Renewed Interest: Analyst Ties Monetary Reform To Social Credit Movement (2007; Richard C. Cook)

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Dandelion Salad

Sent to me by **Richard C. Cook**

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Interview With
Richard C. Cook
Former Government Analyst

COLLEGE PARK, Md. — One may know Richard C. Cook from such moments in American history as the Challenger shuttle disaster of Jan. 28, 1986.

The NASA analyst testified after the tragedy before the Presidential Commission on the solid rocket booster O-ring seals that led to the demise of space shuttle crew.

Cook's first person account of his experiences at NASA can be found in his book *Challenger Revealed: An Insider's Account of How the Reagan Administration Caused the Greatest Tragedy of the Space Age*.

But he has worn other hats over his years in government.

His career included stints with the U.S. Civil Service Commission, the Food and Drug Administration, the Carter White House, and NASA, followed by 21 years with the U.S. Treasury Department.

Now retired from government work, Cook has decided to delve back to an interest that has been on his mind since his college days — monetary system reform.

His book on monetary reform *We Hold These Truths* will be published later this year.

[I] recently caught up with Cook to discuss his thoughts on monetary reform, the social credit movement, and the effects of current U.S. monetary policy on the world stage.

Here is that interview:

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ICONOCLAST: How did you come to the realization that the problem with the world's economy lies in distribution, not production?

RICHARD COOK: I had that realization when I was in college. I went to William and Mary in Williamsburg, Va. I was in the honor's program. I studied a lot of history at that time. I remember I was getting ready to graduate. I had just been inducted into Omla Delta Kappa which is a men's national leadership fraternity. I was at a lunch talking to a guy who was going into a law school program. We started to talk, and I studied history for a long time, and I was really pondering over where all of the problems had come from. It had pretty much given us a century of world war side by side with tremendous industrial advances. That was the contradiction that I couldn't figure out.

I remember him saying, "We have this wonderful economy that produces so much. What are you so concerned about?"

I said, "Well, the real problem is distribution. Why if we've got this bounty do we have so much poverty? So many countries of the world are left out. What is going on? Why has this happened?"

So from that point on, I just had that in my mind. I went to work for the federal government out of college. I started with the U.S. Service Commission. Then I went to the Food and Drug Administration. I ended up in the Jimmy Carter White House on a detail where I was working for Ester Peterson who was the special assistant to Carter for consumer affairs.

When the 1980 election came along, and it became clear Carter was going to lose, there wasn't much to do anymore in the White House office where I was. So I did a lot of reading, and I came across the writings of the social credit movement in England. This had been established in the 1920s. Major C.H. Douglas was the founder of the social credit movement. It had actually come out of the English Reform Movement that had gone all the way back to the 1800s when they, too, were trying to figure out where did this contradiction come from. You know, here we have the Industrial Revolution, and yet we have so much poverty.

Of course, the Marxists were answering it one way, but the English Social Reformers were taking a different kind of approach, trying to reconcile economic democracy. That's where Douglas came in with his analysis of social credit where he demonstrated that the way industry operates in a modern technological environment is that you need fewer and fewer people to get more and more goods. (There's a vast literature that the U.S. really hasn't ever gotten into on this.) So if you rely on wages and salaries to distribute purchasing power, you'll never catch up because there aren't enough people needing those jobs to produce what needs to be produced.

What's going on? What's the contradiction? Basically what Douglas said was that there are a whole lot of factors that go into pricing besides wages and salaries. The biggest one probably is the fact that to produce at a high technologically level, corporations have to retain a lot of their earnings, and build that into capital equipment, plants, research, and that sort of thing. All of those come out on the pricing end because they've got to pay for it, but they don't come out in the purchasing power end.

Douglas then extrapolated that this gap as the benefit society gets from this tremendous producing powerhouse that we have, but it doesn't ever get to people in purchasing power, so Douglas came up with the idea of a "National Dividend" which is a distribution of purchasing power that is a lien on future production rather than against past costs. I began to work this theory out, and it really began to make sense.

Another thing Douglas pointed out is that the gap between purchasing power and prices is filled by debt. That's where consumer debt comes from. That's why people borrow so much on their credit card. The way countries try to get around that is to create a positive trade balance where what is paying for the lack of purchasing power is essentially profit we make from overseas customers. The United States tried really hard to have a positive trade balance after World War II to maintain the World War II full employment economy. We succeeded at that for about 20 years.

That was the whole purpose of the Breton Woods agreements and the IMF and the World Bank. It was to create overseas markets for U.S. production, but once the other countries of the world started to grow up, and we lost our trade balance, we were in big, big trouble. That's when the power of the banks and the financial world really escalated during the 1970s. Since the 70s, we've been in a system where the Federal Reserve has tried, essentially, to create employment or growth through a financial bubble inflation/deflation cycle. Since the 70s, when I really began to examine the data, it was clear that that's all we've had. The only real financial growth we've had since the 70s are bubbles that expand and deflate.

We're in that cycle right now with the housing bubble, and now they've got a new bubble going with stock prices because they haven't figured out the economic fundamentals that Douglas pointed out to reconcile the distribution/production issue. In fact, I know a lot of people in the social credit movement now from overseas, and they tell these stories about how in the 1930s when Roosevelt was caught in the Depression and trying to get out of it, Douglas was in this country trying to teach the social credit ideas to people. In fact, he worked in Alberta, Canada, and there's even a story that the Quebec separatist movement began as a social credit movement.

What they tell me is this story is about how the British financiers were looking for somebody to counter Douglas because the social credit movement was becoming so powerful. That's when they discovered John Maynard Keynes. The whole theory of Keynesianism is when you have government deficit financing, high income tax, and essentially an inflationary growth policy to constantly pay down your debt. All of this was to counter Douglas because they saw that if Douglas came in with the social credit and the National Dividend, the power of the bankers and financing the production/purchasing power gap would be cut off at the knees. It became part of the political issue of the century, even though nobody had ever heard about him because the newspapers in the 1920s to not even mention Douglas' name in print.

Behind the scenes, this was going on, and meanwhile, Douglas was saying, "Look, you guys are bringing on the next world war with this policy, and I can tell you I've seen a documentary of this. What's going to happen is that the European nations are going to destroy each other, and the financial giant of the world will become the United States. That is what you were doing to yourselves." They couldn't stop, and they went ahead with it anyway.

So I began to study all of these things, and then when I retired from the government in January, I finished with my Challenger Revealed book. I re-started my monetary research that I had done at the Treasury where I had performed training courses and taught the history of the monetary system. I was working with the American Monetary Institute behind the scenes advising them, and then I sat down and started to turn out these articles.

ICONOCLAST: And from what I understand from your writing, it doesn't really matter if we have a capitalistic or socialistic or communistic economic system because we already have the technology to produce what we need. The difference between these systems is merely a shuffling of bosses among elites, right?

COOK: Yes. Douglas said that. He said all of those issues are management and production. They're all the same anyway once you take them out of the social context and look at the actual macro-economics of the company. They're identical under any system, and they're really good. I mean, the productivity of a modern industrial firm is incredible. It's absolutely incredible. It can operate just as efficiently in the same way under any ideology.

ICONOCLAST: In your estimation, war is a function of a country's inability "to generate sufficient internal purchasing power through democratic management of credit." How would the kind of monetary policy you're proposing reduce "global warming" which is essentially war on the environment?

COOK: The mitigation of global warming requires infrastructure investment, and the question that is always asked is the political question. If you're in Washington anytime anybody has a good idea, the question is "Where is the money going to come from?" because it requires capital investment to do about anything. If you look at the Katrina issue, and all of the things that should have been done or not done, like the wetland restoration and levee construction, that would have required a lot of capital investment.

There isn't money for capital investment because both our public and private infrastructure is totally consumed with debt. We've got a debt overhang from all sources. I've seen estimates of $8 trillion, and so for a company to raise money or for the government to raise money, you hit up immediately against that debt because we have a debt-based financial system, and we also have a corporate structure that is totally obsessed with short-term financial profits. They've got to meet a bottom line that is established by Wall Street even though it's not a public-traded company. You still have your equity owners looking at the quarterly bottom line because all they're trying to do is extract dividends out of it on a quarterly basis, so they're always looking at the short term.

So you don't have the money available for the kind of infrastructure investment that you need to tackle the long-term problem like global warming, but the knowledge exists, as I think everyone realizes, for the mitigation of global warming. One example I like to cite is the study by the Rocky Mountain Institute where I think in 2005 they went through a long list of initiatives all based on existing technology which if we really put our investment into, it would eliminate our dependence on foreign oil in 15 years. This study was partly done for the Department of Defense, so official America was aware of it. But something like this they just can't and won't do because it requires capitalization, and the people believe it's not available because it has so much debt attached to it and you're dealing with long-term investment. Everything we do is for a short term.

Another area I like to cite is the drought in the Mid-West that has been building for 15 or 20 years. You probably know more about it than I do where you are. You've got the aquifers being drained. You've got another dust bowl coming back, and it's becoming a crisis. Well, there are ways in which you could work with infrastructure to try to bring water into the area. I mean, look at the full Mississippi Basin. They did this with the Boulder Dam in the early 1930s on a very small scale. It was a tremendous engineering achievement. They put the money into the infrastructure to deal with it. They built the Tennessee Valley Authority in the 1930s to control flooding and water distribution in the south. These projects were incredibly successful. We just don't do investments like that anymore. We don't do large scale infrastructure investment because our money supply is so dominated by private sector finance.

The cost of money is really very high. I mean, they talk about low interest rates today, but by historic standards, six or seven percent is way high. In the New Deal, you had the Reconstruction Finance Corporation funding infrastructure projects at one percent. We could do that again today. Dennis Kucinich has introduced an infrastructure bank bill that would finance projects at zero percent. All it needs is capitalization, and it can be done, but we're so dominated by a private financial system that it has the whole economy by a stranglehold. We can't come up with the kinds of infrastructure that would be able to mitigate global warming and other problems like that.

ICONOCLAST: So we're at this point where, like you said, all that is needed is capitalization but there's this private banking system working, so does one bring this idea of credit as a public utility back?

COOK: Well, just a little background first. Credit as a tool is an awesome power. Even if you go back a thousand years and you read something like Michael Hudson who is a historian in this area, it's always been regulated in some way by the government or a chartering regulatory system.

Now, there have been times when governments have run their own banks. Venice – The Venetian Republic – is probably one of the best historical examples. People don't realize that the power of Venice in the High Middle Ages was based upon the fact that they had their own bank. They didn't have to turn to private bankers and beg for money. They would finance commerce and government expenditures out of the Venetian bank sometimes through loans and other times through direct expenditure.

So the power to do that has always existed, and in America, we probably went further than any other country in our early history in direct government financing. The colonial governments issued their own currency. They printed money and then spent it and then took it back into taxes, and that was what the prosperity of the American colonies was built upon. When the British Parliament abolished paper money in 1764, that produced the economic depression that led to the revolution. During the revolution, the Continential Congress printed and spent continental currency which served the same purpose. People always point to that as the great example of inflation, but research has shown that it inflated so much because the British were counterfeiting in New York. They were just printing reams of continental currency and then taking it around and spending it in the countryside, so it lost its value. It worked very well while it existed.

The next great example is Greenbacks which was the money that (President Abraham) Lincoln spent directly into circulation to keep the Civil War going. I mean, he actually handed Greenbacks to troops, and that was their pay, and that circulated into the economy. Very few people realize that the Greenbacks continued to be the primary part of the American currency until World War I. About a third of the currency in 1900 was Greenbacks still around from the Civil War. One of the few things the Federal Reserve did when it came into existence in 1913 was that it produced such a tremendous inflation that it destroyed the Greenbacks and destroyed most of the value of the coinage of the United States which the government was also spending directly into circulation. So the bankers who took over the government and took over the financial systems of the Federal Reserve, the first thing they did was destroy real government currency, so the only currency that was left was Federal Reserve notes, which first came into existence by being lent by the banks.

There is one other factor, too, that we should realize. People will say, “Well, the Federal Reserve System and bank currency allowed industrial growth, and that’s what capitalized the growth of America into an industrial power.” That is absolutely false. Historically, that is completely wrong. Most U.S. industrial growth occurred through retained earnings and still does based on the growth of science and technology as a multiplier and then plowing your profits back into the business. Almost all bank lending is for speculation and consumption, not for production. The capitalization of American industry both in the private and the public sectors, you know, equity and publicly-owned companies, comes from the capital markets from people who already have money invested in the company. It does not come through bank lending. Bank lending gets involved when you have leverages, mergers, and buy outs and that sort of thing. It’s really destructive in industry.

So what I’m saying is that there are two-pronged tools for economic growth. One is the ability of government to directly fund activities and this includes lending like with Kucinich’s infrastructure bank or the New Deal Reconstruction Finance Corporation. The other tool is to allow industry to go ahead and borrow freely in the capital markets from people who already have the money and to outlaw bank speculation lending for leveraged buyouts. The tools exist. The real blockage is political. It’s the power of the financial industry because the people who run the country are the financial elite. If you look at where the money is coming from to finance all the candidates for president this year, I mean everybody knows it’s coming from Wall Street. Look at Ron Paul. He’s got nothing because he’s not getting $10,000 and $20,000 donations from the Wall Street managers and financers. That’s where John Edwards, Hillary Clinton, and Barack Obama. I mean, look Mitt Romney. He’s got more money than anybody and most of it is coming from financiers and lawyers.

So it’s a political issue. The technology is there. The knowledge is there, but the political power of the financiers is just tremendous.

ICONOCLAST: Well, if Venezuela develops and implements its own banking system outside of the World Bank and the IMF, and China follows suit by not buying our debt here in the United States, what would happen to the U.S. economy?

COOK: Well, it would collapse. It would be an absolute collapse. Again, you have to distinguish the producing economy from the financial economy. The producing economy would benefit because we’d have to start making our own stuff again. We’d get our jobs back. It would be great for the people of the United States. For the financiers and the financial economy, it would be a total collapse because the whole thing depends upon that circular movement of dollars which is called “dollar hegemony.”

Actually, this has been going on since the 60s and 70s. The rest of the world has been growing up, and the rest of the world has currency systems now that are starting to stand on their own. The Yen has been strong for a long time. Now you’ve got the Euro. Russia has rebuilt its finances so that the Ruble is now coming back and, of course, the Chinese Yuan.

The reason the U.S. is trying to conquer the Middle East and maintain military control over the rest of the world is to prop up the dollar. That’s what’s behind it all. The U.S., if you take that away, would be functionally bankrupt. That phrase “functionally bankrupt” is from economists who work with the Federal Reserve. So you take that away, and you have a financial collapse, and it could very well result in a world war.

ICONOCLAST: Wow. So who would be players in that? Of course, the U.S. would be on one side, but who would be on the other?

COOK: By what we have done by our aggressive military policy is pushing mainly the Asian giants together. That includes Russia, China, and India. Now, they are also investing heavily in Latin America. The Chinese are taking their U.S. dollars and are starting to use them as lending and investment instruments in Africa displacing the IMF. So the other power center in the world is in the Asian land powers. I'm not predicting –

ICONOCLAST: Yeah, you're not going to pull a Douglas.

COOK: Well, this is where it's heading, and it's splitting along the lines of the U.S. and the U.S. is pulling the reigns in on Europe to get them solidly aligned with what's going on. We've already had Great Britain in our corner with Tony Blair. Now, they're trying to do the same thing with France and Germany to make sure France and Germany don't stray off of the NATO reservation.

The fault line is really splitting down between the U.S. and the Asian landpowers. Right in the middle of that fault line, of course, is the Middle East with Iraq and Iran. Everything points to some kind of major war, and it's all financial to protect the financial system.

ICONOCLAST: As you mentioned, the British forces manipulated the currencies of the American colonies in order to create inflation. In the last two weeks, reports came out that said the CIA had manipulated Iran's currency.

COOK: Yeah, that's a common type of covert warfare. Well, of course, the CIA learned their trade from the British in World War II, and the counterfeiting of currencies has always been a tool of British intelligence. It goes back to the American revolution, and then you see the same thing happening when they were involved in various escapades in the 1800s. Financial warfare is one of the tools of the covert world.

ICONOCLAST: The concept of a "democratic capitalism," you say, would eliminate these patterns of wars?

COOK: Yeah, and what it postulates is a multi-lateral world of major regional powers that are equals. Really, that's how U.S. foreign policy was conducted prior to World War I. That was the way we had our relations with Russia in the 19th century. We've tried to be co-equals with other continental powers, so there was a lot of sympathy in exchange with Russia and Germany. It was only with World War I when the financiers took over America through the Federal Reserve System that we were absorbed into the British Imperial structure which was based upon world financial power. That's the game we've been playing ever since, except we became the top dog through our lending policies. We took over the center of power from Britain. Essentially, it's the same empire. We're the British Empire headquartered in America now because it's not an ethnic empire. It's a financial empire, and we use the same methods as the Bank of England. The Federal Reserve is the Bank of England recreated on American soil and it bases its power on a tremendous public debt. The bigger the national debt, the more our government is in debt, the more money banks have to lend. It's our debt that collateralizes the bank.

ICONOCLAST: It seems like with this monetary system Douglas proposed, the American empire would be eliminated. It's kind of like a return to our democratic republic, and I would imagine that somewhere along the way, it would require a constitutional amendment naming how the government would issue money. But how strong is this social credit movement in the United States?

COOK: Your point about a constitutional amendment is a good question. I think the constitution has been pretty ambiguous, although the Supreme Court did uphold the Greenback laws in the 1800s, so I'm not sure you need to actually amend the constitution.

I'm part of the monetary reform movement in the U.S. which is not huge but it is getting fairly well-established. The most important component of that is the American Monetary Institute <www.monetary.org>, and I've worked with them on drafting a model legislation for monetary reform. It's called the American Monetary Act. It would accomplish a lot of the purposes of the monetary reform movement that we've been talking about.

They're going to have their 3rd annual conference this year, and it's probably the best conference in the world now on monetary reform. There will be a lot of people not only from the U.S. but also from overseas at that conference. They've got local chapters. They go to Capitol Hill and brief people on congressional staffs. They've met with Ron Paul, Dennis Kucinich, and other people like that. It's a growing movement that is very important and their model legislation would accomplish many of the goals we're talking about here.

Social credit as a movement is less well-known in the U.S. In fact, right now, the things I have written have probably been at least in our generation the first writings that have tried to bring together the social credit ideas of British nations with the monetary reform ideas from the American tradition and unite those to show how they are really two legs of a similar policy. I'm in very close touch with the social credit people, particularly in Canada and New Zealand, where they have the most experience with these things. I'm trying to bring together social credit with the American Monetary Institute movement and do the basic theoretical work. I've gotten incredible response from all over the U.S. and the world from people who understand what I'm talking about and who are very excited about it.

You know, the ideas in monetary reform are not new, and it's important for people to understand. I mean, the best monetary reformer in history was probably Benjamin Franklin. He understood more than anybody how it all works. He was a true genius in not just flying a kite in a rainstorm but in understanding how nations work and how economies worked. He was the architect of the American colonial system.

So the ideas have been around for a long time, and there has always been a realization that credit and money are much too important to be left in private hands, but we have an ideology today where privatization and market fundamentalism are so overwhelming and have so much wealth and power behind them that it's very difficult to get people to understand that there are other ways to look at this. What we're trying to do is educate people about this long tradition with knowledge and understanding about these things that if you think about it and take a look you'll see that there is a much better way to do it.

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