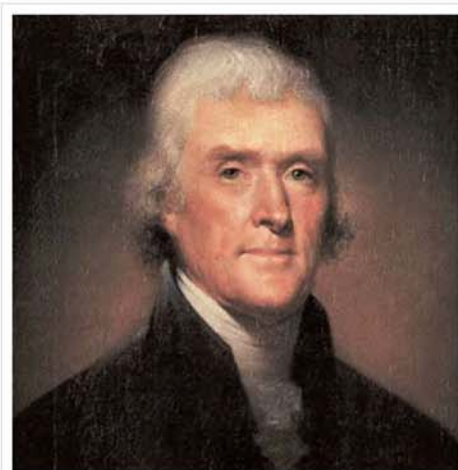


California unemployment at 70-year high. The solution? Monetary reform!

California's official unemployment is [12.2%](http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/09/18/MNFF19P6CV.DTL) (<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/09/18/MNFF19P6CV.DTL>), or over 2 million California adults actively seeking work. This is the worst unemployment crisis in the state since the Great Depression. Many of the lost jobs are in state and local government, such as [20,000 laid-off teachers](http://www.nytimes.com/2009/09/08/education/08school.html?hp) (<http://www.nytimes.com/2009/09/08/education/08school.html?hp>) in California. I wrote that the [recent Los Angeles fires could have been prevented](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d3-Monetary-reform-would-have-prevented-Los-Angeles-fires) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d3-Monetary-reform-would-have-prevented-Los-Angeles-fires>) if unemployed Americans had been hired to clear brush. California has important work to be done, the workers and resources to do it, but not the green slips of paper to facilitate beneficial economic production?



We hold these Truths to be self-evident...

How could this be? Isn't this an irrational economic system when preventable fires blaze, and needed teachers are sitting at home while students are packed into more crowded classrooms?

I'm about to explain the solution embraced by Americans from Benjamin Franklin to [Thomas Edison](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d19-Top-10-Americans-for-monetary-reform-Thomas-Edison-1) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d19-Top-10-Americans-for-monetary-reform-Thomas-Edison-1>). But this is important: you need to take a moment to FEEL how our current macroeconomic structure that prevents important work being accomplished HAS SOMETHING TERRIBLY WRONG with its structure. Don't feel alone in a conclusion of criminal acts. [Nobel prize winners and Pulitzer journalists](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d2-Goldman-Sachs-the-US-Treasury-and-criminal-corruption) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d2-Goldman-Sachs-the-US-Treasury-and-criminal-corruption>) are also writing with passion that these are the largest economic crimes in the history of the planet.

Have you reflected? Here we go:

The answer is generally called "monetary reform." This takes the power of creating money away from the banking industry and returns it to its Constitutional authority with our community (government) for the direct payment of public goods and services. The economic benefits of this shift are [\\$1 TRILLION every year](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m8d22-Monetary-reform-reclaiming-1-trillion-every-year-through-public-creation-of-money) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m8d22-Monetary-reform-reclaiming-1-trillion-every-year-through-public-creation-of-money>), [paying-off the national debt forever](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d12-Paying-the-national-debt-with-monetary-reform) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d12-Paying-the-national-debt-with-monetary-reform>), and [full employment](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d3-Monetary-reform-would-have-prevented-Los-Angeles-fires) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner-y2009m9d3-Monetary-reform-would-have-prevented-Los-Angeles-fires>).

Here's how: when banks create money (credit really), they do so as loans. This is called a "debt-based" monetary system that predictably creates perpetual debt. Currently the US has a [money supply of ~\\$15 trillion](http://www.shadowstats.com/alternate_data/money-supply) (http://www.shadowstats.com/alternate_data/money-supply), a [\\$12 trillion national debt](http://zfacts.com/p/461.html) (<http://zfacts.com/p/461.html>) and a [total debt of over \\$70 trillion](http://mwhodges.home.att.net/nat-debt/debt-nat-a.htm) (<http://mwhodges.home.att.net/nat-debt/debt-nat-a.htm>). This is a function of a Robber Baron-era banking design by the banks for the banks. If we stop the banks from creating money, called the multiplier effect in all economics curricula, and have government do so for the public good we have predictable benefits: no debt and full employment.

How?

Instead of rolling-over debt when it's due, we pay it. This solution was proposed by Economics Nobel Prize laureate Milton Friedman. For the market failure of unemployment, the government becomes the employer of last resort. As long as economic output is greater than wages, overall price levels decrease. For example, repairing roads provides greater economic productivity than the wages paid to the workers. It's a good deal for

the public and a good deal for workers who are unsuccessful finding a job in the free-market.

While we're waiting for national monetary reform, California could create its own bank to issue 0% credit to pay for needed public services. North Dakota has a state-owned bank; their unemployment rate is only [4%](http://www.prairiebizmag.com/event/article/id/9871/group/home/) (<http://www.prairiebizmag.com/event/article/id/9871/group/home/>), with their state government being one of only two with a budget surplus. California pays \$5 billion every year for interest on state debt. With a state bank backed by state assets and working within existing banking law, we could issue credit to purchase our existing interest-bearing debt with a 0% loan to ourselves and [save the \\$5 billion in interest every year](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d4-Solvency-how-stateowned-banks-end-interest-costs-to-state-debt-5-billionyear-for-CA) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d4-Solvency-how-stateowned-banks-end-interest-costs-to-state-debt-5-billionyear-for-CA>). \$5 billion would rehire that state's 20,000 laid-off teachers at \$70,000/year and still have \$3.4 billion left-over!

So if this is so great, why hasn't it happened?

Good question. Despite our [brightest historical American minds explaining this idea](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m8d22-Americas-brightest-historical-minds-speak-to-you-about-monetary-reform-Part-1) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m8d22-Americas-brightest-historical-minds-speak-to-you-about-monetary-reform-Part-1>) quite clearly (and [here](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m8d22-Americas-brightest-historical-minds-speak-to-you-about-monetary-reform-Part-2) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m8d22-Americas-brightest-historical-minds-speak-to-you-about-monetary-reform-Part-2>)), the history of creating money directly to fund the Revolutionary war (despite extensive British counterfeiting to devalue this money), Lincoln issuing Greenbacks rather than borrow the money to fund the Civil War, meteoric economic transformations in Napoleonic France and Nazi Germany, we're still under the political domination of the banking industry rather than banking policy for the public benefit.

This should not surprise you if you've been reading among the hundreds of writers pointing out that our political "leaders" are [lying about policies of war](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d9-Are-US-wars-in-Iraq-and-Afghanistan-mistakes-of-good-intentions-What-we-now-know-from-the-evidence) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d9-Are-US-wars-in-Iraq-and-Afghanistan-mistakes-of-good-intentions-What-we-now-know-from-the-evidence>), [constitutional rights](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d12-Has-the-United-States-become-fascist-since-911) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d12-Has-the-United-States-become-fascist-since-911>), [torture](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d8-Why-are-John-Ashcroft-and-John-Yoo-being-sued-in-civil-court) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d8-Why-are-John-Ashcroft-and-John-Yoo-being-sued-in-civil-court>), and, of course, the [economy](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d2-Bernanke-threatens-economic-crash-if-Congres-audits-Fed) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner~y2009m9d2-Bernanke-threatens-economic-crash-if-Congres-audits-Fed>).

Below is an 8-minute segment of the award-winning economic documentary "Zeitgeist: Addendum." Look it up on Youtube if you want to watch more.

As always, please share this article with all who say they want economically competent policy for our states and nation. If you appreciate my work, please subscribe by clicking under the article title and feel free to browse through my entire collection of [political and economic articles](http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner) (<http://www.examiner.com/x-18425-LA-County-Nonpartisan-Examiner>).



Carl Herman, LA County Nonpartisan Examiner

Carl Herman is a National Board Certified Teacher in economics, government, and history. His hobby is research, education, and lobbying for improved public policy. He can be reached at Carl_Herman@post.harvard.edu.