Linking Social Justice to Monetary Reform

Nick Egnatz

Social Justice is the struggle to make society work for the vast majority of people. The comprehensive monetary reform of the NEED Act is the necessary first step on the path to realization of this struggle. The following ten points are the major social issues in which I will try to link social justice with monetary reform.

1. How do we end war, militarism and empire?

   The primary cause of war, militarism and empire is the profit that these enterprises bring to a relative handful of people. It begins by allowing banks to create our money supply out of thin air when they make loans and then charge us interest for the privilege. Bankers are absolutely delighted to create and loan our government money for militarism, war and empire. It enriches bankers and creates a mutual bond between the banks and government to do whatever is necessary to keep each other in power. True monetary reform contained in the NEED Act decisively ends bank creation of money.

2. How do we transition to clean renewable energy?

   Allowing banks to create our money means that they determine what it is created for. The banker's preference has been and always will be to create money for war, speculation and bubbles, since this has historically given them huge profits. The NEED Act puts the power to create money, debt-free, with our elected government. We the citizens then have the power to insist that our legislative representatives use these funds to make the transition to clean, sustainable energy. Of course, making our representatives more responsive to the people will not be an easy task. But without monetary reform, it is an impossible task.

3. How do we create millions of good paying jobs?

   The NEED Act specifically calls upon our government to completely rebuild our country's crumbling infrastructure, referencing the American Society of Civil Engineers Infrastructure Report Card.[1] The 2013 ASCE Report Card calls for $3.6 trillion to be spent doing so by the year 2020. In addition to bringing our infrastructure into the 21st Century, this creates 10 million new, good-paying jobs. [2]

4. How do we insure that all Americans are paid a wage that allows them life's basic necessities without putting employers out of business?

   No one wants to see businesses close and further reading makes clear the NEED Act's commitment to supporting small businesses. Yet there is something functionally wrong in a society that facilitates the massive accumulation of wealth at the top while those at the bottom and middle are increasingly unable to simply get by. A simple fix possible under the NEED Act would be to increase the minimum wage to a livable minimum wage ($15). For those employers whose financial and tax statements document that they are unable to pay the new livable wage, the federal government would use newly created US Money to make up the difference until such time as they were able to pay the wage without federal help. An exception could be made for teen age workers whose earnings are not contributing to a family's livelihood, by paying them a percentage of the living wage and increasing it each year.

5. How do we immediately provide "bail out" assistance to the American people who have been overwhelmed by the recession/depression now in its sixth year?

   In 2008, when Wall Street financial markets crashed as a result of the creation of exotic, fraudulent, financial instruments by banks and other institutions, these same banks and financial institutions were rewarded with a $750 billion public bailout and another secret $16 trillion of Federal Reserve loans at zero or close to zero percent interest. All this done while they were functionally bankrupt.[3] The NEED Act will provide a bailout or Citizen's Dividend to each and every American citizen that could easily be $10,000 for each and every one of us, thus allowing the American people, devastated by bank creation of money as debt, to begin to repair their financial health.

6. How can we best help embattled small businesses grow and thrive?

   Bailing out the people with the Citizen's Dividend immediately gives our small businesses what they desperately need. What they certainly do not need are more loans which they can't afford. They need you and I to have money in our pockets for the goods and services they provide. The NEED Act gives them this with the Citizen's Dividend and massive job creation in infrastructure.

7. How do we solve the crisis of young Americans entering an abysmal job market, while owing $1.2 trillion in student loan debt? Is it society's responsibility to educate its youth?

   The NEED Act provides society with the vehicle to pay for implementing this principle. One of the reforms of the NEED Act is the incorporation of the Federal Reserve System into our government. It presently is wholly owned by the nation's private banks, while retaining some ambiguous claimed autonomy from them with a Board of Governors appointed by the President. When the Federal Reserve System is federalized under the NEED Act, its funds will belong to the people and should be distributed to them. A $10,000 Citizen's Dividend paid to each and every citizen, plus the entirety of the student loan debt could be paid from these funds.[4]

> *Whosoever controls the volume of money in any country is absolute master of all industry and commerce, and when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate*
>
> **James Garfield**
> U.S. President 1881
> Congressman from Ohio

8. How do we pay for an all inclusive national healthcare system?

   The NEED Act again provides the vehicle to fund a universal healthcare program that is all inclusive and leaves no one behind. The U.S. is the only major industrial country that does not have such a system. Total U.S. healthcare spending is roughly twice that of those nations that do have a true universal system. The Commonwealth Fund uses national, World Health Organization (WHO) and Organization for Economic Cooperation and Development (OECD) statistics and surveys to rank the healthcare systems of eleven industrial nations. The U.S. ranks dead last overall and dead last in the following categories: cost related access, efficiency, equity and healthy lives. Even in overall quality of care the U.S. ranks only fifth.[5]

9. How can we make our society more democratic?

   The NEED Act democratizes our money and makes it the tool of the people and not the banks. As our people become free from debt, they will naturally gravitate toward more democratic political involvement in order to protect this new level of freedom for themselves, their children and grandchildren.

10. How do we pay off our debt, federal and personal?

   Under the present monetary system there is no way forward to pay off the federal debt. Under the NEED Act it will be paid off with new US Money as it comes due. The Citizen's Dividend, 10 million new good-paying jobs, resolution of the student loan crisis and ending bank created money as debt will allow our people to get out of personal debt and become financially healthy.

The NEED Act specifically calls for the implementation of the ASCE Report Card on Infrastructure; the payment of Citizen's Dividend in an undetermined amount; directing 25% of all newly created US Money debt-free, to the beleaguered state governments; and providing interest free financing to local governments for schools, sewers, roads, libraries etc. It more generally references spending money for healthcare, education, stabilizing the Social Security retirement system and promoting the general welfare. It will be up to us the U.S. citizens to make the demands upon our elected representatives to use our money for these and other important social programs that will transform our country to the American Dream, rather than the American Nightmare it has become for so many.

Our present monetary system of *bank created debt money* is unable to provide any relief in the above listed areas. Those at the top of the *bank created debt money* food-chain will scream that rebuilding our country, putting people to work, providing healthcare, etc. will create inflation. Please read the entire article before allowing yourself to be influenced by their self-serving propaganda.

I doubt that Pope Francis has any knowledge of monetary history and reform. But if he did there is little doubt that based on what he has said about attacking the structural causes of inequality that he would support the comprehensive reforms of the NEED Act.

"As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems." [6] **His Holiness Pope Francis of the Catholic Church**

Do banks really create money out of thin air when they make loans?

Yes and no. Please, allow me to explain. At the American Monetary Institute's 10th Annual Conference on Monetary Reform in Chicago this October a discussion began on whether or not banks actually created money when making loans. Monetary reformers will say yes they do and bankers and economists will say no they don't. Both statements will be somewhat truthful. The monetary reformer's statement that banks create money is technically incorrect, but actually offers a more correct picture of reality than the banker's claim that they don't create money which is technically true, but meant to obfuscate reality.

At the AMI conference Stephen Zarlenga, Director of the AMI, then played Alexander the Great who solved the mystery of the Gordian Knot with a statement striking at the core of the issue.

"Banks do not create money, they create what we use as money when they make loans." [7]

What we use for money is not real money, although we call it money. Almost the entirety of what is used for money in the U.S. is *debt money created by banks* when loans are made and then extinguished into the ether of the atmosphere when the loan is paid, except for the interest which goes into the pocket of the banks. The bank simply makes two accounting entries, a credit and a debit balancing each other, the loan check is issued and the money is created from thin air. As the loan is paid off the accounts are reduced and with the final payment the money is extinguished.

Thus our national circulating medium is now at the mercy of loan transactions of banks, which lend, not money, but promises to supply money they do not possess

Irving Fisher
Yale University Economist
Supporter of the Chicago Plan

Don't blindly accept my word on this though. Instead, let's listen to what the Bank of England recently said on money creation. Yes, the Bank of England (BoE), founded in 1694, the UK's central bank and the model upon which most central banks have been built, including the U.S. Federal Reserve System.

In its first 2014 *Quarterly Bulletin* the BoE published the revealing and important article "**Money Creation in the Modern Economy"**, which " ... *explains how the majority of money in the modern economy is created by commercial banks making loans...".* The article explicitly stated the following:

*" ...**Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money.***

The reality of how money is created today differs from the description found in some economics textbooks:

Rather than banks receiving deposits when households save and then lending them out, bank lending creates deposits." [8] (Emphasis Bank of England).

Though usually obfuscated, this understanding of bank credit is not new, as the following quote by **Robert B. Anderson,** Secretary of Treasury under President Dwight D. Eisenhower, makes clear:

"When a bank makes a loan it simply adds to the borrowers' deposit account in the bank by the amount of the loan. The money is not taken from anyone else's deposit; it was not previously paid in to the bank by anyone. It's new money, created by the bank for the use of the borrower." [9]

Only the principal amount of the loan is created though, while there is no money creation for the interest that we must pay. As this interest multiplies over the years there is simply not enough money in the system to pay *both* the principal amounts of the loans that were made and the interest that was not created with the loans. Indeed, no one individual can get out of debt within this system, without someone else, somewhere, going into debt. What? Yes, the original debtor can only repay his loan using the debt money in the system that he obtains as wages or in some other manner. For this money to exist it must be created by someone else, somewhere, taking out a loan and going into debt. Is there any question why we are such an indebted society at all levels -- individual, federal, state and local?

Bankers and economists will argue that allowing banks to create credit/debt money allows our economy to function and expand in good times and that stopping the practice would bring our economy to a grinding halt.

To answer this argument, we could just observe the sorry results of bank money creation as debt. But first let's listen to what a leading member of the financial aristocracy has to say on the subject. These remarks were not given in casual conversation over a pint at the local pub, but in a formal address to the prestigious Stockholm School of Economics.

Jonathan Adair Turner, Baron Turner of Ecchinswell, is a British businessman, academic, a member of the UK's Financial Policy Committee, and was Chairman of the Financial Services Authority until its abolition in March 2013. He is the former Chairman of the Pensions Commission and the Committee on Climate Change. He has described himself in a BBC Hardtalk interview with Stephen Sackur as a 'technocrat'.

Baron Turner's lecture which was presented to The Stockholm School of Economics via video in September, 2013 is titled "**Credit, Money and Leverage: What Wicksell, Hayek and Fisher Knew and Modern Macroeconomics Forgot".** He made some remarkable observations:

7:00 *"The flip side of creating purchasing power with credit and money creation is that you create a set of ongoing debt contracts thereafter."*

8:35 *"Investment funding has become a small part of what the bank or shadow bank system does."*

14:00 *"I think it is reasonable to say that both in undergraduate textbooks today and in advanced economics and in central bank orthodoxy we have tended to work on a way of thinking about the credit creation process which is simply not true."*

14:30 "***Modern textbook assumptions**. I think it's fair to say that they make 3 assumptions which are **dramatic and wrong** over the best simplifications. They **tend to assume that what banks do is take deposits from household depositors and lend it to borrowers**. **That misses the insight that banks create credit and money and purchasing power**. They tend still and I have read back through several economic textbooks over the last several months to check this. They tend to say that what banks do with that money is that they lend it to businesses in order to fund those projects that have a higher return than the interest rate. **That ignores almost entirely the fact that most credit extension is no longer funding business capital projects**."* [10] [11]

If bank credit is no longer funding capital projects in the real economy, what is it funding? One doesn't have to be a genius or a member of the economic establishment to know that bank credit or money creation is funding wars, bubbles and speculation for the wealthy and debt for the 99%. And let's not forget Baron Turner's stark admission that our economic textbooks have been lying to us about the money creation process.

It is correct that simply stopping bank created debt money and not replacing it would bring economic gridlock because as existing loans were paid and no new loans were made the supply of what we use as money would shrivel to almost nothing. But stopping bank creation of debt money and replacing it with US Money, created free and clear of debt and spent into existence for the needs of the nation and its people, would allow our economy and people to flourish. That brings us to legislation that was before the last Congress introduced by Congressman Dennis Kucinich and co-sponsored by John Conyers.

The NEED Act (National Emergency Economic Defense Act) [12]

The NEED Act is a comprehensive monetary reform which was written by the Congressional Legislative Counsel as a non-partisan bill. Its three simple, but necessary, reforms are:

- The Federal Reserve System is federalized. It becomes part of our government, exactly what most citizens mistakenly think it is now.
- The banks' ability to create what we use for money is decisively ended. The banks are not nationalized, but money creation is. In the future when banks make loans, they will be loaning money that already exists, not creating it. Exactly what most citizens mistakenly think they do now.
- New US Money is created by our federal government and spent, not loaned, into existence, debt-free, for the needs of the nation and its people as determined by our elected, representative Congress. By charter the Monetary Commission, charged with determining how much money to create, will do so in a non inflation/deflationary manner.

Let's listen to one more expert from the financial establishment in this case **Martin Wolf,** a British journalist, considered to be one of the world's most influential writers on economics. He is associate editor and chief economics commentator at the *Financial Times*. In his April 24, 2014 Column for the *Financial Times*, titled "**Strip Private Banks of Their Power to Create Money"**, he wrote:

"Printing counterfeit banknotes is illegal, but creating private money is not. The interdependence between the state and the businesses that can do this is the source of much of the instability of our economies. It could – and should – be terminated."

Later he recommends The Chicago Plan that The NEED Act was based on.

"A maximum response would be to give the state a monopoly on money creation. One of the most important such proposals was in the Chicago Plan, advanced in the 1930s by, among others, a great economist, Irving Fisher. Its core was the requirement for 100 per cent reserves against deposits. Fisher argued that this would greatly reduce business cycles, end bank runs and drastically reduce public debt. A 2012 study by the International Monetary Fund staff suggests this plan could work well." [13] (100% reserves simply means that banks will only loan money that already exists, exactly what the NEED Act calls for.)

While Martin Wolf does not specifically mention The NEED Act, his solution is to strip banks of their money creation power and have the government spend money into circulation. These are reforms two and three of The NEED Act. Reform one, nationalizing the Federal Reserve System or in the case of the UK, the Bank of England, was already done in the UK after WWII.

The IMF study referred to by Martin Wolf was written by Jaromir Benes and Michael Kumhof, *The Chicago Plan Revisited*. I was privileged to hear Dr. Kumhof lecture on the subject at the American Monetary Institute's Annual Convention 2013 in Chicago.[14]

Debt Money Is the Natural Result of a Money as a Commodity Monetary System

Our present system of *debt money* created by banks is the result of misinformation disseminated by the wealthy for millennia. It exists because those with power, gold and silver were able to use their influence in determining that money was gold or silver -- *money as a commodity* monetary system. The next step in the middle ages were goldsmiths as early bankers issuing paper receipts for gold stored in their vaults. When the receipts or notes became widely acceptable by other merchants, those whose gold was stored with the goldsmiths were happy with the convenience of the paper notes and generally reluctant to redeem them. The goldsmith/bankers realized this and began to issue paper notes or receipts for about ten times the gold that they actually held in their vaults. Thus was born what became known as fractional reserve lending -- the banks/goldsmiths issuing notes for something (gold or silver) that they didn't actually have.

This is the logic underpinning the present bankers' creation and control of what should be our money. Except now within the Federal Reserve System there is no longer any fractional reserve, the banks create deposits and money together when we take out loans and use the entire Federal Reserve System to do so.

What invariably happened in these *money as a commodity* systems was that they became progressively more and more unequal with all the gold and silver either owned by a few rich people or residing in the temples. Ancient Sumerian kings were forced to issue periodic debt jubilees (forgiveness of debt) because society simply became unworkable when almost everyone had become indebted as slaves. The ancient Hebrew society experienced the same results as Sumer and called for such a jubilee every 49 years when all those indebted as slaves would be freed. (Bible, Leviticus 25:8-13)

Money By Law

In stark contrast to *money as a commodity* monetary systems is *money by law.* Rome had a *money by law* monetary system of bronze bars and coins from the reign of King Numa in 716 BC until wars further and further from home resulted in the minting of silver coins to pay their armies in foreign lands beginning around 310 BC. The bronze *money by law* monetary system was still used exclusively at home until the Punic Wars with Carthage resulted in Rome converting into a silver coin *money as a commodity* system by about 212 BC. Rome became a world power with its *money by law* monetary system. Its decline coincided with its changeover to a *money as a commodity* system.

It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning

Henry Ford
Founder Ford Motor Company

Before Lycurgus became king of Sparta around 800 BC, he traveled much of the known world to get ideas about how to have the fairest and most equitable system for his future subjects. On the island of Crete he met the poet Thales "the lawgiver" who returned to Sparta to advise him. Lycurgus then eschewed the *money as a commodity* system of gold and silver and instead installed a *money by law* monetary system of elongated iron discs. They were called Pelanors because they resembled small cakes of the same name. They intentionally had no value outside the law. They were dipped in vinegar when hot during the smelting process. This made them brittle and useless for anything but *money by law*. Lycurgus also instituted land reforms, dividing the land more equally amongst the Spartan citizens.

Sparta grew into a Hellenic power during the almost 400 years of a *money by law* monetary system. Around 415 BC Sparta became more and more involved in wars far from home and regressed to a gold and silver *money as a commodity* monetary system. This was done largely as a result of successful foreign conquests and the capture of gold and silver from the vanquished that then made its way back to Sparta. The combination of war and a *money as a commodity* monetary system was then the cause of Sparta's demise as a world power. But for 400 years each, both Rome and Sparta grew and prospered as examples to the world of *money by law* monetary systems.

The philosopher Aristotle decisively came down on the side of *money by* law when he made his famous statement, *"Money exists not by nature* (as gold or silver), *but by law."* Unlike modern economists that use undecipherable theories to support the present system of bank created money as debt, Aristotle instead relied entirely upon empirical evidence of what worked and what didn't work.[15]

Our own history shows that *money by law* worked extremely well.

U.S. *Money by Law*

Throughout U.S. history one can clearly detect a struggle and search for a fair and equitable system of money. For example, Jefferson and Madison were battling with the private 1st Bank of the United States; Jackson and Van Buren were clashing with the private 2nd Bank of the United States, the Greenback and Progressive Movements, more recently parts of the Occupy Movement. Unfortunately, until now the banking class has had the money, clout and the ability to befuddle the issue enough to retain its money creation privilege. Bank accountants then mystify the explanations of their occult practices, while the 99% are swallowed up in the quicksand of debt and taxation from present and past monetary and fiscal policies.

The justification for giving the Money Power to the private First and Second Banks of the U.S. and the private Federal Reserve System was that they were issuing *money as a commodity* backed by gold and silver in their vaults. But the reality was that the banks that Jefferson, Madison, Jackson and Van Buren fought, the private banks and their private Federal Reserve System that citizens battle today, have always created our money supply out of thin air by issuing *debt money created by banks.* This has been done historically by a process called “fractional reserve lending” in which banks loaned out about 10 times the actual money they had in reserve. Recently this process has been advanced to the point that the banks make the loans first and then use the entire Federal Reserve System to borrow whatever funds are necessary to back up the loan.

This is why citizens in the U.S., countries across the globe such as Greece, Cyprus and Spain, our own cities like Detroit and states like Illinois, are all becoming debt slaves to a private banking class.[16]

Let’s look at the successful examples of *money by law* in our own history.

Colonial Scrip: North American colonists suffered from a lack of money throughout their history. Remember that the colonies were created to benefit the mother country and not to provide a good life for the colonists. English law forbade sending coinage to the colonies and the Dutch also kept coinage from New Amsterdam (New York). Economic activity became so difficult that Massachusetts even made a small amount of Indian wampum legal tender in an effort to create a circulating medium.

Massachusetts rediscovered the science of money in 1690 when she issued “bills of credit”, the first paper money in the West. She spent them into circulation paying for the colonial expenses. Pennsylvania followed in 1723 with paper money that was loaned instead of spent into existence. A much less perfect system, but still effective in alleviating the shortage of money in the colony.

The colonial *money by law* fiat currencies dramatically improved life in the colonies, facilitated the building of real infrastructure and reversed the flow of emigrants who for decades had been moving back to England. The colonial scrip was successful at alleviating hardship and fostering a new spirit of independence in the colonies. Parliament responded with the Currency Act of 1764, banning the use of colonial paper currency in all private transactions and making the ban retroactive for ten years. "It was the enforcement of this policy that brought on the Revolution" observed the American political economist Alexander Del Mar in his *History of Money in America.*[17]

Continental Currency: The Continentals helped us to win our independence. The Continental Congress authorized $200 million and issued that amount to finance the new nation's struggle for independence. Long after they made the Revolution a reality, they have been smeared by pundits as inflation money. What actually happened was that the British counterfeited billions of them and eventually destroyed the Continentals. Yet they still carried us over a $5^{1/2}$ year period of Revolutionary War and to within 6 months of final victory. They gave us our nation!

Greenbacks: $450 million of paper Greenbacks were issued to fight the Civil War, in lieu of paying usurious interest rates to private banks. Eventually they were exchanged dollar for dollar with gold coins, but few were returned as Americans liked their paper *money by law* Greenbacks. The Greenbacks allowed us to keep the nation that the Continentals had given us and the Colonial Paper Scrip had helped to build.[18]

The National Bank Acts of 1863, also known as the National Currency Act established chartered national banks that could issue bank notes, backed by the U.S. Treasury. The bankers supported the Bank Acts as a means to eventually replace the public Greenbacks and gain full private control of the U.S. monetary system.

Salmon P. Chase*,* the U.S. Treasury Secretary and U.S. Senator from Ohio who was involved in the passage of the bill, later regretted his involvement. He stated that,

"My agency, in procuring the passage, of the National Bank Act, was the greatest financial mistake of my life. It has built up a monopoly that affects every interest in the country. It should be repealed. But before this can be accomplished, the people will be arrayed on one side and the banks on the other in a contest such as we have never seen in this country."[19]

Result of a Debt Money Created by Banks Monetary System

The current monetary system doesn't work for the people. The present system of debt money created by private banks works just fine for the private banks and those that own them. And the numbers are staggering. According to the Global Debt Clock the world is $54 trillion in public debt [20] And the picture of the aggregate U.S. Debt does not look good either[21]:

Federal debt	$ 17.9 trillion	$56,000 / each citizen
State gov debt	$ 1.2 trillion	$ 4,000 / each citizen
Local gov debt	$ 1.9 trillion	$ 6,000 / each citizen
Consumer debt	$11.68 trillion	$37,000 / each citizen
Total		$103,000 / each citizen

U.S. household consumer debt profile.[22] :

Average credit card debt:	$15,593
Average mortgage debt:	$153,184
Average student loan debt:	$32,511

Almost half of all Americans have zero net worth, as their debts exceed their assets.[23] [24]

These sorry statistics, which increase with each passing day, are the direct result of allowing banks to create and control our money as debt. The conclusion is inescapable, that a *debt money* monetary system must be decisively ended if we are ever to improve society for the vast majority of people. Because the U.S. is the world's hegemonic leader, both militarily and economically, monetary reform must come first in the U.S., thus allowing the countries of the world to follow our lead and break the shackles of debt.

The Russian writer and social reformer **Leo Tolstoy** made the following statement more than a century ago about the debt money system:

"Money is a new form of slavery, and distinguishable from the old simply by the fact that it is impersonal, there is no human relation between master and slave".[25]

Federal Reserve System

The 100 year old Federal Reserve System is not a part of our federal government. It belongs to neither the legislative, executive nor the judicial branches of our federal government. It consists of a Board of Governors in Washington, D.C. and twelve regional Federal Reserve Banks (New York, Boston, Philadelphia, Richmond, Cleveland, Chicago, Atlanta, St. Louis, Dallas, Minneapolis, Kansas City, San Francisco). These twelve regional Federal Reserve Banks are wholly owned by the private banks in their respective districts. The Board of Governors calls itself a "federal government agency".[26]

Yet the sole claim of Federal Reserve accountability to our federal government and the citizens is that the seven member Board of Governors is nominated by the President and confirmed by the Senate to fourteen year terms. The Federal Open Market Committee (FOMC) decides policy and is composed of the seven members of the Board of Governors and five of the twelve regional Federal Reserve Bank presidents who serve one year terms on a rotating basis. The president of the New York Federal Reserve Bank does not rotate and is always a voting member of the FOMC. All twelve Federal Reserve Bank presidents take part in policy discussions and formal meetings that take place eight times per year.

> *Over time, whoever controls the money system, controls the nation*
>
> ***Stephen Zarlenga**,*
> *Director American Monetary Institute*

The private banks in the U.S. own the Federal Reserve Banks and the Federal Reserve *"Division of Banking Supervision and Regulation is responsible for the oversight of U.S. banking holding companies, foreign banking organizations operating in the U.S., and state-chartered member banks of the Federal Reserve System."* [27]

Thus, the banks in essence regulate themselves.

To complete the circle of villainy we will listen to testimony from Senator Dick Durbin of Illinois in April, 2009 when he told a Chicago radio station, *"And the banks — hard to believe in a time when we're facing a banking crisis that many of the banks created — are still the most powerful lobby on Capitol Hill. And they frankly **own the place**."* [28]

Recapping: The private banks create our money out of thin air when they make loans, regulate themselves via the Federal Reserve System that they own, and last, but not least, the private banks own Congress.

The citizen's only protection in this predatory system is in the membership of the appointed and confirmed Board of Governors. But the Board of Governors and the Fed regional bank presidents that make policy are exclusively members of the financial establishment; either CEOs of huge banking corporations or academic economists who have been thoroughly vetted in supporting the entire criminal enterprise.

The Federal Reserve System does return all profits made, after expenses and stock profits are paid to its private bank owners. But the profits made in the money creation process by the private banks that own the Fed are kept and not returned to the federal government. The best in-depth article on the Fed was written in 2008 by American Monetary Institute Director Stephen Zarlenga, titled *"Is the Federal Reserve System a Governmental or a Privately controlled organization?"* [29]

The FED normally operates in secret and makes every attempt to befuddle us and keep us in the dark about money. Every now and then they slip up and let just a little truth escape. For example in a 1992 updated publication by the Federal Reserve Bank of Chicago titled ***"Modern Money Mechanics"*** it was stated that, *“The actual process of money creation takes place in commercial banks. Banks can build up deposits by increasing loans and investments… This unique attribute of the banking business was discovered several centuries ago… At one time, bankers were merely middlemen. They made a profit by accepting gold and coins for safekeeping and lending them to borrowers. But they soon found that the receipts (bank notes or IOUs) they issued were being used as if they were a means of payment. These receipts were acceptable as if they were money since whoever held them could go to the banker and exchange them for metallic money… Then bankers discovered ... that they could make loans merely by giving borrowers their promises to pay (bank notes). In this way banks began to create money... More notes (IOUs) could be issued than the gold and coin on hand, because only a portion of the notes outstanding would be presented for payment at any one time... Demand deposits (checks) are the modern counterpart of bank notes. It was a small step from printing notes to making book entries to the credit of borrowers, which the borrowers in turn, could 'spend' by writing checks.”* [30]

Barry Goldwater, conservative Senator from Arizona and 1964 Presidential candidate, stated the issue quite simply:

“The financial system has been turned over to the Federal Reserve Board. That Board administers the finance system by authority of a purely profiteering group. The system is Private, conducted for the sole purpose of obtaining the greatest possible profits from the use of other people's money."[31]

It took the Federal Reserve System only sixteen years to bring on the Great Depression and completely crash the American economy.

Louis McFadden, Chairman of the House Banking and Currency Committee in 1933, brought Articles of Impeachment against the Federal Reserve Board of Governors, the Officers and Directors of the Federal Reserve Regional Banks and Others for their collusion in causing the Great Depression. He stated the following:

"The Great Depression was not accidental; it was a carefully contrived occurrence… bankers sought to bring about a condition of despair here, so that they might emerge as rulers of us all."

"We have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks. Some people think the Federal Reserve Banks are U.S. government institutions. They are private credit monopolies; domestic swindlers, rich and predatory money lenders, which prey upon the people of the United States for the benefit of themselves and their foreign customers….The truth is, the Federal Reserve Board has usurped the Government of the United States by the arrogant credit monopoly, which operates the Federal Reserve Board." [32]

The American Monetary Institute Leads the Way toward Monetary Reform

- In 1991 **Stephen Zarlenga**, drawing on 35 years of experience in finance, securities, insurance, mutual funds, real estate and futures trading begins focused research on the money problem.
- In 1996 he helps found the American Monetary Institute to further his research.
- He draws on 800 monetary source books and materials to form his thesis encapsulated in his book *The Lost Science of Money*.
- In 1999 Conzett Verlag of Zurich, Switzerland translates and publishes *The Lost Sciene of Money* in German.
- In 2002 Zarlenga refutes Mitchell Innes' Credit Theory of Money.[33]
- In 2002 *The Lost Science of Money* is published in English by the American Monetary Institute.

The mistake lies in fearing money and trusting debt

Henry Simons, Economist at the University of Chicago

- Zarlenga and the AMI build upon the monetary reform of the "Chicago Plan", written in the Great Depression by Henry Simons and Paul Douglas of the University of Chicago and vigorously endorsed by Irving Fisher, Yale University; Frank Graham, Charles Whittlesley, Princeton University; Earl Hamilton, Duke University. The Chicago Plan was sent to hundreds of university economists and supported by the vast majority.[34]
- In 2006 AMI releases the American Monetary Act and presents it in Philadelphia at the Eastern Economic Association Conference for general comment.
- In 2010 Professor Kaoru Yamaguchi, Doshisha University, Kyoto, Japan puts the American Monetary Act through his advanced computer system model and concludes that it will allow the implementation of the American Society of Civil Engineers 2009 Infrastructure Report Card (then $2.2 trillion, in 2013 $3.6 trillion) and simultaneously pay off the federal debt as it comes due and will do so without causing inflation.[35]
- In 2011 Congressman Dennis Kucinich and co-sponsor Congressman John Conyers release the National Emergency Defense Act (NEED Act), based upon the AMI American Monetary Act, into the 112th Congress. For the first time offering the nation comprehensive monetary reform and a workable alternative to bank creation of what we use for money as debt. [36]
- The Yamaguchi study and *The Lost Science of Money* come to the attention of Michael Kumhof, Deputy Division Chief of the Modeling Division, International Monetary Fund Research Department. He reads *the Lost Science of Money* and proclaims it *"a masterful work".* [37]
- In 2012 Dr. Kumhof and Dr. Jaromir Benes of the IMF release an IMF Working Paper *The Chicago Plan Revisited* that echoes the findings of the Yamaguchi study and the NEED Act. [38]
- Dr. Kumhof is then invited to speak on three occasions to officials at the Bank of England.
- In 2013 Adair Turner lectures the Stockholm School of Economics that *"modern textbook assumptions are dramatic and wrong... they tend to assume that what banks do is take deposits from household depositors and lend it to borrowers. That misses the insight that banks create credit and money and purchasing power...".* [39]
- In 2014 the Bank of England's 1st *Quarterly Bulletin* "Money Creation in the Modern Economy" *"explains how the majority of money in the modern economy is created by commercial banks making loans...".* [40]
- In 2014 Martin Wolf's *Financial Times* column is entitled "Strip Private Banks of Their Power to Create Money". [41]
- In 2014 environmental and economic sociologist Joseph Huber of the Martin Luther University, Germany refutes the mistaken monetary reforms of Modern Monetary Theory (MMT) with a paper *"Modern Monetary Theory and New Currency Theory".* [42]
- In 2014 the UK Parliament conducted a debate on money creation in which the progressive MPs Michael Meacher and Austin Mitchell promoted the *money by law* concept and referenced to the Positive Money organization, the sister organization in the UK of the American Monetary Institute. [43]

Building a Nation

The knee jerk reaction from the economics profession will be that the *money by law* system of the NEED Act, also called sovereign money, will result in inflation. This is the same economics profession that has rubber stamped its approval of the *debt money created by banks* system over the last century and the massive inequality that it has spawned. A 1913 dollar has lost 96% of its worth in 2014.[44] It is worth just 4% of what it formerly was in 1913 and this inflation has all occurred within the present system of *bank created debt money*. All accomplished with nary a peep from the economics profession.

The classic historic example of hyper inflation occurred in Germany from 1923-24. On insistence by the Allies the German central bank, the Reichsbank, became in 1922 privately owned, while before and during the war it had been controlled and operated by the German government through appointment of its president and directors by the Emperor. The 1922 edict took away governmental control and made the Reichsbank entirely a private operation. The hyper inflation followed immediately and only stopped when the government brought the central bank back under its control and issued the new Rentenmark.[45] The first reform of the NEED Act brings our Reichsbank, the Federal Reserve System, out of the control of private banks and into the Treasury Department of our federal government.

The *money by law* Greenbacks of the Civil War era did not cause inflation. Nor did the Continental Currency of the Revolution. The Continentals gave us our nation and were eventually brought down, not by inflation, but by massive British counterfeiting.

Of course there will be concerns about how much money can be created. But the charter of the NEED Act stipulates that the amounts created will be neither inflationary, nor deflationary. Money created for things of actual value to a society has never been inflationary and there is no reason to believe that it will be now. If and when inflation starts to rear its head, the amount of money created will have to be cut back or what the money is being spent for will need to be changed.

The real unemployment rate in the U.S. is in the 23% range, counting those that are no longer jumping through government hoops in looking for work and those who are working part time, but need a full time job.[46] The difference between a full employment economy and the Gross Domestic Product (GDP) of our present economy is called a GDP gap. There is no reason to believe that creating new sovereign, *money by law* US Money to close this GDP gap would be inflationary as long as the money was used to provide actual value to society.

The NEED Act allows us to create money to insure that our people are paid a living wage; to address the tremendous challenge of global warming and climate change; to insure that all Americans have healthcare without unduly burdening our employers; to educate our youth; to provide a bailout to our citizens that have borne the brunt of the depression; to provide customers with funds for our small businesses; to rebuild our country's crumbling infrastructure making our country competitive in the global arena; putting 10 million Americans to work with good-paying jobs; and pay off existing student loans and thus allow an entire generation of Americans to escape from crushing debt, marry, have families and partake in the American Dream. These are not the building blocks of inflation, they are the building blocks of a nation.

Author's Conclusion

It is this author's conclusion that improved levels of social and economic justice within the capitalist system are possible only through the monetary reform of the NEED Act. Why did the Bank of England, after 320 years in operation, choose now to address the bank creation of money? Why did establishment insiders Adair Turner and Martin Wolf do the same? Why did the UK Parliament on November 20, 2014 have a discussion on money creation for the first time in 170 years?[47] Brought about in large part by the efforts of Positive Money, a UK based monetary reform movement similar to the American Monetary Institute in the U.S.[48]

In either case there is a fundamental realization that a monetary system that produces progressively greater and greater inequality--as the *bank money creation as debt* system does--is unsustainable and eventually will have to be replaced. Or the elites have realized that people have become more knowledgeable about money creation and want to bring up a discussion. But then ultimately dismiss the real reform of the NEED Act and allow a non reform such as adding state banks to the mix which does nothing to fundamentally change the *bank money created as debt* monetary system.

I believe that the capitalist class is very interested in self preservation. If necessary to preserve their dominant position in society, the 1% may very well ultimately sacrifice the *bank money creation as debt* system to remain at the top of the societal heap. This would allow the elites, at least for now, to save the most basic capitalist principle of private ownership of the earth and its resources, without which capitalism could never exist.

It is beyond the scope of this article to challenge this basic assumption of the capitalist system. While this author believes that monetary reforms of the NEED Act are the only way to save the capitalist system, he also believes that the democratization of our money, accomplished by the NEED Act, strengthens the possibility of an eventual socialist system. Neither system though, socialism nor capitalism, will ever be successful for the vast majority of the people as long as bankers control our money creation.

The NEED Act is the keystone that will allow our government to address war, militarism, empire, clean renewable energy, 10 million new jobs, a living minimum wage, small business health, citizens' financial health, student loan debt, education, real national healthcare, a more democratic society and actually paying off our federal debt. Within the present monetary system of bank created money as debt there are and will be no proposals that can adequately deal with any one of these issues, let alone the entirety of them.

Those who care about these issues have a duty to educate themselves further about monetary reform. Go to the website for the American Monetary Institute. Do your own research. Contact me for assistance. Then work within your organizations, unions and Congressional Offices for formal endorsements of the NEED Act.

Nick Egnatz is a Vietnam veteran. He has been actively protesting our government's crimes of empire in both person and print for some years now and was named "Citizen of the Year" for Northwest Indiana in 2006 for his peace activism by the National Association of Social Workers.

In 2012 Nick began working closely with the American Monetary Institute in support of the comprehensive monetary reform contained in the NEED Act, as the necessary first step to ending U.S. militarism, wars, empire and the growing inequality between those at the top and the rest of the heap in our society.

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Major organizations promoting monetary reform:

American Monetary Institute (USA) at http://www.monetary.org/

Positive Money (UK) at http://www.positivemoney.org/

Monetative (Germany) at http://www.monetative.de/

Ons Geld (Netherlands) at http://onsgeld.nu/

The full list of national organizations can be found at:

International Movement for Monetary Reform at http://internationalmoneyreform.org/

Special thanks to Greg Coleridge and the Monetary History Calendar at *Create Real Democracy* for providing society with a wonderful compilation of monetary quotes. at https://createrealdemocracy.wordpress.com/tag/monetary-history-calendar/

The on-line version with all active links can be found at the Alpheus web site of Govert Schuller, who is the editor of this pamphlet: http://www.alpheus.org/linking-social-justice-to-monetary-reform/