

“A Reset” that Serves the People

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Instead of buying into the World Economic Forum’s dystopian “Great Reset,” we can build an alternative system with a mandate to serve the people.

This is part two to a May 4, 2022 article called “[A Monetary Reset Where the Rich Don’t Own Everything](#),” the gist of which was that national and global debt levels are unsustainably high. We need a “reset,” but of what sort? The “Great Reset” of the World Economic Forum (WEF) would leave the people as non-owner tenants in a feudalistic technocracy. The reset of the Eurasian Economic Union would allow participating nations to opt out of the Western capitalist system altogether, but what of the Western countries that are left? That is the question addressed here.

Our Forefathers Had Some Innovative Solutions

Fortunately for the United States, our national debt is in U.S. dollars. As former Federal Reserve Chairman [Alan Greenspan once observed](#),

“The United States can pay any debt it has because we can always print money to do that. So there is zero probability of default.”

Paying government debt by just printing the money was the innovative solution of the cash-strapped American colonial governments. The problem was that it tended to be inflationary. The paper scrip they issued was considered an advance against future taxes, but it was easier to issue the money than to tax it back, and over-issuing devalued the currency. The colony of Pennsylvania fixed that problem by forming a government-owned “[land bank](#).” Money was issued as farm credit that was repaid. The new money went out from the local government and came back to it, stimulating the economy and trade without devaluing the currency.

But in the mid-eighteenth century, at the behest of the Bank of England, the colonies were forbidden by King George to issue their own currencies, triggering a recession and the American Revolution. The colonists won the war, but by the end of it the currency was so devalued ([chiefly from British counterfeiting](#)) that the Founding Fathers were afraid to

include the power to issue paper money in the Constitution.

Hamilton's Solution: Debt-for-equity Swaps

That left Treasury Secretary Alexander Hamilton in a bind. After the war, the colonies-turned-states were heavily in debt, with no way to repay it. Hamilton solved the problem by turning the states' debts into equity in the First United States Bank. The creditors became shareholders in the bank, [earning a 6% dividend](#) on their holdings.

Might that work today? [H.R. 3339](#), a bill currently before Congress, would form a National Infrastructure Bank (NIB) modeled on Hamilton's U.S. Bank, capitalized with federal securities acquired in debt-for-equity swaps. Shareholders would receive a guaranteed 2% dividend on non-voting preferred stock in the bank, with the option of recovering the principal after 20 years.

If the whole \$30 trillion U.S. federal debt were turned into bank capital, leveraged into loans at 10 to 1 as banks are allowed to do, the bank could do \$300 trillion in infrastructure loans. To start, the Federal Reserve could buy NIB stock with the [\\$5.76 trillion in U.S. Treasury securities](#) currently on its balance sheet, capitalizing potential loans of \$57 trillion. The possibilities are breathtaking; and because the money would enter the money supply in the form of low-interest loans to local governments that would be paid back over time, the result need not be inflationary. Loans for infrastructure and other productive ventures would raise supply to meet demand, keeping prices stable.

Lincoln's Solution: Just Issue the Money

Hamilton's solution to an unsustainable federal debt was terminated when President Andrew Jackson closed down the Second U.S. Bank. That left Abraham Lincoln in a bind. Faced with a massive debt at usurious interest rates to fund the Civil War, he solved the problem by reverting to the solution of the American colonists: just issue the currency as paper money.

In the 1860s, these U.S. Notes or Greenbacks constituted [40% of the national currency](#). Today, 40% of the circulating money supply would be \$7.6 trillion. Yet massive Greenback issuance during the Civil War did not lead to hyperinflation. U.S. Notes suffered a drop in value as against gold, but according to Milton Friedman and Anna Schwarz in [A Monetary History of the United States, 1867-1960](#), this was due not to "printing money" but to trade imbalances with foreign trading partners on the gold standard. The Greenbacks aided the Union not only in winning the war but in funding a period of unprecedented economic expansion, making the country the greatest industrial giant the world had yet seen. The steel industry was launched, a continental railroad system was created, a new era of farm machinery and cheap tools was promoted, free higher education was established, government support was provided to all branches of science, the Bureau of Mines was organized, and labor productivity was increased by 50 to 75 percent.

The Japanese "Free Lunch"

Another option is for the U.S. government to "monetize" its debt by having the central bank purchase and hold it or write it off. The Federal Reserve [returns interest and profits](#) to the Treasury after deducting its costs.

This alternative, too, need not be inflationary, as has apparently been demonstrated by the Japanese. The Bank of Japan (BOJ) started buying government bonds in 1999, after reducing

interest rates to zero, then dropping them into negative territory in 2015. Today Japan's government debt is a whopping 260% of its Gross Domestic Product, and the Bank of Japan owns half of it. (Even the outsized [U.S. debt to GDP ratio](#) is only 126%.) Yet annual [inflation is now only 1.2%](#) in Japan, not even up to the BOJ's longstanding 2% target. To the extent that prices are rising, it is not from money-printing but from lockdowns and supply chain disruptions and shortages, the same disruptions triggering price inflation globally.

Hedge fund manager Eric Peters discussed the Japanese experiment in a recent article titled "[Can a Modern Nation Pull Off a Debt Jubilee Without Full Monetary Collapse?](#)" Noting that "core prices in Japan's economy remain almost identical today as they were when its zero-interest-rate experiment began," he asked:

Could the central bank create money, buy all the outstanding bonds, and simply burn them? Execute a modern version of an Old Testament debt Jubilee? [M]ight it be possible for a country to pull off such a feat without full monetary collapse? We don't know, yet.

A Treasury Issue of Special Coins or E-cash

For future budget expenses, rather than borrowing, the government could follow President Lincoln and just issue the money it needs. [As Thomas Edison observed](#) in the 1920s:

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 between the bond and the bill is that the bond lets the money broker collect twice the amount of the bond and an additional 20%.

When the Constitution was ratified, coins were [the only officially recognized legal tender](#). By 1850, [coins made up only about half the currency](#). The total face value of [all U.S. coins ever produced](#) as of January 2022 is \$170 billion dollars, or less than 0.9% of a [\\$19 trillion circulating money supply](#) (M2). These coins, along with about \$25 million in U.S. Notes or Greenbacks, are all that is left of the Treasury's money-creating power. As the Bank of England has acknowledged, the vast majority of the money supply is now [created privately by banks](#) as deposits when they make loans.

In the early 1980s, a [chairman of the Coinage Subcommittee of the House of Representatives observed](#) that the Constitution gives Congress the power to coin money and regulate its value, and that no limit is put on the value of the coins it creates. He said the government could pay off its entire debt with some billion dollar coins. In a 2007 book called "[Web of Debt](#)," I wrote about this and said in today's America it would have to be trillion dollar coins.

In 1982, Congress chose to choke off this remaining vestige of its money-creating power by imposing limits on the amounts and denominations of most coins. The one exception was the platinum coin, which a special provision allows to be minted in any amount for commemorative purposes (31 U.S. Code § 5112). In 2013, Georgia attorney [Carlos Mucha proposed issuing a platinum coin](#) to capitalize on this loophole, in order to solve the gridlock then in Congress over the debt ceiling. [Philip Diehl, former head](#) of the U.S. Mint and [co-author of the platinum coin law](#). He said:

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 (Article 1, Section 8).

[Prof. Randall Wray explained](#) that the coin would not circulate but would be deposited in the government's account at the Fed, so it would not inflate the circulating money supply. The budget would still need Congressional approval. To keep a lid on spending, Congress would just need to abide by some basic rules of economics. It could spend on goods and services up to full employment without creating price inflation (since supply and demand would rise together). After that, it would need to tax — not to fund the budget, but to shrink the circulating money supply and avoid driving up prices with excess demand.

A more modern option is for the Treasury to issue “e-cash,” an electronic form of cash transferred on secure hardware not requiring an internet connection. [The ECASH Act, H.R. 7231](#), introduced on March 28, 2022 by Rep. Stephen Lynch, “directs the Secretary of the Treasury to develop and introduce a form of retail digital dollar called ‘e-cash,’ which replicates the off-line-capable, peer-to-peer, privacy-respecting, zero transaction-fee, and payable-to-bear features of physical cash....”

Unlike the central bank digital currencies now being developed by central banks globally, e-cash would be anonymous and not traceable, having all the privacy attributes of physical cash. Various models are in development, including one already [introduced in China in 2021](#), an offline-capable smart payments card that was part of the government's digital yuan rollout.

A People's Reset

Those are alternatives for relieving the government's debt burden, but what about the massive sums in student debt, medical debt, and rent and mortgage payments now in arrears? Biden promised in his presidential campaign to forgive student debt or some portion of it. But whether this can legally be done by presidential order, without congressional approval, is controversial. Arguments have been made [both ways](#).

For most student debt, however, the creditor is actually the Department of Education, a cabinet-level department established by Congress with some limited power to cancel debt. In August 2021, for example, the Department [canceled the student debt of the disabled](#). [Congress itself could](#) also write off the debt. The challenge is getting agreement on which debts to cancel and by how much.

What of the student debt, mortgage debt, and credit card debt held by private banks? Private banks have a contractual right to repayment. They also have an obligation to balance their books, meaning they could go bankrupt if unable to collect. But as British economist [Michael Rowbotham observed](#), these debts too could be written off if the accounting standards were changed. Banks don't actually lend their own money or their depositors' money. [The money they lend is created](#) simply by writing the borrowed sums into the deposit accounts of their customers, so voiding out the debts would be cost-free. The accounting standards would just need to be changed so that the books would not need to balance. The debts could be carried as nonperforming loans or moved off the books in special purpose vehicles, as [the Chinese have been known to do](#) with their nonperforming loans. As for which debts to write off and by how much, that is a policy question for legislators.

Would that sort of debt jubilee be inflationary? Yes, to the extent that students and other debtors would have money to spend from their incomes that they did not have before, money that would be competing for a limited supply of goods and services. Again, however, inflation could be avoided by powering up the production of goods and services sufficiently to meet demand.

That means powering up small and medium-sized businesses, which generate most local productivity and employment; and that means providing them with affordable credit. [As UK Prof. Richard Werner observes](#), big banks don't lend to small businesses. Small banks do, and their numbers are rapidly shrinking. A national infrastructure bank could do it but would have trouble making prudent loans for businesses and farms across the country. The Soviet Union tried that and failed. [Prof. Werner proposes instead](#) to form a network of local public, cooperative and community banks.

Arguably, local publicly-owned banks could also be capitalized with debt-for-equity swaps, using the ballooning state bond debts. We have plenty of debt to go around! A network of state-owned public banks on the model of the Bank of North Dakota would be good.

Other Options

To the extent that taxes are needed to balance the money supply, a land value tax (LVT) would go far toward replacing income taxes, without taxing labor or productivity. See "Pennsylvania's Success with Local Property Tax Reform" in the book "[Earth Belongs to Everyone](#)" by Alanna Hartzok. An LVT excludes physical structures (e.g. houses) and taxes only the value of the land itself, including the natural resources on and under it. It thus returns to the public a portion of any appreciation in value due to public works (new schools, subway stops, etc.), without taxing improvements made by the property owners themselves. It helps curb land hoarding and speculation, and ensures that land sites are put to good use.

Independent community currency and cryptocurrency systems are other possibilities for circumventing debts in the national currency, but those topics are beyond the scope of this article.

In any case, if the global economy comes crashing down as many pundits are predicting, it is good to know there are viable alternatives to the technocratic feudalism of the WEF's Great Reset. In his 2020 book "The Great Reset," WEF leader [Klaus Schwab declared](#) that the COVID-19 pandemic "represents a rare but narrow window of opportunity to reflect, reimagine and reset our world," making way for a polycentric technocracy. It is also a rare opportunity for us to implement an alternative system with a mandate to serve the people. We might call it the People's Great Reset.

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This article was first posted on [ScheerPost](#).

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