Web of Debt: The Shocking Truth About Our Money System And How We Can Break Free, by Ellen Hodgson Brown, Third Millennium Press, Baton Rouge, Louisiana, 544 pages, $29.95.

Review by George H. Crowell

Social activists need this book! In *Web of Debt*, Ellen Hodgson Brown provides an extraordinarily compelling and vivid analysis of one of the most crucial, and yet least understood of the major social problems that currently imperil humanity. She exposes and explains the hidden workings of our money system. The problems deriving from our currently prevailing money system powerfully pervade and exacerbate the whole range of social problems that confront us. Brown shows how this money system has devastating impact, and also how it could be transformed to provide enormously powerful impetus for needed social change.

The great majority of social activists who have worked diligently for many years to overcome a wide variety of social problems, striving to achieve social justice and peace, know almost nothing about the workings of our money system. In my own experience of many years, I have observed how we activists, to the best of our ability, have analyzed such problems as poverty, environmental destruction, and war, with all their many manifestations, and how we have strategized and struggled to achieve some semblance of a viable world order, one in which people could live in harmony with each other and with our environment. Our goals have been worthy. But our analyses have been weakened, and our strategies often ill conceived because we have failed to understand or to confront the potent underlying realities of the money system.

Our ignorance is not surprising. The workings of our money system have been carefully obscured from public scrutiny and understanding by those in the private banking system who control it. In the "Foreword" to Brown's book, Reed Simpson, a long-time banker, writes "I can report that even most bankers are not aware of what goes on behind closed doors at the top of their field.... I am more familiar than most with the issues raised in...Brown's book..., and I still found it to be an eye-opener, a remarkable window into what is really going on.... [The way our money system functions] has been the focus of a highly sophisticated and long-term disinformation campaign that permeates academia, media, and publishing. The complexity of the subject has been intentionally exploited to keep its mysteries hidden" (p. xi).

Where does our money come from? It is no longer based in any way on gold. Nor, as is almost universally assumed, is it supplied by governments. Almost all our money supply, about 97% in capitalist economies around the world, is *created out of nothing by private commercial banks in their process of making loans*. Moreover, when banks make loans, they do not lend out the pre-existing money of depositors, as is also almost universally assumed. As they make loans, the banks create *new* money which is added to the total amount of money in circulation.

There are huge problems which result from this system which makes us almost totally dependent on the private banks to provide the money which is essential for our economic transactions. Especially notable is the fact that, when they supply our essential money through making loans, the banks create money for the principal of the loans, but they do not create any money for the interest which they invariably require to be paid. They create only debt-money. And they impose a demand impossible for us to meet collectively! Money to pay interest is simply not available. In order to make payments which include both interest and principal, people are driven to compete with each other to obtain the limited money which was created only as principal for loans. "*The direct consequence is that we have to fight with each other in order to survive*," says monetary expert Bernard Lietaer as quoted by Brown (p. 31). Moreover people are driven to borrow even more from the banks, further increasing their indebtedness. Inevitably some borrowers must default, enabling the banks to take over their collateral. The few favoured in this system become ever more wealthy, while many are impoverished.

When loans are repaid, the money for the principal goes out of existence! The banks get to keep as their own any money they collect from payments on interest. If they do not promptly make new loans, creating new money to replace that which was destroyed, the amount of money in the economy can shrink, bringing on recession. In our money system there must be debt if we are to have money, because almost all our money is debt-money. Somebody—businesses, individuals, and/or governments—must carry debt, and also banks must grant loans if there is to be any money at all.

Individuals and businesses cannot avoid either paying off their debts or defaulting and losing their collateral. Not so with governments, at least at the federal level. As long as they pay the interest on their debts, they can continue owing the principal. Indeed, under our present private bank-created debt-money system, it is essential for federal governments to continue in debt (pp. 33-34). The U.S. government carries a debt of some *ten trillion* dollars. If it were suddenly to pay off this debt, far too little money would be left to keep the economy running! So U.S. government debt must continue growing, and even more rapidly now that money borrowed by government is being spent to bail out irresponsible, failing, giant financial institutions.

But the *interest* owed on government debt must be promptly paid, and this money must come out of tax receipts. Indeed, as Brown points out, the income tax was instituted in the U.S. in order to assure that interest owed to the private banks would be available to be paid (p. 131)! But with the debt rapidly growing, the interest payments will eventually become far too great for taxpayers to bear (p. 34).

The abuses perpetrated through our money system are only possible because governments allow private banks to control and to create our money. Indeed there is hardly anything more scandalous than the fact that governments, which are entirely capable of creating money for themselves, borrow at interest from banks and from other private money lenders. Governments at the federal level could be using their own powers for money creation to provide interest-free loans for much-needed infrastructure, and as the economy expands, could not only lend but also spend debt-free money into existence to provide public services. Brown explains how the alternative of democratically controlled government-created money could make enormously creative contributions to human welfare.

This is not just speculation. *Web of Debt*, which provides a reinterpretation of much of U.S. history in light of the money issue, gives examples of strikingly successful government-created money. The British colonies in America had to pay taxes in gold to the mother country, and, lacking gold to be mined, were chronically short of money for their own economic transactions. Experiments with substitutes abounded.

The most successful was Pennsylvania under Benjamin Franklin. Its colonial government issued paper money which it lent primarily to farmers. Although interest was charged, the government also spent money into existence to provide public services, so there was no shortage of money to cover the interest, and no need for taxes. The interest collected was also spent for public services, and stimulated economic activity enabling Pennsylvania to thrive, as did other colonies to varying degrees until the British Parliament in 1751, under pressure from private banking interests, forbade the colonies to issue their own currency. As economic hardship resulted, this issue became a major cause of the Revolution (Ch. 3).

Unfortunately, after its war for independence, the new U.S.A. succumbed to intense pressure to give the private banks control over creation of money. In the midst of this struggle, Thomas Jefferson is reported to have said: "If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all property, until their children will wake up homeless on the continent their fathers occupied" (p. 76).

Although banking interests suffered setbacks under intense opposition from President Jackson, they soon afterward regained firm control over the U.S. money system until Lincoln's presidency. When the banks told Lincoln they would charge 24% to 36% for loans to wage the Civil War, Lincoln found an alternative. His administration issued and spent into existence $400 million in paper money, the greenbacks, which enabled his government to get through that war with little debt, while stimulating continuing industrial production in the North (Ch. 8).

Brown explains in revealing detail how banking interests connived to regain their power after the Lincoln presidency, fighting off the Populist campaign for plentiful government-created money, and establishing in 1913 the Federal Reserve which, despite presidential appointments of its governor and board members, is owned and controlled by a consortium of banks. The complicated and confusing Federal Reserve Act was slipped through an unsuspecting Congress just before Christmas recess and signed by a naive President Wilson who later expressed deep regret at having done so, saying: "I have unwittingly ruined my country" (p. 126).

Given the enormous pressures relentlessly exerted by banking interests, it is not surprising, although it remains scandalous, that the U.S. and other governments have been manipulated into borrowing money at interest from private banks. This dynamic is thoroughly documented in *Web of Debt*.

As Brown points out, our system of bank-created money is regularly justified by the claim that when governments create money, or—as is often derisively said—when governments "print money," they cause inflation. Brown rejects this claim at numerous points in her book, including analyses of hyperinflations, even taking into account the notorious case of Germany in the 1920s, as well as Russia, Yugoslavia, and the Ukraine in the 1990s, and more recently Argentina and Zimbabwe. She shows how short-selling of the currency of these nations by large-scale private financial institutions, including banks, has been a major factor in their inflations. Mere conspiracy theory? Check out the convincing case that Brown makes.

While *Web of Debt* does not deal with Canada, its explanation of the global bank-dominated money system applies fully to the Canadian situation. To protect Canadian interests we need to remain attentive to perils from the U.S. influences so well described in this book. Constant pressure is exerted on Canada for "deep integration" with the U.S., including merging our money systems through adoption of a common currency. Both our nations are in urgent need of monetary reform. With our publicly owned Bank of Canada we are in a better position to achieve reform, and we urgently need to steer clear of the U.S. money system.

There are surprisingly many books which explain the mysteries of our money system. I recommend this book by Ellen Brown because it is especially gripping, revealing, and up to date. It is accessible for beginners and informative for veterans. Brown's book, along with her website, www.webofdebt.com , could help develop the widespread understanding needed to enable us to stop our money system from abusing us, and change it to serving our welfare.

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