

Citizens' Economic Stimulus Plan: Stop Paying Credit Card Debt

By [Richard C. Cook](#)

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Now to the Wall Street bailouts, the plan for the government to purchase preferred shares in banks, and the takeovers of Fannie Mae, Freddie Mac, and AIG, may be added the intention announced last night that the government will throw another \$20 billion at Citibank, the nation's largest financial institution.

The announcement came after Citibank's stock fell 60 percent last week to \$3.77 a share. Of course it won't help the 50,000 people Citibank is laying off, but, what the hey, no plan is perfect.

Meanwhile, almost nothing has been done to help the consumers within the producing economy who have lost trillions of dollars in the stock market crash, seen the value of their homes fall in many cases below what they owe on their mortgages, and lost jobs or health benefits through the escalating recession. Fannie Mae, which over the weekend sponsored a Walk for the Homeless in Washington, D.C., an event that drew thousands of participants, had announced the previous day that it was placing a moratorium on further home foreclosures until after the Christmas and New Year's holidays. Wow, thanks.

But what then? Everyone agrees that the recession will be long and deep, not only in the U.S. but in nations that export to us. The Federal Reserve can only go so far in cutting interest rates, because at a certain point nations such as China which have floated the Federal deficit will no longer lend.

Besides, what good are low interest rates if borrowers can't even afford to repay the principle, which is the situation so many of us find ourselves in today? Japan found that out in the 1990s, leading to a recession that lasted a decade.

So what are ordinary people to do who have families to feed, rent or mortgages to pay that are still inflated from the collapsed housing bubble, unmet medical or insurance expenses, or may be trying to get their kids through college? Should we go deeper into debt when U.S. households, businesses, and government already owe in the neighborhood of \$60 trillion (excluding federal unfunded debt liabilities), almost five times the GDP? Banks have cut back on lending anyway.

Then there are the jobs programs. The Senators who bowed down to Secretary of the Treasury Henry Paulson when he came to extort \$700 billion for Wall Street scolded the Big Three automakers who came seeking help in salvaging an industry that still employs millions. But maybe by cutting worker wages and benefits the carmakers will be able to limp along a while longer.

Or maybe we should wait to see if president-elect Barack Obama gets his economic stimulus plan through Congress after he is inaugurated. Granted the plan may result in some new jobs a few years down the road once the additional federal borrowing to pay for it works its way through the economy. But will America still be alive by then?

Ladies and gentlemen, the financial system has destroyed America. And really and honestly, the folks in Washington, both those arriving and those departing, don't know what to do.

I have argued in recent articles that the government should implement what I have modestly called the "Cook Plan," whereby a dividend similar to the Alaska Permanent Fund would be paid to every U.S. citizen at the rate of \$1,000 per month in vouchers for food, housing, and other necessities of life.

This dividend would be paid out of the U.S. Treasury, where I used to work, from an emergency self-financed account without recourse to taxes or government debt. The dividend would constitute each citizen's fair share of the producing potential of the economy, as advocated by Social Credit reformers in the British Commonwealth nations for decades. The vouchers could then be deposited in a new network of community savings banks that would revitalize local economies through lending at zero-percent interest, charging only administrative fees and a small amount of lending insurance for access to capital.

Such a system would provide recompense for the vast amounts of money stolen from citizens' pockets due to a lifetime of borrowing from financial institutions which are now looting our children's and grandchildren's heritage to pay for generations of abuse. This abuse has taken place under a debt-based monetary system by which banks create money out of thin air, then charge the rest of us interest to utilize it for survival. This system has operated for almost a century under the auspices of a Federal Reserve System accountable to no one.

The "Cook Plan" would bring real reform to a system that has collapsed. The plan would begin to correct the primary cause of the recession, which is the steep decline of consumer purchasing power.

Of course I am not so deluded as to believe Congress or the incoming Obama administration would implement it. Why would the politicians turn against a financial system which paid their way into office? As indicated by the announcement that Obama will appoint Timothy Geithner, president of the Federal Reserve Bank of New York, as his treasury secretary, it's the banking system that will continue to oversee the government, not the other way around. Even so, I would be happy to explain the "Cook Plan" to Mr. Geithner – for free.

But the citizens must do something. How can we just sit and wait while the financial monopolists smother the economy to death in order to protect their wealth and privileges? The least they could do is declare a moratorium on debt payment until the economy is functioning again or cancel the most egregious types of debt-abuse, such as credit card or student debt.

But they are not likely to do this either. So citizens' can be forgiven if they simply stop paying. Many home purchasers are already doing this—turning in the keys to their homes and driving away. Who can blame them?

But the worst of the debt may be credit card debt, where the controls on interest rates and penalty charges were lifted long ago and the government stopped providing a tax deduction for interest paid. In many cases, interest on credit cards is 28 percent or more, which means that even by making the minimum required payment, consumers see their balances grow each month. That the politicians could continue to allow such evil to exist is astounding but proves who their masters are.

So until real relief is forthcoming, citizens who are in distress should simply destroy their credit cards and stop paying the monthly bills. People are already doing this. Arrearages and defaults are climbing, and credit card debt is starting to be viewed as the next bubble to burst. But so what? If people have to use a credit card, that means they can't really afford to buy whatever it is they think they want. If they can afford it, they should use a debit card instead.

Then tell the credit card company you cannot pay. Ask them to write off some or all of the debt, and if they want to take you to court, go on your own and defend yourself. You don't need a lawyer, and you don't need anyone's permission. You also don't need to go through the horrendous "reformed" bankruptcy system the credit card companies got Congress to pass in 2005. Failure to pay credit card debt is not, thank God, a crime in this country, and there are no debtors' prisons—yet.

Besides, if people do not pay credit card debt, that money remains in circulation. So default is actually a form of patriotism in today's trying circumstances. And the credit card companies really don't lose anything, since the money didn't exist before they lent it to people who are now broke.

Where I used to live in the country in rural Virginia, the story was going around about a farmer who fell down in the pen where he was feeding his pigs, and the pigs ate him. That is what has been happening in this country. The financial industry which is now swilling at the public trough has been eating alive a nation that was once "the land of the free and the home of the brave."

Richard C. Cook is a former federal government analyst who writes on economic issues. His new book, [We Hold These Truths: The Hope of Monetary Reform](#), is now available and may be ordered at www.tendrillpress.com (303-696-9227). His contact email is EconomicSanity@gmail.com.

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