

The Democratization of Money and Banking: An Open Letter to Prime Minister Trudeau

By [Hon. Paul Hellyer](#)

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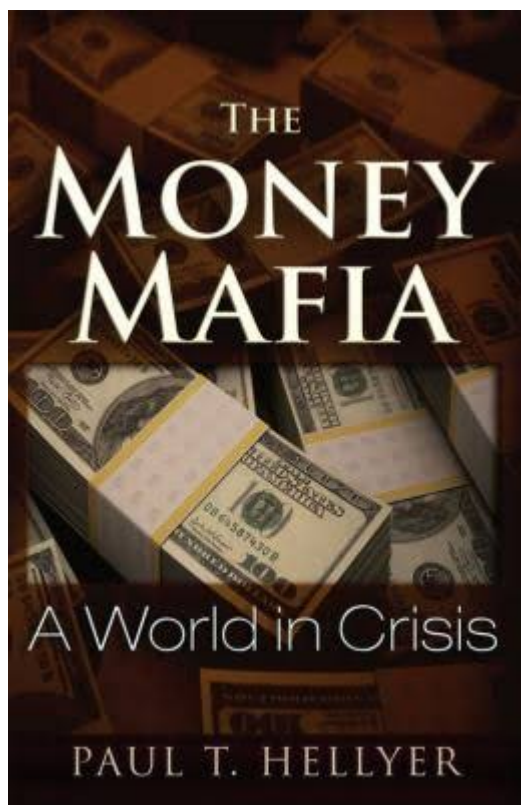
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Dear Prime Minister:

Congratulations for taking such a strong stand when you spoke at the G7 summit in Tokyo last week in favour of government spending to bring new life to moribund economies. Despite the skeptics, it is the only plan with a proven track record. In 1939 it was massive federal spending that got us out of the Great Depression and allowed us to become a significant participant in World War II.

It appears that your G7 colleagues were not only divided on the question of promoting growth, but equally stymied about the related problem of debt, which is at its highest level in history. Our society, in general, is in denial that the world financial system is broken. It has been cracked for a very long time, but in the last few decades it has become a total write off as an operating system.



This is because privately-owned banks have managed to achieve a monopoly to create “money.” It is all created as debt – debt that has to be repaid in full with interest. But there is no money created with which to pay either interest or repay capital. Basic arithmetic proves that the system is a dead end. Money is the gasoline essential for any economy, but there is no way to get any except to borrow it and

go deeper and deeper in debt – a lifetime mortgage on our most precious assets.

There is only one solution that can save the system and that is a massive infusion of government-created debt-free money to dilute the ocean of existing debt, and an end to the banking monopoly that has enabled 62 families to acquire ownership of 50% of all the wealth in the world. In future the money-creation function must be shared fairly between government and the private banks.

We don't have to look further than our own history to see how well that can work. When the federal government needed money in 1939, the Bank of Canada printed it and made large sums available at near-zero cost – just the cost of administration deducted. The new cash wound up in the banks where it became “high-powered money,” – cash reserves that allowed the banks to play their legitimate part. In effect the money-creation function was shared, as it must be again. This system continued after the war ended and helped fund the great infrastructure projects of the progressive 1940s and '50s.

In 1974 the 35 best years of the century ended abruptly when Bank of Canada Governor Gerald Bouey unilaterally, and without consultation or agreement with your father, the prime minister, announced that the Bank was adopting “monetarism.” There was no hint that shareholders' interests were to be abandoned in favour of policies established by the Bank for International Settlements, an organization indirectly controlled by the elite banking families.

One of the new rules was to end the practice of providing low cost money to governments. They would have to borrow in the market, and pay market rates of interest. This change in direction proved to be a devastating blow to good government in Canada. From 1867 to 1974 Canadians had financed two world wars and a very long list of major infrastructure projects, while only accumulating an inconsequential \$21.6 billion in debt. After 1974, however, the federal debt soared to \$615 billion, and from fiscal 1974/75 to fiscal 2011/12 hard-pressed Canadian taxpayers had to pay \$1.1 trillion interest on a debt that is still outstanding. This huge sum should have been available for health care, education, First Nations needs, and a dozen other essentials that have been underfunded for decades. So while we applaud your plan to begin the long overdue essential catch-up, borrowing the money is not the preferred option.

Under our Constitution, Parliament has absolute authority over money and banking in Canada. Canadians own the patent to create money. Private banks have no rights; they are only licencees which must obey rules set by Parliament.

A word of caution however. If Parliament ratifies either the Canada-Europe Trade Agreement or the Trans-Pacific Partnership, the disputes settlement mechanism would effect a unilateral change in the Canadian constitution and impinge on Parliament's control over money and banking. It would amount to giving up Canada's most valuable financial asset, worth trillions, to create our own money.

As prime minister, you obviously want what is best for our country. I would respectfully ask that the government consider a radical, not-so-new plan of action that would benefit our country immeasurably – “A Social Contract Between the Government and People of Canada.” www.canadianbankreformers.ca/new-social-contract/

This plan would provide \$150 billion a year for 7 years to be split 50/50 between Ottawa and

the provinces and territories. It will put back into the Canadian economy an amount of the same magnitude as our accumulated loss from spending our tax dollars on unnecessary interest payments, while at the same time increasing the private banks cash reserves from zero to 34%, so that the government-created money would not be inflationary! At the end of the 7 years new money creation will be split 34% for the governments and 66% for the private banks – a ratio that would allow both to meet their legitimate requirements.

There is still time to put the plan into effect in June before the summer recess, and give the Canadian economy the biggest supercharged boost it has seen since 1939. To do so would win gold for Canada in the race to provide financial relief and renewed hope for the long-suffering 99 percent.

Best wishes,

Paul Hellyer

Paul Hellyer, is a distinguished author and Canadian politician, former Deputy Prime Minister and Minister of National Defense.

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