

# ***The Phony Credit Crunch And The Pressing Need For Financial Reform***

**Hello, good evening and welcome, Shalom, Assalamu alaikum. It is August 2009, my name is Alexander Baron, and this is my third Internet sermon. I am an independent researcher based in London, England, and I have chosen for this dissertation the most important subject of our age, the financial system. When I say the most important, I mean *the* most important, barring none.**

**Many of the so-called problems mankind faces are non-problems, contrived problems such as *racism, homophobia*, more general issues of so-called discrimination, etc. Rather than being real problems or real issues they are diversions which have been either contrived or are exploited, oftentimes both, to distract us from seeking redress from the underlying malaise.**

**Even the real problems mankind faces are of secondary importance to that of reforming the corrupt, debt-based financial system, because environmental despoliation, global warming, AIDS and influenza pandemics, you name it, they can only be solved if we have the resources, the technology, and the will to solve them. And as things stand, we can't, because nothing in this world is possible unless it is first financially possible. In short, the governments, even the US Government, the mightiest government in history, is totally subservient to the financial system. This is not the way it should be, what we need is a financial system that makes anything that is technologically or logistically possible, and desirable, a reality.**

**We are hearing much of late about the so-called credit crunch, there is no credit, no money, industry is going to the wall, people worldwide, even in the wealthiest nations like the United States and Japan, are losing their livelihoods, or their homes. The national debt is spiraling out of control. Governments are told they must provide billions for the banks, and if they don't it will be the end of life as we know it. We have seen so-called quantitative easing – billions pumped into the banking system – and yet this is still not enough.**

**What is missing from this equation?**

**I said earlier that nothing in this world is possible unless it is first financially possible, that is not quite true, there is one startling exception to this rule: war.**

**Most people – not only pacifists – will agree that war is an undesirable state of affairs, yet war has been one of the most salient features of not only the Twentieth Century up to this very day, but throughout history. Leaving aside the human cost – which is often staggering not to say obscene - wars are extremely expensive to fight, all the more so since the advent of modern technology. In wars, men are dragged off the land or out of industry, and organised into armies where they have to be trained, equipped and fed. Although there is high inflation and scarcity of consumer goods, industry works flat out.**

**Military vehicles, planes, ammunition, heavy ordnance are produced as if by magic. And are destroyed.**

**And this process continues until either there is a negotiated settlement or one side is victorious. Wars never but never end when one of the protagonists runs out of money. Why is that?**

**The answer to this question can be found in the book *TRAGEDY AND HOPE: A History of THE WORLD in Our Time*, by the American academic Carroll Quigley.**

**At page 316 of his *magnum opus*, Professor Quigley tells us: “Wars, as events have proved since, are not fought with gold or even with money, but by the proper organization of real resources...The outbreak of war on August 4, 1914, found the British banking system insolvent in the sense that its funds, created by the banking system for profit and rented out to the economic system to permit it to operate...could not be liquidated rapidly.”**

**To most people, the word insolvent means bankrupt, as indeed it does, or as good as. If you are insolvent, you can't meet your liabilities. The banking system in Britain was insolvent at the outbreak of World War One, but by the proper organisation of real resources, the British Government was able not only to fight but to win a war which lasted four years. Leaving aside the fact that it would have been better for all concerned if all the governments involved had not been able to afford to fight what was then known as The Great War, the British Government, indeed all the parties involved, found the money to fight it. They found money to train soldiers, to arm them, to transport them, to feed and clothe them, and to bury them.**

**They also found the money to build tanks and planes, and manufacture ordnance, which was then destroyed often causing immense destruction to the enemy, again not to mention loss of life.**

**How did they do this? Here is what Professor Quigley says: “the bankers secretly devised a scheme by which their obligations could be met by fiat money...but, as soon as that crisis was over, they then insisted that the government must pay for the war without recourse to fiat money...but by taxation and by borrowing at high interest rates from bankers.”**

**What that means is that in effect the government – in other words, the people – paid for the war twice. The funds were created at the time to facilitate the massive output that was needed for the war effort. Then, after the war, they were required to service this debt, which had been created out of nothing. Notice that Professor Quigley says that after the war the bankers insisted the government pay them. Just in case you thought it was the government that governed the country.**

**One more quote from the good professor, earlier, on page 53 he says bankers sought to control the money supply and “To do this it was necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation.”**

In other words, it is all based on deception. So what is the solution to the current financial crisis, in Britain and the world? In March 1933, the novelist Gilbert Frankau came up with a *novel* suggestion. Writing in the *Daily Express*, he said “A war would be a great idea...[a]nother war would give our three million unemployed ample employment. I would suggest conscription for this country. It would be immensely popular”.

Surprisingly, he is half right. What we need is for the government: the British Government, the US Government, and governments throughout the world, to put in place the same financial mechanisms that enable even the most impoverished countries to fight wars, which in some cases last for many years or even decades. This means taking the power to create credit out of the hands of parasitic bankers, and issuing credit if not to individuals and companies, then for public works, debt-free.

Over the past fifty years and more we have seen government interfering more and more in the lives of ordinary citizens; they want to control what we read and write, with whom we associate, even what we smoke, drink and eat. And they are not shy about creating and enforcing at times the most absurd laws to ensure we obey their every whim. The government certainly does have some *bona fide* powers: the administration of the criminal justice system, national defence, major infrastructure.... But the one power that it should have, but does not in any great measure, is the power to create its own credit against the real resources of the nation.

There are basically three ways in which the government can fund public spending: it can raise money by taxation, it can borrow money, or it can create it.

Taxation is both expensive and to some degree counterproductive, the latter because it actually reduces the power of the public to consume; they can't purchase goods and services with money that has been expropriated by the government.

Secondly, the government can borrow money from individuals and from the banking system. But this money is repaid at interest. Always. Apart from Islamic clerics, no one ever seems to question the validity of this. The money the government borrows from the banking system is actually created *ex nihilo*. There has been and to some extent still is an air of mystery about this, but the fact that banks create money out of nothing is now openly admitted and discussed in the national media.

The third method of raising money for government spending is averting the banks and doing the job itself. The government can mint coin, it can print notes, or it can simply create the credit by writing figures in a book, or nowadays by inputting said figures into a computer. Creating credit is by far the most efficient and the cheapest way of going about this because there are absolutely no expenses involved, no metal, no ink. Now, obviously no government can just create credit willy nilly, the result of that is hyperinflation, but inflation is defined in general terms as too much money chasing too few goods. Clearly there is not too much money in circulation, because apart from the banks, nobody's got any.

**In the event of too much credit being created, the government can, in the words of the Duke of Bedford way back in 1947, “use anti-inflation taxation to collect, from time to time just as much of that money as may be necessary to prevent an excess from remaining in circulation beyond the total of goods and services available...”**

**The government has the power, and indeed the duty, to create its own credit, all its own credit, for public works. Why should it borrow money at interest when it can create it for no cost at all?**

**Let me put it another way, if you came to me and said, “Al, I need a thousand quid for a deposit on a new motor”, and I said “Right, I’ll lend you a grand at 10% interest, or alternatively you can have it for no interest, and on top of that, you don’t have to repay the principal.” Which would you opt for?**

**The choice really is that silly.**

**Without this simple but essential reform, there will be no way out of the world’s current financial crisis, except perhaps another world war.**

**As I said earlier, this is by far the most pressing problem Mankind faces, everything else, including the much vaunted global warming, comes a poor second. Currently we have a system under which nothing is possible physically unless it is possible financially, what we need is a financial system that enables anything that is both physically possible and physically desirable to be financially possible.**

**Check out my FinancialReform website, check out too the websites of the Christian Council For Monetary Justice, ProsperityUK and related sites.**

**You might also like to check out some of the excellent videos on this site such as the *Fiat Empire* series. Failing that, you might consider shooting a banker or two. That’s probably the only way they’ll get the message.**