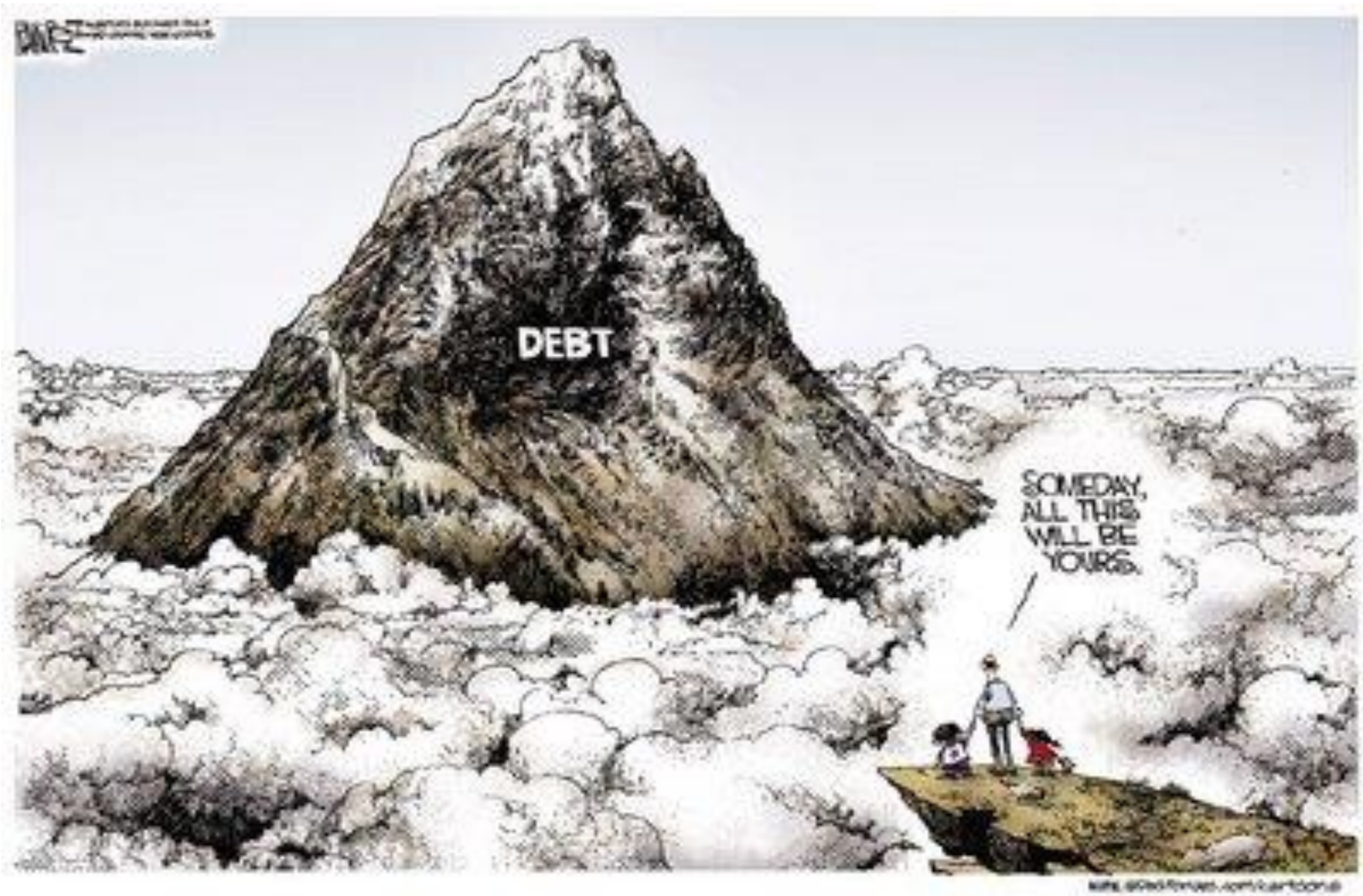
Can the National Debt Be Paid Down?
If So, Who Will Pay It?

Ellen Brown, JD
Founder, Public Banking Institute

American Freedom Alliance
Center for the Investigation of the National Debt
November 17, 2015, 7:30 pm
Luxe Sunset Blvd Hotel, Los Angeles

At $18.5 trillion, the US federal debt cannot be repaid with taxes.



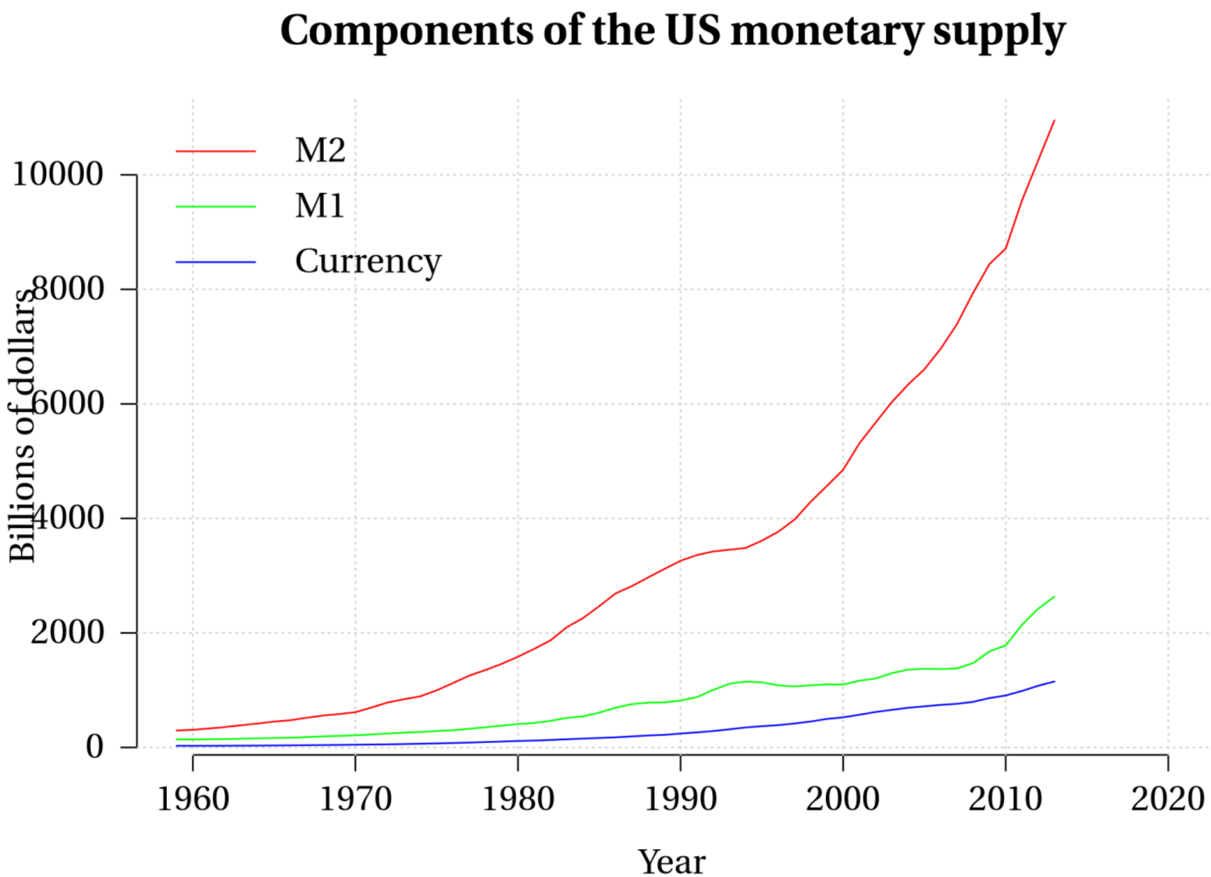
Politicians know this. Yet they use the debt as leverage to impose budget cuts, austerity measures, and privatization.

Public assets are on the auction block. Why? Big Money wants to own it all.

- railways
- water and other utilities
- postal and other buildings
- education
- healthcare
- prisons
- military

How did the government get so far into debt? Isn't money *issued* by the government?

No – not since Abraham Lincoln. Today *banks* create the bulk of the money supply.



Banks create money when they make loans.

'[B]anks do not act simply as intermediaries, lending out deposits that savers place with them, and nor do they 'multiply up' central bank money to create new loans and deposits … Commercial banks create money, in the form of bank deposits, by making new loans.'

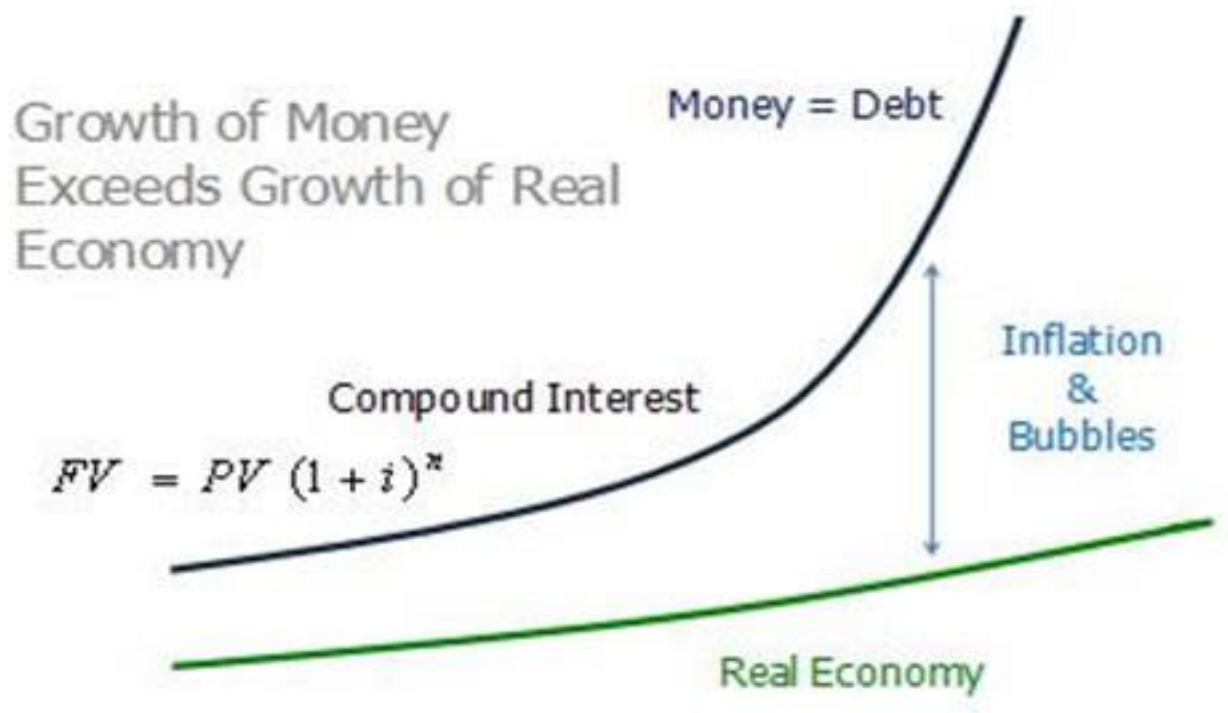
- *'Money creation in the modern economy', Quarterly Bulletin,2014 Q1, Bank of England.*

Our money *is* debt –
owed back to banks with interest.

As Robert H. Hemphill, Credit Manager of the Federal Reserve Bank of Atlanta, wrote in 1934:

"We are completely dependent on the commercial Banks. *Someone has to borrow every dollar we have in circulation, cash or credit*. If the Banks create ample synthetic money we are prosperous; if not, we starve."

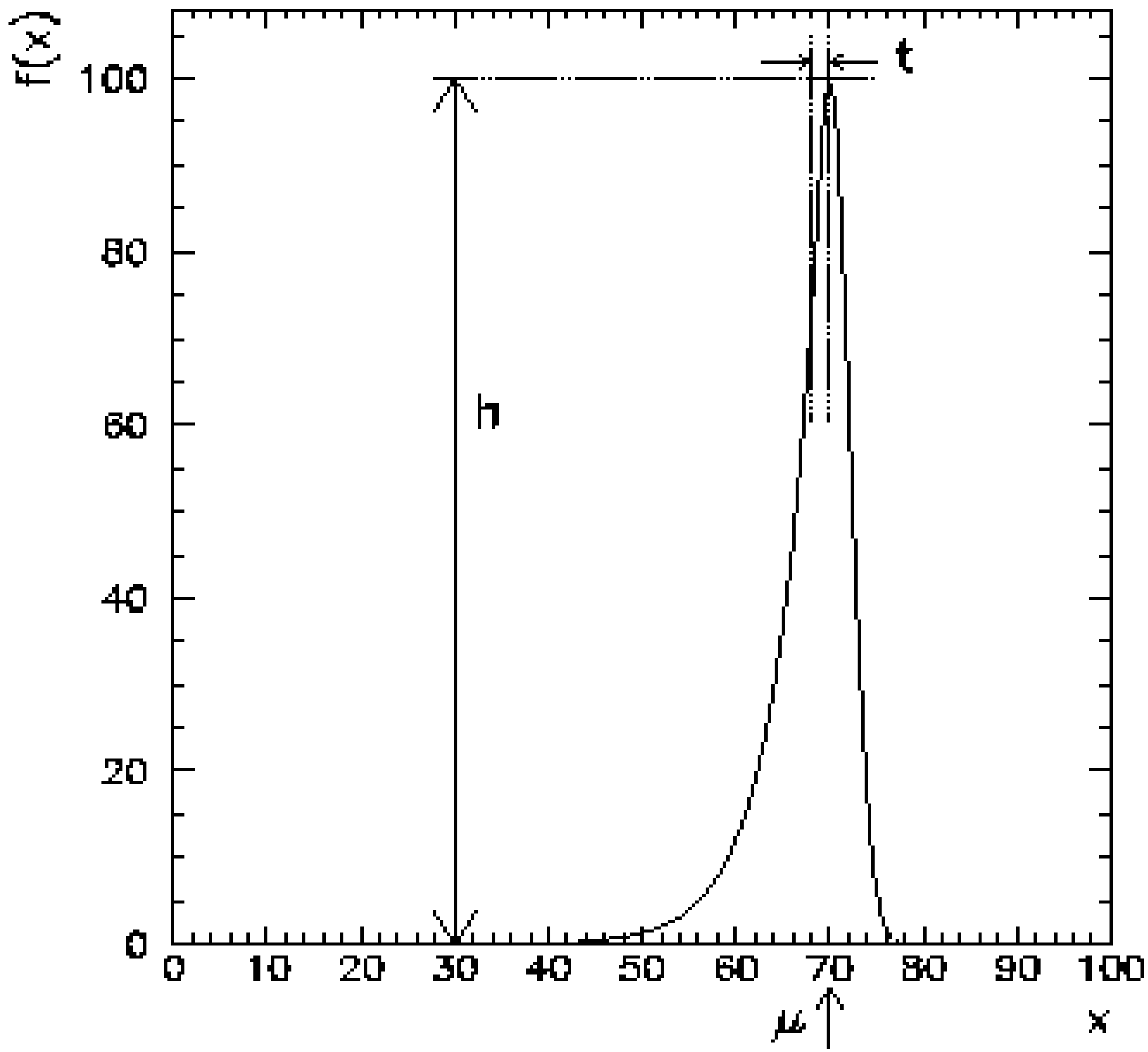
The debt overhang: debt-at-interest always grows faster than the real economy.



Exponential growth is unsustainable.

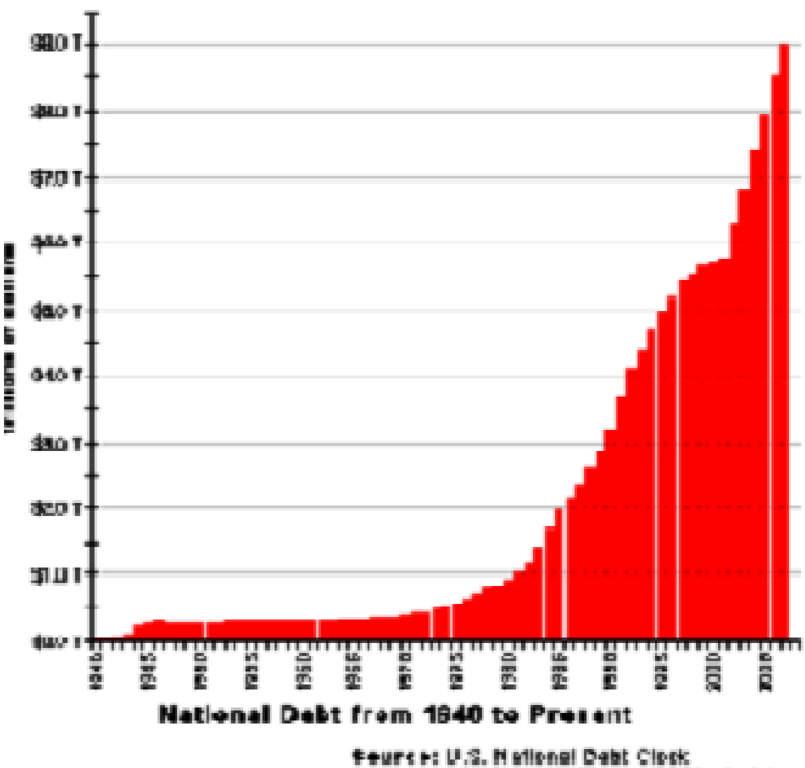
Found in:

- cancer
- parasites
- compound interest

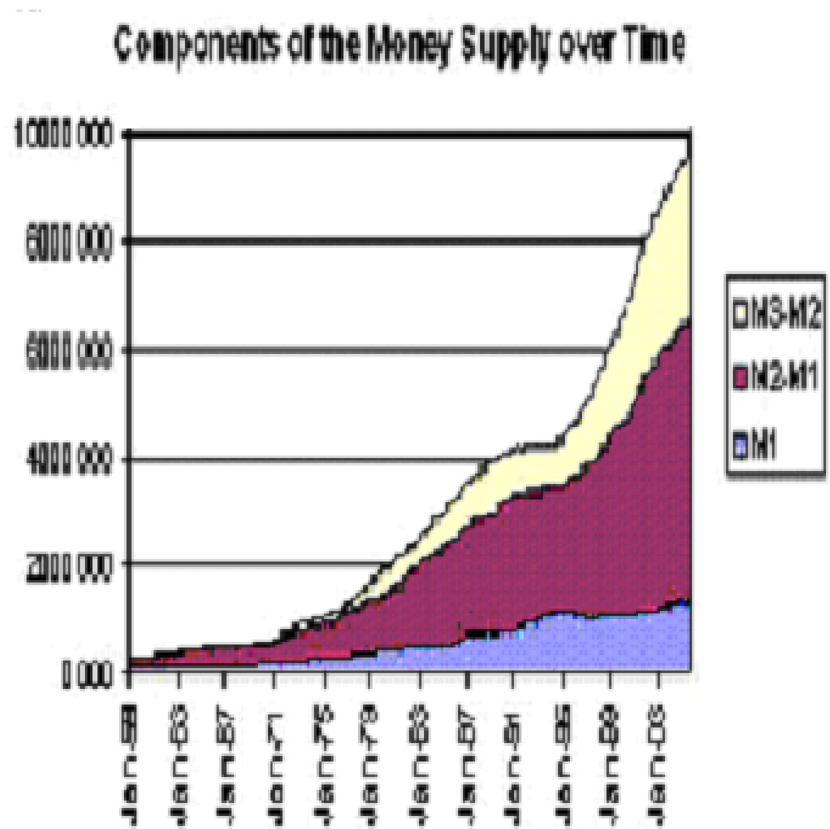


Yet if we pay off the debt, we will have no money – unless we replace it with something else.

Federal debt 1940 to 2007 ($9T)



Money supply 1959 to 2006



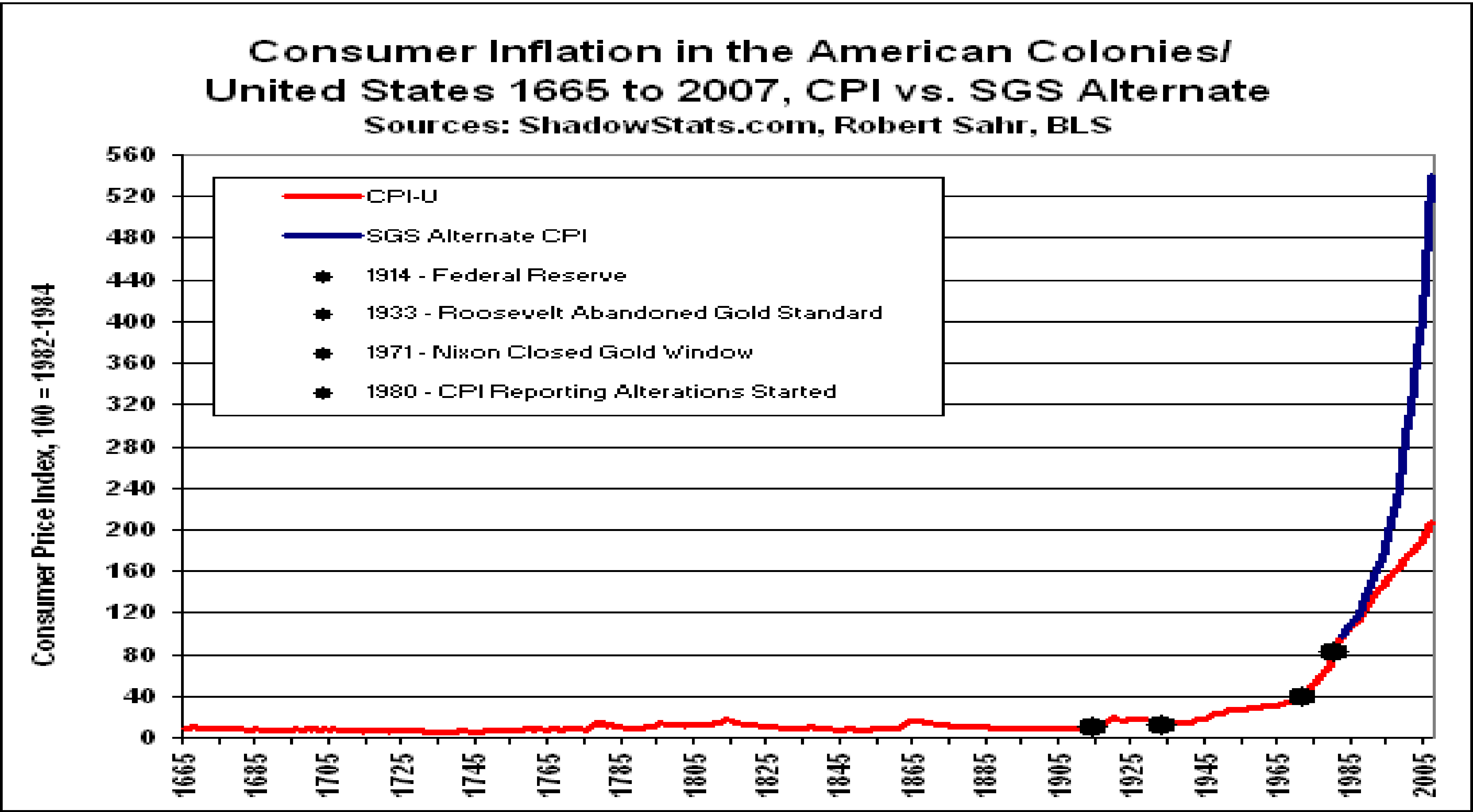
The solution: Repay the debt with debt-free dollars issued by the government.

- Pioneered by the American colonists.
- Incorporated in the Constitution, Art 1, § 8.
- In 1850, government-issued money (coins) composed 50% of the money supply.

Lincoln's Greenbacks

- Issued during the Civil War to avoid an unrepayable federal debt.
- Funded major expansion.
- Composed 40% of the money supply ($5 trillion today), yet hyperinflation did not result.

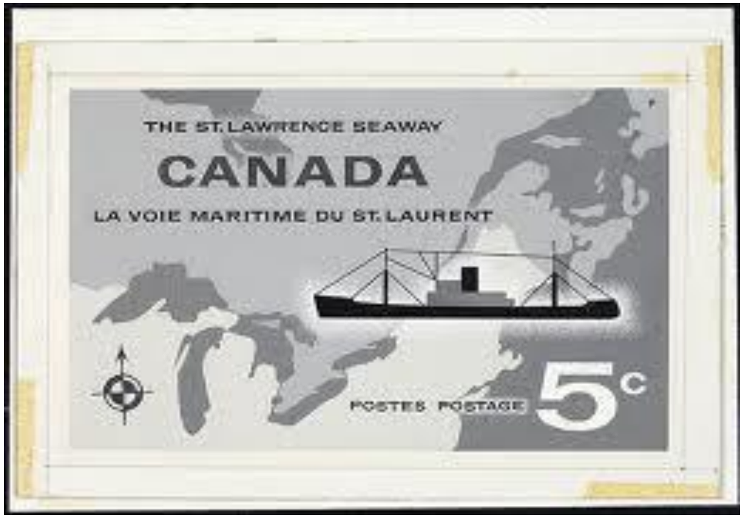
Compare inflation rates: Colonial Scrip, Greenbacks, and Federal Reserve Notes.



Other ex-British colonies have also successfully issued their own money.

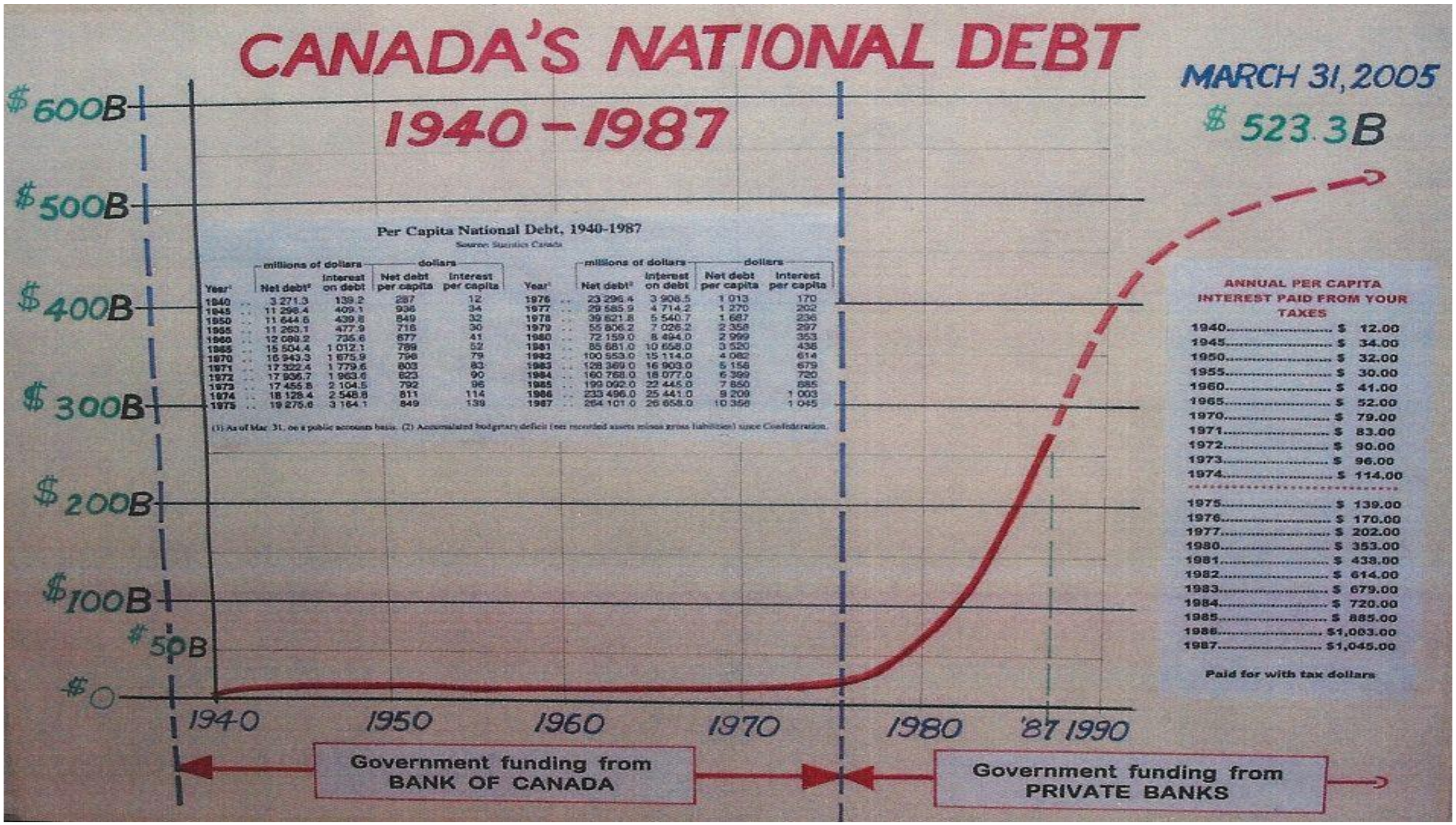
- In the early 20th century, Australia and New Zealand funded major public projects simply with "national credit," with stunning results – until blocked by the Bank of England.

From 1939-74, Canada borrowed from its own central bank interest-free, also funding major projects with national credit:



- aircraft production
- education benefits for returning soldiers
- family allowances
- old age pensions
- the Trans-Canada Highway
- the St. Lawrence Seaway project
- universal health care.

Yet the national debt did not increase.

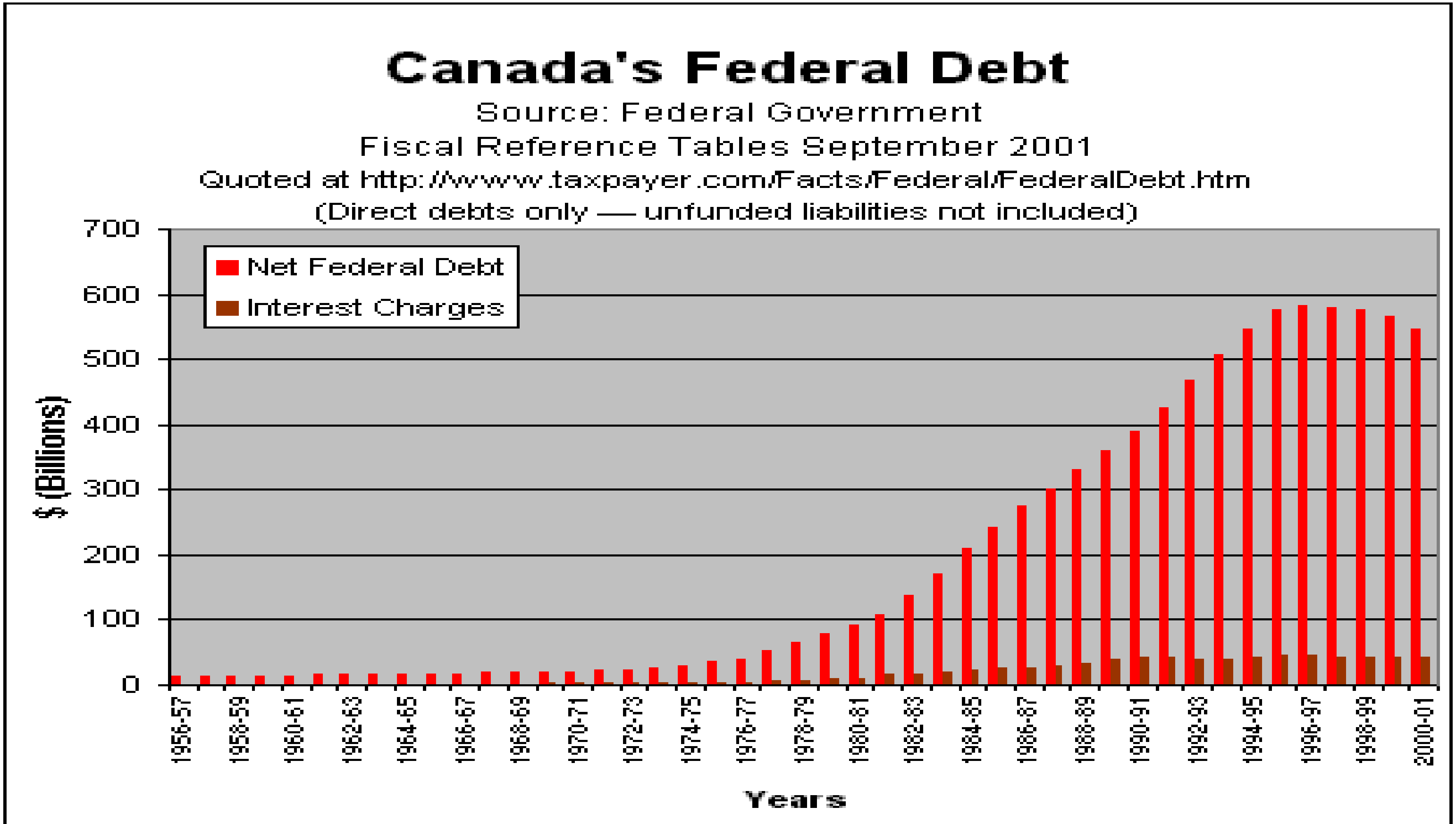


Figures supplied by former government accountant Jack Biddell.
Compiled by Will Abram, reproduced at http://occupyourbank.ca.

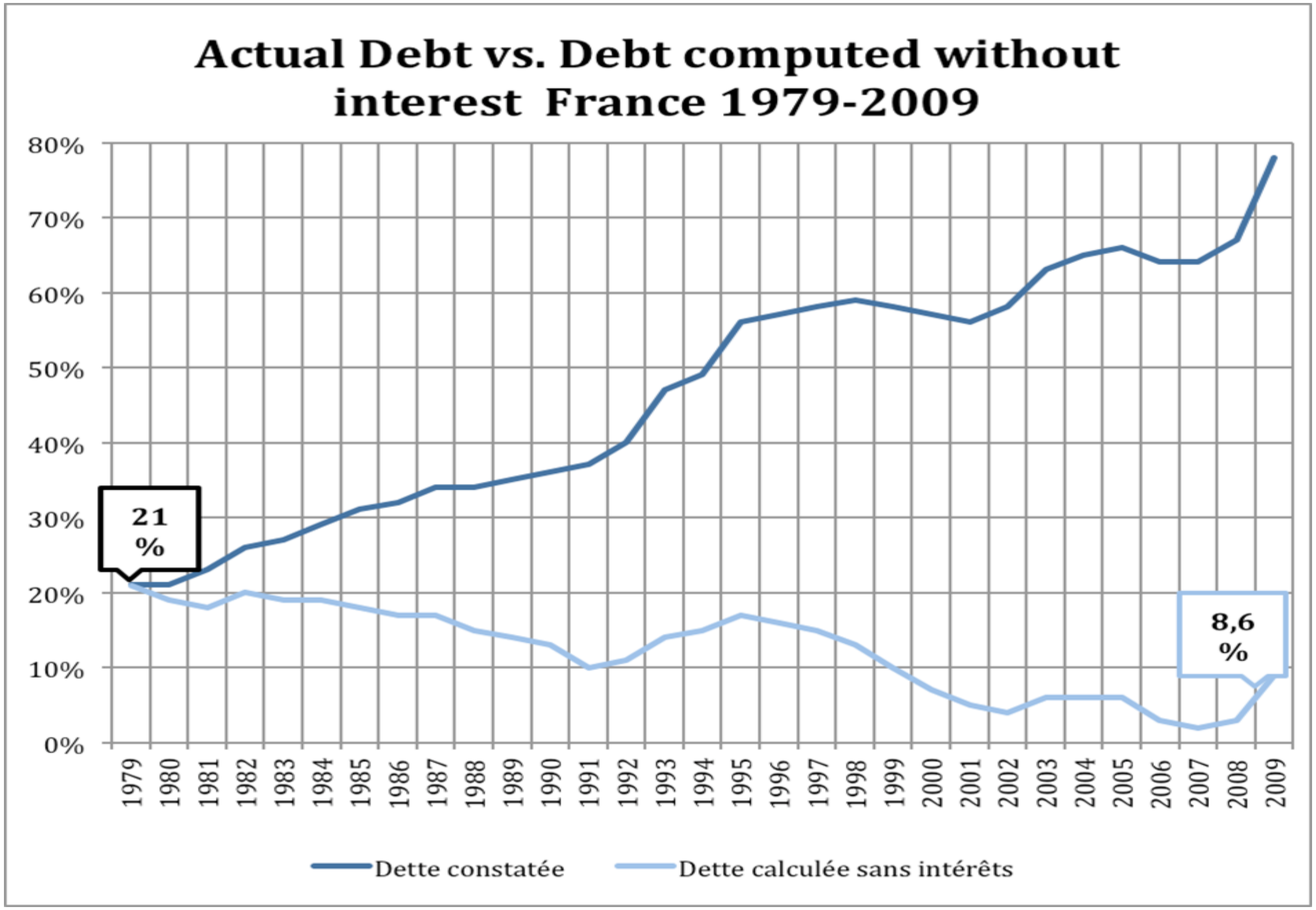
In 1974, the Canadian Government quit borrowing from its central bank.

- Canada joined the BIS and the Basel Committee, which had been formed by the BIS the same year.
- One of the key objectives of the Committee was to "maintain the stability of the currency."
- That meant no more printing money or borrowing interest-free from the nation's own central bank.

By 2000, Canada's federal debt had shot up to $585 billion.

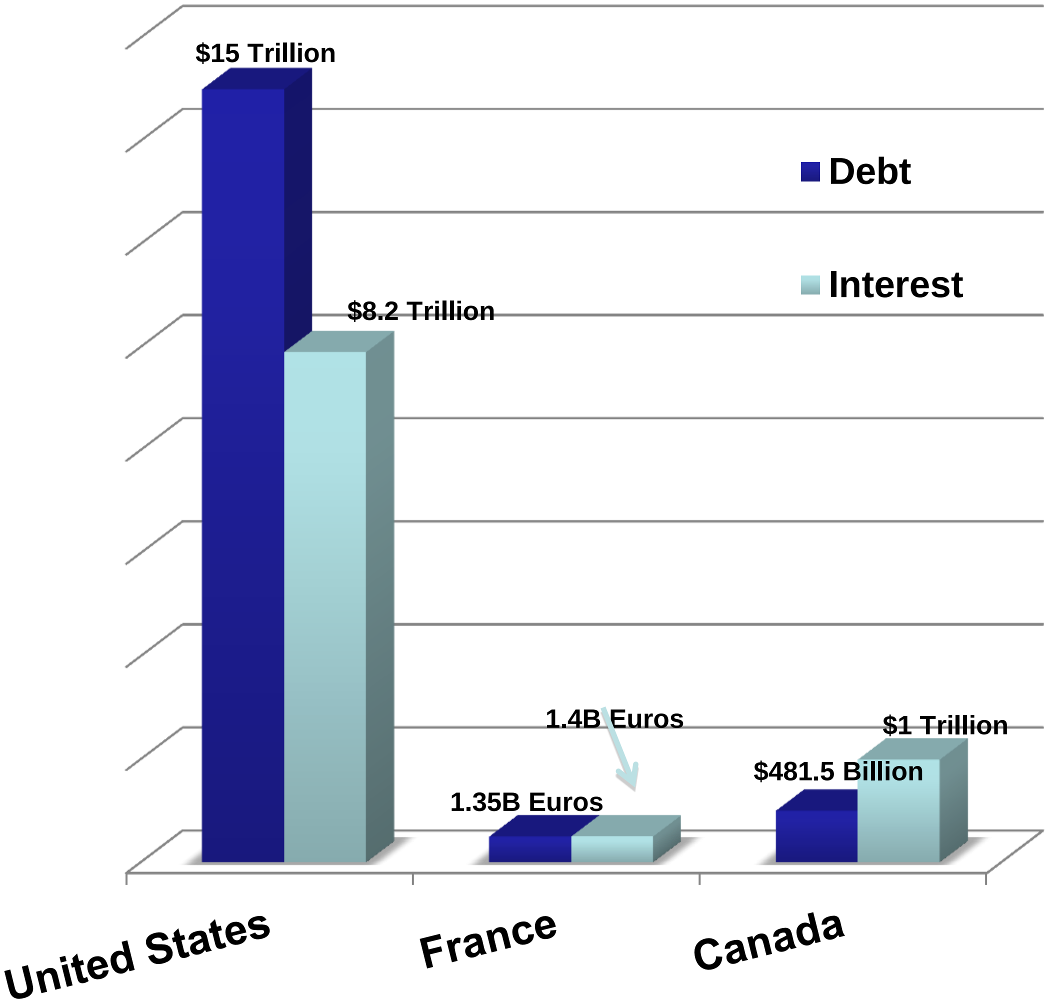


The same thing happened in France. Without interest, France might have no national debt.



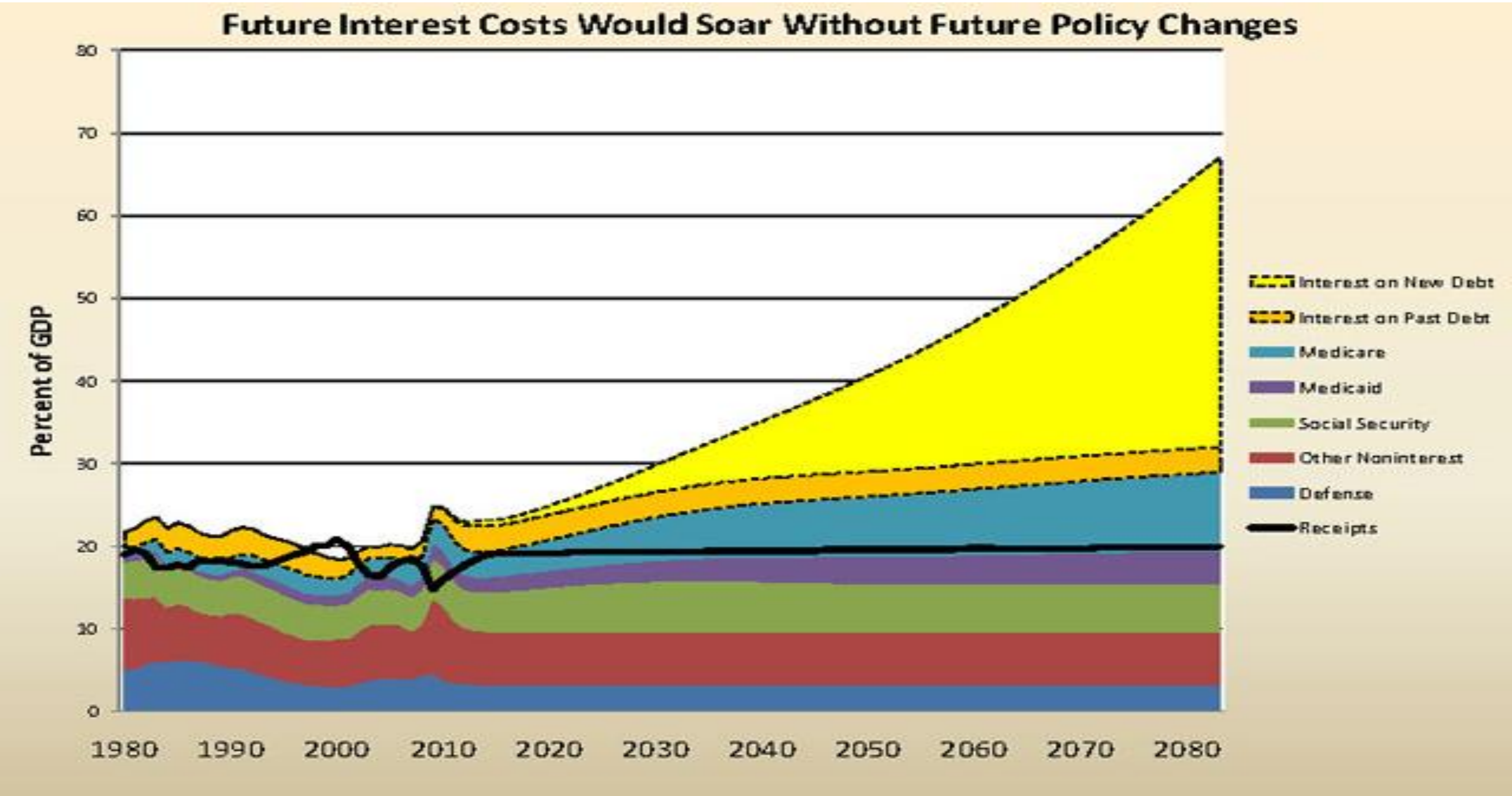
From Bernard Lietaer, et al., “Money and Sustainability” (2012)

Without interest, the US and Canada might also have no national debt.



- U.S. debt is $15T. $8.2T has been paid in interest in 24 years. http://www.treasurydirect.gov/govt/reports/ir/ir_expense.htm
- France's debt increased 1.35 Euros since 1973. 1.4B Euros paid in interest since then. https://www.youtube.com/watch?v=P8fDLyXXUxM&feature=player_embedded
- Canada had a debt in 2006 of C$ 481.5 billion, and had paid almost C$ 1 trillion in interest since 1961. http://www.enterstageright.com/archive/articles/1006/1006cdndebt.htm

Without interest, even a large federal debt might be sustainable.



Eliminating interest can cut infrastructure costs in half.

Bay Bridge retrofit:
principal, $6 billion;
interest, $6 billion.

California bullet train:
principal, $9.95 billion;
interest, $9.5 billion

Interest could be eliminated by borrowing from the central bank. But how to eliminate the principal?

- The Fed could buy the debt with QE and rip it up.
- Congress could buy the debt with Greenbacks.

The president could buy the debt with $1 trillion coins by executive order.

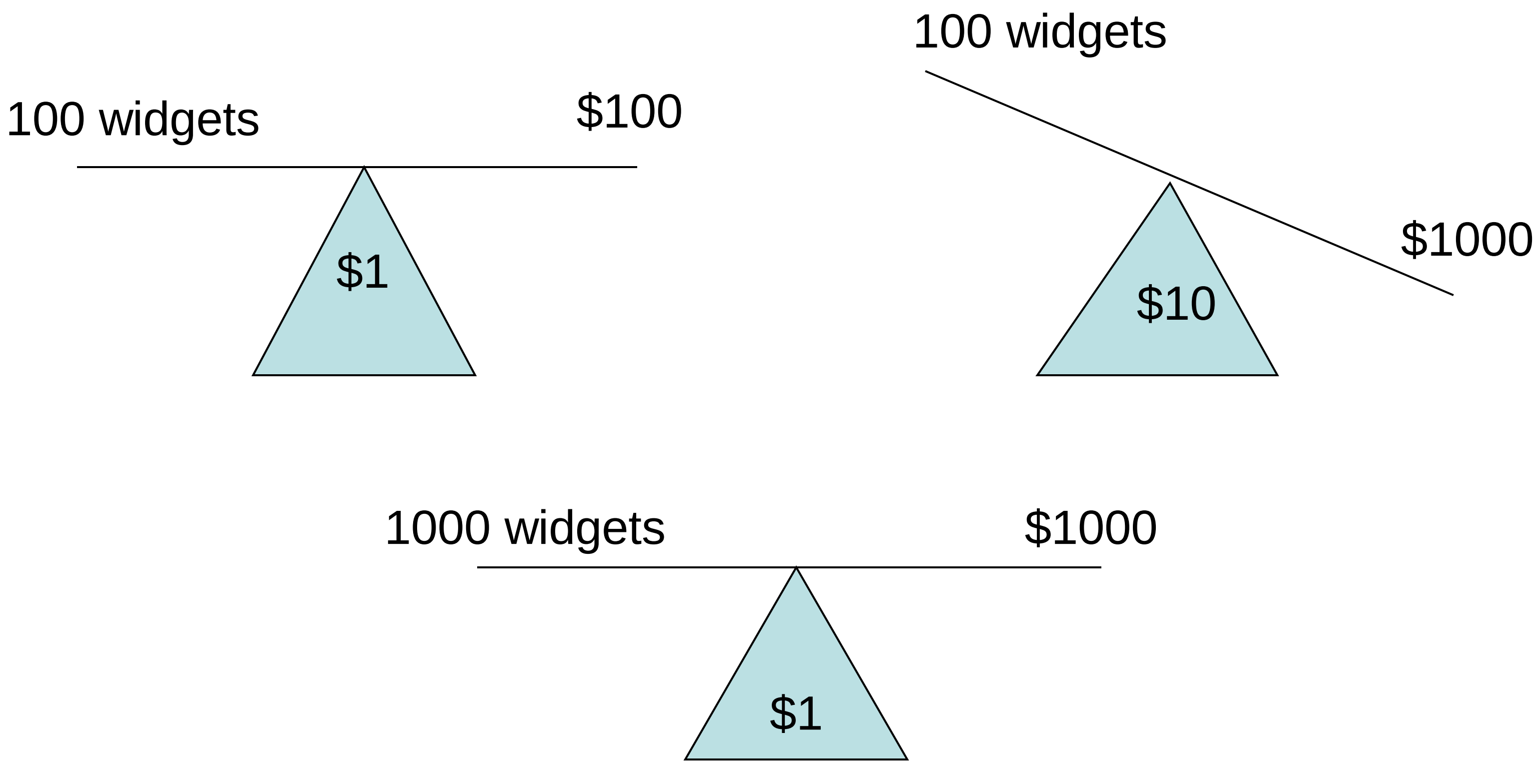
Philip Diehl, former head of the US Mint, states:

“In minting the $1 trillion platinum coin, the Treasury Secretary would be exercising authority which Congress has granted routinely for more than 220 years . . . . under power expressly granted to Congress in the Constitution.”

Would that trigger hyperinflation? No.

- It did not in the Civil War or with $4.5T in QE.
- “Every hyperinflation in history has been caused by foreign debt service collapsing the exchange rate. The problem almost always has resulted from wartime foreign currency strains, not domestic spending.”
  – Prof. Michael Hudson

When workers and materials are available, supply increases to meet demand, and prices remain stable.



Paying off the debt would just be an asset swap: dollars for bonds.

As Thomas Edison said:

"If the Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference . . . is that . . . the currency, the honest sort provided by the Constitution, pays nobody but those who contribute in some useful way."

PUBLIC BANKING INSTITUTE

Banking in the Public Interest

For more information –

PublicBankingInstitute.org

EllenBrown.com