

“Market Fundamentalism” and the Tyranny of Money

Recommendations for Reform of the US Monetary System

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We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness.

1. What We Must Do Today

“Life, liberty, and the pursuit of happiness” are, or should be, the fruits of democracy. But the political democracy defined by the Declaration of Independence and the Constitution has not been achieved because economic democracy has not been achieved. The attainment of real economic democracy is the next task for the American people.

In the midst of the most productive economy in history, the U.S. and much of the world today are in crisis, with stagnant or falling incomes, rising prices, and skyrocketing debt. Many experts are predicting an economic collapse, and people with money are scrambling for safe places to protect it. No one in an official capacity has provided a convincing explanation; few have even tried.

We are taught that economics is a “science” and that it operates under unchangeable laws that are understandable only to specialists. People speak with reverence of “market forces” as existing beyond the reach of human intelligence and will.

None of this is true. There is no such thing as “laws” in economics.

Of course there are plenty of habits and conventions, myths and prejudices. But the “laws” are the ones created by governments, usually under the control of powerful people who work the levers of power to acquire greater wealth through legislative favor. These laws are man-made. In some cases the laws may provide benefits to those who work for a living, but in many cases not. What we forget is that any of these laws can be changed and that many of them should be changed.

Besides, haven’t we learned by now that what has aptly been called “market fundamentalism” is really shorthand for the tyranny of money? It is a fact that control of economic life, at least in most of the Western nations, has been turned over to the monetary elite who control the world’s industry and resources through the private issuance of credit that originates from the privilege of fractional reserve banking.

This vestige of the financial systems of the Middle Ages allows the banks to produce credit “out of thin air” and lend it at a profit. They lend to consumers, businesses, investors, speculators (such as hedge funds), and to federal, state, and local governments. Under the banking laws, they generate this credit against a small “reserve base” consisting of customer deposits, government debt, overnight deposits from corporations and government agencies, and even—as has been well-documented—by laundering the proceeds of drug dealing and other types of crime.

The dependence of economic life on debt has assured that there has been a steady flow of wealth from the producing economy of goods and services into the financial web which surrounds it. Debt from lending at interest grows at an exponential rate.

Further, every period of economic growth in the last generation has been largely a bank-created bubble. Each time a bubble bursts, the financiers gain more wealth by buying assets at bankruptcy prices. The latest is the housing bubble.

Now we are about to see the bursting of an even larger bubble consisting of stocks and other business assets. In fact, the financiers are now positioning themselves to take advantage of a broad economic collapse.

Control of wealth by high finance is the main reason the bounty of science and technology has not assured a better life to the majority of the people of the world.

Politicians stand by and do nothing. In fact their campaigns are financed by the monetary elite. Should any of them mention economic themes that are even remotely “populist,” they are immediately denounced by the financier-controlled press.

Despite the power of industrial processes which have the capability of providing a decent living to everyone in the world—contrary to the myth of global overpopulation—the world still lives under an illusion of scarcity. This tends to justify the senseless struggle for wealth and control of resources. But it’s one of the most glaring examples of the condition of mass hypnotism that has weighed humanity down throughout the ages.

Ethically, *the illusion of scarcity* leads to the law of the jungle, survival of the fittest, the fight for dominance and supremacy. “Economic man” still lives at the animal level. The higher laws of human ethics, including the injunction to “love our neighbors as ourselves,” have been ignored. But they need not be ignored if we wake up to the fact that we have it in our power to live in a much different and better world.

The present situation is just as harmful to the wealthy who hold their fellow human beings in bondage as it is to the debtors they oppress, for the rich as well are deprived of the benefits of living in a world where human beings are free, happy, generous, and productive.

One answer to the problem is monetary reform, combined with the realization that science and technology have removed the need for everyone to work all the time just to survive. We have earned the “leisure” and “peace” dividends that are often mentioned but have yet to be realized.

For the last eight months I have been publishing essays on these themes on Global Research and other internet sites. I was inspired to write and publish these essays after I retired from the U.S. Treasury Department following thirty-two years of working for the federal government.

My research showed that the U.S. actually had a reasonable approach to monetary matters for much of our history. The thirteen American colonies built a dynamic economy without the presence of a single bank. Throughout the nineteenth century, we developed the most powerful economy on earth without a large national debt.

Then Congress gave away its constitutional authority over money through the Federal Reserve Act of 1913. The Sixteenth Amendment to the Constitution which was enacted the same year, created an income tax to pay the interest on the national debt. Throughout history, government debt and excessive military spending have gone hand-in-hand. Not accidentally, the Federal Reserve Act marked the beginning of the century of world war that still afflicts us.

We now need to reclaim our monetary system before our government makes the fatal error of engaging in more useless foreign wars, besides the travesty in Iraq, because they continue to think that the way to solve our internal monetary problems is taking other people's land and resources. This is another effect of the illusion of scarcity.

A lifetime of involvement in public finance with the federal government has led me to call for one basic reform.

We should abolish the privately-controlled Federal Reserve as a bank of issue and re-establish constitutional control of credit as a public utility. Public creation of credit would be reflected in two basic policies: 1) direct issuance of credit to citizens through a basic income guarantee, a periodic National Dividend, and low-interest bank lending; and 2) direct spending by government for essential services—i.e., restoring the Greenback—combined with public low-interest financing of infrastructure investment. Taking these steps would also allow us to reduce much of the onerous burden of taxation at the federal, state, and municipal levels.

Also, people who advocate a gold standard are often confused about the definition of "fiat money," which they deride. There are actually different types of "fiat money." The debt-based credit created by the Federal Reserve, often called "fiat money," is not money at all. It is simply temporary credit with a lien against it for repayment with interest. But real "fiat money," like the Civil War Greenbacks or the American colonial paper currency, was true democratic money that was spent into circulation by government and was never inflationary. Rather it allowed commerce to expand and people to prosper. This type of fiat money is actually the key to economic democracy.

II. Monetary Reform Recommendations

The articles compiled in the essays referenced above contain numerous recommendations for actions that would restore the issuance and management of credit as a public utility under the Commonwealth of American citizens as established by the U.S. Constitution. Following is a comprehensive list of reforms.

The immediate purpose of this program would be to correct the conditions that have brought us to the brink of economic catastrophe due to the cession of control over credit by Congress to the private financier elite through the Federal Reserve Act of 1913.

The unconstitutional abdication of monetary responsibility by Congress has contributed directly to a century of world war, the near-destruction of the U.S. as a constitutional

republic, and the transfer of much of the nation's wealth into the hands of the monetary controllers who have acquired it through inflating and deflating financial bubbles, by misusing their fractional reserve banking privileges.

The recommendations which follow would be a start in bringing about change. A few of them have been suggested by some of the 2008 presidential candidates, though none of the candidates from either party has presented anything close to a program this comprehensive. The recommendations are divided into immediate, near-term, and long-term actions. Note that monetary reform will make possible a large number of additional economic and political changes, including a transformation of the military posture of the U.S., since we no longer will have to fight the rest of the world to compensate for our monetary weaknesses.

Immediate

- Abolish the Federal Reserve as a bank of issue and reconstitute it as a financial processing bureau servicing the public and private financial sectors under the authority of the U.S. Treasury Department.
- Place all U.S. monetary operations under a Monetary Control Board that shall operate as a federal regulatory agency under the administrative supervision of the U.S. Treasury Department.
- Abolish Federal Reserve open market operations by authorizing credit directly issued by the U.S. Treasury as collateral for all U.S. bank lending.
- Restore private banking operations in the U.S. to the "real bills" doctrine and abolish all lending for financial asset and securities speculation.
- Outlaw hedge funds.
- Replace all Federal Reserve notes by U.S. Treasury certificates.
- Place the entire U.S. national debt under bankruptcy reorganization.
- Authorize the executive branch to begin direct Greenback-type funding of selected operational programs.
- Establish a self-collateralized Federal Infrastructure Bank to lend to state and local governments for long-term projects at zero percent interest.
- Restore the pre-2005 federal personal bankruptcy law.
- Utilize an off-budget national credit account to issue an annual guaranteed basic income to all legal U.S. residents in the amount of \$10,000 per adult and \$5,000 per dependent child.
- Establish a National Price Commission to work toward a system-wide fair pricing

policy for the U.S.

- Freeze budgets and hiring for all federal government agencies, including the military and all contractors.

Near-Term

- Establish policies to maintain a stable dollar with minimal inflation allowances.
- Adopt as a primary monetary goal the backing of our currency with domestic production within the physical economy rather than the “print, loan, charge, and spend” policy of bank-centered monetarism.
- Extend the authority of the Securities and Exchange Commission to investigate and eliminate predatory financial practices within U.S. capital markets that are destructive to U.S. industry, infrastructure, and labor.
- Use the findings of the National Price Commission to establish an annual National Dividend that provides citizens with their rightful benefits accruing from the appreciation of national productive capacity through the application of science and technology to productive processes. The National Dividend shall utilize the amount of the guaranteed basic income as a floor in calculating benefits and shall consist in both direct payments to citizens and pricing subsidies for products sold in U.S. markets.
- Establish a new federal agency to oversee and regulate mortgage funding, assure low-interest lending for housing, and protect the housing markets from predatory financial practices, including the inflation and deflation of housing bubbles.
- Assure funding and legislative support to implement energy-conservation actions such as those contained in the 2005 report of the Rocky Mountain Institute entitled, “Winning the Oil End-Game: Innovation for Profits, Jobs, and Security.”
- Provide increased federal R&D funding for hydrogen technologies and for technologies that replace the internal combustion engine.
- Provide funding for free college-level education for all U.S. citizens.
- Reverse privatization of public utilities and re-regulate on a fair-price basis.
- Protect and extend union collective bargaining rights.
- Restore public service requirements for media broadcasting.
- Establish public funding for all U.S. elections along with mandatory free air time for political candidates.

- Depoliticize all agencies of the executive branch from undue corporate influence in decision-making and establish new and meaningful programs of public access and participation.
- Establish federal support mechanisms allowing community banks to provide low-interest loans at one percent interest to small businesses and consumers.
- Utilize a federal-state partnership to establish a series of ten regional mega-universities within the United States to serve both U.S. and international student audiences.
- Reconstitute the federal budget by eliminating programs supplanted by the guaranteed basic income, utilization of direct Greenback-type funding where appropriate, and selective users' fees.
- Eliminate collateralization of private sector banking with federal debt securities. Emergency borrowing by the federal government will take place only through direct sale of Treasury bonds.
- Eliminate all federal, state, and municipal income taxes and replace with a national sales tax.
- Establish a mandatory annual income ceiling for individuals and corporations.
- Establish a mandatory national building and zoning code that provides for affordable housing, use of renewable energy resources, and expanded mass transit.
- Recreate and revitalize the nation's railroads.
- Establish a system of universal health care that draws heavily on concepts of lifestyle and prevention.
- Establish meaningful programs of center city renewal to transform "death zones" into vibrant centers of urban culture.
- Abolish the International Monetary Fund, the World Bank, the World Trade Organization, and the North American Free Trade Association and replace them with an international monetary authority under the U.N. whose function is to regulate international currency exchange to the mutual benefit of all parties.
- Place all outstanding loans by the IMF under bankruptcy reorganization.
- Support models of sustainable economic development among developing countries.
- Begin the withdrawal of U.S. military forces from overseas bases.

- Outlaw all covert warfare carried out by U.S. government agencies.
- Eliminate all military programs of domestic surveillance and all overseas surveillance, detention, and torture contrary to established international law.
- Reduce U.S. arms sales abroad to essential defense requirements.
- Eliminate all U.S. funding of mercenary or contractor military forces.
- Reconstitute the CIA and NSA as supporters of a defensive military posture and depoliticize their operations in order to assure accurate professional data-gathering and analysis.
- Reconstitute the State Department as an agency to support the democratic aspirations of the people of the world.

Long-Term

- Eliminate the entire U.S. national debt.
- Carry out a general demilitarization of American culture.
- Reduce the military budget by elimination of wars of “choice,” abandonment of “full spectrum dominance,” and restoration of a military devoted to multilateralist defense of the U.S.
- Work with the nations of the world on establishing democratic economic systems based on the utilization of credit as a public utility in accordance with U.S. constitutional traditions.
- Undertake reclamation and desalination programs to bring water supplies to drought-stricken areas.
- Accomplish a permanent long-term conversion to renewable energy sources, including water-fueled hydrogen cells suitable to provide all power needs for homes and businesses.
- Refocus the U.S. space program on activities that support space science and the economic development of space resources.

III. Conclusion

One final recommendation could be made, which would be to restore to our citizens the money they have been forced to borrow during their lifetimes rather than enjoy the benefit of a National Dividend which could have been implemented decades ago. At a current estimated value of over \$12,000 per year, the lifetime amount would average around \$500,000 per adult. This figure represents the amount of debt we have had to incur, not including interest, due to a financial system that benefits the monetary controllers, not the

people of the nation.

As monetary reformers of the past have affirmed, a program like this represents a spiritual vision. It cannot be achieved by moving pieces around on an economic or political chessboard. It requires a new way of looking at humanity—as individuals, who, like oneself or one's family or one's nation or those of one's religion, also have a right to a life of abundance and security on the planet earth.

This abundance and security are both available, not by accumulating money, power, or influence, but by looking to the spirit within and allowing the splendor of that vision to manifest in the outer world. This vision was reflected in ideals of our republic expressed in the Declaration of Independence and the Constitution, and is now reflected in the program of reform described by monetary reformers both past and present.

Of course no one can say how much more time must pass before such a program can be implemented. The illusion of scarcity has society in a stranglehold. Will it take a nuclear war to get us to wake up? A worldwide revolution? Catastrophes from pollution or global warming?

For now, enlightened individuals must do the best they can to acquire and maintain a spiritual perspective and be prepared for the time when conditions ripen. Measures such as getting out of debt, creating local currency/barter systems, forming conscious communities, and acquiring manual skills are some of the economic actions people can take to protect themselves.

Also, people can take action through their state and local governments. Before the Civil War we had state-owned banks. During the Depression, cities experimented with their own currencies. The states could even initiate a constitutional convention to amend the Constitution to restore citizens' monetary control.

Finally, don't feel badly about being in debt and wanting to get out. Almost everyone is in debt to some extent, millions of people are over their heads in debt, and the situation is going to get worse.

But remember that before long, monetary reform based on public control and issuance of credit will be recognized as the most fundamental requirement of economic democracy and will be implemented. It's been said that the tyranny of money "is the last tyranny." Eventually the time may come when we will be more developed spiritually and perhaps won't even need money anymore.

Then people will be able to walk into any store and take what they need, free for the asking. We'll do what work is required just for the enjoyment and adventure of it. No one will desire what another has because we finally will have understood that the bounty of God's universe is infinite. That will be the ultimate monetary reform.

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