Bailout for the People: "The Cook Plan"

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This system is not free enterprise, and it is not capitalism.

It is a cancer that is destroying the world.

Isn't it Finally Time to Enact a Basic Income Guarantee?

The lack of individual and family income security in the midst of a highly-developed economy is a travesty under any circumstances, but the basic contradiction of "poverty in the midst of plenty" that has plagued the world since the start of the Industrial Revolution is becoming much worse in the early years of the 21st century as the Recession of 2008 picks up speed.

Winston Churchill spoke on the subject when giving the Romanes Lecture at Oxford University on June 19, 1930, a few months after the crash of the U.S. stock market that started the Great Depression. He said:

"Who would have thought that it would be easier to produce by toil and skill all the most necessary or desirable commodities than it is to find consumers for them? Who would have thought that cheap and abundant supplies of all the basic commodities would find the science and civilization of the world unable to utilize them? Have all our triumphs of research and organization bequeathed us only a new punishment: the Curse of Plenty? Are we really to believe that no better adjustment can be made between supply and demand? Yet the fact remains that every attempt has failed. Many various attempts have been made, from the extremes of Communism in Russia to the extremes of Capitalism in the United States . They include every form of fiscal policy and currency policy. But all have failed, and we have advanced little further in this quest than in barbaric times. Surely it is this mysterious crack and fissure at the basis of all our arrangements and apparatus upon which the keenest minds throughout the world should be concentrated.

Evidently we've learned nothing since Churchill spoke. Isn't it shameful—or just surprising—that since the proponents of "post-modern" economics restructured the U.S. economy around the concept of a deregulated financial sector over the past 30 years, income and wealth disparities between rich and poor have become much worse?

Perhaps we are finally ready to reopen the question of whether human beings have a right to a sufficient income to keep body and soul together. This question has been mostly lost since President Ronald Reagan declared in his 1981 inaugural address that, "Government is not the solution to the problem; government is the problem."

But it is only government that can authorize and implement what is today called a Basic Income Guarantee (BIG). Otherwise, if government is trapped in the ideological straightjacket Reagan and his fellow conservatives put it in, then the only possible paradigm is Social Darwinism—survival of the fittest. Today it is not difficult to see that implementation of a BIG, had it been put in place when the concept still had political life in the 1960s and early 1970s, would have gone a long way toward ameliorating human distress from poverty along with assuring a degree of economic justice. And we would clearly be much better off today.

The last serious efforts at a BIG were President Richard Nixon's Family Assistance Plan, which passed the House but was defeated in the Senate in 1970, followed by implementation of the Earned Income Tax Credit for low-income families, enacted in 1975. Since then, every step toward economic "reform" has been one permutation or another of trickle-down economics, including the supply-side tax cuts of the Reagan and Bush II administrations.

Of course, the purpose of the move to deregulate the financial industry that has been going on for the past generation was supposed to have been to create a new "ownership" society based on having our money "work for us." But the deregulated bubble economy has now blown up, exposed as the biggest fraud in history.

Yet even in the midst of massive government bailouts for the banks and the as-yet-to-be-implemented economic stimulus proposals for the people, a BIG is never mentioned, not even by progressives. One problem with BIG is that its proponents always presented it as a transfer-of-wealth program, where a portion of the earnings of people with earned incomes would be diverted to support those in need. Even the idea of diverting military expenditures to a BIG could be viewed as a transfer program, since a smaller war machine would mean a reduction of salary and benefit payments to military personnel and civilian contractors.

In other words, even those in favor of BIG have viewed it as a kind of charity. As such, it is likely safe to say that BIG has little, if any, chance to be implemented within the U.S. at any time in the foreseeable future, at least in an amount to have an impact.

But there are other ways to look at the problem. One way is that of the Social Credit movement, where a regular dividend payment to individuals is seen not only as fair but is viewed as a necessary balancing force within a developed economy. But Social Credit concepts, while once a force in the British Commonwealth nations, is virtually unknown in the U.S. Another way is shown by the Alaska Permanent Fund (APF), where residents enjoy by right a share of the resource wealth of the state.

Both Social Credit and the APF as models for action will be discussed in this paper. The paper focuses on the U.S. , though the concepts are universally applicable, and proposes a method of providing a BIG as part of a program to rebuild the economy from the bottom up. I call this program, based on dividend-type approaches, a "Bailout for the People," as opposed to the bank bailouts that are adding trillions of dollars to the national debt. I have presented it previously in articles on the internet as "The Cook Plan." (Richard C. Cook, "How to Save the U.S. Economy," *Global Research*, October 10, 2008 at http://www.globalresearch.ca/index.php?context=va&aid=10508)

Such a program is urgently needed. There is no time to waste in rescuing our citizens from the onrushing catastrophe that is befalling an economy where both manufacturing and family farming were long ago gutted to create today's anemic service economy. If things continue to go as they are today, there could be U.S. citizens starving within a year, and Congress knows it.

A Historic Collapse

As the recession of 2008 deepens, with precipitous declines in employment, business activity, home appraisals, consumer confidence, and retail sales, it is evident that the U.S. and the world are facing the possibility of an economic collapse of Great Depression severity, or worse. Violent crime and stress-caused illnesses are increasing. Behind each statistic is a human being or family that suffers.

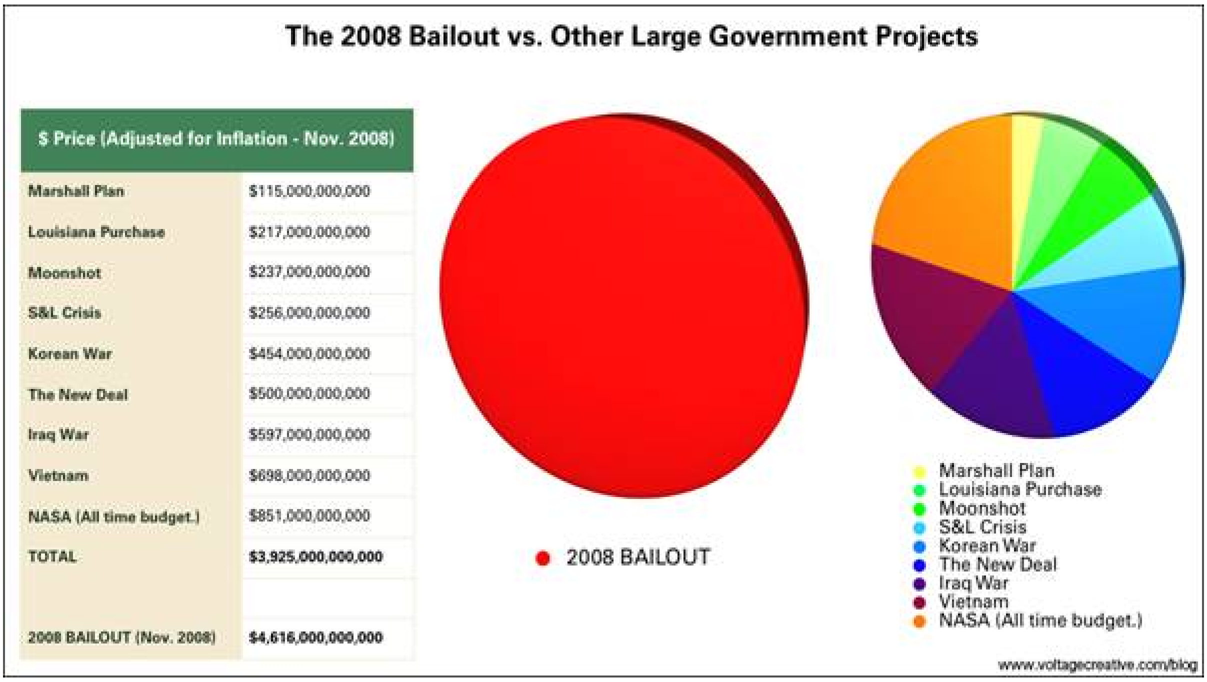
Amazingly, it took a full year of economic distress, from December 2007, when economic activity last peaked, to a conference call on November 28, 2008, for the Business Cycle Dating Committee of the National Bureau of Economic Research to declare that a recession had actually been taking place during that period. As late as September 15, 2008, Republican presidential candidate John McCain said, "the fundamentals of our economy are strong," a statement that repeated what President George W. Bush had been intoning ever since the housing bubble began its rapid deflation in 2006.

But even with the economists and politicians finally acknowledging reality—it was the recession that propelled Barack Obama to victory in November—the situation is actually worse than they say. A recession is defined as declining Gross Domestic Product. But there is a big difference between the type of GDP that represents transactions that do not add to the real productivity of the nation—as often happens with financial paperwork—and economic output that puts money in the pockets of consumers and workers.

If economic health is measured, for instance, by immediate consumer purchasing power, it is telling that M1—the money in cash and checking accounts—has been decreasing, when adjusted for inflation, since December 2003. That was five years ago! The decrease began soon after the Federal Reserve started raising interest rates following three years of cuts—over 500 basis points—that created the housing bubble in the first place.

With the recession now settling in, with the official unemployment rate approaching seven percent, and with the number of underemployed or no longer seeking work running at a similar rate, there has not been a greater need for a Basic Income Guarantee in the last generation. But the federal budget deficit has been added to significantly by Secretary of the Treasury Paulson's $700 trillion financial industry bailout, along with other loans and bailouts to rescue Fannie Mae and Freddie Mac, insurance giant AIG, and additional emergency loans from the Federal Reserve under Chairman Ben Bernanke.

No one really has a handle on how much government money has been committed, though $4+ trillion is a reasonable guess. The size of the bailout compared to government spending for major projects in the past is shown in terrifying detail in the following graphic by www.voltagecreative.com/blog.



Still to come are any loans Congress or the Treasury will end up authorizing to save the auto industry and the costs of Obama's economic stimulus package that may approach $1 trillion.

The severity of the crisis and the disastrous effects on working people are shown by the insistence by many politicians that rescue of the auto industry be dependent on the willingness of the United Auto Workers to agree to the gutting of their wage and benefit package. This, along with the huge number of layoffs in the financial industry, shows that even massive bailouts will not save the jobs or livelihoods of millions of people.

During the coming year the ratio of the federal deficit to GDP, which peaked at 125% in 1945, will likely exceed that record amount. The difference is that at the end of World War II American consumers enjoyed a high rate of savings because of fulltime employment due to wartime spending, combined with a dearth of consumer goods. After the war, these savings became available for economic growth that paid down the national debt. Today, consumer savings are virtually non-existent. And there is no assurance that more spending will achieve anything like the full employment of the World War II era.

So the nation is in uncharted territory, a scenario that is being repeated around the world with growing poverty, the decline of economic growth, and imposition of austerities by the International Monetary Fund. Under such circumstances, a Basic Income Guarantee, were anyone to consider it, cannot be a simple transfer program, as described above, where those still with money are required to share a significant portion of it with those who don't have it. Rather new methods of funding must be found.

The Failure of Economics

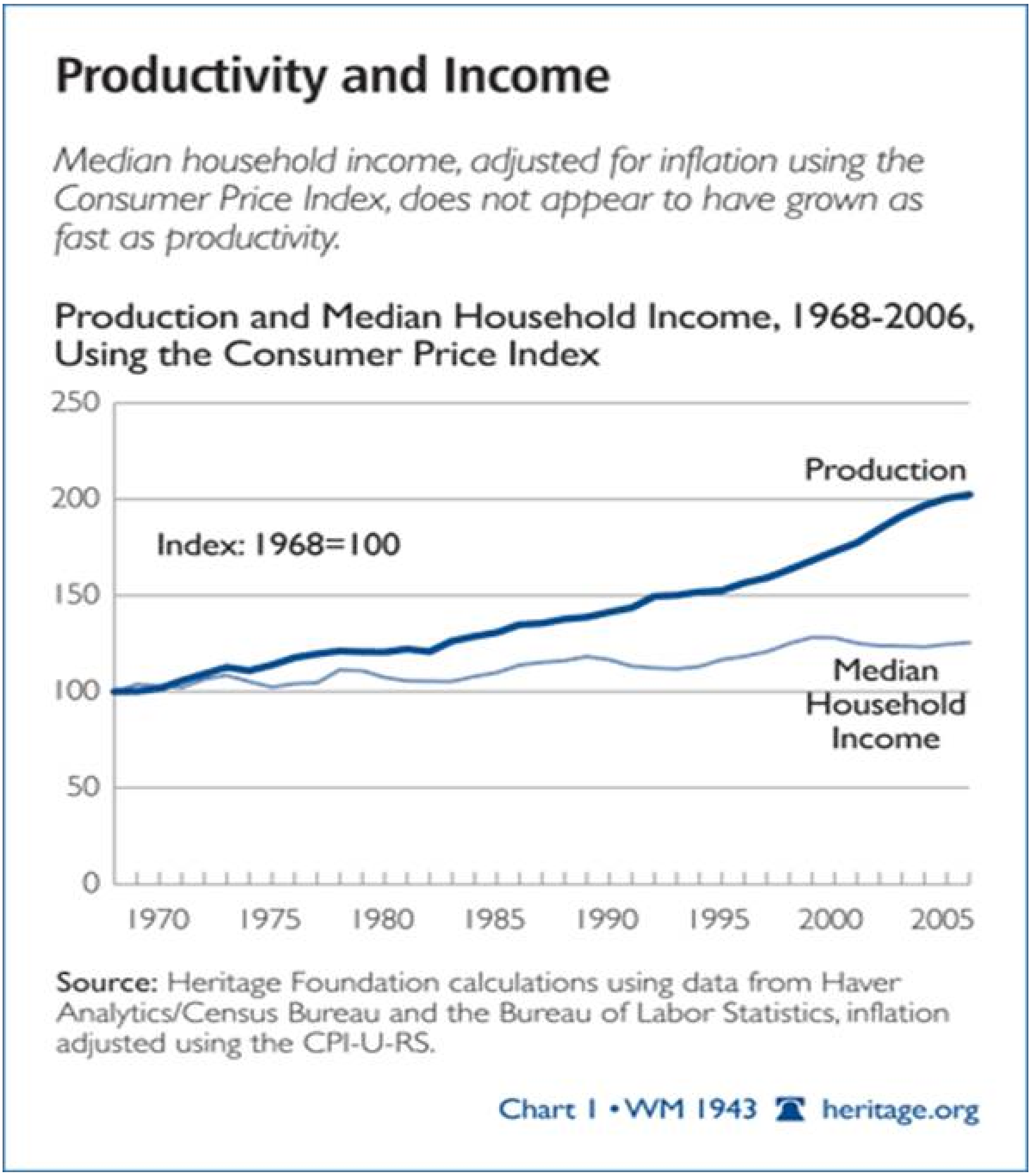
So what is really wrong with the economy? Some say the housing bubble is to blame, where the banks made credit so easy to get that the prices of homes inflated beyond their real value. Others blame it on the "toxic debt" from subprime mortgages that investment banks packaged and sold to unwary investors. Others blame the unregulated U.S. financial system that generated huge amounts of speculative investments, accomplished through bank leveraging, that now have gone sour.

Here's what economist Joseph Stiglitz wrote recently in *Vanity Fair*:

"Of course, the current problems with our financial system are not solely the result of bad lending. The banks have made mega-bets with one another through complicated instruments such as derivatives, credit-default swaps, and so forth. With these, one party pays another if certain events happen—for instance, if Bear Stearns goes bankrupt, or if the dollar soars. These instruments were originally created to help manage risk, but they can also be used to gamble. Thus, if you felt confident that the dollar was going to fall, you could make a big bet accordingly, and if the dollar indeed fell, your profits would soar. The problem is that, with this complicated intertwining of bets of great magnitude, no one could be sure of the financial position of anyone else—or even of one's own position. Not surprisingly, the credit markets froze."

Stiglitz is a former World Bank economist, winner of the Nobel Prize, and now a noted critic of the world financial system. But what is puzzling, besides the fact that Stiglitz buys into the basic validity of the world's debt-based monetary system, is his apparent failure to recognize the role of collapsing consumer purchasing power as a principal cause of the freezing of the markets.

Individuals can no longer get loans because they can't afford to repay them. Businesses can't get loans because consumer income is insufficient to buy their products. Within the U.S., consumer purchasing power has fallen not only because of the export of so many manufacturing jobs to low-paying overseas labor markets like those in China, but also because workers have not shared in the benefits of constantly rising productivity. See the following chart from www.Heritage.org that compares growth in productivity to median household income over almost 40 years:



As stated, for commentators like Stiglitz, or like Paul Krugman, another Nobel Prize winner who writes for the *New York Times*, the debt-based monetary system run by the banks is a "given" as the unchallenged centerpiece of the world economy.

Here is Krugman's prescription from a November 18, 2008, column:

"What the world needs right now is a rescue operation. The global credit system is in a state of paralysis, and a global slump is building momentum as I write this. Reform of the weaknesses that made this crisis possible is essential, but it can wait a little while. First, we need to deal with the clear and present danger. To do this, policymakers around the world need to do two things: get credit flowing again and prop up spending."

But even as Krugman and others argue for more government spending to prime the economic pump and restore employment—a few more trillion added to the national debt can't hurt, they say—such spending can only take place through deficit financing funneled through the banking system. So their answer to a crisis marked by overwhelming public and private debt is more debt. Some call this "Keynesian economics," and as Richard Nixon famously said way back in 1971, "We are all Keynesians now."

The problem is that the world has changed radically since John Maynard Keynes wrote in the 1930s at a time when the banking system had discredited itself with the economic collapse that started the Great Depression. Then, the banks were contracting the currency and causing a liquidity shortage. But they were brought to heel by the federal government under President Franklin D. Roosevelt. To get things moving again, the government ran its own low-cost credit programs through agencies like the Reconstruction Finance Corporation. And while the government borrowed for job-creation programs like the WPA and CCC, business and household debt weren't even close to what they are today.

What has happened since then is that the full-employment industrial state that was brought into existence by the New Deal and World War II, and which produced so much wealth that a BIG—then defined as a negative income tax—actually was taken seriously as a matter of discussion in the 1960s, no longer exists. Instead of the industrial state, we have what could be called the international empire of usury.

By the late 1960s the industrial state was in decline. The key event took place in 1971 when Nixon removed the gold peg from the dollar and world currencies began to float. From that point on, credit became separated from production, and people began to look to paper profits through currency, resource, and asset speculation as the source of wealth.

Also during the 1970s, the U.S. government worked with OPEC to bring about radical increases in petroleum prices. The flood of "petrodollars" which resulted financed the growing U.S. trade and fiscal deficits and caused a sharp rise in inflation. When the Federal Reserve under Paul Volcker began to attack the inflation with interest rates that would exceed 20 percent, the worst recession since the Great Depression followed. The recession lasted from 1979-83 and wrecked the U.S. industrial economy. Never before in U.S. history had the financiers wielded such dictatorial—and destructive—power.

The last straw came when the financial industry began to be deregulated to take advantage of the orgy of greed that had been made possible by government policy. Accordingly, every period of economic growth since the 1980s has been a financial bubble, including the merger-acquisition bubble of the Reagan/Bush I years, the dot.com bubble of the 1990s, and the housing/equity/derivative bubble of the 2000s.

During this time, the U.S. became one of the most grievously mismanaged nations in history, with every president since Reagan making their own contributions to the madness. The loss of manufacturing jobs that started with the Volcker recession accelerated under President Bill Clinton, who signed NAFTA and gave China most-favored-nation status. Economists like Stiglitz and Krugman, not to mention those who cling to the myth that what we have today is really free-market economics, fail to recognize the tremendous sea change that has made the U.S. economy dysfunctional to its roots. This means that none of their solutions can solve the problem.

Let me also observe, with respect to the tender concern that economists have that the credit markets get up and running again, doesn't this also illustrate the human tendency to "kiss the whip that scourges"?

The financial system holds everyone hostage, including citizens, politicians, and economists too. A good analogy might be "Stockholm Syndrome," where, according to Yahoo.com:

"Captives begin to identify with their captors initially as a defensive mechanism, out of fear of violence. Small acts of kindness by the captor are magnified, since finding perspective in a hostage situation is by definition impossible. Rescue attempts are also seen as a threat, since it's likely the captive would be injured during such attempts."

Cancer

There is not a single academic or popular economist writing today who admits that the international empire of usury we have been watching collapse is a qualitatively different phenomenon from anything seen before and that it has nothing to do with any of the concepts we are so familiar with such as democracy, economics, or even capitalism. A better concept might be one drawn from medicine—what we are seeing is a rapidly metastasizing case of terminal cancer. The host of this cancer is the population of the U.S. , and the cancer of debt is deadly. The progressive prescriptions of people like Stiglitz and Krugman, and even those of president-elect Barack Obama, are like offering a pair of crutches to a cancer patient so ill he can no longer even stand up.

The international empire of usury has a long pedigree. It goes back to ancient Sumeria, when debtors first began to be sold into slavery. Excessive debt ruined many of the Greek city-states and helped wreck the Roman Empire . During the Middle Ages, usury was such a scourge that the Catholic Church outlawed it.

The current phase of the empire dates to the creation of the Bank of England, which was a privately-owned banking institution that made its money by lending to the British government so it could fight its wars. The Bank of England was cloned on American soil when the Federal Reserve System was created by Congress in 1913. The bankers had previously tried take control of the U.S. through the First and Second Banks of the United States but had been defeated by democratic forces led initially by Thomas Jefferson.

Since the founding of the nation, there has been a struggle within the U.S. between pro-and anti-bank forces. The banks finally saw complete triumph in the 1970s when the philosophy of monetarism took over and assured that a chronic insufficiency of real money in the economy would be answered by an exponentially growing amount of bank-generated debt. Monetarism was not directed solely by figures within the U.S. Rather it was part of a worldwide financier conspiracy. The "Reagan Revolution" which facilitated it was matched by "Thatcherism" in the U.K. and similar regimes around the world.

Since American economists have failed so egregiously, we are forced to turn elsewhere for explanations. The triumph of usury—i.e., cancer—was ably described by New Zealand author Les Hunter in his 2002 book, *Courage to Change: A Case for Monetary Reform*.

"It was the artificial scarcity of money imposed by the application of

monetarist policies that caused the usurious system to mutate from the industrial and allowed the collection of usury in amounts greater than that forthcoming as industrial economic rent. What has come to be practiced is a corruption of the investment practices that, in the past, and particularly in the industrial systems, had driven civilization forward.

“As investment proceeds within a usurious system, debt securities are accumulated and valued by the holders as income-earning assets. Of course, unlike the industrial assets such as the powered machine, a debt security produces nothing that is real.

“However, monetary income received as interest from compounding debt does give claim on current output—wealth at the point of sale—as does any form of economic rent once it has been collected in a monetized economy. Within usurious society, the rich are made richer and the poor, poorer, for no justifiable reason.”

How did this come about? Hunter writes in terms similar to those I used previously:

In the late 1960s, an aberrant socio-economic phase emerged: the usurious state, in which the control over money, rather than the ownership of machinery, is the most important lever of economic and social power. Investment in debt, and the speculative buying and selling of paper assets, are the most significant means of accumulating personal wealth.

Hunter provides the following list of characteristics of usurious systems, features that are agonizingly familiar:

- Crushing debt;
- A widening gap between rich and poor;
- Share markets subject to collapse;
- Currency meltdowns;
- Mounting social distress;
- A pervading belief that the free market should be allowed free reign;
- Banks driven by profit but holding tremendous power through their ability to create and extinguish the national currency, that is, money.

Hunter’s analysis is light-years ahead of U.S. economists, who, even when playing the role of an “official” opposition, really only enable the international financial elite to continue their looting unabated. Of course industrial society is at the mercy of the financial predators, because large quantities of money are needed for the economy to function. Hunter continues:

“The accumulation of usurious debt—money-lenders’ assets—became possible because those in business have an absolute requirement for access to sufficient working funds to pay costs. (The payment of costs is the main means of generating the national income; investment makes up the difference.)

“The money needed as working funds is defined as M1, which is the sum of base-metal coin, notes, and cheque money. It is this money that is accepted as the national currency. In many nations, applying monetarist policy has given business’s working funds—as the ancillary factor of production—sufficient scarcity value that significant amounts of usury, as the relevant form of economic rent, can be, and are being, collected.

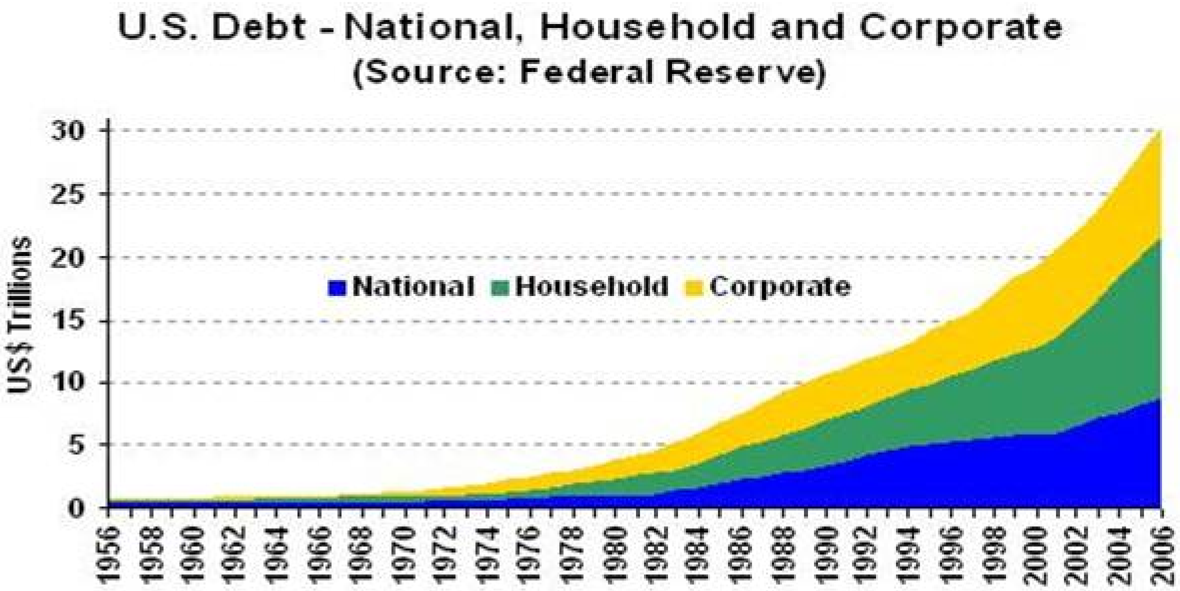
Monetarism rests on one basic lie—that higher interest rates slow inflation. Actually higher rates kill economic activity. This is not slowing inflation; it is wrecking human life. In the long run, higher rates add to inflation by increasing the proportion of costs that go to pay interest. This system is not free enterprise, and it is not capitalism. It is a cancer that destroying the world.

Revolution

The bankers' takeover of the world economy that began in earnest in the 1970s cannot be undone by Barack Obama's economic stimulus program or any other progressive nostrums. Thus, the goal of creating up to five million new jobs is not likely to succeed, simply due to the enormous amount of debt the productive economy is currently carrying.

The amount of debt is staggering. If we count individual, household, business, and government debt, that figure now exceeds $40 trillion, including the recent bailouts. What the General Accounting Office calls "unfunded liabilities" of the federal government, due to future costs of entitlement programs like Social Security and Medicare, adds another $60 trillion. This doesn't include outstanding debt for derivatives, most of it bank-leveraged, which, according to the Bank for International Settlements, may amount to $1.28 *quadrillion* worldwide.

Growth in debt through 2006—understated, compared to figures derived by independent analysts—is shown by the following chart based on Federal Reserve figures. Note that virtually all of the debt has been incurred since removal of the gold peg and that its growth is exponential.



The economic geniuses who write for newspapers like the *Washington Post* or give advice to the Federal Reserve have come up with solutions like slashing Social Security and Medicare benefits or selling more U.S. assets to creditor nations like China . They refuse to propose the obvious, which is that the debt must be written off as soon as possible and the monetary system changed to prevent further debt to be accumulated. Nor do they realize that debt; i.e., credit, should be viewed solely as a means of generating working capital, not a permanent millstone around the neck of humanity.

To overcome today's tragedy requires a political revolution to remove the bankers from power. Today they control the political process in the U.S. and around the world. They control the powerful intelligence agencies of the Western nations. They control international agencies such as the International Monetary Fund and the World Trade Organization. They also control the Western military machine, with NATO now being sworn to protect Western “neoliberalism,” which means the bankers’ empire.

The only U.S. political figure who has called for revolution is Dr. Ron Paul, Republican candidate for the 2008 presidential nomination and author of legislation to abolish the Federal Reserve. In the opinion of this writer, the only people who have a right to speak of “change” in today’s political and economic environment—including Nobel laureates—are those who support this revolution. There is no other way to fight the unlawful takeover of power by the financiers.

Of course it’s not only politicians, pundits, and economists who have failed. We are all responsible for our own lives and actions. If the American people wanted a just economic system and were willing to do what was necessary to get it, they could have it—now.

What Must be Done

Approximately 20-30 percent of the people in the developed world are doing just fine financially. They are either professionals, technical experts who are indispensable in making the world economy function, former government employees on pensions, or a small minority who live off compound interest—i.e., the bankers and their dependents. Most of this 20-30 percent, particularly the latter group, do not seem to have a great deal of compassion for the majority within their own nations and even less for the billions of underprivileged people around the world.

For the remaining 70-80 percent who realize, with the recession now having arrived, that their livelihoods are on a slippery slope downward, possibly taking them toward personal and family catastrophe, they need only one thing—MONEY!

For many of these it would be nice to have a job, or a better job. But jobs are not the answer, even though any time a politician, economist, activist, or commentator offers an opinion on how to improve the economy they say MORE JOBS!

And they are completely wrong.

The way to generate income security is not to give someone a job. It is to give them money. If we began with this simple fact the economy would soon generate far more jobs than people could fill. Of course some of these jobs would be low-paying or even volunteer jobs, which would be acceptable provided that people still had enough to live on and had opportunities to earn more.

For the world economy to function and for there to be enough produced to support everyone at a decent standard of living, not everyone has to work. In fact too many workers get in each other’s way. In 2007 world GDP was $55 trillion. The population was 6.6 billion. Per capita that’s $8,300. It’s not a large sum, but in many countries the cost of living is far lower than in the developed nations of the West.

The productivity of a modern industrial economy is phenomenal. It surpasses the wildest dreams of generations past. The problem today is not a shortage of goods and services. It is too many goods and services. There is a worldwide glut of automobiles. The same goes for many other products such as clothing, CD players, TVs, and most consumer products. This does not mean that threats like climate change or resource depletion should be ignored. The reason these threats are not being faced is that industry must work so hard to cut costs and keep prices down in the face of the catastrophic shortage of consumer purchasing power.

So why do we need more jobs? Only because we are too cheap and so poorly informed that we fail to realize that a cash payment to everyone, at least at a subsistence level, should be viewed as a dividend. It's something everyone should receive as the benefit of our incredible producing economy. It should be treated as a HUMAN RIGHT.

The situation does not require that someone else should be taxed in order for that dividend to be provided. This is not a transfer payment. It is not a share-the-wealth scheme. It is the acknowledgement by the economic system that the universe is bountiful and abundant. Modern industry has tapped into that abundance. Today the abundance is being stolen by the bankers and their debt-based monetary system. This is what must be taken back by, and on behalf of, "We the People."

If you want to read the history of dividend-economics, study the history of the worldwide Social Credit movement. I am not going to repeat that history here. I have written about it in many articles over the past two years, most of which can be found at www.GlobalResearch.ca. It's one of the basic themes in my new book, *We Hold These Truths: The Hope of Monetary Reform* (Tendril Press, 2008). You can find a lot of information about Social Credit on the internet, including the website for the *Michael Journal* in Canada at www.michaeljournal.org.

One of the world's leading experts on Social Credit is Wallace Klinck of Alberta , Canada , who provides the following commentary on the crisis:

"The base cause of our essential economic, and social, afflictions is…a fundamental and widening disparity between effective consumer income and financial prices—resulting essentially from a basic flaw in national financial cost accountancy involving a premature withdrawal of credit because of added allocated capital charges in consumer prices. The consequent widening deficiency of effective purchasing-power forces the consuming public increasingly into dependency upon debt.

"We are now witnessing the inevitable, entirely predictable, and devastating results of such folly (or more likely, high policy). Governments are forced to make a futile attempt to ameliorate this problem by assuming debt to compensate or accommodate the ballooning private debt. I am sure that the financial powers look on with almost puzzled amusement as we engage in a sterile debate about the evils of interest and usury when we obviously have no strategy to deal with the rapid expansion of debt upon which interest is demanded. We waste our energy on a misguided and sterile debate while ignoring the fact that the consumer is charged with capital depreciation but not credited with capital appreciation.

"In other words, we blindly forgo our inheritance for a mess of pottage. You only pay interest on debt—eliminate debt and you have effectively eliminated any tribute of interest or 'usury.' There should be no need for any overall national consumer debt at all—consumers in aggregate should always be provided sufficient income to purchase the entire final product of industry without resorting to borrowing. The **physical** cost of production has been provided in full when goods are completed, and the **financial** means to liquidate the financial costs of that production should be made fully available as each 'cycle' of production is completed.

“Whatever the costs to industry, including interest or service charges, the consumer should always be in a position to liquidate them with his or her financial income. Being increasingly inadequate under the orthodox system of financial accountancy, that consumer income must be supplemented from a source which originates outside the price-system and does not, therefore, create new financial costs through its issue. The mechanisms to achieve this condition recommended by Social Credit are the payment to all citizens of a National Dividend and to all retailers a compensatory payment in order to effect a falling price-level, i.e., a Compensated Price.

“When the expenditure of human labor is being rapidly replaced by other factors of production, as it is in a most spectacular manner, talk of there being ‘no free lunch’ is entirely irrational from the standpoint of reason, downright sacrilegious from a theological standpoint, absolutely disastrous from an economic and social perspective—and absurd from a philosophical aspect.”

I strongly recommend that readers try to understand and absorb what Mr. Klinck is saying. He is explaining why everyone doesn’t have to work all the time for us to enjoy a decent standard of living. People in the U.S. understood this in the 1950s, when a single breadwinner could support a family. Does anyone wonder why conditions have changed so much for the worse since then? In a private message to me dated December 13, 2008, Mr. Klinck made the following observations on jobs vs. income:

“I find it quite maddening that we have these recent desperate appeals for industrial state ‘bailouts’ to help industry go on producing even more unsalable goods, when it should be quite obvious that what needs ‘subsidizing’ is consumption and not production. Of course, as we know from a Social Credit perspective, these appeals are based on a number of major misconceptions about national cost accounting, the purpose of industry, work, and life in general. I think that this erroneous and indelibly entrenched ‘moral’ mindset is our biggest obstacle. For instance, I heard extended appeals on television today from the Canadian Autoworker’s Union for protection of their ‘jobs’, etc. If only we could show them that it is their incomes and not their ‘jobs’ which should be preserved. They are so obsessed with ‘work’ that they are blinded to reality.”

We have another well-developed plan for monetary reform here in the United States with the American Monetary Act proposed by the American Monetary Institute. (www.monetary.org) This plan would eliminate public debt for federal government expenditures by returning to a Greenback-type system of direct government purchasing like we had during and after the Civil War. Public expenditures would focus on the creation of infrastructure assets as the basis for the monetary system. The American Monetary Act became part of the platform of Congressman Dennis Kucinich in his 2008 congressional campaign. The Act also contains a dividend provision.

Lessons from the Alaska Permanent Fund

We can find one small but extremely important example of dividend economics in the U.S. by examining the Alaska Permanent Fund which paid every resident of Alaska a dividend of $3,269 in 2008 out of state resource revenues. The APF was set up in 1976 when Alaska voters passed a constitutional amendment calling for a direct payment to individuals rather than turning the money over to the state bureaucracy for “social services.”

Today the Alaska Permanent Fund is a shining—and rare—example of economic democracy at work. At first the APF made dividends incremental based on a person's years of residency, but the U.S. Supreme Court declared this provision unconstitutional. The Alaska legislature responded by providing equal dividends to all residents of six-months or more. The first dividend, amounting to $1,000, was paid on June 14, 1982.

The APF dividend is not a welfare payment. It is a resident's fair share of the bounty of the Earth. There are no means tests, no lines to wait in, no bureaucrats snooping around to find out what someone used the money for. The APF has not ruined the character of those who get it. A millionaire receives the same payment as a person living in poverty. Spent into circulation, the money becomes part of the lifeblood of the community without having to be repaid and with no interest being charged. Deposited into banks, the money capitalizes consumer borrowing and economic growth.

In the *Fall 2008 Newsletter* of the U.S. Basic Income Guarantee Network there appeared an editorial on the Alaska Permanent Fund by Karl Widerquist, one of the leaders of the worldwide BIG movement, now a professor at Reading University in England . This editorial is reprinted as follows:

"EDITORIAL: The Alaska Dividend and the Presidential Election (The views expressed in this editorial are my own and do not represent the views of USBIG or its membership. -Karl Widerquist)

"Most people will be surprised to learn that the Republican vice-presidential nominee and the Democratic presidential nominee have both endorsed the Basic Income Guarantee. In one form or another both support policies to guarantee a small government-provided income for everyone. As reported in the *USBIG Newsletter* earlier this year, Obama has voiced support for reducing carbon emissions with the cap-and-dividend strategy, which includes a small BIG.

"Sarah Palin, like most Alaskan politicians, supports the Alaska Permanent Fund (APF). Existing rules caused the APF dividend to reach a new high of 2,069 this year. That much had nothing to do with Palin. But, whatever else you might think of her, she deserves credit for adding $1200 more to this year's dividend.... She proposed it to the legislature, and pushed it through, resisting counter proposals to reduce the supplement to $1000 or $250.

"Most people who learned about Palin at the Republican National Convention in August would probably be surprised to learn that such a hard-line conservative supports handing out $16,345 checks to even the poorest families. Actually, families the size of Palin's will receive $19,416—no conditions imposed besides residency, no judgments made.

"The support of politicians like Palin provides evidence against the belief that BIG is some kind of leftist utopian fantasy with no political viability. In the one place BIG exists it is one of the most popular government programs, and it is endorsed by people across the political spectrum.

"The APF has not become an issue in the campaign, and I doubt she has plans to introduce a similar plan at the national level, but when the issue has come up, Palin has taken credit for it as a conservative policy. In an interview on the *Fox News* network, Sean Hannity confirmed that Palin increased the Alaska dividend by $1200 this year. Hannity commented, ‘I have to move to Alaska . New York taxes are killing me.’

“Sounding like some kind of progressive-era land reformer, Palin replied, ‘What we’re doing up there is returning a share of resource development dollars back to the people who own the resources. And our constitution up there mandates that as you develop resources it’s to be for the maximum benefit of the people, not the corporations, not the government, but the people of Alaska .’

“Tim Graham, writing for the conservative website *Newsbuster.com* criticized *NPR*’s Terry Gross for asking questions that implied opposition to the APF in an interview with *Alaska Public Broadcasting* host, Michael Carey. Graham writes, ‘Gross walked Carey through the idea that it’s not hard for Palin to be popular in Alaska when she’s handing every family a $1200 check from all the oil business. She then elbowed Carey about how that money could have been better “invested” (as Obama would say) in government programs.’ Suddenly conservatives are ridiculing people they assume do not support unconditional grants.

“Palin justified a tax increase on the oil companies to support higher BIG on the *PBS Now* program before she was nominated for vice-president. ‘This is a big darn deal for Alaska . That non-renewable resource, of course, is so valuable …. And of course [the oil companies] they’re fighting us every step of the way when we say, “Well we wanna make sure, especially as it’s being sold for a premium, that we’re receiving appropriate value.” … The oil companies don’t own the resources. They have leases and the right to develop our resources for us. And we share a value, we’re partners there, because they do the producing for us. But we own the resources.’ …

“The lesson here is that the APF is a model ready for export. Readers of this newsletter will know that governments in places as diverse as Alberta , Brazil , Iraq , Libya , and Mongolia have recently thought seriously about imitating the Alaska model.

“Some might be tempted to think that the APF isn’t a true BIG and it isn’t motivated to help the poor. Not so: Jay Hammond, the Republican governor of Alaska who created the APF, came all the way to Washington, D.C., to speak at the U.S. Basic Income Guarantee Network conference in 2004. He told me that his intention was to create a BIG to help everyone—most especially the disadvantaged. If he had his way the APF fund would now be producing dividends four to eight times the current individual level of $2,069.

“Others might dismiss the Alaska model saying that it is a unique case because Alaska has so much oil wealth. Again, not so: Alaska ranks only sixth in U.S. states in terms of per capita GDP, with an average income just over $43,000 in 2006, more than $15,000 per year less than number-one Delaware, and only $6,000 per year ahead of the national average. Any other state or the federal government can afford to do what Alaska has done.

“ Alaska has oil wealth; other states have mining, fishing, hydroelectric, or real estate wealth. Governments give away resources to corporations all the time. The U.S. government recently gave away a large chunk of the broadcast spectrum to HDTV broadcasters at no charge. Offshore oil drilling will soon be expanded on three coasts. Everyone who emits green house gases and other pollutants into the atmosphere takes something we all value and—so far—pays nothing.

“What was different about the Alaskan situation was that Jay Hammond was there to take advantage of the opportunity. With the Alaska model in place, it will be just a little easier for next person at the next opportunity."

There have been other times in U.S. history when the government "gave away" wealth. An example was the Homestead Act of 1862 which opened the American heartland to settlement and helped create one of the world's most productive agricultural regions. There was also a time when anyone who walked into a U.S. Mint could have their gold or silver stamped into coinage—free of charge.

So why isn't a dividend like the one provided through the Alaska Permanent Fund paid to every U.S. resident or, for that matter, to every person in the world? Please don't make up any phony "economic" answers to this question. The answer is obvious—everyone else is being cheated by the monetary system.

The "Cook Plan"

What I am modestly calling the "Cook Plan" is simply to pay each resident of the U.S. a dividend, by means of vouchers for the necessities of life, in the amount of $1,000 per month per capita starting immediately as our fair share of the resources of the Earth and the bounty of the modern industrial economy. The money would then be deposited in a new network of community savings banks to capitalize lending for consumers, small businesses, and family farming.

I am calling it the "Cook Plan" because I have been advocating such measures for almost two years, every since I published my first article on the subject in April 2007 entitled: "An Emergency Program of Monetary Reform for the United States ." (See *Global Research* at http://www.globalresearch.ca/index.php?context=va&aid=5494)

The dividend would total about $3.6 trillion, which, not by coincidence, is the amount of new debt U.S. residents must incur each year from banks simply to exist. That borrowing, of course, is on top of borrowing in past years, because most people do not entirely pay off old loans before taking out new ones. Debt in this country in recent years has been cumulative, with interest constantly compounding. The annual dividend I have proposed would bring a halt to this "grip of death," as it has been termed by British author Michael Rowbotham in his book: *The Grip of Death: A Study of Modern Money, Debt Slavery, and Destructive Economics*.

Because we have all been brainwashed to believe that the only sources of government funding are through taxes or the national debt, it is difficult to believe that a dividend of $3.6 trillion could be paid to residents by other means. In fact it could, and it would not even require a fund to be set up like the Alaska Permanent Fund that is replenished by resource revenues. According to Social Credit theory, the dividend fund could be created *sui generis*; i.e., it could be created out of "nothing."

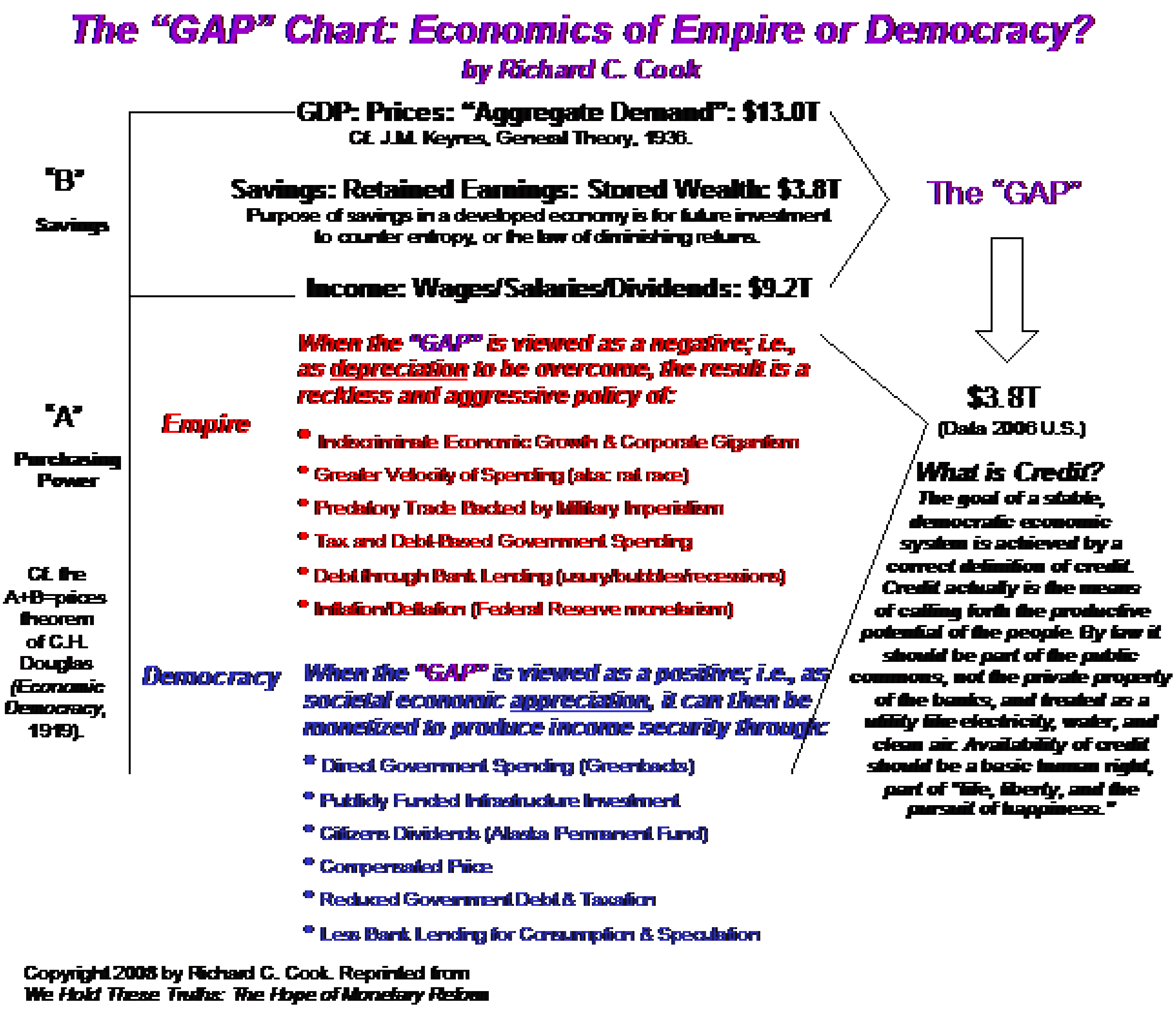
And why not? John Maynard Keynes pointed out, and everyone realizes today, that the banking system does just this in creating money "out of thin air." It's what many people refer to as "printing money," which the Federal Reserve is doing on a massive scale in bailing out the financial system. The banks that belong to the Federal Reserve use the purchase of Treasury debt as collateral, but the money itself is simply issued as credit. The trouble is we end up paying interest on it, which is why the interest on the national debt in the fiscal year 2009 budget totals more than $500 billion.

Issuance of credit is mis-defined as the private property of the banks. But as I point out in the "GAP Chart" at the end of my book *We Hold These Truths: The Hope of Monetary Reform*:

"The goal of a stable, democratic economic system is achieved by a correct definition of credit. Credit actually is the means of calling forth the productive potential of the people. By law it should be part of the public commons, not the private property of the banks, and treated as a utility like electricity, water, and clean air. Availability of credit should be a basic human right, part of 'life, liberty, and the pursuit of happiness.'"

Today the banking system has a monopoly on credit which it has seized unlawfully from the government, where, under the U.S. Constitution, Congress alone, according to Article II, has the prerogative to "Coin money and regulate the value thereof." There is no reason except bankers' propaganda why the federal government, as authorized by Congress, could not issue credit through a citizens dividend, by direct government spending, or by other means such as loan guarantees or lending for infrastructure. This would be real economic democracy.

The "GAP" Chart is presented in its entirety as follows:



As I explain in the book:

"In order for people to be able to pay for a nation's GDP, sufficient purchasing power must be generated. Purchasing power is what British economist John Maynard Keynes called 'aggregate demand.' But the income that is generated through wages, salaries, and dividends is never enough to consume the GDP, because a portion must be withheld (saved) as retained earnings for future investment. This is the 'gap.' The way society decides to fill the gap reflects whether it views itself as an empire, where the rich profit at the expense of the few, or a democracy, where all members of society have the opportunity to prosper. Under the imperial design, the 'gap' is viewed negatively and filled by bank lending at usurious rates of interest, foreign conquest, the economic growth imperative, aggressive trade policies, or inflation of the currency. But when, by contrast, the 'gap' is viewed as an opportunity to further democratic ideals, it can be monetized through public control of credit and issued as direct government spending, a citizens dividend, or low-cost credit. This monetization of savings reflects a definition of credit as a public utility, not the private property of the banks. Keynesian economics tries to compromise between the imperial and democratic ideals by using government debt to monetize savings, but this ultimately destroys the currency through bankruptcy or inflation. Today we are at a late stage of imperialistic monetary policies which have led to financial collapse. Democratic management of credit has been tried at various times in U.S. history with great success but never on a sufficient scale to transform the economy. It is now time to take decisive measures to replace the economics of empire with those of democracy.

Again, what this model does is show how we can monetize the productive potential of the nation that today is withheld by businesses from payout as wages, salaries, and dividends through the withholding of retained earnings. It is these retained earnings that the business will utilize later to renew its processes of production through investment. But while these funds are idle, their creative potential still exists. That potential is the "energy source" for new consumer purchasing power. It is real, though, like electricity, invisible until harnessed. The logic is similar to the explanations of Social Credit by Wally Klinck.

Under the "Cook Plan" the U.S. Treasury would issue the dividend against an account that represents the productive potential of the nation once the money is spent. The dividend would not be inflationary, because it would be matched by production of goods and services within the physical economy. In fact it would have far less tendency to inflate because it would not have bank interest charges added to it. And once created it would remain in circulation—or deposited as savings—because it would not have to go back to a bank to be canceled as loans now do. Savings would be an important part of the plan, because today citizens have completely lost the ability to save in the usury-based economy where cancellation of bank credit along with the interest charged sucks up all available cash from people's pockets.

Under the "Cook Plan," the dividend would be issued as vouchers as a temporary measure until the program caught on and it was clear the money would be spent responsibly. The vouchers would be redeemable at any location licensed to do business for necessities of life such as food, housing, transportation, clothing, communications, or business/home maintenance. In fact they could be used for most purchases except things like the lottery, alcohol, entertainment, etc.

Once received in transactions, providers would then deposit the vouchers in the community savings bank that had been set up in their locality. In order to maintain membership in the bank, providers would be required to keep a certain amount of money on deposit to capitalize lending by the bank within the community. Loans would be made available under the bank's fractional reserve privileges and would be issued at low rates of interest, preferably no more than one percent plus a premium for default insurance, depending on the credit status of the borrower. Persons eligible for lending would include individuals, householders, students, small businesses, local manufacturing concerns, family farmers, etc.

It should be obvious that this system will completely transform and revitalize local economies in any nation where it is implemented. One of the worse features of today's usury-based economy takes place when global businesses in league with the banks come into communities and destroy local businesses by underpricing them. Then these businesses extract all the liquidity from the community, where people usually are so cash-poor they buy with credit cards, and return only a fraction to the low-wage workers they employ.

The "Cook Plan," with the direct injection of purchasing power into the community through vouchers, combined with a new system of low-cost credit, would transform this dire situation completely. It would allow people to live and prosper without dependence on credit cards, government job-creation programs, or government welfare bureaucracies. And it would allow a resurgence of volunteer activities and work at low-paying professions such as education and the arts.

It Must Be Done Now

Obviously it would take time—though not much time—to work out all the details of the program, as well as to explain how it would interface with monetary reform proposals like those of the American Monetary Institute or resource-based dividend systems like the Alaska Permanent Fund. But in principle, the "Cook Plan" is sound.

In any case, we cannot afford to wait. Conditions today are nearing an emergency. Thousands of people are losing their jobs every day as the recession turns into a monster. Something must be done that has never been done before. Let President Barack Obama implement his massive public works program to create jobs. Meanwhile, let the "Cook Plan" be implemented, a plan that draws on much of the wisdom that has been dormant in recent decades as the usury-based economy has suffocated the life out of the world's economy. It is now time to put that wisdom to work. "We the People" deserve to live in freedom on this beautiful planet, no matter what the bankers say.

Wally Klinck sums it up in words that describe every "supply-side" scheme ever invented, of which the empire of usury is just another permutation:

"The so-called financial 'crisis' derives from a faulty financial price-system which generates consumer prices more rapidly than it distributes incomes, forcing consumers to rely increasingly on creation of new money issued as repayable debt in the form of bank loans. When liquidity becomes eroded to the point where borrowing can no longer be sustained, the whole financial edifice collapses like a deck of cards. The mass foreclosure which ensues reveals the confiscatory nature of the financial system, manifesting a tragedy of human effort.

"In a free society and rational economic system, producers should get their money from consumers. Subsidizing producers so that they can create more goods for which consumers lack income to purchase [i.e., supply-side economics] is lunacy. What is needed is enhancement of consumer income to balance aggregate purchasing power with aggregate prices in each cycle of production. This would place consumers in a position to determine the viability of producers. The physical cost of production is fully met as production progresses. There should be no aggregate need for consumer debt whatsoever.

"If society had followed the Social Credit policy of C. H. Douglas who advocated Consumer Dividends and Compensated Retail Prices instead of the Fabian Socialist social debt policy of the late economist John Maynard Keynes, none of the current madness would have occurred. We would be enjoying increasing prosperity with falling prices and increasing leisure as should be the case in any modern and civilized society."

***Richard C. Cook** is a former U.S. federal government analyst. His book on monetary reform, We Hold These Truths: The Hope of Monetary Reform, is now available. His website is www.richardccook.com. He is also the author of Challenger Revealed: How the Reagan Administration Caused the Greatest Tragedy of the Space Age. He can be reached at EconomicSanity@gmail.com.*