9th Annual American Monetary Institute (AMI) Monetary Reform Conference

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Motivation

My goal for attending this conference was to investigate economic solutions to cybercrime. Popular thought agrees that a large percentage of cybercrime is for financial gain. This was a self-funded conference trip to learn from monetary experts about a key flaw with monetary systems, that if corrected could eliminate economic conditions which motivate cybercriminal activities.

Summary

The fundamental flaw of modern monetary systems is **private bank credit used as money.** This means that private banks bring **money into existence by debt**. An example of this would be, when an individual gets a loan to buy a house, that "money" is created from nothing by the bank and put into circulation when the home is purchased. This **creation of money from debt** is vulnerable to inflationary/deflationary cycles and financial hacking. Money brought forth in this manner, mathematically leads to unsustainable levels of debt and concentrations of wealth.

Solving this flaw, could resolve many non-optimal economic conditions; including, to some degree, individuals' use of malware for economic survival.

Background

This was the 9th Annual American Monetary Institute Conference held in downtown Chicago, hosted by Stephen Zarlenga, author of "The Lost Science of Money". The speakers' panel was mostly composed of academics from various universities and institutions in Asia, Europe and North America. Though there existed differences in modeling approaches, historical economic interpretations, politics of reform; the main problem, **money created as debt**, was widely accepted as the fundamental vulnerability.

The concept of how money is brought into being, is a subject that has been neglected at all levels of education and in virtually all political forums. No major media outlets cover this topic. And pundits and politicians alike are silent or ignorant of this issue. And it is the most important issue for any citizen of any state to well understand, for it has more bearing on daily life than any other single factor.

Money is a legal abstraction that does not exist in nature but by law, by the agreement of those who use it. Money functions as a medium of exchange, a unit of measure and a store of value. All this means is that one should be able to consistently exchange **goods** or **services** for money and at some later point in time exchange that money for some other **goods** or **services.** The use of money facilitates productive

labor, but is not productive itself. The use of money is an extremely beneficial agreement for a society. And as an agreement, by society for society, it should be of equal benefit to all. It is a public utility which should be as scientific and consistently managed as the metric system.

This conference dealt with the true nature of money, the flaw with current systems, and solutions. At this point, I would invite any reader to investigate for themselves exactly how money is created, for it is a fascinating and incredibly important topic for any free society and its solution would resolve many ailments in modern societies; including, possibly, a key motivation for cybercrime.

Conference Notes

Stephan Zarlenga
AMI Director and Co-founder
Author "Lost Science of Money"

"9th Annual Monetary Conference Keynote"

Stephan Zarlenga opened up the conference and welcomed attendees. He talked about how REFORM is the important reason behind this conference. Reform of the current monetary system in the US. He has spent his life's work taking an independent look at monetary history and economic reform. He has investigated and identified the real source of economic upheavals throughout history, citing 1929 stock and 2008 housing crashes. The fundamental reason is debt-created money. Debt used as money. Debt-money! This is also the fractional reserve system. This is how the US banking system is structured, whereby banks retain a fraction of deposits on hand as reserves to satisfy customers that withdraw funds, whilst loaning/creating more money than actually exists in reserves.

And those that control this power of money creation will not let it go. This power promotes corrupt, anti-human, anti-constitutional activities. This is highlighted by the fact that the US Attorney General for the Obama administration has prosecuted zero bankers regarding debt-money corruption!

Zarlenga describes modern day economics as a religion and not a science, because the same few people always come out on top, bankers. Modern-day economics has removed morality from the field by categorizing all such viewpoints as "normative judgments". This terminology serves to confuse as well as rid an important factor in understanding money.

Zarlenga defined usury as, "the financially powerful taking advantage of the financially weak." And modern-day talk of government-created money leading to inevitable inflation is a specious argument used against real reform, because historical data shows government systems have a better record against inflation than private money systems.

Zarlenga also briefly introduced the House of Representatives (HR) 2990 National Emergency Employment Defense (NEED) Act. And he talked about the Chicago Plan, which basically does not allow

banks to lend money they don't have. Banks would need to have 100% reserves. This plan would take away banks' ability to create money. The Chicago Plan was architected by economists at University of Chicago in 1933 after The Great Depression, and was widely accepted by leading economists of the day.

Zarlenga talked about the vested interested groups that incorrectly define money as gold or credit. "Because if you misdefine the true nature of money, you will get a system under control by immoral corrupt people." Some other Zarlenga phrases: "Whomever controls the money systems controls society." And, "Don't confuse money with credit." This means don't confuse what banks do, when they create loans on their balance sheets with money. That is to say bank credit isn't the true nature of money.

Zarlenga gave a brief account of how money was defined throughout history, which really shows how today's understanding of money is far inferior to that of folks over 1500 years ago!!

Plato (Greek Philosopher) – A money token is for the purpose of exchange.
Aristotle (Greek Philosopher) – Money does not exist by nature but by law.
Julius Paulus (Roman Jurist) – A device that maintains its purchasing power not from its substance but from its quantity.
Alexander Del Mar (Monetary Historian) – Money's essence, apart from what signifies it, is an abstract social power embodied in law as an unconditional means of payment.

Zarlenga talked about why he founded the American Monetary Institute (AMI). This institute was formed with the intention of making money the servant of all and not the master, by stopping the use of debt for money whether public or private. And serious monetary reformers have also come to the same conclusion.

Zarlenga concluded his talk with the three non-negotiable, minimum elements of monetary reform:

1.) Nationalize Federal Reserve by incorporating it into the US Treasury.
2.) Form bank accounting procedures, so banks cannot create money (Chicago Plan 1933)
3.) Government must SPEND money into existence via approved public works projects (new roads, damns, bridges, health care, etc.)

Robert Poteat
AMI Senior Advisor
Northwest Chapter Leader

"Relation of War and Banking"

In this talk, Mr. Poteat used USA as a war and banking case study with the following main points:

- US engaged in 10 major wars since becoming a sovereign nation.
- Extinction campaigns against Native Americans.

- Two nuclear weapons used on civilian populations.
- Continuous conflict since 2002.
- Most use of drones by any nations.

Poteat went on to show many graphs regarding the profitability for banks giving credit to the military-industrial complex. Poteat also talked about the historical case of 1694 when the Bank of England (a privately held bank) was created and monetized government debt for private profit to fund war. This means the Bank of England created money from nothing and loaned it to the government at interest, to pay the cost of war. Poteat made the point that this is moral and intellectual fraud for governments to back private credited debt, as it is far easier to borrow money than to raise taxes of citizens to fund war. This is a great point and one that should be re-iterated. It is fraudulent for a government, which could not fund a war by getting the constituents to agree and pay for it out of their own pockets, but to fund war instead by borrowing money, created out of thin air by private banks. While these private banks are guaranteed to get paid back, at interest, by taxpayers long into the future.

Poteat's displayed charts illustrating the US National Debt over time, with sharp spikes occurring for each war below.

- 1812 war
- Mex-American war
- Civil War
- Spanish American War
- WWI
- WWII
- Cold War (* no more debt spikes after this point, because there is almost constant engagements)
- Korean War
- Vietnam War
- Desert Storm
- Kosovo
- Continuous conflict since 2002

WAR drives DEBT
DEBT drives WAR

Poteat does a case study of Greenbacks issuance to fund Civil War which was government created debt-free money that never exceeded $500M and was, contrary to some economic opinion, highly stable money.

Poteat does another case study of WWI and America involvement. JP Morgan Bank made large loans to France and England to buy US munitions to fight Germany. When it looked like Germany might win, and JP Morgan was too big to fail, President Wilson called for war on Germany (contrary to his presidential campaign promise) to ensure Allied victory so England and France would not default on their loans.

Poteat described the features of Militarism:

1.) Must have enemies and will create them.
2.) War production creates millions of jobs.
3.) War contracts are pork barrels for congresspersons
4.) War profits support campaign contributions.
5.) Costly military adventurism

Steven Walsh
AMI Researcher
Chicago Teacher

"Lessons Learned Explaining Monetary Reform to Younger Generations"

This was a talk given by a middle school teacher in the Chicago school district regarding the need and how to inform young people about our monetary system and its flaws. Walsh talked about economic games he has setup in his classrooms, as well as stock market games so kids can start learning about what money is. He does group workshops to illustrate the difference between capitalism MCM (money – commodity – money) versus free markets CMC (commodity – money – commodity).

Greg Coleridge
Director Northeast Ohio American Friends Service

"Detailing 100 Years of the Federal Reserve"

Coleridge talked about the Fed's centennial anniversary this year by delineated that the Fed creates money from debt, which this action benefits a few citizens and it is inherently inflationary. But looking on the Fed's official website, it is very tame and has a neutral description about its activities with no mention of the money creation process.

Greg recommended using "Lemon Laws" on the Fed for basic quality failures. And organizing grass roots movements regarding the nature of Fed and reform.

Key questions Greg brought up:

- Why is the national central bank run by private banks?
- Why isn't the Fed held accountable for inflation stats?
- Why do private banks create money?

Greg's steps to reform:

1.) Open letter to congress
2.) Education packages to various groups

3.) Encourage local/public action
4.) Change.org petition campaign
5.) New congressional bill
6.) Using methods from “198 Methods of Non-violent Action” from Albert Einstein Institute

Jamie Walton
AMI Researcher
Contributor of HR 2990 (NEED Act)

Walton went into depth about this House of Representative bill that was introduced to the 212 Congress by Congressman Dennis Kucinich which Walton helped author.

This bill reforms the key flaw of money created as debt with minimal change and is non-disruptive. Each part of this bill has been tried and applied with success. And it is ready to implement. The main points have been cited above, but they consist of Fed becomes part of the Treasury. Banks no longer have the right to create money (there is a difference between the functions of lending and money creation). And money is added into circulation by the government for general welfare.

Mark Pash
Founder and Chairman for Center for Progressive Economics

“Politics of Monetary Reform”

Mr Pash acquired his experience in politics when running for state representative in California. His goal nowadays is to just start the public debate about monetary reform. His idea is to get public awareness about monetary reform and bring this understanding to elected officials. Mark focuses not on changing the mind of those that are wrong, but by giving a path to those that are lost.

Mark gave some numbers of why reform is tough when $630M spent in 2012 campaign contributions (http://www.caclean.org). Mark’s strategy is to find congressional members or candidates and educate them, such that they sponsor bills like HR 2990 or similar.

Mark talked about the use of bundlers, to send money to candidates supporting monetary reform. The idea here is to bundle money from individuals to candidates. Mark talked about PACs [503c4].

Mark discussed the creation of money and the distribution of money (24 modes http://cpe.us.com)
Mark discussed the 2008 housing crash as a defective product. Sub-prime mortgages that started with interest rates of 4% that went to over 10% in two years. Pash posed the question, provided that home ownership is an important mechanism to improve society, “why not have primary residence mortgage rates at 1% with government-created money?”

Also discussed were the benefits of a government-created money system: lowers taxes or even zero taxes. Such a system could exist and taxes would only be used to reduce inflation. A government created money system, would put money into circulation not via debt in loans as we have today. This would allow the government to create money to fund all the legally authorized programs that the government supports today (Medicare, social security, etc.), without the need of taxing it from the people or borrowing it at interest. And the only use for taxes in such a system would be to decrease from circulation the money supply so as to stem inflation and keep the value of the monetary unit constant.

Mark sited 13 methods to overcome inflation (http://www.cpe.us.com/), and debunked popular economic opinion about business cycles. "There is no business cycle for the entire economy! Business cycles are for a business or an industry not entire economy!!" Also Mark, mentioned how taxes and spending was 100% not the cause for the Great Depression, thus it is not the solution.

Mark concluded his talk denying the existence of a national debt. Since all national debt can be monetized away. Even when that debt is owed to foreign states.

Dr Michael Kumhof
Deputy Division Chief of Model and Research International Monetary Fund (IMF)

"Modeling Evaluation of Chicago Plan"

Dr Kumhof used modern economic data and computer models in his economic research. He gave a brief description of the Chicago Plan to get the US out of the "Great Depression". This plan was a deep analysis to make the financial system safer and was supported by the leading economist of the day (circa 1930s)

Chicago Plan:

- Separation of the monetary and credit functions of banking
- Deposits/money must be backed 100% by public reserves
- Credit cannot be financed by creation, ex nihilio, of bank deposits

Dr Kumhof gives data into understanding the true nature of banks with the following points:

One
The key function of banks is money creation not intermediation. Intermediation is probably what most people think banks are doing; that is taking savings from non-banks and channeling it to non-banks. Banks' main incentive are solvency and profitability which is **orthogonal** to keeping the correct amount of money in the system. When money creation power is held by banks with profitability motives, the wrong amounts of money are put in and taken out of the system, resulting in a highly unstable money system.

Also banks use double-entry bookkeeping. What this essential means is savings does not have to come before investments. Bank financing (creating money) happens first.

Two

Deposit multiplier is a myth! Deposit multiplier is when the Fed creates a $100 in reserves, total aggregate bank deposits increase by a multiple of that $100. Dr. Kumhof's empirical data shows broad money aggregates (this is money created by local private banks collectively) **lead** economic cycles. And narrow money aggregates, the money created by the Fed, is actually very small compared to the broad money aggregates. It is this broad money that actually controls the economic landscape not the Fed's reserves! Said another way, systemic economic causation starts with loan creation, which in double-entry bookkeeping, is equal to deposit creation and ends with reserve creation. So the Fed actually creates the reserves after banks create the loans. This empirical evidence is exactly opposite to the "theory" of how the Fed is supposed to work. This means the banks control the economy and not the Fed!

Dr. Kumhof talks how the Chicago Plan, removed this power from banks and banks become intermediaries with government/public created money.

Based on Dr Kumhof research models, the advantages of Chicago Plan are as follows:

1.) Dramatic reduction of the public debt
2.) Dramatic reduction of private debt
3.) Complete elimination of bank runs
4.) Large output gains approaching 10%
    a. Lower interest rates
    b. Lower tax rates
    c. Lower monitoring costs (no government debt monitoring oversight)
5.) No liquidity traps (central banks lose ability to stimulate economy by increasing money supply)
6.) No fractional reserve banking
    a. Central bank only controls narrow money and cannot increase broad money, while Chicago Plan can.
7.) Much better control of bank-lending driving bank cycles
    a. Removal of private control over money issuance
    b. Investment responsibility put back on investors
8.) More equity in America and less money created on government debt

Dr Kumhof then poses the main argument against reforming our current system: "Won't government issued money cause inflation?"

Dr Kumhof answered, that historical experiences favor it, but that **was only narrow money aggregates not broad money aggregates**. In other words, provided the government and only the government has the ability to create money and thus would create money on a broad aggregate scale, then there would exists a historical point from which to evaluate whether government issued money causes inflation.

Dr Kumhof closes with we need a really **dynamic productive wealth producing sector**. And we need a really boring (**safe, crisis-proof) financial system**.

Joe Bongiovanni
Co-Director of Kettle Pond Institute

"Wealth Distribution through Monetary Reform"

Bongiovanni describes how monetary reform must proceed social and environmental reform, since money controls society's direction.

Joe also described the problem of lending institutions confused with money creation by analyzing banking practices in the US. Firstly, money created debt only goes to "credit-worthy" people. Secondly, people who need money lest get access and best loan terms. Thirdly, banks are motivated by highest return on investment. Bongiovanni recommended the following video (http://blip.tv/file/4111596) by Professor Bernd Senf to further elucidate the problems inherent on a debt money system. Specifically, with private banks having the right to create money; a right that should only exist for the benefit of all people, since money is only valuable because everyone agrees to use it); the follow non-optimal conditions result:

- Economically: there exists an idling of resources
- In society: there is a lack of jobs, benefits are cut, **and more crime** (this includes cybercrime*)
- Environmentally: sustainability of Earth becomes unaffordable
- The State: there is no budget, a cutting of public services, lack of adequate preparation for future

Bongiovanni ends with the point that if all debt were paid off, there would not be any money in circulation! Current system need debt and people in debt.

Dr Joseph Huber
Chair of Economic Sociology Martin Luther University

"Modern Money – Interest bearing Bank Credit or Debt-Free Sovereign Currency"

Monetary reform is a bottleneck in current academia. Dr Huber's talk focused on different academic theories regarding monetary reform and compares and contrasts them. This includes Modern Money Theory (MMT) and Currency Theory (CT).

Dr. Huber finds fractional reserve banking to be both illegitimate and dysfunctional. And it is the root cause of financial crises.

Dr Huber juxtaposes Currency Theory (which posits State Theory of money, separation of credit and money, and debt-free money) to that of Banking Theory (which posits Commodity Theory of money, money and credit cannot be separated, which is loaning money into circulation).

Dr Huber explains commonalities between MMT and CT:

- Modern money is fiat
- Bank credit creates deposits not vice versus
- Loanable funds model is obsolete
- Central banks also accommodate banks demand for reserves

Divergence between MMT and CT:

- Fractional reserve is functional (MMT) whereas (CT) sees it as dysfunctional
- Government a debtor (CT) or a creditor to banks (MMT)
- Banking regime (MMT) or currency order (CT)

Dr Huber distinguishes between bank money (chartel money) and state money. State money is money issued by the state. The state's monetary prerogative is as follows:

1.) Determination of national unit of account (currency monopoly)
2.) Issuance of money denomination in that currency (legal tender monopoly)
3.) Benefitting from the seigniorage (seigniorage is the difference between the value of money and the cost to produce and distribute that money)

Dr Huber describes the erroneous viewpoint of money being equal to debt. Debt cannot be money because one cannot use debt to pay off debt. It is a confusion of the unit of account with the account.

Can MMT and CT reconcile? Today no, MMT represents Banking Theory and banking interests.

Dr Huber concludes that money isn't banking debt. And money's purchasing power is a social obligation to be productive.

Joseph Pijanowski
Representative of the International Association of Machinists and Aerospace Workers Union

"Trading Labor for Wages – with Monetary Reform"

Mr Pijoanowski explained the importance to our economy of working families producing products of value to earn money which they in turn spend back into the economy. Pijanowski showed trends from 1990 – 2012 where the average worker's productivity increased while effective value of wages have stayed the same, corporations' holding cash increased and worker participation in blue collared jobs went down.

Manufacturing jobs have a multiplier effect (4 other support jobs for each manufacturing job)
Our current system mandates growth to pay ever-increasing interest-debt.

Money is created into the system primarily for the top. And the need is for the money to go to the middle class for a stable, productive healthy economy.

Government spends money into economy, the laborer gets that money by working. According to Pijanowski this is the fairest way to bring money into the system.

Pijanowksi closes with, labor creates wealth. We have the laborers and we have the work.

Dr Kaoru Yamaguchi
Director Japan Futures Research Center

"Public versus Debt Money System"

Dr Yamaguchi uses accounting systems dynamics to model macroeconomic public-money systems. The results can be found in his newest book.

Dr Yamaguchi delineates the lessons from the Great Depression:

1.) Chicago Plan for banking reform (1933)
    a. 100% money Irving Fisher (1935)
    b. A program for monetary reform (1939) [failed to be implemented]
2.) Banking Act of 1933 (Glass-Steagall Act) [Repealed in 1999, major factor in 2008 crash]
    a. Federal deposit insurance
    b. Separation of depository banks from Wall Street investment banks
3.) General Theory of Employment (interest and money John Maynard Keyes* 1935)

Public money versus debt money

- Government administration versus central/private banks and financiers
- 100% reserves versus fractional reserves
- Public money spent directly into circulation versus base money by central bank and deposit expansion by banks
- Interest-free versus interest-bearing debt

Dr Yamaguchi concludes by reiterating reform steps: government issues money not banking system, abolish credit creation system with 100% reserve requirement and make money a public utility. And this alone produces monetary stability as confirmed by Dr Yamaguchi's Monte Carlo simulations model.

Andrew Jackson PhD Student

Head of Research at Positive Money

"Creating Money for the Common Good"

Jackson's main topics were monetary reform is a huge project with powerful opponents. Because the nature is reforming the money system, politicians won't lead. Thus there is a need to educate the people, and this reform will only come from the people.

Jackson described the factors involved in the 2008 housing crash. This crises occurred due to failure to constrain private financial system's creation of private credit as money. Loans in real estate and housing, which did not produce anything but only drove up prices and fueled more speculation.

Jackson also described the financial landscape in the UK and closed with an interesting observation: government restraints are self-imposed. The only constraint upon society is human productivity and material. This means there can be much more production as people can work and as natural resources exists with a sound monetary system. A system that is immune to boom/busts cycles and that doesn't need anti-free market restraints for superficial corrections.

Panel discussion

At this point in the conference there was a panel discussion with a set of the presenters that included the topics of historical relevance of Jubilees in the context of debt forgiveness. Also the bitcoin protocol was discussed in terms of its volatility against the dollar, which precluded bitcoins from being a stable/viable money system.

Professor Steven Keen

"Macro-Economic Simulation"

Professor Keen demonstrated MINSKY software. This software dynamically simulates economics models to provide visual representations of macro-economic phenomenon. Dr Keen demonstrated with MINSKY the unsustainability of a debt-created money system.

After Dr Keen showed many simulations, he described neo-classical errors about lending not effecting anything, while in the real world lending effects every aspect of economy.

Dr Keen talked about key differences between private debt levels versus public debt levels and trade surpluses and trade deficits.

Dr Keen talked about effects of quantitative easing (basically this is injecting more reserves into central bank so member banks have more confidence to lend and thus create more money from debt)

Jim Wert

30 Years as Legislative Counsel Capitol Hill

"Banking Law and the Legislative Process: A glimpse into the mystery"

This was a fascinating talk by Jim Wert. First-hand accounts of what was happening on Capitol Hill during key moments in US financial history. Jim talked about how he became the main author of bill drafting and amendments for the House of Representatives in the Office of Legislative Tax Law, and specializing in Banking Law.

Wert described the National Banking Act of 1864 which still is the basis of today's banking regulations. He showed a few other places in US code (particularly Title 12) that define the open-ended nature of bank charters. Jim mentioned the Gramm–Leach–Bliley Act (GLB), this was an act enabled in November 1999 that, in part, repealed the Glass-Steagall Act of 1933, which was enacted after the Great Depression to separate functions of banks, investment companies and insurance agencies.

Jim mentioned stories about how these codes are written and left ambiguous for the benefit of certain interests. It was also incredible to get a glimpse of which laws would need to be amended for monetary reform, across many US titles from 1860s until today. A very complex legal structure.

Jim also analyzed the nature of the Fed, where it has some elements of a public institution (board appointed by president, approved by senate), yet it is regulated by private bank employees. And it is exempted from federal statues (equal opportunity, for example).

Jim delved into a portion of US Title 15.31, which describe the banking purview as operations to fulfill "banking business". This description if far too broad, and there exists no law which legalizes deposit expansion.

Jim ended again with an interesting case point that illustrated the ability of the government to return the sovereign right of money creation back to the people, with State Park quarters. These quarters were not approved but because there was a near 100% seigniorage, they were made by Treasury Secretary Larry Summers at the time. This was near 100% seigniorage because the cost of making the quarters was very small compared to the value of the quarter, which is 25¢ and much of these quarters were collected by people and thus taken out of circulation. So the Treasury produced many coins at a small cost and got paid the face value for the coins by people who collected them. And that is near 100% seigniorage for the government.

Professor Nicolaus Tidman
Virginia Tech

"The Money and Banking Reforms we need"

The motivation behind Dr Tidman's talk was equal access to natural opportunities for all people that were not produced by anyone. Seigniorage is an example of this and through monetary reform, the effects of prolonged unemployment periods and bank bail-outs can be ameliorated.

Money is currency + BANK DESPOSITS. There is vastly more bank deposits than currency. The money supply must expand with the economy for full employment without excessive inflation. And banks don't do this. Dr Tidman described today, how the Fed buys mortgage-backed securities with nothing, this benefits middle-class folks with equity in their homes, but it doesn't benefit all. Dr Tidman proposed Citizen-backed securities. These securities would benefit all people and would essentially be 0% interest loans. This is a more equitable distribution of natural opportunities. Such a system differs with HR 2990, where money is spent into circulation on key infrastructure needs. This method isn't 100% egalitarian since those that would get the contracts to do the work and those that lived close to roads and bridges that were getting upgrades would stand to benefit more than those who didn't live near such projects. With Dr Tidman's system each citizen gets access to 0% loans to spend exactly as they choose. This system also has the benefit that it can be used to take money back out of circulation, if necessary to decrease inflation.

Dr Tidman described banking reforms motivated by the following:

- Banks are risky
- Without deposit insurance, there are bank runs.
- Expensive bail-outs.
- Availability of bail-outs creates moral hazard
- Financial intermediaries that do not fail are possible
- A reform with a variation of the Chicago Plan

Dr Tidman talked about banks as investment firms, that instead of taking deposits from savers, they sell customers shares in mutual funds, with a wide choice of risk-return options. If customers prefer zero risk, all of their money stays in the vault. Such investment banks would not invest money that is deposited and promised to be returned in full upon request. This type of banking reform would leave the necessary intermediary function of banks while addressing the problematic part of today's banking system.

There was some discussion at the end of this talk, regarding inflation rates between 0-2% in this system and the more money people keep under the mattress, the more money the government can create and take seigniorage without inflation.

Stephan Zarlenga

"A follow-up talk"

The main points of this talk, reiterate themes found in Zarlenga's book:

- Whoever controls the money supply controls the nation.
- Bridges, levees, roads, etc. in this nation are in disrepair.
- For monetary reform there MUST be a correct understanding of the nature of money.
- Money exists not by nature but by law. It is an abstract social agreement.
- How society defines money determines who controls it:

- Define money as wealth – then the wealthy control it.
- Define money as credit/debt – then the banks control it.
- Define it as Article 1 Section 8 of US Constitution “coin money and regulate the Value thereof”, then the people control it.

Zarlenga concluded by analyzing a key criticism for government to regain the power of money creation, namely the Greenbacks. The Greenbacks were legal currency that was issued by the United States during the Civil War. The criticism of the Greenbacks is that they inflated against gold, that is to say their value decreased. Zarlenga showed with graphs that $450M Greenbacks were created and they did inflate against gold for a short time, but came back to parity with gold. And very little gold redemption occurred. This means that the Greenbacks were used and there existed confidence in their value not eroding.

Professor Michael Hudson
University of Missouri-Kansas City
Member/Leader of Modern Money Theory Movement

Dr Hudson rebuked AMI to get realistic and make allies to have any hope of reform against a trillion dollar power. Dr Hudson describes the banking strategy as preventing any alternative to their money creation power. He points out that bank fraud has been legalized by the Obama administration and rhetorically asks how to convince a populace to vote for a system that defrauds them. Answer: convince them there is no other alternative.

Dr Hudson describes the economic landscape in US universities as unable to fit economic history into modern economic curriculums. Dr Hudson cites David Ricardo’s view (circa 1800): there is no such thing as money there is no such thing as debt. This kind of economic thought is over 100 years old and is missing in modern education. Dr Hudson used the slogan fire = FIR. FIR stands for Finance, Insurance and Real-estate industries pretending to create real wealth.

Dr Hudson talks about his first job out of school working for Chase Bank. His job was to assess Brazil’s economic surplus. This calculation was used to determine how much interest to charge Brazil for loans. The banks want all the economic surplus for themselves and use interest to obtain it. The modus operendi here, is to get a nation into debt (EU, Ireland, Greece, even Detroit) have them default and then take over their land, art, or whatever resource that is of value.

Dr Hudson talked about the injustice of student loans where banks get funds from Fed at .01% rate and loan it to students at much much higher rates with government ensuring students are not allowed to default. He also talked about economic rent. This is the price over the value of something. And he closed with classic economics look at banking where the banker could charge a fair price for their services to live normally.

Professor Richard Werner

University of Southampton

"Addressing EU monetary managers on their Austerity Addictions"

Dr Werner talked about the traditional quantity theory of money model (MV = PY). Where M = Money supply, V = Velocity of money (this is the frequency that money is spent of new goods in a period of time), P = Price level, Y = Real GDP (Final aggregate value of all goods and services produced). This is a macro economic model used in 1980s that empirically didn't work. Velocity was not constant, not reliable, etc. Economists couldn't correctly model money, it was not stable nor reliable. So there existed models that disregarded money, since all models with money didn't empirically work. This gave rise to the money-less models. But this wasn't workable, since models must take into account money and banks to have predictive value.

So the quantity equation MV = PY, all money is used for nominal GDP is a wrong assumption. Not all transactions are part of GDP, since money is used for GDP and money used for financial and real-estate. GDP measures financial value sectors. But financial sector doesn't add value.

Dr Werner talked about money as defined by M1 and M2. M2 is measuring money out of circulation. But can't measure the use of money out of circulation. Quantitative Easing (QE) increases bank reserves at the Central Bank, this is M0. It doesn't go into the economy. Early warning, when credit growth is higher than GDP, this excess goes into asset bubbles.

Dr Werner spends the rest of the presentation talking about the EU reform specifics as he has worked with European Central Bank (ECB).

The ECB is above the law. No EU parliament can sanction this body. The ECB was the banking regulator for Portugal, Greece, Ireland and Spain prior and during their financial crises!! This is astounding, but since they have such good PR, they have managed to turn this fact into an opportunity to extend their banking powers.

Dr Werner describes the ECB way as, deregulation, liberalization, and privatization. Dr Werner states, "Let speculators speculate, just not with money creation." Money creation is a sovereign right for the benefit of all people. The ECB can be considered more akin to a loan shark by lending more money against more and more collateral. The solutions that are talked about, in regards to struggling EU nations, are: exiting out of the euro-zone (politically this is not feasible), zero cost solution of monetizing debt via money creation (ideal solution).

Dr Werner has talked to the ECB about possible solutions, though nothing as full and radical as HR 2660 and Zarlenga's work. Step one, the Central Bank (CB) buys non-performing assets at 100%. The problem then moves to the CB. The CB obtains these assets for 0, since they created the money in the first place. This would not inflate the money supply, since no money is injected into the economy. Tax burden does go up, but sovereign debt does not. Step two, the governments stop issuing bonds and use the oldest and simplest financial instrument; borrow from the banks. Government cannot create money in the first place since the mandate of the ECB is to create a single EU economic zone. And this takes fiscal control

away from nation and gives that power to the fiscal ministry in Brussels. ECB law is written such that governments cannot create money.

It seems that within the constraints of the existing EU system Dr Werner is trying to find political acceptable solutions to fiscal crises with the EU member states.

Conclusion

At this conference there existed many differences in reform approaches both politically and technically. However the fundamental flaw of a money system based on private bank created-debt used as money was largely agreed upon as the main cause for economic upheavals. These economic disasters need not occur with a stable monetary system. A monetary system based on science, morality and the correct definition of money. Such a system wouldn't concentrate power and money into the hands of a few, but would be a public utility for the benefit of all. And as such this would minimize, to a large extent, the financial gain aspect motivating cybercrime, because money would be available for all. Money is public utility assisting all people willing to work, eliminating large groups needing to resort to crime to survive. This system would facilitate production and exchange of goods and services and so benefit those who produce and consume products.