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# The Fiction of Government Debt

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Government debt is a fiction. The government ought to have sovereignty which includes the right to print a currency. Yet in America and in the modern world with the exception of Singapore the right to create money has been given to the bankers. We have had three Presidents who supported the right of the government to issue Treasury Notes instead of Federal Reserve Notes. Unfortunately for us, all three were killed by "lone assassins."

Let me begin by explaining what money is. Money is a commodity that measures the value of all other commodities and services. Prices are a ratio of money to all other goods for sale. If the ratio remains constant then there is no inflation. For example, if the money supply were one trillion dollars and production increased by 4%, then we could increase the money supply by 4% without fear of inflation.

So, you ask, how do banks and governments differ in how they create money? Imagine it is in the early 19th century and we are shipwrecked on an island far from the shipping lanes with no immediate chance of rescue. I would open a bank. I would find an artist to help me create one thousand one dollar bills. I would spend these "Island Treasury Notes" into circulation by paying anyone who did community work, such as, building a clinic or a school. I would have a popular government as I would dispense more social services than I took from the people in taxation.

Now imagine you are stranded on an island with a New York or London banker. He would set up a private bank and create money which he would loan to you. Notice he is not loaning you anyone's savings. He is functioning as a counterfeiter. He is using loan agreements to pass counterfeit money. And he is requiring you to pay interest on his forgeries. This form of banking is nothing more than a theft as it will eventually through monetary creation, interest payments, inflation and depression transfer all wealth from those who produce wealth to those who print the currency.

Suppose our banker runs low on paper to print money. He can create checking account money. You go in for a loan and he gives you a check book in which he gives you the right to write checks up to the amount of the loan. Notice again he is not loaning you someone else's deposit. He is creating money out of thin air and obligating you to work to repay him both the amount he counterfeited and the interest.

Now let us look at how the Treasury Department "borrows" money. Suppose the Secretary of the Treasury is short 100 billion dollars over the next three months. Under the Treasury Note System as advocated by martyrs Lincoln, McKinley and Kennedy, the central bank would be owned by the government. It would create 100 billion dollars in checking account money and cash. The Treasurer would then use this money to pay for government wages and programs. Remembering that prices are a ratio of the commodity called money to all goods and services

for sale, we know that this 100 billion deficit will actually be good for the economy. Why? Because the money supply is currently 10 trillion dollars. And, if the economy grows 4% a year, we need to create 400 billion dollars a year and spend it into circulation. From the Keynesian economic perspective this spending money into circulation would protect us from a depression. And it would also prevent an inflation as the ratio of money in circulation to goods and services would be constant. Please note I am not endorsing Keynesianism. I am just saying there are economists who would agree that spending non-interest bearing money into circulation makes sense as it would reduce unemployment and not create inflation.

Now let's look at what happens when we run a deficit under the Federal Reserve system which was copied by Max and Felix Warburg from the German Central bank. The Secretary of the Treasury calls up the Federal Reserve and begs them to create one hundred billion dollars. Suppose the Fed decides to print ten billion dollars in coins and cash and to create 90 billion dollars in checking account money. The Fed calls the Bureau of Engraving and Printing and asks them to print ten billion dollars. The Fed then writes out a check for 3 1/2% of the ten billion dollars which is what the Bureau charges on average. The Bureau delivers ten billion dollars in Federal Reserve Notes to the Fed. That check for 350 million dollars the Fed used to buy ten billion dollars was created out of nothing as an accounting entry. The Fed then creates 90 billion dollars in checking account money which they deliver to the Treasury along with the ten billion dollars in cash in exchange for 100 billion dollars in Treasury Notes. Those Notes obligate you to work and pay taxes to pay a debt and an interest on the debt which are fictions. Last year I calculated that the total amount of money we pay as taxpayers to pay the interest on our "fictitious debt" and the the money we could have spent into circulation as being 759 billion dollars a year.

But 759 billion dollars a year is not the total cost of the subsidy you pay each year to the bankers. The banks launder 2.5 trillion dollars in drug money each year. That amount of money can only result in the unleashing of a tremendous wave of crime for addicts to buy drugs. That is another subsidy to the banks. And the spread of fatal sexually transmitted diseases is another by-product. The banks also launder 500 billion dollars in bribes each year and another 200 billion plus dollars in illegal weapons sales. Both of these do great harm to the average person. And then there is the matter of the theft of billions of dollars each week from unaudited government contracts. The total cost of the banking class is over a trillion dollars a year even if you assume that the bankers had nothing to do with all of our wars which is a rather dubious proposition!

Of course a system such as the Federal Reserve was never intended to work if you mean by that you could work all your life, save money and rely upon a company pension to provide for yourself when you were too old to labor. What it was intended to do was transfer all wealth from those who work to those who do not. In the Great Depression of 1929-1939 the monetary contraction forced tens of millions into bankruptcy which transferred wealth as the system was designed to do. We are approaching a period of great inflation that will transfer all wealth to the banking class. On November 10th of last year the Federal Reserve bank said it would no longer tell us what the total money supply (M3) of the United States is. I believe they will be creating tens of trillions of dollars in M3 credits to cover the sale of an equal amount of assets held by the bankers and their friends so they can get out of soon to be bankrupt stocks and bonds. They will take this money overseas and invest it in hedge funds, foreign currencies, gold, silver and other commodities. When the dollar has collapsed, they will be able to buy America for pennies on the dollar and cut our wages to nothing. Our homes and our businesses will have all been confiscated by foreclosure. Fifty companies will own America. Their employers association will effectively eliminate all democracy. If their spies hear that you are a union organizer or a precinct worker for that token opposition candidate, you would lose your job at WalMart and wind up working as a day laborer taking the jobs the illegal aliens do not want. The level of inflation I am expecting is so enormous that pensions and savings will be cut by at least 90% and wages by more than half. And, I would expect all of this to happen before the end of 2009 if we do nothing.

You might ask yourself which congressman or Senator, Democrat or Republican, has denounced the Federal Reserve's declaration that would no longer tell us what the money

supply is? None have so far. How many congressmen and Senators have denounced the theft of billions of dollars each week in unaudited federal government contracts? None so far. There is a lot of Bush bashing (and deservedly so) but there is very little truth telling.

For references I would suggest the following:

On the theft of billions each week in unaudited government contracts go here:

<http://openingmind.blogspot.com/2005/10/financing-new-world-order-did-you-ever.html>

On the Federal Reserve's November 10th announcement saying they would destroy all pensions and savings go here:

<http://openingmind.blogspot.com/2005/11/conversation-with-catherine-on-m3this.html>

For an in depth perspective on the End Game strategy of the NWO as we approach the end of the world as we knew it go the next article in this blog here:

<http://openingmind.blogspot.com/2006/04/end-game.html>

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