

## Open Letter to Hassan Yussuff:

Congratulations on your recent election as President of the Canadian Labour Congress! We who are Canadian social activists both inside and outside the CLC greatly appreciate your long-time commitment not only to wage and benefit enhancements for workers, but also to social justice and environmental protection for all of us, nationally and globally. At present we are in crisis. Despite heroic efforts by many social activists, for many years we have been losing ground to the corporate agenda. This letter proposes a strategy by which the CLC, with its 3.3 million members under your leadership, could unite Canada's many social activists into a single movement to reverse this disheartening trend.

Here is our situation, as the *Making Waves* document points out. In Canada there are hundreds of organizations—large and small, local, regional, and national—working valiantly on behalf of the 99% for various aspects of human and environmental welfare. We have the advantage that many highly committed people are working for the needed social changes which are supported by a large majority of Canadians. They achieve occasional victories, but mostly they are fighting losing defensive battles against exploitive initiatives by profit-oriented corporations, and against the Harper government and its lower-level government allies. Our efforts are defensive not only in the sense that they react to corporate initiatives, but also in the sense that mostly they are attempting to prevent loss of benefits we had previously enjoyed. For example we oppose cuts to health care services, education, and infrastructure, and we fight against damaging fracking, pipelines, and trade agreements. Not only are our efforts primarily defensive, but they are also largely separated from each other, as people quite reasonably take on limited issues that they can manage.

Can we find some key issue which is so crucial to the entire range of issues on which we are already working that we can all benefit by taking on this additional issue together? Might such an issue enable us to break out of our usual defensive posture and go on the offensive to reverse the Harper-supported corporate agenda and to gain new advantages that we did not previously have? Might we frame this issue vividly and dramatically as an expression of our commitment to overcome the unjust corporate agenda and to foster a caring, environmentally sensitive social order? Might this issue enable us to reduce at its heart the power of corporate elites so that they can no longer run roughshod over us and the environment?

Raising taxes on the rich would move us in the right direction. This measure is certainly needed to reduce the devastating impact of inequality which has been growing dangerously. It would reduce the power of the wealthy and would weaken the austerity agenda by providing financial resources for public benefit. Despite its obvious wisdom, it has been extremely difficult to build political support for this option, and not only

because the wealthy exercise excessive power over politicians. There is widespread hostility toward taxes even among the less affluent whose taxes would not be raised. Although tax reform must not be overlooked, I suggest here that we focus on an even more powerful alternative strategy which is little known and all too much overlooked.

There is hardly any public discussion of the fact that governments at all levels in Canada are heavily burdened by **interest payments** on their borrowings—some \$60 billion every year recently—and close to **\$2 trillion** since 1975! These payments are not necessary! Our governments have been borrowing at interest from private banks and other private moneylenders. The federal government could have been using our publicly owned Bank of Canada to provide needed loans at near-zero interest! Nearly all our activist groups could benefit from a return to this practice which was used effectively between 1938 and 1975, enabling Canada to get out of the Depression, through World War II, and for thirty more years to build up our social programs and infrastructure, bringing the most prosperous period in Canadian history—with negligible inflation.

How does this monetary reform enable us to go on the offensive against the corporate agenda? It takes on the corporate elites at the heart of their power. This is not simply their enormous and growing wealth, but even more basically it is their control, through the privately owned banking system, over the power *to create money out of nothing*. They use this power to exploit us! With a return to the originally mandated purpose of the Bank of Canada, the power to create money out of nothing could be made available for **public** benefit. We activists need to unite to campaign for this result. An understanding of the workings of our money system is needed to clarify this strategic option. We take our present system for granted, and have little awareness how unjust and damaging it is.

What is money, and where does it come from? We generally assume that government supplies our money, and indeed it does provide the cash we carry for small transactions. But cash is only about 2% to 3% of our money supply. Nearly all the rest, about 97% to 98%—money essential for facilitating economic activity—has been created as computer entries by the privately owned banks in their process of making loans. They would like us to believe that they are simply intermediators lending out the money of depositors. But this is not the case. When they make loans they create new money. When someone takes out a loan, the bank insists that the borrower provide collateral, some valuable asset that the bank can take over in case the borrower defaults on the loan. The bank gets to create that loan money out of nothing, and if we borrowers fail to pay it back fully, on time, with interest, the bank gets to take over our valuable collateral.

That is bad enough. But it gets worse. **When banks make loans, they create money for principal, but not for the interest they require to be paid.** Borrowers

have to compete with each other for money which has been created only as principal to pay both principal and interest, and also to have money for essential current use. People who owe nothing are also competing to use this same money supply. As **competition** prevails, impulses toward cooperation and charity are undermined. In this debt-money system there is always a shortage of money. Money to pay interest can only be obtained through even more borrowing and more debt. Obviously this is unsustainable. Defaults come on inevitably, and **recession** follows.

This system is also inflationary. To pay interest along with their other expenses, businesses constantly strive to push up prices. In response, workers strive to raise wages. Hence **inflation**. The interest requirement is also a factor in driving businesses to pursue **unsustainable growth**. Moreover, as those who are economically vulnerable default on their loans, many are driven into poverty, and wealth becomes increasingly concentrated into the hands of a few, exacerbating the growing problem of **inequality**.

When borrowers pay off their loans the banks keep the interest as their own, but they **destroy** the principal. The creators of money are also its destroyers! This is an enormous additional source of power often used to our disadvantage. If all borrowers—governments, businesses, and individuals—strove to exercise the virtue of thrift by paying off their debts, long before succeeding they would have driven the economy into deep depression.

We are all in thrall to the banks—even those of us who carry no debt. On average about 40% of the prices of all the goods in our society is the result of accumulating interest expenses! (See [www.converge.org.nz/evenz/money.pdf](http://www.converge.org.nz/evenz/money.pdf) .)

We could begin to reverse this and all the other damaging impacts of our money system by returning to using our publicly owned Bank of Canada to provide interest-free loans to all levels of government for public benefit. A bit more explanation is needed here.

The power to create money out of nothing is awesome. **Whoever gets to benefit from the first use of newly created money gets a free benefit!** The process is essentially the same as when counterfeiters print and successfully pass off cash. But they face the difficulties of devising convincing facsimiles of modern cash, and they run the risk of arrest and punishment. Commercial banks can, entirely legally, quickly create any desired quantity of money with simple computer entries. This is easier than picking money off trees. And they tell us there is no such thing as a free lunch!

Our Bank of Canada could use this same simple process to create money for public benefit, as it did in the past. It can **lend money into existence**—say, for investment in much-needed infrastructure, thus creating lots of jobs. At present governments borrow at interest and pay for such projects two or three times over. Interest-free loans would make it possible for them to pay for the projects just once out

of tax income over the lifetime of each project—perhaps 30 to 50 years. This would free large amounts of tax funds for current program spending.

There is another astonishing possibility. When additional new money is needed in the economy, as now, governments could simply **spend money into existence as a free benefit for public use**. Whether government-created money is lent or spent into existence, debt-free money is injected into the economy, making possible great reductions in the far-reaching problems resulting, as already mentioned, from our present destructive debt-money system. And governments could have access to abundant funds for initiating creative measures for social and environmental welfare, while gradually reducing their past debts.

Having money-creation under government control is no panacea. Spending for human and environmental abuse, as in war, remains possible. Any campaign for monetary reform is a struggle for democratization of our money system, and such a campaign can readily be integrated with the wider struggle for greater democracy. We need to develop a high degree of public awareness regarding how our money system works, and procedures to assure that full, accurate, transparent information on the functioning of the system is publicly available, and widespread commitment to assuring that the system is benevolently used. Strong public understanding and support are necessary to resist the intense opposition that banks can be fully expected to mount against monetary reform.

We must not wilt before the inevitable claim that government-created money is inflationary. We need to emphasize how damaging our present bank-created debt-money system itself is. It has its own long record of promoting steady, ongoing inflation, as already explained here. Inflationary pressures are built into its very genes. Moreover, there is much evidence to indicate that when governments have controlled their own money-creation they have managed their economies with very little inflation, as Canada did between 1938 and 1975. The record shows that hyperinflations, including that of Germany in the 1920s, were not driven by government irresponsibility, but by wealthy speculators, including banks, manipulating national currencies to their own great advantage (see Ellen Brown, *The Web of Debt*).

While there are additional complexities regarding our money system which specialists in monetary reform need to master, the basics have been presented here. A campaign for monetary reform must aim to get elected a federal government which will use the Bank of Canada to create money out of nothing for public benefit as originally intended by the Bank of Canada Act, and as was done between 1938 and 1975. Here are five compelling reasons why activists should unite in a campaign to achieve this end:

1. This campaign would enable us to go on the offensive against the power of corporate elites at its heart: their monopoly over the creation of money.

2. This campaign would enable us to go on the offensive against our corporate antagonists so that they have to expend energy and give attention to our initiatives rather than forcing us simply to take defensive actions against their assaults on our welfare.
3. This campaign would enable us to take action which is critical for all our separate struggles, and to combine our strengths into a single struggle.
4. Victory in this struggle would not simply maintain or restore a previous beneficial status quo. It would defend us against the debt-driven, exploitive austerity agenda by enabling us to pay off public debts while providing abundant funding for improvements and initiatives for public benefit.
5. If in our campaign we focus attention on the glaring injustices resulting from the elites' outrageous monopoly over the creation of money out of nothing, a power that could be made available for public benefit as in our past, we can make a compelling, dramatic case for our cause.

A campaign for monetary reform will certainly be demanding. It requires bringing together many activist groups which already have challenging agendas. It requires a massive public education effort without assistance from the mainline media. It will face ferocious opposition from the banks, with the full assistance of the mainline media. It will need to convince a reluctant NDP to take up this cause. The Committee on Monetary and Economic Reform (COMER) has been working on this issue since the 1980's, and has much expertise, but has insufficient strength to manage the task alone. Nevertheless it has in progress a lawsuit against the federal government for its failure to carry out the mandate of the Bank of Canada Act. Apparently there is no other organization in Canada better situated than the CLC to lead a campaign for monetary reform. It is a tough assignment. But we need your leadership. Success could reverse the corporate agenda, and bring spectacular social and environmental improvement.

George Crowell, member of COMER, taught Social Ethics in the Religious Studies Department, University of Windsor, 1968-96.