath care at whatever level was deemed by our society to be optimally desirable and materially doable would be assured.

Column #102 FURTHER THOUGHTS ON THE "COST" OF HEALTH CARE

(Week 22 - Monday, Jan. 5 / 2009)

In the last column I talked about how, from a national (macro-economic) perspective, universal health care could be readily monetized ("paid for") to any extent deemed desirable within the limits of material and human resources available to provide it, by the issuance of money directly out of the US Treasury. The very notion that there is a national health care crisis because of a shortage of money is contrary to any real economic logic. That this idea even exists, and has moreover gained an iron grip over our culture's economic mindset, is largely attributable to the fact that our thoughts have been so taken over by the notion that our money supply must be borrowed into existence at "interest" from a private banking system that we have lost the ability to think in any other terms.

Let me state this emphatically so there can be no confusion. THE VERY IDEA THAT THE NATION IS LIMITED IN PROVIDING HEALTH CARE TO ALL ITS CITIZENS DUE TO A LACK OF MONEY IS AN ABSURDITY. This country possesses the macro-economic ability to issue its own money and thereby provide the circulating media necessary to finance its own health care to whatever extent is deemed appropriate. The task that remains, then, is to issue such funds in a quantity and mode that is optimal to make them accessible in the micro-economy to the people who need health care and the people that can provide it. This is essentially a matter of good monetary management.

The real limit to health care, then, is the availability of the material and human resources to meet the need. Such resources do entail a material and human cost in their development, but from a macro-economic (national) perspective the work to develop and employ them is something to be monetized (money issued on the basis of such

activity). It is never a monetary "cost." That we are suffering as a society over a supposed lack of funds to take care of people is tragic and unnecessary. We will not, I suggest, resolve the cost-of-heath-care crisis until we wake up to that.

All this said, a caveat is in order. The assurance that health care services can be offered readily to all members of the society without any serious monetary impediment has the potential to be an immense blessing, but also carries with it a danger. The conscious taking hold by our society of our monetary prerogative unleashes a power into human affairs that has not been fully present heretofore. That is, the very ability for society to "monetize at will," so to speak, anything it decides to do up to limits of its material and human capabilities means, among other things, that we could created a "medical monster" that would have a virtually limitless powers for good, or oppression. A medical establishment could be conjured that would assume vast control over people's body's and minds, and, in a manner of speaking, "put everyone on meds." Increasingly, misgivings are voiced concerning the supposed intrusiveness, abuses and inappropriate influence of the medical system we already have, even by professionals within the system.

That said, I think one would find it difficult to deny that the medical discipline has provided many benefits, including extraordinary life-saving services. Regardless of how corrupted one might think the medical system has become, it is hard to imagine any but the most fanatical detractor (or perhaps most extraordinary person) turning down critical intervention at their own point of crisis.

My purpose in bringing this up is not to join the debate over the vices or virtues of this or that medical regime, but to suggest that such matters ought to be decided on their actual merits, free of being influenced unduly by the imperative to grow the medical economy to service the "interest" payments on bank-issued money.

Within a society that fully recognized its own power to provide the funds for any type and degree of health services it so chose, whether directly (as in a government paid system), or indirectly (as in insuring through public policy that there is enough money in circulation to enable people to manage their own medical finances), the possibility of developing diverse health regimens that are taken on their true merits and available to everyone who could benefit from them would at last be realizable.

Column #103 WHY PUBLIC MONEY IS NOT INFLATIONARY

(Week 22 - Wednesday, Jan. 7 / 2009)

Perhaps the most common question I hear when the idea of direct public funding (as

opposed to the issuance of money via private bank loans) comes up is, "What is to prevent all this currency being issued out of the US Treasury from flooding the economy with too much money and causing inflation?"

Public funding, assuming it is done with a minimal level of integrity, is by nature not inflationary. Indeed, it is the practical answer to inflation. It is amenable to being issued in a manner that is direct and proportionate to the actual economic activity monetized.

As with almost any other mode of disbursement, public money is, presumably, not passed out willy-nilly. It is, rather, issued as part of a transparent and orderly monetization process that is coupled with the production of real wealth (e.g. public infrastructure), or the provision of tangible human benefits (e.g. health care). Another way of saying this is that money is emitted as a complement to genuine human enterprise, which is indeed its "backing."

This process could still be abused, of course, but it is hard to imagine it ever becoming as disconnected from economic accountability as with the hundreds of billions of dollars that are being passed out currently to purchase "troubled assets" (e.g. the "securities" attached to already failed ventures) in the present financial crisis. This out-of-control issuance is caused by the supposed need to "keep the banking system from collapsing," which is another way of saying the need to make the "interest" payments on old loans required to maintain money in circulation. The resultant "need" to constantly expand the pool of circulating medium with ever more sums of borrowed money would not exist within a public system, and that, in turn, would remove the essential fuel from the "inflationary" fire.

Much has been made of the supposed tendency for uncontrolled spending by politicians when they get their hands on the public purse strings. Well, for better or worse, they have "their hands on the public purse strings" now.

Furthermore, even if we were to assume the worst concerning the character of our elected representatives, would it be better if they were spending money that had a compounding "interest" charge payable to private interests attached, or funds emitted essentially at no cost directly out of the Treasury?

I seem to recall scandalous reports in the news some years ago about how the space agency NASA had paid $900 dollars for a hammer, and other such outrages. I would ask, would it be better if that hammer were purchased with money issued directly out of the US Treasury, or with funds borrowed at "interest" from the Fed? If it were paid for with money borrowed at "interest" out of the Fed, the $900 dollar price tag would be only the beginning of the cost. The "interest" charge would be added to the Federal

"debt," and more money would have to be borrowed by the government to make up for that charge, which would, in turn, cause over time a further compounding of the "debt." In practice, the "cost" of the hammer would always be with us and never cease to mount.

If, on the other hand, the hammer were paid for with money issued out of the Treasury, the "cost" would be $900, and no more. The unjustifiably high price (if indeed it is that) is not a function of the monetary system. It is the result of poor bureaucratic management and lax political control. However inflated the price of an item might be, nothing is gained, and indeed much is lost by purchasing it with money borrowed at "interest."

The problem with the current private system is that it has virtually no transparency. Indeed, the bank-money financial system is a knot of complexity that even the experts cannot seem to effectively penetrate. Instead the public is subjected to endless political promises, partisan ideologies and economic bromides within an intellectual atmosphere that is basically confused. If the public cannot understand how money is being created, issued and controlled, how then can there be accountability? The direct public issuance of money would cut through the lack of transparency, control and accountability, which, in the end, is the key to controlling "inflation."

In the next column I will describe more specifically the root mechanism that currently drives "inflation."

Column #104 THE ROOT CAUSE OF "INFLATION"

(Week 22 - Friday, Jan. 9 / 2009)

The root cause of inflation within the present system is the "interest" charge attached to the private bank loans by which our money supply is created and loaned into circulation. It is really, I suggest, about as simple as that. To be sure, there are secondary factors that exacerbate inflationary tendencies, but these are mainly psychological, and derive from the inexorable effects of charging "interest" on money at the point of issuance. This may seem strange to the modern ear, given the profusion of arcane economic analysis in the media and academia that portrays "inflation" as if it were some insoluble economic phenomenon that we can only hope to keep under control through sound "business" management.

The truth is, in my view, that "inflation" is not some phantasmal monetary lion roaming about seeking what economic chaos it can cause and whosever's wealth it may devour, but rather the straightforward result of something that We the People permit to be done

with our money; that is, we permit it to be created and loaned into circulation from a private corporate entity (the Federal Reserve and private banking system) at "interest." When we stop that practice, the fuel will be withdrawn from the "inflationary" fire.

It is true that "inflation" would still be possible under the auspices of a public monetary system if too much money were issued, but that would be an unlikely outcome within a system that was transparently amenable to control. As it is now, "inflation" has plagued this society, and indeed most of the world, as a mysterious specter for the almost-century since "debt-money" was firmly established as the basis of the monetary system, and hardly anyone with significant influence or control within the system seems to know what to do about it.

To understand the root cause of "inflation" we need only look at how a typical bank loan plays out over time. Suppose that an entrepreneur were to borrow money from a bank to build a small factory. The banker would create the money when he writes the check, and the entrepreneur would spend it into circulation when he paid whatever contractors were hired to build his factory.

Let us suppose further that the term of that loan was ten years. That means that over ten years time, the manufacturing firm that was set up in that factory would have to charge enough for its products to earn back the money to satisfy the contract which spelled out the terms by which the loan would be repaid.

If, hypothetically, there were no "interest" charges on the loan, then the amount to be repaid would be only the original principle balance. Under current practices, however, there would be an "interest" charge which would, typically, more-or-less double the amount of money required to be "paid back" over ten years. It is obvious that this doubled "cost" would have to be covered in higher prices charged by the factory for whatever goods it produced. What is more, this increased "cost" is in no way associated with an enhanced material input into the product. Clearly, then, the price of the product will be "inflated" by the "interest" charge.

But the matter does not end there. The money paid to cover the "interest" goes to financial speculators who have purchased "debt"-based financial instruments (loan contracts, bundled mortgages, bonds, etc.) for the very purpose of receiving those remittances. Assuming that they are not going to spend that money themselves, or gift it back to society through philanthropic efforts, they will effectively withhold those funds from circulation until someone borrows them back into circulation. When that happens we say in the current financial culture that these funds were "reinvested," but the overall burden of "debt" borne by the money supply will have been increased without, even, the injection of newly-created money to help bear it. New money will eventually have to

borrowed into existence from private banks to help roll over the growing "interest" charge, and this in turn will have to be factored into the "cost" of producing more goods, thus driving up prices.

It should be noted here that under a public monetary system, a given private enterprise may or may not be eligible to borrow money directly, not-at-interest, from the public sector. That would be a matter of public policy. However that is worked out, it is still a fact that the aggregate "interest" burden borne by the participants in the micro-economy would be reduced by whatever payments would have been required to maintain a money supply borrowed from a private banking system in circulation.

In any case, the vicious spiral I have described here has been the very engine of "inflation" in our economy for almost a century. The expectation that prices will continue to rise is, in itself, a factor that insures that "inflation" will continue to roll. This becomes manifest in price structures, wage labor contracts, budgetary expectations and other hedges in the behaviors of participants in the micro-economy as they try to hold their own against what they anticipate as an inflationary tide.

This can go on only so long before confidence in the monetary scheme collapses, and indeed in the current financial crisis the tide is beginning to turn as we enter a deflationary period. This "deflation," is not an orderly reversing of the inflationary process, but rather a traumatic popping of the inflationary bubble. If the present "debt"-based system can be stabilized for another round of "economic growth" (by no means a sure prospect at this juncture), then the "inflation" dragon will rise again.

Originally the Federal Reserve System was proposed to the public as a means of creating a stable circulating currency of constant buying power. What has the ninety-six years of its existence shown? In 1913, the value of the dollar was approximately the same as it had been a century earlier. Immediately after the establishment of the Fed, prices began to inflate on a more-or-less continuous basis until the dollar today is worth only about 1/20 of its original value. This is because the monetary scheme implemented by the Fed is based on issuing money through loans to which a compounding "interest" charge is attached, and these compounding charges for the use of money must be covered as a cost of doing business; ergo "inflation."

In my view, though we as a nation did not adequately realize it at the time, the mode by which money would be created and issued under the Fed made this outcome a virtually forgone conclusion.

Column #105 MICRO-TAXATION & MACRO-TAXATION

(Week 23 - Monday, Jan. 12 / 2009)

There are, in my view, two types of taxation:

One is "micro-taxation," which is taxation by a governmental body that is not issuing the currency in which payments for the taxes are made. Ideally, this would include taxation by states, cities, counties, townships, transportation districts; essentially any level of government below the Federal.

The other is "macro-taxation," which is taxation by a governmental body that is issuing the currency in which payments for the taxes are made. In the American system as currently configured, all taxes being paid are actually micro in nature because the body that creates our money is no longer the US Treasury under the auspices of the Federal government, but rather the private banking system under the auspices of the Federal Reserve. If the franchise for the creation and issuance of our nation's money were restored to the public sector, then the Federal government would by definition be practicing macro-taxation.

Despite their being virtually identical in outward appearance, micro and macro-taxation are very different processes with very different purposes:

The purpose of micro-taxation is to raise revenue for a governmental body that needs a source of money to meet its expenses. In this respect, such bodies are much like other entities that operate in the micro-economic realm (i.e. individuals, businesses and corporations).

The purpose of macro-taxation is to return money that is in excess of the requirements of commerce to the governmental body that created and issued it into circulation via direct spending. Such a body does not need a source of revenue to meet its expenses because it has the power to create money. Currently within the American economic system the only body with the power to create money is the Federal Reserve, but this is a private corporation, not an agency of the government (in spite of what its name might lead one to think). This is why, specifically, the Federal government operates at a "deficit," and can even be said to "run up a debt." Monetarily speaking, it is operating, effectively, as a "business" in the micro-economic realm (see Col. #38 – "The United States as a Business").

I cannot recall ever hearing the terms "micro-taxation" and "macro-taxation" used and/or contrasted explicitly, especially not in a way that that makes clear the respective distinctions between them. I can hardly imagine that they do not exist in the dictionary of economic expressions in some form. After all the major division in the study of

economics in academia from the outset is between micro and macro-economics, but even in the many macro-economic analyses and pronouncements I have encountered, taxation has been referred to only in a micro-economic sense (i.e. as a way to raise revenue to pay government expenses).

How, then, can we describe how macro-taxation works? If we had a monetary system whereby currency was issued directly out of the US Treasury, much, most or all of it (depending on legislated public policy) would enter circulation via "government spending" ("public monetization" would be a more accurate expression). This would create a continuous flow of funds into the money supply, or as it is sometimes called, the "monetary pool." If such a buildup were allowed to continue unchecked the amount of money in the monetary pool would, after a time, exceed what was required to facilitate commerce at current price levels, and this would, in turn, cause an unchecked escalation of prices; what is commonly called "inflation." The way to regulate this process is through macro-taxation.

Assuming that the public creation and issuance of money were re-implemented, macro-taxation would serve two main functions:

One is to act as an overflow device for the monetary pool. When money is injected into circulation via Federal spending, the amount of currency in the monetary pool would be allowed to build up to an optimum level. Any excess that enters after that is essentially monetary overflow, and would be drained out of the pool via macro-taxation. The amount of money in circulation, then, can be controlled easily and transparently by adjusting the rate of macro-taxation (essentially the height of the overflow spillway).

The other main function is to provide a way to "renew" the money in circulation. As overflow currency is removed from circulation, it can then be extinguished and reissued afresh as the Federal government needs money. The very idea of extinguishing currency can be experienced as somewhat disheartening, especially given that one has sent in one's "hard-earned money" to pay the tax, but there is actually nothing lost in the process, since it amounts essentially to the entry and deletion of numbers in an electronic ledger.

At length, a balance will emerge within the macro-economy (i.e. the national economy as a whole) between the amount of actual economic activity performed or paid for by the Federal government (the macro-economic entity), as opposed to that performed or paid for by the aggregate of individuals, businesses, corporations and governmental-bodies-below-Federal (the aggregate of micro-economic participants). The percentage of the total attributable to the Federal government essentially determines the macro-taxing rate (percentage of economic activity to be paid as taxes).

This discussion of micro and macro-taxation will be continued in the next column.

Column #106 FURTHER THOUGHTS ON MICRO & MACRO-TAXATION

(Week 23 - Wednesday, Jan. 14 / 2009)

In the last column I introduced into the discussion the concepts of micro-taxation and macro-taxation, respectively. "Micro-taxation" is the process by which a governmental body that does not issue the currency in which payment for the taxes are accepted obtains revenue to meet its expenses, while "macro-taxation" is the process by which a governmental body that does issue the currency in which payment for the taxes are accepted removes from circulation the excess of currency that builds up in the monetary pool as it spends into circulation the money it creates.

Within the current American system, all taxes collected currently are micro in nature simply because the governmental body (Federal) that would issue the national currency has abdicated that responsibility to a private corporation. For purposes of discussion, I will assume the return of the franchise to create, issue and control the money supply to the national government, unless otherwise indicated.

This represents a radical departure from the way we commonly think about "taxes," especially at the Federal level. It is unfortunate that we use the same term (taxes) to cover both instances. I would suggest that it might be better to call the revenue collected by any level of government that does not issue the money collected as "taxes", and the money being retired from circulation by the Federal government as something else; say, "retirements" or "overflows." To be sure, such a change would take a bit of getting used to, but in my view it is imperative that we reclaim the consistency of our language if we are going establish clear thinking on monetary matters. Establishing unambiguous and descriptive terminology is one way to do it. I would invite anyone out there to see if they can come up with a better term.

In response to the last column, which introduced the concepts of micro-vs.-macro-taxation into the discussion, a reader asks, "What is it that keeps lower government micro-economic units (state, county, municipal) from being just extensions of the Federal macro system? That is, why aren't the micro-level government expenses covered by the issuance of monies from the Federal Treasury? Should this be done? Why not make all government (regardless of level) expenses the macro-economic responsibility? What would be the consequences? Why would we, or wouldn't we want to do this?"

These are excellent questions. The key to understanding the answers is to keep in mind the nature of the micro-vs.-macro-economic functions themselves. The task of the macro-economy is to set up, by law, a matrix of rules, definitions and relationships whose purpose is to create conditions that allow the participants in the micro-economy to exercise "life, liberty and the pursuit of happiness" within the fullest possible expression of personal freedom, social equity, and the commonweal.

That said, let us return to the question, "What is it that keeps lower government micro-economic units (state, county, municipal) from being just extensions of the Federal macro system?" I would say that micro-units of government have largely become extensions of the Federal government now, simply because the Federal part of the system is no longer a macro-economic entity, but has become another "business" among businesses.

If there is a distinction to be made, it is that this "Federal business" retains the greatest ability to borrow money, and has therefore come to resemble a huge predatory corporation that swallows up the smaller corporations in an ongoing process of economically forced takeovers (notwithstanding that our government leaders, I have to believe, do not intend such an end). This tendency has accelerated with the current "bailout" process, whereby the Federal government borrows hundreds of billions of dollars to "rescue" (i.e., take control over) smaller corporations. The take-over aspects of the process tend to be obscured by euphemistic language about requiring more "control" and "accountability" in return for the money.

If the monetary franchise were returned to the Federal government, that in itself would distinguish it as a true macro-economic functionary, that by its very nature and operations would preclude its micro-economic participants from being perceived as being "just extensions" of the same thing.

As to the question, "Why aren't the micro-level government expenses covered by the issuance of monies from the Federal Treasury?", if micro-level government expenses were covered by the issuance of monies out of the Federal Treasury, it would cease effectively to be micro-level government. Without the power over their own purse strings, state and local governments would lose their independence and be relegated, in effect, to being budgetary departments of the macro-government. Political appearances notwithstanding, the operating distinction between levels has indeed become blurred due to the Federal government being obliged to provide the money to keep lesser government in operation out of the Federal's greater power to borrow money, which is then disbursed with "mandates" attached.

"Should this be done?" That is a political decision. I suggest that preserving the

distinctions between micro and macro levels of government is an indispensable expression of the types of sovereignty (state, municipal, township, library district, etc.) that will organically arise in any society. It is, to put it another way, the critical means for the unfoldment of a free and diverse social order.

"Why not make all government (regardless of level) expenses the macro-economic responsibility?" We could have a national government, and nothing else. That would be the effect of having the Federal government pay for everything, but is that what we as a society want?

"What would be the consequences?" It would mean the hegemony over the entire social order through a single nexus of power.

"Why would we, or wouldn't we want to do this?" Ultimately, it is up to We the People as to whether we would want this or not. The key to answering the question is to become mindful of who we want, or allow, to exercise the money creation, issuance and control power.

We, as a society, have been making the choice for increasing social hegemony exercised out of an ever-constricting circle of control simply because we are letting the monetary question be answered by default out of our own (dare I say negligent) unconsciousness about money.

Column #107 VALUE-ADDED

(Week 23 - Friday, Jan. 16 / 2009)

In the last two columns I have introduced to this discussion the concepts of "micro-taxation" and "macro-taxation" (taxation, respectively, by governmental bodies who do not, and who do, issue the money being collected). Questions arise as to how rates of micro and macro-taxation might be determined, how forms of taxation we are familiar with (income, property, sales, estate, etc.) fit into the picture, how might issues of equity be addressed, and many others. To create a basis for answering these it is necessary to introduce another fundamental concept into the discussion, "value-added".

"Value-added" is a term that is already common in economics, and is relatively familiar to the public in much of the world as a mode for taxation. This is especially true in Europe where the "value-added tax" (VAT) is the basis of the taxing regime. The idea is expressed by other names in various locales, as for example in Canada and New Zealand, where it is known as the "goods-&-services tax" (GST). The term is relatively less known (but not entirely unknown) in the United States due to the unique way our

taxing structure has evolved, but is reflected in a very limited sense in how we think of the "sales tax", as well as the oft proposed "flat tax". All this notwithstanding, these and other expressions have been co-opted in a way that is not wholly consistent with economic reality by the "debt-money" financial culture, so our understanding of the term "value-added", and its derivative expressions could benefit by reconstructing them "from the ground up", so to speak.

Defining "Value-Added" and some Derivative Expressions:

The most fundamental rule of economics, in my view, is that one should think first in images of the actual material and human realities of economic enterprise, and only then add in the factor of money. As an exercise, let us track in our imagination the progress of a product as it emerges from the untapped resources of the earth through to final use.

Before its extraction, an untapped resource has no economic value as it merely lies there in the ground. Presently someone comes along to mine it, pick it, hunt it, fish it, pump it, cut it down, bulldoze it into a heap, or otherwise perform the task necessary to wrest it from the earth. When this raw material is gathered up into a form that can be offered on the market, it has become a "commodity". Someone with a use for it in mind then will buy it as a commodity.

Let us imagine wood that has been given value by a logger in the sense that he has put work into transforming it from standing trees, to logs ready to be picked up for other uses at the landing. This net increase of value is "value-added".

It may happen that the party who shows up to haul away the logs wants them for personal firewood, the additional processing for which he will do himself. This buyer then is the final "consumer". In this case there was only one value-added increment between unrealized potential in the earth (standing trees) and end product (firewood).

More commonly the party who shows up to purchase the logs does not want them for final consumption, but intends to process them into an intermediate product; a more refined commodity, if you will. He may, for example, be a lumberman looking to buy saw logs. He will pay a railroad to transport them to his mill, where he intends to saw them into lumber. From there a lumberyard will buy the lumber, hire a trucker to transport it to their location, and place it on racks where it is more accessible to those who need lumber for their enterprise. Let us further suppose that a contractor buys the lumber and makes it into a house, which is then sold to a consumer who wants to live in it.

If we track the wood from earth-to-log-to-train-to-sawmill-to-truck-to-yard-to-contractor-

to-consumer we can easily see that an increment of value has been added to it at each stage of the process. In economic terms, each of these quantum increases are said to be "net value-added", and the sum of all these steps is the "total value-added" of the product.

Note that we have talked through this example so far without any reference to money. We have referred to value-added with respect only to the worth of the product in physical terms. Ideally, money enters the picture as a medium of convenience to facilitate the exchanges required to move the increasingly valuable product along. Each tradesman who performs his necessary task must be compensated according to his net "cost of production" (i.e. expenses incidental to performing his step in the process), plus receive a "profit" to cover his living expenses, plus have something left over for continuing his business.

For practical reasons these value-added increments must be expressed in monetary units. It follows, then, that these successive price increments (net value-added) accruing proportionally to each step in the process determine ultimately the price a consumer would need to pay (total value-added) in order to maintain overall economic equity for everyone who participated in bringing the wood from raw material to final product. I call this process "value-added monetization".

In the next column I will describe more specifically how this "value-added monetization" occurs.

Column #108 VALUE-ADDED MONETIZATION

(Week 24 - Monday, Jan. 19 / 2009)

In the last column I introduced to this discussion the concept of "value-added", which is an expression used to describe the actual value that accrues to a resource from the earth as it is transformed, at first into a commodity (some would say "raw material"), and thence in successive steps to a finished product that is finally consumed. The value-added process has two parallel streams.

The first is a material stream, which is the series of incremental increases in the material worth of a product-in-the-making that results from the physical and intellectual contribution of each worker in the production chain as it evolves. The second is a monetary stream whereby each worker is compensated according to his net cost of production (i.e. expenses incidental to performing his step in the process), plus receives a profit to cover his living expenses, plus has enough left over monetarily to seed his next round of production.

"Value-added monetization" is the process by which the material and monetary streams of value-added are coordinated. Ideally, the result should be that monetary value accrues proportionally to material value at every step in the production process, and in such a way that it is equitable with respect to the efforts and needs of those who perform the work. The key to making the value-added monetization process work, then, is to maintain this equitable proportionality from raw-material inception to final-product consumption. The key to making this happen is to understand the concept of value-added from both private (micro-economic) and national (macro-economic) perspectives.

"Value-added monetization" in the Private (micro) Economy:

"Value-added monetization" in the private (micro) economy is the process by which the prices of different products relative to each other evolve through the exchange process in the marketplace, given the amount of money in circulation. The price for any given product will tend towards an equilibrium which determines essentially the monetary value-added of each step in the production chain.

To illustrate, if there was a high level of money in circulation relative to economic activity at current prices, then prices would trend upward until a new equilibrium is reached. Economists would describe this upward readjustment of prices to fit the money supply as "inflation".

Conversely, if there a low level of money in circulation relative to economic activity at current prices, then prices would trend downward until a new equilibrium is reached. Economists would describe this downward readjustment of prices to fit the money supply as "deflation".

Ideally, this tendency in the marketplace to seek a new equilibrium has the effect of each product arriving at a price that truly expresses a balance between the material value-added involved in its production, and the monetary value-added that would reflect it. The principle is analogous to the water on two sides of a porous dam seeking its own level. According to whether the amount of currency in the monetary pool is high or low, the material worth vs. the monetary prices of all products will readjust until a new equilibrium is reached.

"Value-added monetization" in the National (macro) Economy:

"Value-added monetization" in the national (macro) economy is the process by which a determination is made of the amount of money to be issued into or withdrawn from circulation that would promote stable prices, given the total activity participants in the

economy would be inclined to undertake. The object is to adjust the amount of currency in the monetary pool such that overall prices remain essentially stable. If a good balance between money supply and economic activity is struck, the price that each producer receives for his value-added contribution to the material worth of whatever product he is working with will tend to be predictable, equitable and sufficient.

This description of how the respective value-added monetization processes would correlate with each other from the private (micro) and national (macro) perspectives is, of course, ideal, but in my view the principle is understandable, sound, and practical. Correlation with this principle in the real world can be observed, but it has been very approximate at best. Indeed, it has broken down many times for individual sectors of the economy, and in the current financial crisis, the breakdown has become general. The reason for this is that the national (macro) economic function of creating, issuing and controlling money has been unwisely transferred to a private (micro) corporation. This is an unnatural economic order that breaks the correlation between the micro and macro monetization streams (due to the loss of monetary value-added through the "interest" charge on bank loans), that cannot help but result in the financial troubles the nation, and the world, are experiencing at present.

Column #109 LINCOLN'S LESSON FOR OBAMA

(Week 24 - Wednesday, Jan. 21 / 2009)

It takes the events, sacrifices and spent lives of many years to make a day like today. How many years? It depends on how one reckons.

One could say that it took forty years since the murder of Dr. Martin Luther King to finally see a black man rise to America's highest civil office, an Exodus-length time of wandering in a political wilderness towards a civil-rights promised land.

One could say that it has been a century-and-a-half from Lincoln, the "Great Emancipator", to Obama, the "Great Emancipation".

One could say that it was well over two centuries from the penning in our founding document of the words "All men are created equal", to the day when they could resound with an undampened ring.

We could go on with this exercise (get carried away with it, some might say) of casting the net of history ever wider to gather it in as the prologue to what culminated today in the inauguration of our new President. None of this is to say that what transpired in Washington was in a mundane sense anything more than the ensconcing in office of yet

another administration, that it might not succeed or fail in the manner of all such political tenures, or even that the right guy won the election (clearly not everyone agrees that that was the case).

Whatever the truth, all that, it seems, was set aside as the feeling of momentousness of this day was allowed to play out. I experienced it in a crowd of approximately three-hundred people who came together to share in the experience in a neighborhood community center, and this sort of event was reportedly repeated in many thousands of gatherings across the nation, and around the world.

I was born and raised in Illinois, the home state of both Lincoln and Obama. I can imagine that there was a sense of historic euphoria that attended Lincoln's day of ascension to the office also, but the nation then, as now, was in a state of deepening crisis, and there were daunting realities to be faced when the festivities were over.

My purpose here is not to in any way make a personal comparison between Abraham Lincoln and Barack Obama, as to do so would be to commit an injustice to both men. Each is his own person in his own unique time, and the achievements and failures of the first say nothing about what might be achieved or failed by the second. Lincoln's record as President has been written; Obama's has yet hardly a mark.

Yet, I find that the feeling of a providential connection between the two men cannot be avoided. Lincoln took office at the leading edge of a crisis that was unprecedented in intensity and scope, and indeed threatened the very existence of the nation. Obama is faced (arguably) with problems every bit as dire and intractable, and this time on a worldwide scale. The outward manifestations of the irrespective challenges are very different, but a common thread runs through them; that is, at their core is the fundamental question of how we as a nation create and issue our money. This indeed has been the quintessentially American question since early Colonial times.

The outbreak of the Civil War demanded that some way of financing it be found. Though under great pressure to borrow the funds from the private banking system, Abraham Lincoln instead had the Treasury issue $450 million dollars in "United States Notes", popularly known as "Greenbacks". The monetary policies of Lincoln are a generally overlooked, but pivotal part of our history. Indeed, they may have been, as much as his better-known proclamations, a crucial factor that allowed the Union to prevail. Reportedly, Lincoln had much to say regarding the public-vs.-private issuance of money which we would do well to contemplate today:

"Money is the creature of law and the creation of the original issue of money should be maintained as an exclusive monopoly of National Government."

"Government possessing the power to create and issue currency . . . need not and should not borrow capital at interest as the means of financing governmental work and public enterprise. The Government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government's greatest creative opportunity."

"The taxpayers will be saved immense sums in interest . . . Money will cease to be master and become the servant of humanity. Democracy will rise superior to the money power."

Congressman Wright Patman, former chairman of the House Committee on Banking and Currency, commented a century later:

"If instead of issuing 'greenbacks,' the Lincoln administration had issued the interest-bearing bonds, as urged, naturally, these bonds would still be a part of the Federal debt today."

At compounded "interest", the amount would be many times greater. The significance of Lincoln's monetary policy did not escape notice in certain European quarters, although from an entirely different perspective. There appeared in The London Times during the Civil War the following from Otto Von Bismarck:

"If that mischievous financial policy, which had its origin in the North American Republic (the public issue of usury-free currency) should become indurated down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and without a debt. It will have all the money necessary to carry on its commerce. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and wealth of all countries will go to North America. That government must be destroyed or it will destroy every monarchy on the globe."

In 1876, Bismarck explained further:

"The division of the United States into federations of equal force was decided long before the Civil War by the high financial powers of Europe. These bankers were afraid that the United States, if they remained in one block and as one nation, would attain economic and financial independence which would upset their financial dominance over the world. The voice of the Rothschilds prevailed. They saw tremendous booty if they could substitute two feeble democracies, indebted to the financiers, for the vigorous

Republic which was practically self-providing. Therefore, they started their emissaries in order to exploit the question of slavery . . . Lincoln's personality surprised them. His being a candidate had not troubled them; they thought to easily dupe a woodcutter. But Lincoln read their plots and understood that the South was not the worst foe, but the financiers."

Lincoln agreed:

"I have two great enemies, the southern army in front of me and the financial institutions in the rear. Of the two, the one in the rear is the greatest enemy."

There is, I believe, a lesson from Lincoln's experience for our new President. It concerns the necessity of returning the function of creating and issuing of our nation's money to the public sector. This is the essential key (as I have touched upon repeatedly) to redeeming the financial crisis the nation currently faces. I am disheartened in the sense that I see few signs of the awareness of any need for this in our new President, but then Lincoln was not an early supporter of the idea either. It grew in him as he became more conscious of the real nature of the monetary problem due to input from others. Surely President Obama has the ability to grow in this way also.

I would add that, in my view, Obama needs not only to finish the monetary revolution that Lincoln started, but to take it to a higher level. That is, he must resolve the fundamental monetary question that has plagued this nation in a way that does not lead to an outward conflict that rends it. I would suggest that this is where We the People can help him, by picking up on the essential conversation that this nation needs to have about money.

Ultimately, the enemy "in the rear" is not the banks and bankers, but a pernicious idea that has been internalized at all levels of our society and culture (the idea that "money is debt"). What is needed is to open up a good-faith, truth-seeking dialogue about money between all segments of society; people of finance included. Only then will we resolve the monetary problem that festers unresolved below consciousness at the heart of our social order. That dialogue is what this New View On Money series of columns seeks to precipitate.

Column #110 RECALLING AMERICA'S MONETARY ROOTS

(Week 24 - Friday, Jan. 23 / 2009)

History has a rhythm. In the past one can find the prologue of what is coming to pass now.

The early American colonists found themselves economically in a desperate condition. They were essentially stranded on the eastern edge of a vast new land, with bounteous resources, but little money to carry on the commerce required to develop them and provide a new life. Trade with the mother country proved to be a one-sided affair. The raw materials the colonies had to offer were sold cheaply, but imported finished goods were expensive. Without a domestic source of coinage, what few coins the colonies earned in trade quickly disappeared back to England, and they were obliged to sink ever further into debt to keep their economy going.

The colonial assembly of Massachusetts was inspired to come up with a simple, but effective solution to the chronic shortage of circulating medium. In 1690, it began to issue the first government-authorized paper currency in the Western world. It was not based on precious metals, debt paper, land banks, promises to pay interest, or other "backing" schemes, but issued instead to facilitate the commerce of the People. These "bills of credit", as they were called, were simply printed and spent into circulation.

The experiment proved to be successful and was copied by all the other colonies. Eventually, their respective monies began to be recognized and accepted by each other. As trade up and down the Atlantic seaboard increased, these isolated and indentured resource enclaves began to be transformed into a fledgling new nation. When asked about how he could explain the prosperous condition of the colonies, Ben Franklin replied:

"That is simple. It is only because in the Colonies we issue our own money. It is called colonial scrip, and we issue it in proper proportion to the demand of trade and industry."

The Crown set itself in continuous opposition to these unapproved issues and Parliament passed laws in an attempt to curb them. The Currency Act of 1764 banned the extension of legal tender status beyond certain dates, and England assumed the authority to approve or disapprove any laws the Colonies might pass related to new issues. Its foot dragging on such measures effectively deprived the Colonies of their money, and led to the first two now-uncomprehended justifications for going to war as set forth in the Declaration of Independence, specifically:

(1) - He has refused his Assent to Laws, the most wholesome and necessary for the public good.

(2) - He has forbidden his Governors to pass laws of immediate and pressing importance unless suspended in their Operation till his assent should be obtained; and when so suspended he has utterly neglected to attend them.

Senator Robert Owen, prominent banker and the first chairman of the Senate Committee on Banking and Currency, explained that when the Rothschild-controlled Bank of England heard of the situation in the Colonies:

"They saw that here was a nation that was ready to be exploited; here was a nation that had been setting up an example that they could issue their own money in place of the money coming through the banks. So the Rothschild Bank caused a bill to be introduced in the English Parliament which provided that no colony of England could issue their own money. They had to use English money. Consequently the Colonies were compelled to discard their script and mortgage themselves to the Bank of England in order to get money. For the first time in the history of the United States our money began to be based on debt."

"Benjamin Franklin stated that in 1 year from that date the streets of the Colonies were filled with unemployed."

Faced with a deteriorating economic situation, and what they felt was British neglect, the colonists called a Continental Congress, and issued the Continental Currency. This differed from earlier colonial monies in that it was an emission of the Colonies as a whole. This act was, essentially, the assumption by the people of American nationhood. According to monetary historian Steve Zarlenga:

"The skirmishes at Lexington and Concord are considered the start of the Revolt, but the point of no return was probably May 10, 1775 when the Continental Congress assumed the power of sovereignty by issuing its own money."

Americans are commonly aware that the establishment of the United States brought to the world a new type of democratic order; i.e. personal freedom under the rule of democratically determined law. What is not nearly as widely realized is that it also represented the establishment of a new economic order. It sought to secure not only freedom and law, but also the means to same; i.e. the control of its own money. This is the all-but-forgotten "rest of the American Revolution".

This was elaborated eloquently in "Harmony of Interests", by Henry C. Cary, who was Abraham Lincoln's economic advisor and the son of Matthew Cary, a close collaborator of Franklin and LaFayette. He stated that there are "Two systems before the world", and proceeds into a lengthy delineation which concludes:

"One looks to pauperism, ignorance, depopulation and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One

looks towards universal war; the other towards peace. One is the English system; the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of elevating while equalizing the condition of man throughout the world."

And what is this "American system" compared to the "English system"? I describe the former as an economic order based on the sovereign power of a nation to issue its own money, and the latter as the subjugation of society to unpayable "debt" to private interests. It is one of the great ironies of history that, through its privately-issued "debt"-based dollar, we as a nation have become effectively the champion worldwide of the "English system", the very economic order we purport to have triumphed over more that two centuries ago. It seems now that with the advent of the current financial crisis, the final reckoning of which principle we will serve has come upon us in a way that cannot be evaded.

Our forbearers were mindful of what is at stake. Thomas Jefferson had this to say:

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a monied aristocracy that has set the Government at defiance. The issuing power should be taken from the banks and restored to the people to whom it properly belongs."

"If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied."

John Adams wrote in a letter to Jefferson:
"All the perplexities, confusion, and distress in America arise, not from defects in the Constitution or confederation, not from want of honor and virtue, so much as from downright ignorance of the nature of coin, credit and circulation."

Might this be something for our new President contemplate? How else "Hope"?

Column #111 THE MONETARY PROVIDENCE OF AMERICAN HISTORY

(Week 25 - Monday, Jan. 26 / 2009)

History, it might be said, is not merely a chain of happenstance, but can be thought of as a meaningful weaving of times, people and events that reveal the workings of

providence in worldly affairs. Such is strongly suggested by the American experience. What lesson does it have for us does at this paradoxically auspicious moment of crisis?

Time and again this nation has arrived at a juncture where it was threatened outwardly by affairs seemingly beyond its control. At each such reckoning, I would suggest, it has saved itself by a return to the monetary inspiration that gave it birth.

In 1690, when the seed of what we call the United States was a thin line of struggling settlements along the eastern seaboard, one colony, Massachusetts, became the first government in the Western world to issue paper money. These "bills of credit" were a public scrip whose purpose was to facilitate, not the designs of private interests, but the commonweal of the People. The colony prospered, the practice was adopted by its neighbors, and the beginnings of a new nation germinated.

In 1775, the Crown and Parliament of England had effectively forbidden the Colonies to issue their own money, save with the approval of the Crown and Parliament. This resulted in widespread economic distress, and threatened the undoing of the nascent social order the colonists had painstaking constructed. In response they called a Continental Congress, which then issued a "Continental Currency". This exercise of the monetary power was effectively the assumption of national sovereignty, and the first defining act of a new nation. The political separation heralded by the Declaration of Independence in 1776 followed as a matter of course.

In 1836, the charter for the Second Bank of the United States (modeled after the Bank of England) came up for renewal in the Congress in a bid to become a permanent American institution. It was vetoed by President Jackson whose campaign slogan was, "Bank and no Jackson, or no bank and Jackson". He had asserted:

"The bold effort the present bank had made to control the government, the distress it had wantonly produced . . . are but premonitions of the fate that awaits the American people should they be deluded into a perpetuation of this institution or the establishment of another like it."

Jackson's veto had the effect of putting off for almost eight decades the day when the country would have "another like it".

In 1860, the United States faced the challenge of whether the ". . . new nation, conceived in Liberty, and dedicated to the proposition that all men are created equal . . . can long endure". Outwardly it was a military conflict between the Union and the Confederate States. On a deeper level, it was a battle over how and by whom money would be created and issued. Financial interests had worked to divide the states

between North and South, thereby undermining the American example of a nation made strong and independent through the power to issue its own money. President Lincoln was pressured to borrow the funds to fight the war, but responded instead by creating $450 million in "Greenbacks", a public currency issued directly by the government, much like the Continental Currency. Had he succumbed, this sum would still theoretically be part of the "national debt", but compounded to an amount many times the original. In practical terms it would likely have caused the financial ruination of the nation that was supposedly saved on the battlefield.

In 1896, at the Democratic nominating convention in Chicago, dark-horse Presidential candidate Williams Jennings Bryan declared in his famous Cross-of-Gold speech:

"The gold standard has slain its tens of thousands. If they ask us why we do not embody in our platform all the things that we believe in, we reply that when we have restored the money of the Constitution, all other necessary reforms will be possible, but until this is done there is no other reform that can be accomplished."

The assembled gathering thundered its approval, and on the strength of this position, Bryan went on to win the Democratic nomination three times. This was the high point of the widespread Populist movement that had formed up following the Civil War virtually around the issue of preserving the Greenback as a national institution, and resisting the imposition of a gold standard on money by the banking establishment.

In 1942, the nation was still struggling to emerge from the Great Depression, a collapse brought on, many believe, by the establishment of a monetary system based on "debt" through the Federal Reserve Act of 1913. With the images of battleships burning at Pearl Harbor still fresh in mind, Congress was persuaded to pass the Steagall Amendment to the Stabilization Act of 1942, which established a parity price (one that would cover the cost of production, living expenses and seed for another round) for 45 basic raw materials, including the 25 most basic storable agricultural commodities. The domestic gold standard having collapsed in 1933, the value of the dollar was thus effectively reestablished on the basis of the actual economic worth of real commodities fairly monetized. The result was that the economy roared to life, and continued to prosper even during demobilization, post-war reconstruction, and the Korean War emergency. President Truman even balanced half of his budgets.

Now it is 2009. The legislation that established the "parity dollar" was undone in the early fifties, and the long slide into our present crushing "debt" began in earnest. The current financial crisis is not the first time that we as a nation have faced a threat to our essential well-being, or even very existence. In response to such crises in the past - 1690, 1775, 1836, 1860, 1896, 1942 – the nation saved itself by harkening back to its

original monetary inspiration, each time taking the application of the principle a bit higher.

The providential import of this time is being felt across the land, as evidenced by the impulse on the part of millions of people to come together in thousands of gatherings, large and small, in Washington DC and across the nation (not to mention around the world). They are it seems, regardless of partisan feelings, intent on sharing in the momentousness of this week's Presidential inauguration. That being so, a question yet hangs heavy over the land - "What do we do now?"

At this auspicious juncture the nation more than ever needs to return, as it has always done, to its monetary roots for the answer, but, incredibly, we seem to have largely forgotten our own authentic heritage. It needs to be rediscovered, and taken to new heights of realization very soon.

Column #112 FINAL THOUGHTS BEFORE TAKING A HIATUS

(January 30, 2009)

Other commitments bid that this be the last column before I take a two-week hiatus. I plan to resume the series on February 20 (though I reserve the option to send out commentary in the meantime if emerging events call for it). Much has transpired in the world between the last break in October and now. This is perhaps a good introspective winter's time to take what has been said into our contemplations and meditations.

Last fall the economic dispensation of the world changed. Now we are informed in the media daily of the mounting national, and now worldwide, "debt" crisis, the further loss of homes and businesses, and the latest waves of job losses. There have been enough paychecks and other financial resources still in the pipeline to maintain a sense of normalcy through the holiday season, and through the Presidential inauguration. Our attention now turns naturally to the
question, "What will the year ahead bring?" To be sure, the signs are by most reckonings far from positive, but a time of maximum crisis is also a time of greatest opportunity.

I would leave you for now, dear friends, with a note of perspective. In the course of the columns many strong statements have been made. This is not surprising given the vital nature of the subject. I would emphasize, however, (as I have done before) that there are no enemies in the monetary story; only a perverse principle that we, virtually all, have in our own lives and niches become subject to: that is, the idea that life is limited and controlled by money, rather than money being an extension of life. Its effects range

from overt thievery, to the most subtle deceptions of the soul. There are none, as far as I know, who have not to some extent at least lived in a glass house on this matter. Who then can cast a stone of judgement? It is altogether fitting then that we move forward with the attitude of removing the beam from our own eye, before attempting to pluck the mote from our brother's or sister's.

Throughout this series of columns I have interjected the American story about money. This is particularly so in the last three installments, where I have drawn out the monetary thread in a manner that reads somewhat like a heroic tale. Indeed, there is heroism in this litany of historical events, but, of course, life is not that simple. There would have been many nuances, contrary weavings and instances of human mendacity along the way, if the truth were fully
told.

My intention is in part to precipitate a new American mythology, which is the story that we tell our children, each other, and the world about who we are and how we got to be this way. I would not, however, that it be a new American jingoism. We as a nation have our unique tale to tell and our contribution to make. Indeed, the case may be made that a new way of doing money is a particular gift that this nation has to offer the world, as part of our "manifest destiny", if you will.

But even in this area, that is not the whole of the story. The evolution of money can be traced back to other times and lands. Some of the thoughts and practices "pioneered" by Americans had significant antecedents of various forms in, for example, ancient China, early classical Greece, the pre-empire Roman Republic and the Islamic civilization of the Middle Ages. The argument over the creation, issuance and control of money in colonial America was in essential ways the coming to a head of a contention that had already taken place in England and France for several centuries, and many of its ideas can be traced from there.

What is more, the American Revolution was not a battle pitting, simplistically, the good guys against the bad. It was, rather, a struggle between heroic people on both sides. This was a soul-wrenching time, and some of the most venerated of our "Founding Fathers" felt rent within by opposing viewpoints, sympathies and loyalties. From a larger perspective, even King George could make a reasoned and passionate argument for his case.

The tenor of these articles might, if one is not fully attentive, be taken to be a screed against bankers and banking. Let me be clear: the enemy is not bankers or banking. In the current monetary crisis is it not true that many banks also are going bankrupt? If I have an attitude regarding the institution of banking, it is not to tear it down, but to see it

redeemed for the sake of the People, including the bankers themselves. If we do not engage the financial world constructively, but opt instead for the gratification of comeuppance, we will pull the monetary temple down on our own heads.

In this modern age we are essentially all economic players, and have in our own particular ways and niches contributed to the distressed circumstances that are unfolding in our financial lives at present. Even withdrawing to the woods to live a hermit's life is a profound economic act. Certainly the simple use of a credit card has significant implications, of which we need to become fully conscious if the current "debt" crisis is to be addressed. Let us resolve, then, to take responsibility for our own role in the economic order, and to not blame the other.

In my perception, all the major dilemmas of today converge upon the same question, and that is: "What can we do about money?" Could it be that the outbreak of the present world financial chaos, in conjunction with the belief in new possibilities that seems, for whatever providential reason, to attend the latest change in government in Washington, constitutes a priceless opportunity? I don't know. That question remains for us to answer. I have a feeling, though, that whether we seize upon it in a constructive, as opposed to blame-saying, manner will make all the difference. To be sure, we need to remain discerning and not withhold a critique when it is due, but cynicism holds no power for good. It behooves us always to be mindful of the distinction. There is no reason, in my view, to think that this time of crisis could not be redeemed, and become known to future generations as the year the world finally turned around. I offer this as something to think about, until we reconvene.

Thank you all for your continued interest. Looking forward to resuming the conversation,

Richard Kotlarz

Column #113 RECLAIMING AMERICA'S ECONOMIC PROVIDENCE - April 20, 2009

We the People:

In Response to President Obama’s Request for Economic Solutions from the Citizenry

RECLAIMING AMERICA'S ECONOMIC PROVIDENCE

“The government [not private banks] should create, issue, and circulate all the currency and credit needed to satisfy the spending power of the government and the buying

power of the consumers. The privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government's greatest creative opportunity. By the adoption of these principles, the long-felt want for a uniform medium [of exchange] will be satisfied. The taxpayers will be saved immense sums of interest. The financing of all public enterprises, and the conduct of the Treasury will become matters of practical administration. Money will cease to be master and become the servant of humanity."

- Abraham Lincoln, as attributed in Senate Doc. 23, 76th Congress

In the providence of Nations, each brings to humankind a gift. It is the destiny of America to establish in the earth a threefold social order to bring, first, a new birth of freedom, second, the rule of democratically determined law, and third, an economic life that nurtures individual liberty and provides for the common good. It is the neglect of this third dimension of the American experience via the abdication by Congress of its Constitutional power to create and issue the public's own money that is at the root of unprecedented distress in the economic life of the nation, and, by extension, the world.

Accordingly, We the People of these United States, mindful of the hopes and prayers of millions around the world, do resolve to restore the economic providence of the American nation.

In 1690 the colonial assembly of Massachusetts became the first government in the Western world to issue its own paper money. It was based, not on precious metals, debt bonds, land parcels, or other privately controlled "backing" schemes, but on the need for a stable currency issued in proportion to commerce, the general welfare and human dignity. Massachusetts prospered, and its example was copied by its sister colonies. A protracted contention ensued between the American Colonies and the Mother Country to determine who would exercise the sovereign right to create and control the "coin of the realm", and for whose benefit that power would be exercised.

Representatives of the Colonies gathered at the Second Continental Congress in Philadelphia in June of 1775 and claimed the prerogative of the sovereign by issuing a new currency by fiat of the public will, the "Continental Currency". A nation was effectively born, and the famed Declaration of July 4, 1776 followed.

Benjamin Franklin stated the root of the matter succinctly: *"The Colonies would gladly have borne the little tax on tea and other matters had it not been that England took away from the Colonies (the right to issue) their money, which created unemployment*

and dissatisfaction."

The struggle over the control of money was revisited time and again as the new nation evolved. Fateful events transpired around the chartering and eventual rejection of the First and Second Banks of the United States, financing of the Civil War, emergence of the Populist Movement, passage of the Federal Reserve Act in 1913, the money and banking legislation of the Depression era, the "farm parity" monetary reform of the WWII and demobilization period, and the slide into an unbearable burden of private and public indebtedness, which has culminated in the monetary crisis we face today.

Furthermore, there are specific passages established already in the law by which the current monetary distress, can, and indeed is called to be relieved:

On June 4, 1963, President John F. Kennedy signed Executive Order 11110, which invoked "The authority vested in the President by paragraph (b) of section 43 of the [Agricultural Adjustment] Act of May 12, 1933," passed under Franklin Delano Roosevelt.

This Agricultural Adjustment Act specifically directs the President to take whatever measures he deems necessary to protect the value of the currency of the United States, and states further in Sec. 43, Par. (b) that if he is unable to secure the cooperation of the Federal Reserve Board, or for any other reason determines that additional measures are required, he is specifically authorized:

"To direct the Secretary of the Treasury to cause to be issued in such amount or amounts as he may from time to time order, United States notes, as provided in the Act entitled 'An Act to authorize the issue of United States notes and for the redemption of funding thereof and for funding the floating debt [bonds against the debt] of the United States,' approved February 25, 1862. . . but notes issued under this subsection shall be issued only for the purpose of meeting maturing Federal obligation to repay sums borrowed by the United States and for purchasing United States bonds and other interest-bearing obligations of the United States: Provided, That when any such notes are used for such purpose the bond or other obligation so acquired or taken up shall be retired and canceled."

Taken to its logical end, the effect of this act is to specifically authorize, and indeed direct, the President to redeem Federal bonds with United States Notes as they come due if a stable currency is not achieved under the auspices of the Federal Reserve. It outlines a process whereby the debt of the Federal government can be retired in an orderly manner, and debt-bearing Federal Reserve Notes replaced in the money supply with lawful US currency.

Kennedy's executive order caused to be issued directly out of the US Treasury over $4 billion in non-interest-bearing United States Notes, in this case Silver Certificates. Further issues were halted shortly after his death.

Significantly, the 'Act of February 25, 1862' cited in this 1933 legislation is Lincoln's original "Greenback Act", by which he declined to borrow the money to finance the Civil War, and instead issued $450 million in United States Notes. Had he acted otherwise, the debt from that war would remain as a burden of the Federal Government to this day, compounded by interest charges to many times its original amount. Lincoln's leadership may well have redeemed the Union, on the battlefield, and in the financial arena as well.

The Acts referred to above cite as their authority the power delegated to Congress to "coin Money (and) regulate the Value thereof . . .", as stipulated in the United States Constitution. They remain the law of the land. Why then, it is fair to ask, are they not being implemented in this time of crisis?

We the People uphold the Constitution of the United States and the intent of the laws derived therefrom. Further, we support President Obama in his promise, stated during his February 24th, 2009 address to the Joint Session of Congress, to do "whatever it takes" to address our current economic crisis.

In the practical spirit of "whatever it takes", immediate steps can be duly taken (the issuance of United States Notes to redeem outstanding Federal debt) as an emergency measure under the Agricultural Adjustment Act, until a more permanent solution can be effected by repealing the Federal Reserve Act, and returning the creation and issuance of the people's own money to the public domain through the US Treasury.

Furthermore, the people and physical assets of the Federal Reserve can be incorporated into the Department of the Treasury, where they would continue to assist with administering our nation's monetary policy, but now subject to the People's will through our duly constituted system of checks and balances. It is this form of monetary system, we believe, that our most far-sighted and public-spirited Founding Fathers envisioned.

In the spirit of "With malice towards none", this statement represents, not a condemnation of any segment of society, including bankers (whose due services will continue to be needed). Rather, it seeks to fulfill the American providence to establish a new economic principle on the earth whereby "government of the people, by the people, for the people, shall not perish" from falling under the control of the "moneylender". It is alike in the best interests of all citizens of our nation, and in these times the world, that

such a new economic order be at last established.

“The weight of this crisis”, President Obama stated in his February 25, 2009 address to the Joint Session of Congress, “will not determine the destiny of this nation. The answers to our problems don’t lie beyond our reach. They exist in our laboratories and universities; in our fields and our factories; in the imaginations of our entrepreneurs and the pride of the hardest-working people on Earth. Those qualities that have made America the greatest force of progress and prosperity in human history we still possess in ample measure. What is required now is for this country to pull together, confront boldly the challenges we face, and take responsibility for our future once more . . . , that day of reckoning has arrived, and the time to take charge of our future is here . . . .

So I ask this Congress to join me in doing whatever proves necessary. Because we cannot consign our nation to an open-ended recession . . . . As we stand at this crossroads of history, the eyes of all people in all nations are once again upon us – watching to see what we do with this moment; waiting for us to lead . . . , in our hands lies the ability to shape our world for good or for ill.”

End Note: These columns ended due to health and time constraints. Richard continues his work and has a current book forthcoming. Contact information is provided online at richardkotlarz.com