## Call to Action

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3. Become a member

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For more information, check out AFJM and our partner organizations online:

- Alliance For Just Money (AFJM) at https://www.monetaryalliance.org/
- American Monetary Institute (AMI) at https://www.monetary.org/
- International Movement for Monetary Reform (IMMR) at https://internationalmoneyreform.org/

We sincerely thank you for your interest in this critical area, and for acting on one or more of the above requests. This mailing is an outreach test for us. Your response of generosity or silence will inform our future efforts in other communities across the USA.

Respectfully,
~~Board of Directors (see https://www.monetaryalliance.org/about-us/ for our full list)

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Is it too good to be true? Can we have a better economy and a better world? Can we create opportunity for advancement, innovation, and a healthy business community? Can we address climate change before it's too late? Can we reduce poverty and work together to provide adequate food, shelter, water, healthcare, and education for all? Can humanity and democracy, in the USA and elsewhere, survive and flourish?

**Yes! It is all possible if we change our money system!**

While there's no doubt you already know a lot about money, we suspect you may not be familiar with the story we are about to tell. This story shows how and by whom our money is created and distributed, the benefits and inherent flaws in this arrangement, and how we can correct the flaws and create a sustainable economy and better world for all.

A small but growing number of citizens, macroeconomists, sociologists, historians, lawyers, interdisciplinary researchers, educators, and bankers have been working over the last 25 years to understand these problems and propose realistic alternatives. Dedicated members of the American Monetary Institute (AMI) and the Alliance For Just Money (AFJM), alongside others in the International Movement for Monetary Reform (IMMR), are shedding light on the money creation problem in modern banking so as to inform and empower citizens and voters to change it.

While many knowledgeable individuals are already involved in this effort, this movement must grow. Widespread education and action are needed to promote a program to correct our money and finance systems to strengthen our economy and democracy.

**Please continue reading for more details on money, why this effort is crucial, and how you can be part of it. We need your time, effort, and/or money to help us change our money and change our world. Quite frankly, we cannot do it without you!**

## What *is* modern money?

Many people believe that, when a bank makes a loan, the money lent comes from savings already in the bank. We agree that's how it should be. *But that's not how it is!* Instead, private banks actually create new money as credit whenever a party they deem "credit worthy" agrees to pay them that principal plus interest over a set period of time.

In other words, what banks lend is not created by the federal government or even the Treasury, but instead by banks themselves through loans. This is where over 90% of the money circulating in the modern economy comes from. The practice began via a novel bookkeeping technique in medieval Europe (1200-1500s) and gradually grew until it was institutionalized and backed by taxes in 1694 England. This is still the system we have today.

This is the most important takeaway regarding how modern money is created! Private banks create the principal of the loan and then charge interest and fees on that loan. Money that is created and distributed through loans is "debt money." As loans are paid from existing money, the principals are written down and out of the money supply and the interest is pocketed by the banking sector. Money doesn't have to be debt-based; modern money simply is.

Well over 90% of money today is digital, a computer entry on bank statements, not bills and coins. That is, quite frankly, *unremarkable* because, while computers, credit cards, debit cards, and the internet are relatively recent (1950s-1980s), checkbooks and check clearing systems were widespread long before that. Units to account for goods exchanged have been recorded on paper or stone ledgers or as tallies on sticks in diverse money systems across cultures throughout human history.

What makes those digits—and any other token representing them—"money" is the agreement among a people, whose name it bears and commerce it circulates, to use it as their unitary means of exchange. That agreement happens when their duly recognized authority decrees it to be money by "fiat" or law. **In short, money is an abstract matter of public trust.**

What *IS remarkable* is that, in the modern era, private entities called banks, big and small, gained the power to create digital money "out of thin air" through keystrokes. **We believe this "Money Power" and the benefits therefrom belong in the public sector.**





## Frequently Asked Questions about a Just Money System

**1. Is this Socialism?**
**No.** With **Just Money**, goods and services will remain the purview of private businesses and industries within the existing competitive regulatory framework that includes "an effective and efficient legal system to enforce private contracts, the prosecution of market participants that engage in fraudulent practices, and antitrust laws to ensure that markets are not cartelized or monopolized by powerful actors" (McMillan, 2014, p.165). What we, McMillan, and the many other advocates of public or sovereign money insist upon is the exclusive public creation of money with the general welfare as its 'first use.' Money creation should never have been, and should no longer be, a private for-profit business. It is much too powerful with unlimited demand to be in private hands with all the benefits going to a mere few in one sector of the economy. Instead, each sovereign nation, or community of nation-states, should not only determine the currency of its realm, it should also create and issue all the means of payment—whether coin, paper, or digital units of account—denominated in that currency, thereby gaining for the public the benefits that accrue from money's creation and first use (Huber, 2017, p. 39).

**2. Will this cause inflation?**
**No.** Any and every money system has to manage excess deflation (depression) and excess inflation (rapidly rising general prices). In other words, it must avoid either too little or too much money circulating the goods and services produced by the people whose name it bears and trade it facilitates.

Modern money is inherently inflationary, mildly but steadily so, because of both its debt-based nature and the private interest it bears. It is also systemically vulnerable to outside causes of price disruption, such as a pandemic, oil embargo, shadow-banking, and supply-chain or war-induced shortages, as we have seen since 2020. In contrast, **Just Money** inherently operates on the "Goldilocks principle." That is, the never-ending task of the Monetary Authority is to keep our money supply not too hot and not too cold but Just Right! "Just Right" is in sync with people's productivity. A democratic government of, by, and for the people that operates with checks and balances can achieve and modulate a stable value of money without causing high inflation, severe recessions, and/or booms and busts. In so doing, it will enable us all to make a living and a life for ourselves and our loved ones as part of a sustainable market economy.

**3. Is Just Money reform Modern Monetary Theory (MMT)?**
**No.** Modern Monetary Theory (MMT) is not monetary reform. MMT is a description of modern money as it is, and a set of axioms designed to keep that system and its power relations intact, and to encourage more deficit spending and government borrowing in order to pay for the sorely underfunded public good. While monetary reformers share with MMT much of the same description of modern money, MMT acts as if describing the system accurately and acting in accord with that description is sufficient to address the problems it causes. In contrast, monetary reformers want to address the systemic causes of those problems, which requires challenging the banks' power to create money. MMT has significant errors and faulty conclusions. Most important, it leaves in place the debt money creation system with all its failures and discrimination.

**Have questions left unanswered?** Talk to an AFJM Board member in your area! **Send us an email at** reform@monetaryalliance.org with your phone number and time zone, and we will have an AFJM Board member set up a phone appointment to engage with you.

## A New Postmodern Era

We envision a future where *all* money is **Just Money**, publicly and transparently created with many checks and balances in place. While **Just Money** creation and issuance are wholly public affairs, credit—the lending and borrowing of saved money—in a **Just Money** system is in the private sector within a competitive regulatory framework that treats financial services just like any other industry or service provider.

**There are Three Interdependent Parts to Just Money Reform:**

**1.** Require Congress to exercise its Constitutional power to be the sole creator of all U.S. money, issued debt-free, and to establish a transparent and independent public monetary authority to determine the amount of new money the Treasury will disperse under authority of Congress.
**2.** End the privilege of commercial banks to create and issue what we use as money.
**3.** Transfer ownership of the 12 Federal Reserve Banks, and all remaining operations of the Federal Reserve System, to the U.S. Treasury.

These three parts of **Just Money** reform were already written up and introduced to Congress as the National Emergency and Employment Defense Act (the NEED Act, H.R. 2990) in 2011-12. We have updated it as the American Monetary Reform Act (AMRA). We need your senators and representatives to learn about and support it.

A **Just Money** system does not necessarily increase the money supply. It will be guided by empirical data and statistics to modulate the supply to maintain a stable value of money over time. All federal spending stays in the hands of Congress. Much of the newly created money and all existing money still goes through the banking system. **Just Money** will substantially increase the diversity of means to distribute newly created money, reducing the extreme biases of the current system. This is a Win-Win for businesses, individuals, and families, and other species with which we share this planet.

**We know this is a lot of information to take in! Thanks for hanging in there with us!** For sources cited above and many others, **see our** 3-tiered **bibliography** starting **at [https://www.monetaryalliance.org/bibliography-introductory/](https://www.monetaryalliance.org/bibliography-introductory/).**

Finally, below are answers to Frequently Asked Questions about a **Just Money** system to provide additional clarity.





## If that's how modern money originated, when and how did it take hold in the United States?

Between the founding of the Bank of England in 1694 and the establishment of the US Federal Reserve System in 1913, "money" was a widely discussed and contested matter. Detailing that 220-year history is too much for this letter, but suffice it to say that US citizens fought our "revolutionary" and "civil" wars using public money, and there were two short-lived attempts to create US national banks between 1791 and 1841. The Civil War's "greenbacks" story warrants further telling as it gives us an inkling of the **Just Money** we advocate and can establish today.

The biggest crisis in US history was in 1861 when President Lincoln had to fund the Civil War. Treasury Secretary, Salmon Chase, proposed collecting $80 million in income taxes and borrowing $300 million from the banks. But there was only $100 million of gold and silver in the country to be borrowed, not enough, even as a backup to paper money, to fund the war. Even so, in July Congress authorized borrowing up to $250 million via interest-bearing Treasury bonds. By December banks stopped converting their own banknotes into coinage, and the gold market closed for two weeks. Congress, led by E.G. Spaulding of Buffalo NY, knew that new money would have to be created as had been done to fund the Revolutionary War and the War of 1812. In February 1862 Congress passed the legal tender act through which, by mid-1864, it issued $400 million in non-interest-bearing greenbacks as United States legal tender. (Zarlenga, 2002)

It was **greenbacks**, created by government out of nothing, that got the country through the war. They were printed and spent into circulation to arm and supply the Union army and thereafter circulated throughout the economy. They were backed, so to speak, by the green ink declaring them legal tender. Greenbacks were a successful experiment in fiat money, but interest-bearing war bonds had also been issued by the Treasury. These bonds could be bought with gold, silver, or greenbacks. After the war Congress returned the US to a gold and silver standard and actually paid off the Treasury bonds in gold at taxpayers' expense.

Nevertheless, as greenbacks circulated throughout the economy, everyday farmers and workers glimpsed the nature and power of public money. A greenback political movement began that was vocal and powerful into the first decade of the 20th century, and active up until the mid-1930s. AMI, AFJM, and other advocates of **Just Money** are the successors of that movement today. **Though the Federal Reserve Act entrenched the "money power" in private hands, we can hold Congress accountable today to take it back for We the People.**

## The Federal Reserve System

Modern money was institutionalized nationwide in the US through the Federal Reserve Act in 1913. It failed within 20 years resulting in the crash of 1929 and the Great Depression. Instead of reforming it into a greenback-like public money system—as economists advocated in the Chicago Plan—Congress shored it up through the Banking Act of 1933/1935 (Glass-Steagall). This law established (1) an insurance system for this modern money (FDIC), and (2) a firewall separating commercial and investment banks. Both measures failed to address the core problem, and allowed banks to extract wealth by monetizing debt. The 1st still exists, but the 2nd safeguard was rescinded in 1999.

The Federal Reserve is not a true federal agency nor is it a reserve of our money. The Fed creates intra-bank money called reserves the same way commercial banks create money, through keystrokes. Ask Google if the Fed is public or private, and it explains, "while the Board of Governors is an independent government agency, the Federal Reserve Banks (FRBs) are set up like private corporations. Member banks hold stock in the Federal Reserve Banks and earn dividends." The Federal government selects the seven Board of Governors members, but the other five voting members and the majority of FRB directors are selected by the commercial banks. The Federal Reserve regulates its 12 FRBs and their many employees none of whom are federal employees.

As the U.S. central bank, the Fed's job is to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates. The Fed's means for monetary control are limited because the commercial banks, not the Fed itself, create the money supply for the public. The Fed's most important tool is its Open Market Operations, through which it buys government securities short or long-term. Because the Fed is prohibited by law from buying these securities directly from the government, it buys them in the "Open Market" from large banks, called primary dealers, which do buy directly from the Treasury Department. By buying securities the Fed monetizes public debt if and when banks in turn make new loans, thereby increasing the money supply.

## What's the Problem with this System?

Creating money as debt results in exponentially growing debt, both public and private. This debt is a heavy burden on our economy and ecology. It is mathematically and economically unsustainable because, no matter the velocity of circulating money, there's never enough to pay the interest that debt-money bears. It takes more borrowing to keep making payments until bankruptcies, foreclosures, and write downs inevitably occur. In the process, nature is exploited, depleted, and polluted, resulting in human and climate crises. In fact, modern money is inherently and systemically inflationary.





Our current money system creates recurring booms by infusing too much new money into the economy and then busts by shutting off money creation and causing a downturn, leading to a recession or depression in the economy. By creating virtually all new money as interest-bearing debt, wealth flows consistently through the commercial banking sector from Main Street and the real economy to Wall Street.

This system keeps our taxes high because we must pay the interest and principal on government securities, leaving too little for the public good. One sector of the economy should not have a monopoly on creating our money and receiving all the benefits. Those benefits (called "seigniorage") belong in the public sector to We the People.

Our government is not in control of our money system or the economy. However, it gets credit or blame for the state of both. Our democratic republic is becoming more dysfunctional and partisan. This is partly the result of misunderstanding how money works and its significant role in influencing society and the economy.

In short, modern money creates money scarcity for the many—the 99%—and creates extreme abundance for the top 1%. Therefore, we cannot solve the problems it causes like climate change, resource depletion, pollution, poverty, inequity, injustice, and inadequate healthcare, education, liberty, democracy, and peace. We have to **change our money** in order to **change our world!**

## What About the Experts? Why Haven't They Expounded on Money?

Although there are a substantial number of experts on our side, the vast majority of economists, central bankers, and finance professionals are trained in neoclassical micro and macroeconomic theory. In their theories and formulas, money is a minor or neutral factor. **In reality it is the major factor in any economy.** Yet we don't learn about it.

Bankers influence the academic world through their grants, scholarships, and gifts to economics departments. It is known among students of economics that this has reduced or even eliminated the study of and research on money. In the process, the field of political economy was whitewashed into the discipline of economics.

Since the 2007-08 "Great Recession" however, a small but growing number of researchers see the flaws in modern money and are offering proposals for its correction. The critical challenge at this juncture is to make sure the reforms advocated and implemented get to the systemic root of the problem and correct it there.