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Clearing a deeper mystery

Monetary policy is misdirecting the efforts of humanity and threatening the US economy, declares **Stephen Zarlenga**

THE LATE economist John Kenneth Galbraith once wrote: "The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent." A 'deeper mystery', when it comes to money, is in fact the well guarded state of things. And it is anything but "decent". It creates problems in society. In the us the symptoms of those problems are many, and they are increasing.

We see symptoms all around. The price of oil is rising and approaching \$100 a barrel; no new oil refineries have been built in the us in decades; a major interstate bridge inexplicably collapses in Minneapolis; us engineers estimate that 10,000 of the country's 80,000 dams are in danger of giving way - all this in the world's 'richest' country; where our public and private financial arrangements leave 50 million citizens without health insurance; where we have an education system that is clearly failing; where there are implications in the avoiding of crucial infrastructure repairs before Katrina hit, and in the rebuilding operations after; even where Russia announces that nuclear weapons are once again airborne in aircraft 24 hours a day, in response to Bush's proposed missile systems in the Czech Republic and Poland. What connects these symptoms?

I contend that the ultimate cause of the problems we face - where the 'deeper mystery' lies - is the private control over the nation's

monetary system. What passes for 'money' in our system is actually the granting of credit by banks when they lend at interest. To a very large extent, whoever controls this 'money power' controls society. Today's 'money power' in the us rests very much in private hands. Those hands tend to work in their own private interests - notably in real estate speculation and Wall Street 'gambling'.

An army of mis-trained economists - the system's mercenaries - protects this privileged control over society. The negative effects of the system - such as the current banking crisis - are hardly addressed. The economists warn that public control of the money system under proper governmental supervision would be irresponsible and inflationary. These pseudo experts invent pseudo histories favorable to their patrons but at odds with the facts.

The ability of some economists to ignore the evidence depends on faulty methodology. Ludwig von Mises - a 'guiding light' of the Austrian school of economics, tells us more than once that mere facts can't disprove his theories. The Austrians carry forward the Adam Smith tradition - broadly speaking - if not his views on money. They shape the outlook of the libertarians. The confusion within the theory and practice of economics is everywhere evident: there is monetary illiteracy; there are theoretical fairy-lands; although there are very real paychecks for

the mercenaries. Carl Menger's *Theory of the Origin of Money* - a key Austrian tract - has been refuted by me elsewhere.

Society must create its own money and not borrow privately-created money. We must reform elements of the national monetary system which are pushing us in the wrong directions. This means recognising the nature of money as an abstract legal power that belongs under societal direction to promote the general welfare. We must reject the present privatised control that promotes private interest agendas, including warfare for profit. Money and credit must be clearly distinguished. We must promote a system where national money is created *only* by government, and spent into circulation interest free, on non-polluting sustainable 21st century infrastructure, including the human infrastructure of health care and education. This last point should be of deep concern to Americans. The current provision of education and healthcare in the us is terrifying, when looked at side by side with, for instance, the provision in the uk.

James Robertson has proposed such a reformed monetary system for the uk. The American Monetary Institute has proposed one for the us. By such reform, finance can be structured to serve the real needs of society, rather than remain what it is at present - the misguided master of humanity. **L&L**

We have known for long enough how to solve the "deeper mystery" of money. It's past time to do it. Henry George understood the money problem. Writing in *Social Problems* (1884), on a theme he returned to several times, he said:
"It is not the business of government to direct the employment of labor and capital.... On the other hand it is the business of government to issue money.... To leave it to every one who chose to do so to issue money would be to entail general inconvenience and loss, to offer many temptations to roguery, and to put the poorer classes of society at a great disadvantage. These obvious considerations have everywhere...led to the recognition of the coinage of money as an exclusive function of government.... Yet instead of doing what every public consideration impels us to, and assuming...as the exclusive function of the General Government the power to issue money, the private interests of bankers have, up to [now], compelled us to the use of a hybrid currency."

The author developed this article from a presentation he made to the us Green Party's National Convention 2007.

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