EXTRAORDINARY TIMES, INTENTIONAL COLLAPSE, AND TAKEDOWN OF THE USA

By Richard C Cook

Much has been written about whether a worldwide plan exists to control events and steer them in the direction profitable to an elite of the rich and powerful. Is this a “conspiracy theory”? While it is difficult to be specific about who exactly may be behind such a conspiracy, if it exists, it is at least clear that the privately-managed system of global financial capitalism gives ample opportunity for the world’s richest people to combine for their mutual benefit. Further, global financial capitalism itself is based on the monopolization of money-creation by a world banking system that is largely privately owned, even while working through the central banks of the largest and most prosperous nations. This article postulates the existence of a coordinated and longstanding matrix set up by the controllers of money to dominate the movements of history. The article focuses particularly on what seems to have been an attack that has been going on for over a century against the independence of the nations of Russia and the U.S. The article also suggests a series of monetary reforms whereby the U.S., or any other nation, can regain its economic identity and preserve its political freedom. The article was written a short distance from the reconstructed colonial capitol building in Williamsburg, VA. On this site on May 15, 1776, the Fifth Virginia Convention voted unanimously to instruct its delegation at the Second Continental Congress in Philadelphia to enter a motion for independence. It may be time to do that again.

Russian philosopher P.D. Ouspensky (1878-1947) wrote, “It is a mistake to think the times we are living in are like any other. These are extraordinary times.”

Ouspensky, with his mentor, G.I. Gurdjieff, escaped from Russia after the Bolshevik Revolution, during the Russian Civil War. Though academia has failed to acknowledge it, this epochal convulsion was financed in part through the monetary resources of the international financial elite operating out of London, Amsterdam, New York, Paris, Hamburg, and Frankfurt.

It was this elite, acting through Western banks, which appears to have surreptitiously provided the wherewithal for Lenin and Trotsky to destroy the Russian nation after the fall of the Tsarist regime at the end of World War I. Support by the Western financiers is discussed by Dr. Matthew Raphael Johnson in his revisionist history, The Third Rome: Holy Russia, Tsarism & Orthodoxy. (The Foundation for Economic Liberty, Washington, D.C., 2003).

The present analysis postulates that the takeover of Russia, whose backbone was the alliance among the House of Romanoff, the Orthodox Church, the land-owning nobility, and thousands of self-governing peasant communes, was one of two major projects which the financiers set out to accomplish early in the 20th century in a longer-range plan to dominate the globe. The other was the control and eventual destruction of the United States of America. That project may be reaching fruition through the ongoing and seemingly purposeful financial meltdown of 2008.

Why Russia and the U.S?

Events affecting nations have their roots in history, and people underestimate how what happens today is conditioned by the past. The respective fates of Russia and the U.S. have been linked for a long time.

The two countries had a close relationship during the American Civil War, when the Russian fleet anchored in New York and San Francisco harbors. In 1867, Russia sold the huge expanse of Alaska to the U.S. Later, the U.S. provided engineering support for Russian industrial development.

The two continental giants were, during the latter part of the 19th century, becoming the greatest land powers in the world. With Germany, Great Britain’s chief rival for economic might, added to the mix, the hegemony of the financiers' power base in Britain and northern Europe was threatened in a way not seen since Napoleon.

Both Russia and the U.S. were largely Christian nations, with a sizeable portion of the American population, especially recent immigrants, being members of the Roman Catholic faith. For centuries nothing had been a greater obstacle to the financial control of nations through war and finance than the Christian religion and its teachings against usury.

Plus neither the U.S. nor Russia had a central privately-owned bank. The U.S. had long since gotten rid of its own central banks, the First (1791-1811) and Second (1816-1836) Banks of the United States. The whole concept of commercial banking having control of a nation's economy was alien to the Russian and U.S. mindset.

Instead, wealth came from work. This was expressed by President Abraham Lincoln in a December 3, 1861, address to Congress when he said, "Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration."

Lincoln could make such a statement because the U.S. economy, as was the Russian, was deeply rooted in the soil. The backbone of the two cultures was the Russian peasant and the American yeoman farmer, as Thomas Jefferson called him. The merchant and artisan economies of the towns and cities in both nations were founded upon the wealth of the countryside which was derived from human and animal labor and from working the land. Even when industrialization began to flourish in the latter part of the 19th century, it was fueled in both countries largely through savings and retained earnings, not bank credit created "out of thin air" through fractional reserve lending.

Banker Domination

By the early 20th century, the bankers of Europe had a mission before them. If Russia and the U.S. could be controlled, nothing would stand in the way of the rule of humanity by the materialistic pseudo-religion of power and wealth by which the financiers were obsessed. As Max Weber (1864-1920) wrote in The Protestant Ethic and the Spirit of Capitalism, the acquisition of wealth was viewed as a sign that a person was one of the "elect." The financiers' sphere of influence was centered in northern Europe, where the anti-usury doctrines both of the Roman Catholic Church and Martin Luther (1483-1546) had been undermined through the teachings of John Calvin (1509-1564).

As is well known, banking in Europe began in the medieval period with store-front gold merchants who invented fractional reserve banking by lending certificates against a gold reserve held for their customers on deposit. By the time of the Renaissance, banking was centered in Italy and Germany, then spread north and west to the Netherlands, France, and England.

By this time the Catholic prohibition against usury was well-developed. Pope Sixtus V (1585-90) said charging of interest was "detestable to God and man, damned by the sacred canons and contrary to Christian charity." Theological historian John Noonan wrote that "the doctrine [of usury] was enunciated by popes, expressed by three ecumenical councils, proclaimed by bishops, and taught unanimously by theologians." ("Development of Moral Doctrine," 54 Theological Studies, 662, 1993).

Lending of money at interest was often left to the European Jews, where statements in various scriptures, such as the Talmud, appeared to allow the practice when dealing with non-Jews. Some argue that the Vatican worked behind the scenes by using Jews as fronts for their own lending operations.

In England, the Tudor and Stuart monarchs made a stand against the rise of bankers as issuers of currency. As Susan Boskey writes in her book The Quality Life Plan: 7 Steps to Uncommon Financial Security, “the Mixt Moneys Case of 1604 in England determined money as a public measure to be regulated by the state.” According to Alexander Del Mar, head of the U.S. Department of Weights and Measures in the late 19th century and author of the book, History of Money in America From the Earliest Times to the Establishment of the Constitution, the Mixt Moneys Case determined that “the state alone had the right to issue money.”

Boskey continues: “For over half a century, this ruling alarmed the merchants of London who attempted to defeat the Mixt Moneys decision. The East India Company was the main instigator in the effort, because they were eager to turn a profit by shipping silver to India in exchange for gold. Success was achieved with the British Free Coinage Act of 1666, which, according to Del Mar, ‘altered the monetary systems of the world.’ He wrote: ‘The specific effects of this law were to destroy the royal prerogative of coinage, nullify the decision in the Mixt Moneys case, and inaugurate a future series of commercial panics and disasters which to that time were totally unknown.’ Moneylenders known as ‘strong room keepers’ began the practice of making interest-bearing loans that were not backed one-hundred percent by the gold reserves remaining in their strong room.”

“The British Free Coinage Act of 1666,” continues Boskey, “marked a turning point in the role of currency creation as a public measure to one dominated by moneylenders. No longer was the act of putting money into circulation directly connected to the actual, existing material riches of a nation.”

About this time, Samuel Pepys (1633-1703) was writing his now-famous Diary. According to Canadian monetary expert Martin Hattersley, Pepys “was describing in surprised delight the new institution of banking, by which the smart investor, instead of paying the goldsmith for warehousing his valuables, opened an account, and was actually paid interest for having his money looked after!”

Pepys was captivated by the familiar but pernicious notion that, instead of working for a living, a person could have his money “work for him.” Aristotle had spoken against this concept 2,000 years earlier: “The most hated sort of wealth getting and with the greatest reason, is usury, which makes a gain out of money itself and not from the natural object of it. For money was intended to be used in exchange but not to increase at interest. And this term interest, which means the birth of money from money is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of getting wealth, this is the most unnatural.” (1258b Politics).

Hattersley continues: “Who paid for Samuel Pepys' remarkable new service? Basically, the public did. Pepys, leaving his gold with the banker, enabled the latter to lend it out to a third party. Pepys had his ‘money in the bank,’ and the borrower took the gold. The borrower naturally paid interest on the loan. Pepys received interest on his deposit. The same money being (notionally) in the possession both of Pepys and of the borrower meant an increase in the monetary mass of the nation. All the holders of money in the nation, therefore, had the value of their holdings very slightly diluted. There was a profit to the banker on the ‘spread’ between borrowing and lending rates. There was a profit to Mr. Pepys, who at one and the same moment had both money in the bank and an interest bearing investment. Yet the borrower also profited. His loan would be at a lower interest rate than that on capital that had had to be saved up. ‘Smart’ bank financing put him ahead of conventionally financed competitors. All three parties gained, at the expense of the general public, the value of whose money was diluted through inflation of the monetary mass.”

Finally, concludes Hattersley, “Skipping forward three centuries (past events such as the South Sea Bubble, tulip mania, the railway boom and the 1929 market crash) we find that the little spot of inflation that Mr. Pepys indulged in has become a universal way of life. The extensive capital development of Canada [and the U.S.] in the post-World War II boom has been largely financed, not by personal savings and investment, but by the inflation of the money supply. This has left the thrifty who invested their little savings from the hard times of the Great Depression in mortgages, bonds, and life insurance deprived of most of the rewards of their thrift, and has caused the profits of inflation to benefit all who could borrow, build, and then repay their capital in deflated dollars later on."

Hattersley captures the essence of the modern usury-based economy. No longer is life based on honest human labor and the resources of nature, but on financial manipulation. This is why religious people have always viewed usury as a crime. Aristotle placed the usurer in the same category as others who "ply sordid trades," such as pimps.

Returning to the march of history, in 1688, James II, who had become a Catholic, fled the British throne. Through the "Glorious Revolution," he was replaced by the Protestants William and Mary of the Dutch House of Orange. The main instrument of power of the financiers who supported them was the Bank of England, founded in 1694.

The next two centuries saw the financiers' control of world commerce spread through the instrumentality of the British Empire. The bedrock of British policy was "free trade," which allowed British manufacturers who paid their workers a pittance to undersell their competitors elsewhere. This was aided by having the British pound become the world's trading currency.

With the First Zionist Congress of 1897, one of the financiers' geopolitical goals became to support the creation of the nation of Israel, at least partly to dominate the world's crossroads in the oil-rich Middle East. The oil was needed to fuel the British navy.

The nature and origins of Zionism have been hotly debated in recent years, as the role of Israel on the world stage has grown. One thing seems certain: The Jewish religion is by no means monolithic. But its followers, many of whom opposed the philosophy of Zionism, would now be drawn into the financiers' power game. From this point on, anyone who even questioned Zionism would be labeled "anti-Semitic."

As the 20th century advanced, the financier elite became heavily involved in getting rich off world war and the manufacture of the new weapons of mass destruction that modern technology made possible. Warfare and weaponry, combined with control of credit manufactured through the leveraging of industrial production, were to be the primary means of putting nations and their populations into debt. A materialistic slave society was being created, which books like 1984 warned against. Humanity was lured into compliance through the fantasy world brought about by the mass media by means of advertising, cinema, and television. Another enticement was the growing availability of mass-produced consumer goods.

How It Was Done

While World War I and the Russian Revolution still lay a few years in the future, the international financiers quietly took control of the U.S. economic system in 1913 through the Federal Reserve Act and the 16th Amendment to the Constitution which provided for the federal income tax. The purpose of this tax was to use citizens' earnings to pay the interest on the "funded" national debt. As with the debt owed by the British people to the Bank of England, this would be one so large the principle could never be paid off.

Russia was allied with Britain and France during World War I (1914-18). But the war against Germany and Austria-Hungary had reached a stalemate until the tide was turned by entry of the U.S. on the side of the Allies. Fighting on the eastern front between Germany and Russia was savage. By the end of the war the Russian Revolution broke out, and, after a terrible Civil War, the Soviet Union came into being.

It was the financier-controlled press which goaded President Woodrow Wilson into taking the nation into World War I on the side of England and France. But it was also part of the financiers' plan to shift the apparent focal point of their financial power from London to New York. This was done through the financing of the war by loans made to the European combatants by the New York banks.

It seemed to be in accord with a plan spelled out decades earlier by Cecil Rhodes, whereby the U.S. would not only be "recovered" for the British Empire, but would appear to become the senior partner in the enterprise. By the start of the 1920s, this objective had been accomplished. German, English, French, and other European taxpayers were all deeply in debt to the U.S. banks for the costs of the war.

Also during the war years the financiers had secured the issuance of the Balfour Declaration signaling British support for the establishment of a Zionist state in Palestine. The 1917 Declaration was made in a letter from Arthur James Balfour, British Foreign Secretary, to Walter Rothschild, Second Baron Rothschild, for transmission to the Zionist Federation.

During and after World War I, world financial power shifted to the New York banks through which, however, it would be the London-based elite exerting de facto control. It might also be said that starting with U.S. entry into World War I, once you look past the patriotic slogans, the U.S., its vast productivity, and the blood of its population have been used in making this country the worldwide military enforcer of international financier domination.

World War II became the means of consolidating financier control. Prior to that, during the years of the Great Depression, both Russia —aka the Soviet Union—and the U.S. were slipping away from the fold. Stalin had shown his "Bonapartist" tendencies by favoring "Socialism in one country," as well as by his deadly purges of the financier-controlled Trotskyite faction and his shocking rapprochement with Hitler in 1939 that seemed to foil the financiers' intent to play off Nazi Germany and the Soviets against each other.

In the U.S., President Franklin Roosevelt had taken steps during the Great Depression to rebuild the U.S. economy by exerting an unaccustomed degree of control over the Federal Reserve System and providing credit at low rates of interest to homeowners, farmers, and businessmen. This made Roosevelt seem to many wealthy Americans "a traitor to his class."

Roosevelt saw that a healthy and self-sustaining domestic economy is essential for the well-being of a sovereign nation. But instead of looking for ways to create a monetary system based on the productivity of the economy, as Lincoln had done with the Greenbacks during the Civil War, Roosevelt left intact the debt-based system overseen by the Federal Reserve. He added to this system the Keynesian idea of government deficit spending for public works to create employment. This was essentially a system whereby government would try to pay its debts by engendering inflation, a policy that has continued until today.

But World War II thwarted even these stirrings of nationalism in both countries. In both the Soviet Union and the U.S., the financiers worked the levers of debt to build massive war machines. They were also working through the Western banks, including Brown Brothers Harriman in New York, to achieve the same ends in Nazi Germany. Eventually Hitler invaded the Soviet Union, and the U.S. entered the war. Both during and after the war, operatives from the international financial elite centered in London were the linchpins of a worldwide matrix of spying, assassination, terrorism, industrial espionage, psy ops, media manipulation, and monetary control. This included financing the founding of Israel as the Western bridgehead in the Middle East in 1948.

Despite the creation of an appearance of conflict between the West and the Soviet Union through the Cold War, the financiers continued to work both sides of the fence through their London-based operatives. In the U.S. they created the modern national security state with both the National

Security Agency and the CIA firmly under their control. Then, after President John F. Kennedy moved to forestall the neocolonialist Vietnam conflict and replace the Federal Reserve with a U.S. system of silver-backed Treasury currency, he was shot dead in Dallas's Dealey Plaza on November 22, 1963.

In charge of convincing the public that the Warren Commission was correct in concluding that Kennedy was killed by Lee Harvey Oswald, supposedly a lone deranged gunman, were figures associated with the financier elite from the New York Times, Washington Post, and Yale Law School. (See The Kennedy Assassination Cover-Up Revisited by Donald Gibson, 2005.) But in 1979, a report of the House Select Committee on Assassinations stated that Kennedy was killed by a "probable conspiracy."

It has been thoroughly documented that since World War II the Western intelligence agencies, all with close ties to the financial world, particularly the New York and London investment banks, have been responsible for engendering wars, revolutions, and mayhem in countries around the world, causing the deaths of millions of people in Asia, Africa, Latin America, and southeastern Europe.

Meanwhile, the worldwide arms industry, also under financier control, have produced the greatest arsenal of weapons of mass destruction ever seen. After Kennedy was killed, the U.S. moved to arm Israel as the leading military power of the region. Today nuclear weapons have proliferated, with Israel, Pakistan, and India becoming nuclear powers in addition to the U.S., Russia, Britain, China, and France.

But warfare and weapons cost money, and by the late 1960s the Vietnam War was sinking the U.S. deeper into debt. The U.S. war machine was to be the main tool for financier enforcement of their worldwide plan of domination, but the nation was going broke. The problem was made worse by heavy federal expenditures for the poor and elderly through such programs as Medicare and Medicaid.

But President Richard Nixon's Secretary of State Henry Kissinger had a plan. The government worked out an arrangement whereby Saudi Arabia and the other OPEC nations would gradually increase the price of oil, with the profits to be used by the oil-producing nations to buy U.S. Treasury debt securities. By 1980 the cost of oil would be ratcheted up from about \$3.50 a barrel to \$39.50.

The drastic increase of the price of gasoline at the pump acted as a de facto tax on the U.S. economy. But the plan worked. The "petrodollar" and "dollar hegemony" were born, with the dollar becoming the world's reserve currency. Dollars could flood the world only because in 1971 the Nixon administration had abandoned the dollar's gold peg as a basis for international currency exchange. Now currencies floated freely in world markets with speculation and inflation rampant. The economies of the world were no longer based on production, but on financial manipulation. It was also the start of the era of monetarism, where the Federal Reserve thought it could regulate the economy by the raising and lowering of interest rates.

The Kissinger plan also made the U.S. dependent on Middle Eastern oil and turned it into the muscle behind the financiers' ambition for Israel to dominate the region. So now Americans, who had liberated Europe from the Nazis, had to fight and die for the financiers in the Middle East. The final conquest of Iraq, starting in 2003, and the planned war against Iran are the latest phases.

Meanwhile, through the financiers' control of the U.S. Federal Reserve System, the producing economy was shattered through the Fed-induced recession of 1979-83, where interest rates were raised to the highest in history to combat the inflation the financiers had themselves caused by the oil price shocks. By this time, as some allege, the controversial concept of "peak oil"—whether it really existed or not—was being used as a cover for financier manipulation of oil markets by limiting production in order to maintain prices.

By 1992, when Bill Clinton was elected president, the U.S. producing economy had been devastated by the shutdown of factories and the export of jobs. The work of wrecking the economy was completed by Clinton's embrace of NAFTA, which has largely eliminated family farming in favor of financier-controlled agribusiness in the U.S., Canada, and Mexico. Deregulation of the financial industry began in earnest during the Reagan years from 1981-89 and accelerated under Clinton.

By this time, the U.S. economy was being kept afloat only through financial bubbles that allowed the purchase of consumer goods to take place through more family and household debt. We had the merger-acquisition bubble of the 1980s, followed by the George H.W. Bush recession which led to Clinton's election in 1992. During the 1990s we had the dot.com bubble fueled by foreign investment. Capital gains taxes on stock price inflation and counting trust funds like Social Security as budgetary assets allowed Clinton to balance the federal budget the last three years of his presidency.

But the dot.com bubble also burst with the loss of $7 trillion of wealth through the crash of 2000-2001. Next came the Bush bubbles—in housing, equity funds, commercial real estate, and hedge funds that have been deflating while threatening to destroy altogether the economic viability of what was once the world's greatest industrial democracy.

After this, the only bubble left for an economy that appears to be entering terminal depression may be the current fuel/food bubble that could result in the starvation of millions worldwide. Now the longstanding ambition of the financier elite for the destruction of the American republic may finally be realized—with a lot of help, of course, from their American friends.

"End Times"

Can it be that the last stage of the U.S. takedown is "The Project for the New American Century"? Is this ambitious plan for "global leadership" through military might that was seemingly invented by the "neocons"—many with dual U.S.-Israeli citizenship—a Trojan Horse?

It certainly appears that with 9/11 as a pretext, the neocons suckered the U.S. into the invasions of Afghanistan and Iraq as a means of military occupation of the Middle East. Certainly 9/11 and the Iraq invasion benefited Israel, as some Israeli politicians have frankly stated.

Were the neocons also acting on behalf of the financial controllers in London and elsewhere? And was one reason the neocons were so eager to engage in a "clash of civilizations" against the Islamic world the Koranic prohibition of usury which states, "Those who charge Usury are in the same position as those controlled by the devil's influence. This is because they claim that Usury is the same as commerce. However, God permits commerce, and prohibits Usury." (Koran, Al-Baqarah 2:275).

Prior to 9/11, the Bush administration got Congress to cut taxes for the highest income brackets, reversing Bill Clinton's budget surpluses. The tax cut remained in effect, even as the massive expenditures on the Middle Eastern wars mounted. The consequence has been to bring the federal government to the brink of bankruptcy.

The last official act of this phase could well be the ultimate insanity of a U.S. attack on Iran. If successful, this would complete the Western conquest of the Middle East but may start a larger conflict that could eventually force the U.S. to withdraw its forces once the money runs out. Israel would then be at liberty to sweep in to dominate a region that U.S. military power had devastated.

Whatever may happen overseas, the U.S. economy at home is on the verge of collapse. It if does, we will have to retreat to our own shores and face here the edifice of a ruined nation with no manufacturing base, a crumbling infrastructure, an aging population, insufficient food, poorly developed resources, and the collapse of the dollar. Of course the prophets of doom who claim that overpopulation must inevitably lead to Malthusian scarcity will take all this as justification of their prejudices. The rumored North American Union, with its currency the amero, could then follow, both under the control of the financiers.

Meanwhile in Russia, things took a surprising turn when the Russian people threw out their communist controllers in 1991 and established a Russian republic. The financiers immediately took over through the government of Boris Yeltsin and began to divide up the nation’s resources through their local allies, the “oligarchs.” But the Russian people refused to comply. Despite desperate poverty, they elected Vladimir Putin, a nationalist leader who moved quickly to establish a self-governing Russian state that the financiers and the Western press clearly intend to take down. Russia is now back on the world scene, and a revival of the Orthodox Church is taking place. The drama in that country has not been entirely played out it seems.

As far as the U.S. is concerned, the financiers will have used us for a century, then thrown us in the trash. The U.S. may well be replaced by China, which the financiers seem to be grooming as the world’s next military enforcer. China has the advantage of an absolutist one-party system which has achieved remarkable success in terrorizing its huge population into obedience and passivity. The financiers would not hesitate to sacrifice hordes of Chinese to fight both Russia and what may remain of the U.S. By this time, the European Union will likely have its own unified nuclear deterrent to protect the financial centers. The time may come when there will be Chinese bases in the U.S. as occupiers/military police.

The wisest and safest course for U.S. foreign policy could be a new alliance with Russia that would rekindle our affinity with that nation from over a century ago. But how likely is this in a world ruled by the financiers where the destruction of the two nations is a long-term goal?

One of the tools of financier domination in the meantime will likely be worldwide famine engineered by artificial shortages. This has already started and may cause hundreds of millions of people to die and their resources to be seized. The smokescreens for this will not only be peak oil but also global warming as a means of dealing with the world’s “surplus eaters.” Numerous non-profits and NGOs are greasing the skids with their insistent lobbying against even responsible economic development.

Now in the U.S. we will likely see riots, panic, martial law, plagues, epidemics, and prison camps, much of which has already begun with police crackdowns, anti-terrorist exercises, declining public health, erosion of civil liberties, and the world’s largest prison population.

It is likely that the “American Century” is over and that the “New American Century” will really be the “No American Century.” Outside of select pockets of prosperity around financial centers, resorts, and military installations, the U.S. is being destroyed. As an example, the residents of once-prosperous towns in Michigan have turned to the illegal manufacture of meth-amphetamine now that the jobs are gone.

We have been used and abused, though often suckered into it by our own stupidity and greed. We have allowed ourselves to serve the will of an alien force—the world’s financial elite. Our payback now appears to be a looming national catastrophe.

Economic Restructuring

Economically, what is left of America must be rebuilt from the ground up. The flaw is not in the productivity of nature, the availability of resources, our ingenuity, nor our ability to work. The flaw has been in the capitalist financial system.

We must now rebuild three things: American family farming, since a nation that cannot feed itself cannot long exist; then infrastructure and manufacturing, which will require energy conservation and redevelopment of our energy resources; then income security tied to productivity but not always to employment—a basic guaranteed income for all. The best available treatment of the history and benefits of a guaranteed income may be found in Steven Shafarman's new book, Peaceful, Positive Revolution, Tendril Press, 2008.

The concept of a guaranteed income as a benefit of a modern industrial economy has been around for a long time. But it is often confused with job-creation. As indicated earlier, during the 1930s, British economist John Maynard Keynes came up with the idea of using government deficits to try to out-run unemployment through government-controlled pump priming. But in the long run his methods were doomed to fail as debt-based economic growth eventually reached its limits due to inflation. This is where we are today, with President George W. Bush now the largest deficit spender in history.

The most successful attempt to define a rationale for an honest and democratic monetary system, one based on human labor and not financial chicanery, was the Social Credit movement founded by British engineer C.H. Douglas (1879-1952). He first set forth his ideas in his book Economic Democracy in 1918 and continued to teach his system for the next thirty years, attracting a considerable following in Great Britain, Canada, New Zealand, and Australia.

Douglas explained the dynamic whereby the incredible productivity of modern technology can readily be harnessed to provide the material sustenance for all members of society, but fails to do so because there is a chronic shortage of purchasing power from the cumulative societal income realized through wages, salaries, and dividends. The main reasons income cannot keep pace with prices is that the latter include retained earnings for savings and reinvestment, along with depreciation of capital—i.e., the tools and facilities of production.

But the "gap" between prices and earnings (what Keynes was to call "aggregate demand") was viewed by Douglas as a benefit of a modern industrial economy rather than the curse which in the Depression was causing farmers to dump their milk in the fields because consumers lacked the money to purchase it.

Douglas saw this gap as the natural appreciation of the potential producing economy to which everyone in society was entitled as monetized shares. He said this appreciation should manifest in regular payments of a National Dividend by government from a calculated credit account not dependent on taxation or government borrowing. The National Dividend could be paid by a combination of regular stipends to citizens and/or through a system of price subsidies. And it would be non-inflationary.

Douglas went further by explaining that in real life the price-income gap was in fact filled—nature abhors a vacuum—but by bank lending at usury. This was why the banks got richer, while everyone else struggled just to survive. Banks also use their credit creating ability to acquire securities, such as Treasury bonds, with the government paying interest that is compounded because the debt is constantly being re-financed. Interest on the U.S. national debt is expected to exceed $500 billion in fiscal year 2009. To pay it, many social programs will be cut.

The technical explanation is provided by Canadian Social Credit expert Wallace Klinck, "Expanding interest charges being paid on exponentially compounding debt accumulates due to an industrial cost accountancy error related to allocating capital charges in retail prices which do not distribute equal incomes within the same production cycle. The growing disparity between prices and incomes is progressively worsened by the replacement of human labor by capital (technology)."

Under the current system, the banks steal the fruits of economic wealth which properly belong to the public as a whole, both workers and non-workers, and while the financiers were well aware of Douglas's system, they hated it. Word went out in the 1920s that his name was never to be mentioned in the British press. John Maynard Keyes was said to have developed his own deficit-spending theories as a means to counter Douglas's influence. And when Douglas visited the U.S. in the late 1930s, he was told to his face that he would never be allowed to introduce his ideas in this country.

Next Steps

To accomplish a program of real reform will require a strong president but possibly a political revolution to get one. Congressman Ron Paul has made history as the first major presidential candidate to call for the abolishment of the Federal Reserve. He is right. The first thing a president worthy of the name should do is eliminate the Federal Reserve as a bank-of-issue, get rid of our debt-based monetary system, and depose the bankers and Wall Street financiers from the seats of power. Ron Paul is also right that the U.S. should withdraw its military from overseas and stop trying to control the world.

What Ron Paul's candidacy proves is that in the internet age, with financial crises jumping from the headlines every day, and authorities such as Ben Bernanke, chairman of the Federal Reserve, and Secretary of the Treasury Henry Paulson manifestly having no intention of making real changes, the public is ready to listen to new ideas. But even progressive analysts are so locked into outmoded concepts that they fail to realize an entirely new type of monetary system is needed.

The basic concept that must be understood, as expressed repeatedly by this author in past articles, is that credit is a power of nature that is part of the human "commons." Credit allows society to materialize value by drawing from future potential productivity into present actualized reality. Credit therefore should be treated legally as a public utility, like water or electricity.

Credit is not a mathematical abstraction that should be manipulated into building pyramids of debt. Such practices are suicidal for an economy. Rather credit is organic, deriving ultimately from human labor (including mental labor, as in the application of technology), along with the sun, the soil, natural resources, and the rain. Thus we have gone full circle to the beginning of this article, where Russia and the U.S. were cited as the two nations that best understood where real wealth comes from.

The management of credit may be licensed to responsible private parties who are accountable to public authority, but it should never be given away or "privatized" to individuals or corporations who manipulate it mainly for their own profit, as banks do today. It is the privatization of credit through the banking systems of the world which has loaded humanity with debt, rendered short-term profits the highest priority of all business endeavor, and made modern industrialization as much a curse as a blessing.

Note that credit differs in this discussion from the legitimate investment of capital derived from profits or savings whereby an individual risks a portion of his wealth through a contract with a producing entity. Capital markets that facilitate this type of investment fall under the category of commerce, not usury.

A national monetary system should reflect the treatment of credit as a public utility and thereby make possible responsible economic activity and the fair distribution of wealth. Some of the measures which should be implemented are contained in the American Monetary Institute's draft American Monetary Act. (www.monetary.org/) The resulting currency could be issued, not in the form of debt instruments like Federal Reserve Notes, but silver-backed Treasury certificates as in President Kennedy's program of 1963.

Features of a new monetary system could be as follows:

* A guaranteed income, followed by a National Dividend, should be paid directly to citizens from a Treasury credit account without recourse to either taxation or government borrowing. (C.H. Douglas's theory of the National Dividend as the monetization of the net appreciation of the productivity of a modern industrial economy is set forth in this author's Global Research article entitled, "An Emergency Program of Monetary Reform for the United States," April 26, 2007.) The National Dividend, currently estimated at over $12,000 per capita annually, could be distributed in a variety of ways, in addition to a subsistence stipend. This could include price subsidies for consumer purchases, taking over existing Social Security payments, universal health insurance, or payments to women with young children. Another way to issue a National Dividend would be to monetize food production, whereby anyone who delivers food products to wholesalers receives a government payment as a producer's subsidy, thereby discounting food at the consumer point-of-sale. This would work in a similar fashion to farm parity pricing programs of bygone days. As explained by Wallace Klinck, "Social Credit policy is to compensate retail prices at the point-of-sale. It is not, however, to subsidize production which would be subject to consumer choice and fully supported by consumers having at all times financial income adequate to fully liquidate the costs of production. That is, production policy is to be determined essentially by consumers—this being the Social Credit concept of genuine economic democracy with maximum decentralization, or dispersion, of power over production policy. Price controls under the present financial cost-accountancy system, where continued economic activity is dependent upon an inflationary expansion of credit to meet rising costs arising consequent to flawed accountancy, is demonstrably impossible. Price regulation, however, would appear to be both necessary and realistic under a self-liquidating Social Credit system of finance. Although not generally recognized, prices are 'controlled,' (or manipulated) under the present system of finance in a most deleterious manner."

* The government should also spend money directly into circulation, as it did with Greenbacks in the 19th century, both for operating expenses and for infrastructure projects at the federal, state, and local levels. A national infrastructure bank could be capitalized by state and local infrastructure bonds without any impact on the federal budget. Such spending would again be without recourse to borrowing or taxation. Infrastructure spending could be either through grants or low-interest loans. As with Congressman Dennis Kucinich's current proposed infrastructure bank legislation, the program could specify that a requisite proportion of funding be spent on American-made products such as steel.

* We should reform banking by eliminating the catastrophic privately-controlled fractional reserve system. Instead, the government should lend money at a low rate of interest to banks, then use the proceeds to help pay for legitimate government expenditures in the areas of regulation or services. Use of the proceeds, combined with the new Greenbacks and savings from no longer having to pay interest on an unnecessary national debt, would eliminate the need for the federal income tax, allowing the 16th Amendment to be repealed. In fact, under a monetary system such as the one described herein, probably three-fourths or more of the current societal tax burden could be eliminated.

* In order to clear the way for these reforms, bankruptcy reorganization of the entire $50 trillion of existing debt in the U.S. should be undertaken, with debt being restructured and paid down over time or simply written off. Bank lending for speculation, such as for mergers and acquisitions,

equity and hedge fund speculation, and purchase of securities on margin has been explosively enabled through bankers' ability to move massive amounts of funds electronically. These leveraging practices should be outlawed, as they are abuses of the public interest. (According to the London Times, one John Paulson made $3.7 billion in hedge fund trading last year. "Mr. Paulson's firm, Paulson & Co, made a fortune from shorting America's sub-prime mortgage markets.") A national fuel conservation program with real teeth should also be instituted. And at least half of the U.S. military budget should be eliminated, with half of the remainder devoted to energy R&D and domestic public works. Employees of the military-industrial complex will find many new career opportunities as the domestic economy revives.

As these measures are taken, the United States will no longer be dancing to the financiers' tune. We would be helping prepare a future where man's inhumanity to man as expressed through war and financial exploitation is no longer glorified. Such a future would be a milestone in the eventual enlightenment of the human race. But these are measures that must be implemented now, before it is too late.

While we await these epochal changes, more modest steps may be in order. The author is often asked for personal financial advice. His advice is to invest in yourself and in other people. Plant a robust home garden. Learn new skills. Start community food co-ops that buy local products. Establish local currencies and barter networks. Join or form a union. Raise bees. Put kids through school. Get out of debt. Pray and meditate. Become politically active. Demand change.

Richard C. Cook is a former U.S. federal government analyst, whose career included service with the U.S. Civil Service Commission, the Food and Drug Administration, the Carter White House, NASA, and the U.S. Treasury Department. His articles on economics, politics, and space policy have appeared on numerous websites. His book on monetary reform is entitled We Hold These Truths: The Promise of Monetary Reform and will be published this autumn by Tendril Press. He is also the author of Challenger Revealed: An Insider's Account of How the Reagan Administration Caused the Greatest Tragedy of the Space Age, called by one reviewer, "the most important spaceflight book of the last twenty years."