A Monetary Reset Where the Rich Don't Own Everything

By Ellen Brown

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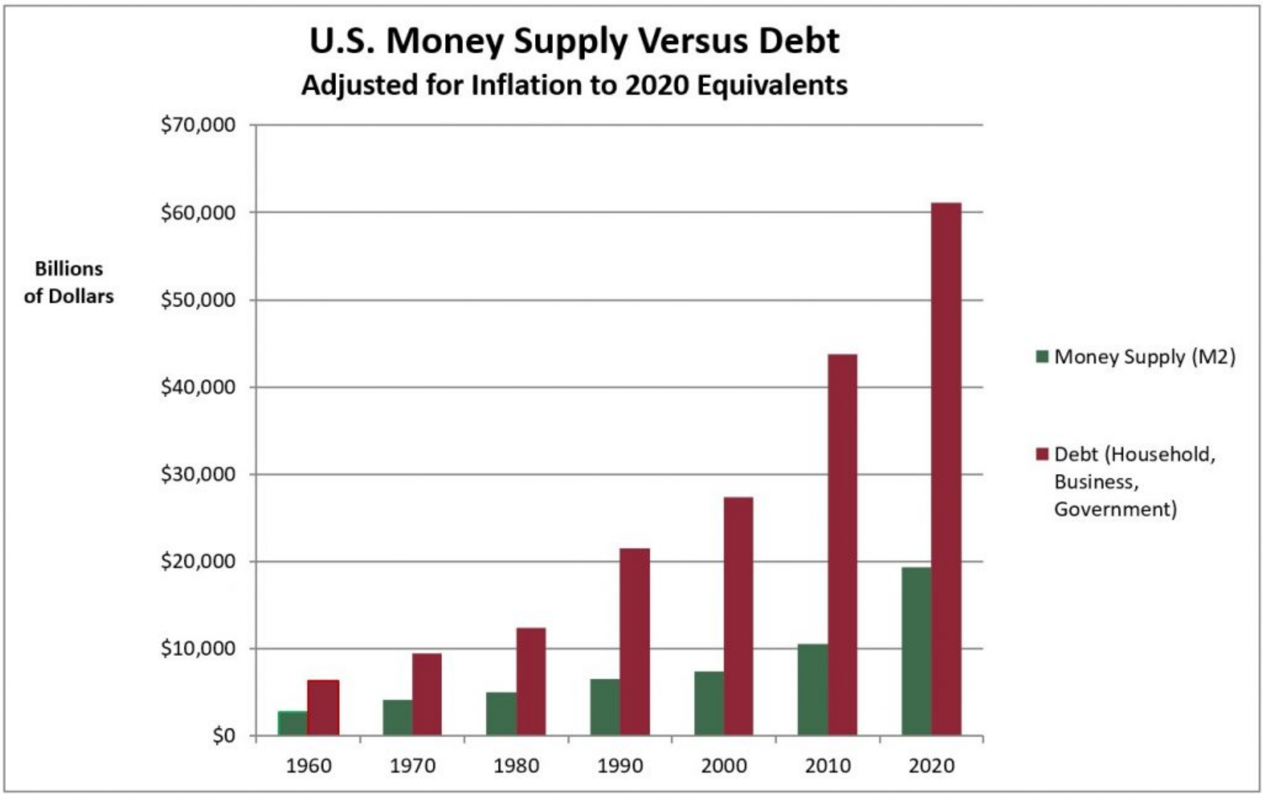
We have a serious debt problem, but solutions such as the World Economic Forum's "Great Reset" are not the future we want. It's time to think outside the box for some new solutions.

In ancient Mesopotamia, it was called a Jubilee. When debts at interest grew too high to be repaid, the slate was wiped clean. Debts were forgiven, the debtors' prisons were opened, and the serfs returned to work their plots of land. This could be done because the king was the representative of the gods who were said to own the land, and thus was the creditor to whom the debts were owed. The same policy was advocated in the Book of Leviticus, though it is unclear to what extent this biblical Jubilee was implemented.

That sort of across-the-board debt forgiveness can't be done today because most of the creditors are private lenders. Banks, landlords and pension fund investors would go bankrupt if their contractual rights to repayment were simply wiped out. But we do have a serious debt problem, and it is largely structural. Governments have delegated the power to create money to private banks, which create most of the circulating money supply as debt at interest. They create the principal but not the interest, so more money must be repaid than was created in the original loan. Debt thus grows faster than the money supply, as seen in the chart from WorkableEconomics.com below. Debt grows until it cannot be repaid, when the board is cleared by some form of market crash such as the 2008 financial crisis, typically widening the wealth gap on the way down.



Today the remedy for an unsustainable debt buildup is called a "reset." Far short of a Jubilee, such resets are necessary every few decades. Acceptance of a currency is based on trust, and a "currency reset" changes the backing of the currency to restore that trust when it has failed. In the 20th century, major currency resets occurred in 1913, when the Federal Reserve was instituted following a major banking crisis; in 1933 following another catastrophic banking crisis, when the dollar was taken off the gold standard domestically and deposits were federally insured; in 1944, at the Bretton Woods Conference concluding World War II, when the US dollar backed by gold was made the reserve currency for global trade; and in 1974, when the US finalized a deal with the OPEC countries to sell their oil only in US dollars, effectively "backing" the dollar with oil after Richard Nixon took the dollar off the gold standard internationally in 1971. Central bank manipulations are also a form of reset, intended to restore faith in the currency or the banks; e.g. when Federal Reserve Chairman Paul Volcker raised the interest rate on fed funds to 20% in 1980, and when the Fed bailed out Wall Street banks following the Great Financial Crisis of 2008-09 with quantitative easing.

But quantitative easing did not fix the debt buildup, which today has again reached unsustainable levels. According to Truth in Accounting, as of March 2022 the US federal government has a cumulative debt burden of $133.38 trillion, including unfunded Social Security and Medicare promises; and some countries are in even worse shape. Former investment banker Leslie Manookian stated in grand jury testimony that European countries have 44 trillion euros in unfunded pensions, and there is no source of funds to meet these obligations. There is virtually no European bond market, due to negative interest rates. The only alternative is to default. The concern is that when people realize that the social security and pension systems they have paid into for their entire working lives are bankrupt, they will take to the streets and chaos will reign.

Hence the need for another reset. Private creditors, however, want a reset that leaves them in control. Today a new sort of reset is setting off alarm bells, one that goes far beyond restoring the stability of the currency. The "Great Reset" being driven forward by the World Economic Forum would lock the world into a form of technocratic feudalism.

The WEF is that elite group of businessmen, politicians and academics that meets in Davos, Switzerland, every January. The Great Reset was the theme of its (virtual) 2021 Summit, based on a July 2020 book titled Covid-19: The Great Reset co-authored by WEF founder Klaus Schwab. Some of the WEF's proposals are summarized in a video on its website titled "8 Predictions for the World in 2030." The first prediction is, "You'll own nothing. And you'll be happy. Whatever you want you'll rent. And it will be delivered by drone."

Schwab's proposal would reset more than the currency. At a virtual meeting in June 2020, he said, "We need a 'Great Reset' of capitalism." But as talk show host Kim Iversen observes, the proposed solution is more capitalism by a new name: "stakeholder capitalism," where ownership will be with corporate stakeholders. You will have an account with the central bank and a mandatory federal digital ID. You will receive a welfare payment in the form of a marginally adequate basic income – so long as you maintain a proper social credit score. Your central bank digital currency will be "programmable" – rationed, controlled, and canceled if you get out of line or disagree with the official narrative. You will be kept happy with computer games and drugs.

According to WEF speaker and author Prof. Yuval Harari, "Covid is critical, because this is what convinces people to accept, to legitimize total biometric surveillance…. We need not just to monitor people, we need to monitor what's happening under the skin."

Harari is aware of the dangers of digital dictatorships. He said at a pre-Covid Davos presentation in January 2020:

> In Davos we hear so much about the enormous promises of technology – and these promises are certainly real. But technology might also disrupt human society and the very meaning of human life in numerous ways, ranging from the creation of a global useless class to the rise of data colonialism and of digital dictatorships….
>
> We humans should get used to the idea that we are no longer mysterious souls – we are now hackable animals. … [I]f this power falls into the hands of a twenty-first century Stalin, the result will be the worst totalitarian regime in human history…
>
> In the not-so-distant future, … algorithms might tell us where to work and who to marry, and also decide whether to hire us for a job, whether to give us a loan, and whether the central bank should raise the interest rate….
>
> What will be the meaning of human life, when most decisions are taken by algorithms?

Clearing the Chessboard by Controlled Economic Demolition?

Before the game can be reset, the board must be cleared. What would make the population accept giving up their private property, surviving on a marginal basic income, and submitting to constant surveillance, internal and external?

The global pandemic and the lockdowns that followed have gone far toward achieving that result. Lockdowns not only eliminated smaller business competitors but drove up the debts of small countries, forcing them to increase their loans from the International Monetary Fund. The IMF is notorious for onerous loan terms, including imposing strict austerity measures, relinquishing control of natural resources, and marching in "lockstep" with pandemic restrictions.

In a June 2020 article on the blog of the IMF titled "From Great Lockdown To Great Transformation," IMF Managing Director Kristalina Georgieva called the global policy response to the 2020 crisis the "Great Lockdown." She is quoted as saying to the US Chamber of Commerce:

> We call the current period 'the Great Lockdown' because *we are fighting a health emergency by bringing production and consumption to a standstill*….
>
> In March, around one hundred billion dollars left emerging markets and developing countries—three times more than during the global financial crisis.
>
> But in April and May—thanks to this massive injection of liquidity in advanced economies—some emerging markets were able to go back to the markets and issue bonds with competitive yields, with total issuance of around seventy-seven billion dollars. This is almost three and a half times as much as in the same two months last year. [Italics added.]

In other words, by bringing production and consumption to a standstill, the Great Lockdown had already, by June 2020, managed to strip emerging markets of $100 billion in additional assets and to lock them into $77 billion in new debt.

That helps explain why so many countries acquiesced to the Great Lockdown so quickly, even when some had only a handful of Covid-19 deaths. Lockdown was apparently a "conditionality" required for getting an IMF loan. At least that was true for Belarus, which rejected the offer. Said Belarus' President:

> We hear the demands … to model our coronavirus response on that of Italy. I do not want to see the Italian situation to be repeated in Belarus. We have our own country and our own situation. … [T]he IMF continues to demand from us quarantine measures, isolation, a curfew. This is nonsense. We will not dance to anyone's tune.

Unlike Belarus, most countries acquiesced, and so did households and businesses locked into the debt trap by an economy in which production and consumption were brought to a standstill. Like most emerging economies, they acquiesced to whatever terms were imposed for returning to "normal."

The lockdowns have now been lifted in most places, but the debt trap is about to snap shut. A moratorium on U.S. rents and student debt is due to come to an end, and cumulative arrears may need to be paid. Debtors unable to meet that burden could be out in the street, joining the "useless class" described by Prof. Harari. They may be forced into accepting the technocratic feudalism of the WEF Great Reset, but is not the sort of future most people want. However, what are the alternatives?

A Eurasian Jubilee?

For sovereign debt (the debt of national governments), a form of jubilee is envisioned by Sergei Glazyev in conjunction with the alternative monetary system currently being designed by the Eurasian Economic Union (EAEU), detailed in my last article here. Glazyev is the Minister for Integration and Macroeconomics of the Eurasia Economic Commission, the regulatory body of the EAEU. An article in The Cradle titled "Russia's Sergey Glazyev Introduces the New Global Financial System" is headlined:

The world's new monetary system, underpinned by a digital currency, will be backed by a basket of new foreign currencies and natural resources. And it will liberate the Global South from both western debt and IMF-induced austerity.

The article quotes Glazyev as stating:

> Transition to the new world economic order will likely be accompanied by systematic refusal to honor obligations in dollars, euro, pound, and yen. In this respect, it will be no different from the example set by the countries issuing these currencies who thought it appropriate to steal foreign exchange reserves of Iraq, Iran, Venezuela, Afghanistan, and Russia to the tune of trillions of dollars. Since the US, Britain, EU, and Japan refused to honor their obligations and confiscated wealth of other nations which was held in their currencies, why should other countries be obliged to pay them back and to service their loans?
>
> In any case, participation in the new economic system will not be constrained by the obligations in the old one. Countries of the Global South can be full participants of the new system regardless of their accumulated debts in dollars, euro, pound, and yen. Even if they were to default on their obligations in those currencies, this would have no bearing on their credit rating in the new financial system. Nationalization of extraction industry, likewise, would not cause a disruption. Further, should these countries reserve a portion of their natural resources for the backing of the new economic system, their respective weight in the currency basket of the new monetary unit would increase accordingly, providing that nation with larger currency reserves and credit capacity. In addition, bilateral swap lines with trading partner countries would provide them with adequate financing for co-investments and trade financing.

That may largely eliminate the sovereign debt overhang in the EAEU member countries, but what of the United States and other Western countries that are unlikely to join? Some innovative possibilities will be covered in Part 2 of this piece. Stay tuned.

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This article was first posted on ScheerPost.

Ellen Brown is an attorney, chair of the Public Banking Institute, and author of thirteen books including Web of Debt, The Public Bank Solution, and Banking on the People: Democratizing Money in the Digital Age. She also co-hosts a radio program on PRN.FM called "It's Our Money." Her 300+ blog articles are posted at EllenBrown.com.

She is a regular contributor to Global Research.

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Articles by: Ellen Brown