“The New Abolitionism” – Monetary Reform and the Future of Social Justice

What is desperately needed in the social justice and civil rights communities is a theory of change that addresses the foundational mechanisms of our monetary system that cause social and economic injustice. In response to the civil and social unrest of his day, Dr. Martin Luther King Jr. responded, “If a soul lives in darkness sins will be committed. But the guilty one is not the one who commits the sin, but the one who causes the darkness.” Here King advances a theory of change that challenges those concerned about injustice to address the structural and systemic ***causes*** of injustice rather than just addressing the symptoms. The progressive movement can be furthered by attempting to understand what I want to call ‘the archaeology (or origins) of injustice’ as a means of correcting the structural mechanisms that deprive federal, state, and local governments of the resources necessary to solve the nation’s social and economic crises. Like a sick patient, we are acutely aware of the social and economic symptoms of our condition, but the path towards healing is only going to come when we attempt to understand and address the systemic causes that produce those symptoms. Additionally, consideration of ‘the archaeology of injustice’ can play a valuable role in providing a unifying metanarrative for progressives who are right now segregated in our various ideological silos based upon our issue of preference. This division creates a kind of fragmented fellowship among progressives with advocates dispersed across a range of issues; income/wealth inequality, workers’ rights, mass incarceration, anti-poverty, education, environmental justice, LGBT rights, anti-violence work, healthcare, voting rights, the list goes on. This dynamic weakens our ability to create a unified front in combating the forces that oppose social and economic justice; forces which are much more unified and better financed than we are. Progress in addressing the various issues we care about requires progressives to reflect upon what King called “the cause of the darkness” or what I want to call “the irreducible essence of injustice” as a means of unifying those concerned about advocating for the least of these in our society.

This paper advances an alternative theory of change for ending poverty, unemployment, mass incarceration, violence, income inequality and wealth concentration, providing universal healthcare, investing in the environment, improving public education, cutting inflation, and reducing the tax burden. Rather than the almost exclusive focus on fiscal policy among progressives, this paper is based upon the following foundational claim: “**all of our social and economic ills in society are a function of the nation’s debt-based monetary system**. Therefore, if we hope to address today’s social and economic ills, we must bring an end to the debt-based monetary system.” Attempts to address the issues raised above that leave the nation’s debt-based money system in place may be well-intentioned, but will ultimately fail to eradicate society of these social and economic ills. We must, therefore, fix the root cause of the problem if we want to have a more just and equitable society. This leads us to the following fundamental principle for justice seeking people; "in order to have a just society, we must have a just money system."

So the question becomes how does the nation's monetary system cause social and economic injustice? This is a critical question because most Americans, politicians, and advocates have no knowledge of the money system, and even many economists take our current debt-based money system for granted. The answer to this question is to be found in the way in which money is created and issued in our society as a debt. In the Federal Reserve Act of 1913, Congress ceded its Constitutional authority to issue the nation's money to private banks, giving a select group of financial institutions an exclusive monopoly to control the nation's money supply. Rather than the government issuing the nation's medium of exchange as real money without interest (as opposed to issuing money as an interest-bearing debt), **the Federal Reserve Act of 1913 enabled banks to control and issue the nation's money as a debt, repayable with interest**. Almost all (95-97%) of the money in circulation now is issued to federal, state, and local governments, businesses, and private citizens as a debt. As a result, taxation and inflation are the principle means of extracting the wealth of the public in order to pay interest on this borrowed money. The question is, how does debt-based money cause economic injustice and why is monetary reform so critical?

The reason privately owned, bank-issued, debt-based money is such a problem for the maintenance of social peace and economic stability in society is because it creates what some call, "money scarcity" in our economy. When money is created and issued as a debt, **banks issue the principal amount of money in circulation, but not the interest**. This is a very important fact. To illustrate the way debt based money causes money scarcity a basic example here is in order. Assume 10 people in a hypothetical community were each issued $1,000 that they had to pay back at some arbitrary interest rate. Let's use 10% for this example. The economic problem here is that there is $10,000 in circulation among the 10 people (e.g., 10 X $1,000), but they owe the banker $11,000 (e.g., $10,000 at 10% interest). The result is that this debt-based money system forces these ten individuals into an economically violent context of having to compete for nonexistent or insufficient economic resources because the required interest amount of money (e.g., $1,000) was not placed into circulation by the money lender or banker. **There is no amount of taxation, legislation, education, hard work, charity, or prayer that can account for this mathematical problem**. There is also no velocity of money that can account for it because, with debt-based money, paying back the principal eliminates that money from the money supply. Such an economic system can only be sustained by the infusion of more "stimulus," or "debt," which does not really solve the underlying problem. It just kicks the proverbial can down the road until an infusion of more "stimulus" or "debt" is needed to keep the system going. It should be readily apparent at this point that debt-based money is economically unsustainable, it burdens society under the yoke of debt and taxation, it fosters inflation, and **economically structures society in such a way that some of the people will not have their economic needs met**; a reality that creates the conditions that produce poverty, income inequality, crime, poor schools, unemployment, underemployment, etc. While our economy is obviously must larger and more complex than this simplified example, the structural scarcity created by our debt-based money system is still the same.

A conceptual metaphor to help one envision the impact of debt-based money is to think about 'musical chairs,' a game in which there are not enough chairs for the number of people playing the game. Someone is going to be left out. It is a fun game, until you are the one left without a chair, and in order to get a chair when the music stops, people resort to pushing and shoving others in order to obtain a seat. The monetary scarcity that is inherent in a debt-based money system structures society much like musical chairs; since there's not enough money for the number of people in the society in a debt-based money system, some people will be left unable to find sufficient economic resources to meet their obligations. The discourses of domination and difference that we are accustomed to focus upon (e.g., racism, sexism, xenophobia, etc.) are therefore insufficient to explain the social injustices and economic disparities we see in society. A monetary interpretation of history helps us to understand that these discourses of domination and difference are used by the financial elite to determine the allocation of resources, or to use the musical chair metaphor, to determine who will get a seat and who will not, in a debt-based money system characterized by structural scarcity.

<u>What makes debt-based money so immoral and unjust is that the bankers receive an unearned economic benefit for merely issuing the nation's money</u>, a function the government could do itself without requiring interest. The banker is being enriched for work he has not performed, and the wealth of the public is being siphoned off their backs under the yoke of taxes and <u>the perpetual debt and interest payments to the private bankers deprive society of the necessary resources to invest in health care, public education, social security, defense, roads, the environment, and job creation</u>. Presently, the US government pays $500 billion annually in interest payments on federal debt. That's half a trillion dollars that could be used annually for schools, job creation, health care, the environment, etc. And that's just the interest payments of the federal government, to say nothing about those of state and local governments, businesses, and private citizens. When money is created as a debt, it also tends to be directed towards non-productive assets, like real estate, stocks, etc… creating boom and bust cycles in the economy which does irreparable economic damage to 99% of the American people. We saw this with the burst of the "tech bubble" in 2000 and the real estate bubble of 2008 that spiral the nation's economy into the worst recession since the Great Depression.

Therefore, **<u>debt-based money has the following negative and destructive effects upon society</u>**: debt-based money (1) creates money scarcity, (2) forces economic competition for insufficient resources that will by definition leave some in society unable to obtain the requisite money to meet their needs, (3) deprives local, state, and federal government of economic resources necessary to fund the needs of society (e.g., public education, health care, jobs, social security, defense, the environment, jobs, etc.), (4) causes race, class, and gender warfare as groups compete for non-existence and insufficient economic resources, (5) burdens the public with taxes as the means of paying back interest on the debt-based money as the public's wealth is transferred to the financial elite, and (6) causes the hidden tax of inflation (e.g., increase in prices) as additional borrowing (read "stimulus") is the only temporary means of addressing money scarcity. Monetary reform is THE essential human and civil rights issue of our day. Money reform is the initial step necessary to solve the systemic structural mechanism of our monetary system that causes poverty, inequality, wealth concentration, and deprives society of the resources necessary to invest in the public sector rather than the financial sector. If we recall Dr. King's quote above, "If a soul lives in darkness sins will be committed. But the guilty one is not the one who commits the sin, but the one who causes the darkness." <u>The nation's debt-based money system IS the cause of the darkness</u>.

The answer to the current debt-based money system is for the government of the people to reclaim the power to issue the nation's money as the US Constitution stipulates. Rather than renting money, as in our current money system, the government would not have to incur the unnecessary interest obligation by issuing the nation's money, and with the appropriate monetary authority (like the FED) to monitor the amount of money in circulation, this could be done without causing inflation. Economists, political historians, academics, theologians, philosophers, and business leaders have throughout history contended that governments should issue their own money rather than being in bondage to the financial interests of private banks and bankers that issue debt-based money. The American people spend trillions of dollars every year in interest payments on bank-issued money. The US government alone spends about half a trillion dollars every year on the national debt. Rather than giving that money to private banks, government issued interest free money would enable the public to invest that money in roads, jobs, education, the environments, etc. all the issues that promote justice, fairness, opportunity, and the public good.

Another observation is in order. Government issued, interest-free money is not socialism. Socialism is an economic system that attempts to lessen economic inequality, but in the process stifles creativity by imposing an economic ceiling on individuals and, thus, society. Democratizing the money system is not about lowering or imposing an economic ceiling on society. (Neither is it about Austrian economics or attempting to return to the gold standard.) Instead, it is about raising the economic floor by directing the wealth of the American people to those who deserve it; the American people. It is a democratization of the money system. The tools and methods used in society to pay the interest on debt-based money (e.g., taxation, inflation, etc.) transfer the wealth of the American people to the banking interests who issue the nation's money. Debt-based money rewards the unproductive labor of bankers who produce no products or perform any meaningful labor in exchange for being given a monopoly to control the issuance of the nation's exchange medium. Money is a public resource, not a private resource; therefore, the public should be the beneficiaries of money creation since it is the public's labor that produces the nation's prosperity. Debt-based money economically enslaves the public to debt and perpetual interest payments, and causes the most destructive collateral consequences in society. What is desperately needed today is an "abolitionist movement" that frees the public from bondage to debt-based money creation. All of the major religions and philosophical systems of the world have historically critiqued debt as a basis of monetary policy for this reason. Any reforms that leave the debt-based money system in place may be well-intentioned, and may address real social and economic symptoms, but they ultimately serve the interests of the financial elite by leaving the debt-based money system in place.

If we are to have just society, we must have a just monetary system; a money system that (1) provides for government issued, interest-free money, (2) takes banks out of the business of money creation and restricts banking to the accounting services of checking and savings, and lending actual savings; (3) separates investment banking from traditional banking; (4) eliminates the moral hazard of the public bailing out banks that engage in risky investment practices; (5) invests government issued money into public infrastructure (e.g., jobs, roads, health care, education, the environment, etc.); and (6) protects the right to vote and gets money out of politics. All of these reforms have been proposed by leading economists, politicians, and historians, and most recently are contained in pieces of legislation such as the NEED Act of 2011 proposed by former Congressman Dennis Kucinich of Ohio and co-sponsored by Congressman John Conyers of Michigan. The intellectual foundations for these proposed monetary reforms have been well-established macroeconomists; most recently contained in Joseph Huber's book *Sovereign Money: Beyond Reserve Banking*.

The New Abolitionism is a bi-partisan, multi-racial, interfaith movement of Americans who seek social peace and economic sustainability through advancing the monetary reforms explained here.

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