

# **\$49,000,000,000,000**

*“Make no small plans, for small plans do not stir the blood.”*

As the current economic crisis deepens, as it surely must, we can expect to see the full array of cockamamie, half-baked schemes offered as remedies. None will be more absurd than the standard prescription for austerity, but what I present here will, at first, seem to be even more wild-eyed and utopian. I propose that, over the next seven years, we spend \$49 trillion on massive development projects targeted at the poorest of the world’s poor. Naturally, this flies in the face of all standard economic thinking, and that orthodoxy is now seamlessly unanimous. But the outlay of \$49 trillion is something we’ve done before. In 1938, we Americans had just suffered another major downturn in a Great Depression with no end in sight. Our total production of goods and services in that year amounted to a paltry \$85 billion. Yet, by the end of 1945, we had purchased a war costing over \$300 billion or three-and-a-half times the 1938 GDP. We emerged from the war with a debt owed to ourselves in the form of war bonds, and the cashing in of that debt helped fuel a prosperity that would last, with hiccups, for decades.

Now, in all honesty, the World War phenomenon remains somewhat shrouded in mystery. How is it possible that prosperity could result from an activity whose ultimate product was a pile of seventy million corpses? And what about the penultimate production that consisted of tons of hardware lost in combat or later scrapped? If a Sherman tank can’t plow a field with the necessary aplomb, how can it be labeled “commodity”? Better still, if there was no conceivable lender of last resort or a tax base with surplus resources, where did the dollars come from? And best of all, if economists recognize the war miracle – which they do – why don’t they drop whatever they’re doing, dig to the bottom of the issue, and propose a repetition? Nothing about this is easy.

Be that as it may, three conclusions leap from the fog. War bond sales and increased taxation absolutely required an initial injection of printed money, known in the trade as “fiat” money. And, secondly, a certain percentage of this seed money came from a true national bank, the Reconstruction Finance Corporation. Finally, every wartime economy is a command economy and, as such, is far removed from the standard operating procedures of capitalism.

Already we hear the howls of protest from the high priests of our financial world, and this means we must be on the right track.

What follows will be a proposal for global renaissance based upon certain insights into fiat money and public banks. But I am not here as any kind of authority figure. I may well be wrong, but the fundamental issue here is contained in this overriding plea:

*The financial mechanisms used by the United States in the course of the Second World War worked. It is now our human obligation to learn the lessons and apply those techniques, whatever they might be, to the moral equivalent of war, the creative well-being of every world citizen.*

What follows then is a broad outline of history and a provisional suggestion of future possibilities. If I succeed, you, the reader, will begin to feel the unmistakable discomfort of personal moral responsibility, intellectual challenge, and political calling. Welcome to the club.

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The proposal, then, is that we do what we did seventy years ago. We should spend 3.5 times our present GDP or about \$49 trillion. In doing so, we put ourselves to work in creating only those things that are worthwhile and brimming with glorious magnificence. Even though the effort is outwardly directed, as it was with the last big war, the process will demand a transformation of our domestic economy mirroring the war renovation. We once marveled at the elevation of sharecropper and housewife to skilled machinist and scientist, so why not do that one better? And if Napoleon III could afford to level Paris and then do it right, why can't we make silk purses out of the sow's ears, Baltimore and Detroit? The seventy million corpses are unnecessary.

The money will not come from China or Citibank. Nor will we print it as counterfeit and drop it from helicopters to flutter down into insolvent banks. The method to this madness lies in our established ability to inject a certain amount of printed money into the production side of the equation and let the magic of multiplication do what it does best.

The notion that we can pull \$49 trillion out of thin air and spend it over the next seven years stretches even the wildest imagination. Nonchalant dismissals and red-faced objections will come flying, fast and furious, from all quarters. I accept the necessity of being on the defensive from the outset, and I will repeat, as often as necessary, that the plan is anything but a flight of fancy or theoretical projection. It's something we've done before in various guises, and only one historic, German example is more emphatic than that of our World War II economy.

But before hunkering down behind the barricades, I'll offer one declaration of whole-hearted optimism and wild-eyed enthusiasm.

We hold these truths to be self-evident, that all humans are created equal, that we are endowed with certain unalienable Rights, that among these are Life, Liberty, the pursuit of Happiness, and Freedom from Fear. The exercise of these precious Rights remains an endeavor of cooperative, not competitive, Nature. We progress together or not at all.

Explicit in the four basic Rights are the five Necessities of Water, Nutrition, Housing, Education, and Health. The \$49 trillion we invest – in combination with funds created by other countries – will be directed towards the crying needs of the most beleaguered among us. Any starting point will do, but I personally have in mind something in the shadow of earlier magnificence. A large stone's throw away from the Giza pyramids, we'd build a massive system of solar desalinization feeding colossal aqueducts into the southern Sahara, Sahel, and horn of Africa. No expense should be spared in crafting a facility of gleaming elegance with soaring arches, impetuous flourishes, and reliable stainless steel bolts. But the hardware is nothing more than a reflection of an all-encompassing majesty. The true glory lies in the fact that you and I could wake up on any given morning and know, with absolute certainty, that no human being on the planet is dying of thirst or drinking fecal matter. We can then revel in images of irrigated fields, vineyards, and orchards before setting off to work on those advanced technologies that drive the

new prosperity. Remember too that, if we're concocting trillions in development projects, the rest of the world won't be sitting back in idle admiration. Whatever we initiate will be multiplied many times over. There might not be enough wastelands to go around.

Yet, we pause here for a brief reflection. Are we deeply inspired by the vision of global economic development? Do our hearts race at the prospect of whole continents teeming with well-nourished, highly educated, smiling citizens? The answer of course will vary from dreamer to dreamer, and, for the moment, we'll allow the question to simply hang in the air. It's the same air that will provide the cash.

Making the short jump from futuristic fantasy to plain old history, remember the socio-economic impact of World War II. 1938 was the ninth straight year of crushing economic distress. The New Deal had been pathetic at best. Conservatives and liberals remained locked in the traditional and pointless dances. Nineteen percent of us were officially unemployed, but then, as now, this figure grossly understates. The "spring in step" and "eye twinkle" indices were at all-time lows.

Ten years later, in 1948, we were the undisputed heavyweight champion of the industrialized world. Inventories of machine tools and new manufacturing processes went through the roof. We were rolling in dough and sending ourselves to college to learn and invent every useful art imaginable. Former farmhands were skilled shipwrights, veterans were pedigreed, and any attempt to restore women and Blacks to their former subjugation would prove highly problematic. Income distribution had gone from catastrophic in 1929 to positively egalitarian twenty years later. Yet nothing statistical can capture the exhilaration of high wages, international prestige, and cashing in war bonds to buy houses, refrigerators, and televised comedies.

Yet, I repeat, how could this cornucopia of national wealth result from producing war materiel of no genuine utilitarian value? An important economist in this regard is Lewis Carroll because a thorough grounding in "Alice in Wonderland" is a necessary introduction to the surreal world of finance. If the plan for colossal waterworks in Africa fails to produce a single drop, we Americans still benefit enormously, and funeral expenses remain minimal. An important secret of the last big war is that a very small percentage of our dollars ever left our shores. Put that in your hookah and smoke it.

Another pertinent fact about our war economy is that it had nothing to do with John Maynard Keynes. He published his magnum opus in 1936, so his timing was right, but his idea of counter-cyclical government borrowing played virtually no role in the war's funding. It's true that we sold \$186 billion worth of war bonds, but where did that money come from in the first place? Go back to the \$85 billion total economy of 1938, and imagine how that entity can "put aside" \$186 billion over four years. It couldn't happen without a forceful injection of printed money into the production side of the economy, and that's exactly what we did. Given the intricacies of multiplier effects, a precise calculation of how many C notes we printed may be difficult at best. And the truly befuddling aspect of the whole process is that no government official openly announced any kind of fiat money policy. Secretary of the Treasury, Morgenthau, was the dullest of the dull, and I personally dream of the day when some archivist can produce a document proving secret genius.

Before proceeding any further, we need to reference another economic miracle that makes our war genius look like the fumbling accident it was. In 1923, hyperinflation in Germany had reached the point where prices were doubling every two days, and the scarcest commodities were the wheelbarrows needed to tote the cash that would buy a loaf of bread. A gentleman by the name of Hjalmar Schacht then assumed the reins of the central bank where he immediately pulled the plug on the speculative financing

that underwrote the inflation. That, together with the new currency issued, restored sanity in virtually no time at all. But that wizardry was but prelude to his later accomplishments as both finance minister and chief of the Reichsbank. From 1933 to 1937, Germany's unemployment rate went from over thirty percent to zero. While we experimented with a few federally funded shovels, Schacht's financing scheme bulldozed the groundwork for massive highways and housing developments. Serious re-armament would begin in 1934 with Schacht's creation of a marvelously fraudulent corporation. The Metallurgisches Forschungsgesellschaft, capitalized with a mere one million Reichsmarks, manufactured nothing but a form of paper. MEFO bills circulated as a second currency among the powers that were. With twelve billion marks in MEFO bills floating in 1938, we have an absurd, ridiculous, impossible example of kiting paper that defies all belief. But it worked, so we need tolerate no more pussy-footed squeamishness on the issue of printed money.

The only genuine problem with the concept of printed money involves floatation. Common economic parlance may say that a stock or bond issue is "floated", but that can't be the terminology employed in discussing effective paper. New money works only when it's directly pumped into production and wages, and this is best accomplished through the mechanism of a national bank. Our current Federal Reserve is a central – not a national – bank, and, as such, it's a club of bankers riding herd on the naturally suicidal impulses of banks. A truly national bank makes direct investments into those endeavors that benefit the country as a whole. So, if, for instance, we could increase our farm production two percent with an aqueduct from Chicago to Denver, a national bank might well pony up. The enormity of such a project and the dim prospects for windfall profits would discourage private capital, but a national bank marches into the breach with national welfare as its sole guide.

Again, the concept of a national bank is not a figment of imagination. The Bank of the United States was chartered in 1791 when Alexander Hamilton snookered Jefferson into accepting national assumption of state debt, the monetization of that debt, and the establishment of the Bank. The concept of monetizing debt is simply the realization that our greatest assets are all the things we haven't done yet.

It's tempting to say the Bank and its successor fell prey to the suspicions of Neanderthal politicians, but that would be unfair to our hominid predecessors. Once these early experiments were murdered, we'd have to wait until 1932 to see a rebirth of national banking. In that year, Herbert Hoover, of all people, initiated the creation of the Reconstruction Finance Corporation with the sole intent of using it to bail out banks. As luck would have it, however, Franklin Roosevelt soon appointed a rock-ribbed, conservative Republican, Texas banker to run the show, and Jesse Jones pulled out all the stops. The RFC began to invest in everything from miniscule tomato canneries to rural electric cooperatives to mammoth aluminum smelters. The crowning glory came in the form of the fifty-one synthetic rubber factories we as a nation built and owned, so any distinction between socialism and capitalism was overrun by 41.5 million military tires. Before its demise, the RFC managed to inject over \$50 billion into the economy, but, again, the Neanderthals can't be blamed for its termination.

So that's it. The proposal I now place on the table is simply that we follow the lead of Alexander Hamilton, Hjalmar Schacht, and Jesse Jones. Understanding the miracle of printed money, we employ both direct federal spending and national bank investment to rescue the world economy from certain doom. From there we proceed to transform the planet.

Only two points remain to be added, and the first is that this proposal has zero chance of ever being adopted here in the U.S. of A. We'll explore the reasons for this pessimism in other essays, but, for the time being, we'll simply say that the political stars are seriously and permanently out of alignment.

Our only hope lies with the aspirations and wisdom of other countries, and a number of candidates come to mind.

More importantly, I submit this proposal to you, the reader, without any expectation of an ordinary up or down vote. When it comes to ease of comprehension, the phenomenon of money falls into the same category as love, cosmology, and the evolution of the human brain. The matter is further complicated by the fact that every “authority” now preaches the same litany of austerity, contraction, and sacrifice on the altar of debt. Who are you going to believe, them or me? The whole point here is that you’re asking for trouble if you trust anyone. Our only hope here is that you will swear some solemn vow to see for yourself. Hit the internet and the oldest public library you can find. Remain focused on the primary fact that whatever we did in the cause of war worked like a charm. I myself make no claim to understand every detail of the mechanisms we used, and only with a devoted coalition of inquiring minds can we ever solve the mystery. A little moxie goes a long way in times like these, so, if you’re up for it, my contact information comes at the end. Call, write, or stop by for lunch.

So much for positive declaration and invitation. The floodwaters of objection now rise, and the levees cannot hold. We’ll now run through the list of contrarian opinions.

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The first – and by far the dominant – problem is that the key to success in the World War economy was our unity of inspiration. As a nation, we were afire with both our commitment to defeat evil and with pride in our ability to churn out an arsenal the likes of which the world had never seen. Of course, there’s nothing like a Pearl Harbor to generate a magnificent enthusiasm, but the vision of a world without poverty seems to fall short in this department. Malthusian sentiment now imagines a growing, prosperous planet to be an environmental disaster. What if all fifteen billion of us owned a Cadillac, central air, and a large expanse of asphalt? Where could we possibly fit that many WalMarts?

As with any religious issue, debate here is useless. I will simply include myself among those souls who can no longer stand to see video clips of emaciated babies. We are committed to a policy of hell-for-leather development and distribution of those resources necessary for human growth, and we remain confident that the millions of new geniuses we produce will solve whatever problems they confront.

Disciples of anti-growth dismal-ism just happen to reside in those countries that have already “developed”, and they’ve allowed this advance to degenerate into common sprawl. They’re perhaps correct in worrying that poor people will turn out just like them, but this is no excuse for a kind of neo-colonialism.

Be that as it may, as much as I might rant and rave, the sad truth is that we Americans have failed miserably in our own attempt to develop a warm, cordial, enlightened social order, and this disappointment befogs any bright vision of a global future. Believe it or not, this roadblock will not turn out to be the impediment it now seems to be.

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The second problem is that we all share a kind of intuitive belief that money is “something”. Even if we don’t worship the idol of gold, we still note the feel of the special paper in our wallets and purses. We read the official imprimaturs on the bills, and the impression is one of solidity and durability. Yet, how was this substance created in the first place? A monetary asset is a two-faced creature, and the

other side of the coin is debt. If a bank is able to use the mathematics of fractional reserve to issue loans worth twenty times what's in the vault, what sort of reality inheres in the new money? If we consumers continue to rack up credit card debt with no intention of ever repaying the total, why are suppliers then entitled to book the obligation as an asset? Money turns out to be either good fiction or a really trashy novel, and it's as vaporous and ephemeral as true love.

But because we have full faith and credit that money is "real", we're suckers for a panoply of bland nostrums and old wives' tales. "The federal budget is just like the family budget; no one can long spend more than he has." "Printed money is always inflationary." Any such attempt to apply common sense to something as weird as money will get us nowhere fast.

While rational argument withers in the face of gut feeling, I'll still assert that Washington could now send one hundred printed dollars to every man, woman, and child, and absolutely no inflation would ensue. Mailing out checks for one million might send prices through the roof, though, so the correct answer lies somewhere between 100 and 1,000,000. Printing money can be a clumsy disaster, or it may be done with style and grace. Once again, I'll repeat that we somehow got it right seventy years ago.

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Objection Number Three is that the proposal is blatantly socialist and therefore un-American.

In response, I'll say that all wars demand a command economy of some sort. It's true that corporations benefited handsomely from the production of 41.5 million tires, but profit was not the prime mover. Companies made things because we told them to, and it's as simple as that. And despite peevish protests from automobile manufacturers, most capitalists and their eunuch economists will admit that this "socialism" was the only possible savior of the old system. It's not clear how close we came to a revolutionary brink in the 1930's, but, wherever that precipice might have been, it was the command economy that pulled us back.

Likewise, I offer this \$49 trillion scheme as a similar rescue of capitalism despite my personal hatred of bourgeois ways and my complete devotion to a cooperative future. One major problem with this country is that we have a fair number of people running around denouncing timid liberals as "socialist" when few on the Right have ever met anyone who's more than a tad pink.

So allow me to introduce myself. I am a communist in the non-violent tradition of Jesus and Gandhi, and, like every other socialist, I believe myself to be a true prophet among all the other charlatans. So, I now take but a minute to denounce my imbecile fellow travelers. The very idea that any economy can function as a police state with a paranoid thug like Stalin at the helm is preposterous. So too, China's charade of calling lazy fairy plutocracy "communism" is the depth of depravity. The café, libertine democratic socialists of Europe are morons in crafting a welfare state while leaving the production side of the equation to private bankers. Anytime we see a Castro or Chavez pounding a podium for six hours at a stretch, we know we're in big trouble. And don't get me started about Karl Marx moving to a bourgeois London neighborhood and impregnating the maid. I tell you, you have no idea how hard it is to be as pure and sensible as I am while being surrounded by raving lunatics.

The point to be made here is that neither Jesus nor Gandhi was an ideologue. They somehow managed to break free of all cultural and intellectual assumptions and gain a transcendent perspective. Now, within the confines of a viciously competitive belief system, the only solutions for economic collapse are austerity and the voodoo of the business cycle. But once we realize that the chances of a businessman gaining true understanding are the same odds as with camel and needle, we see things

differently. We also understand that humanity requires a healthy dose of bold evolution before we're ready for loving cooperation, so we have no choice but to heave a sigh and offer the moral equivalent of war to those who don't quite get it.

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Quibble Number Four is that we can't trust our elected officials to run a lemonade stand, much less a national bank and fund of \$49 trillion.

In 1776, two important documents appeared on the scene. One proclaimed our natural ability to govern ourselves without the assistance of blue blood. Adam Smith's *Wealth of Nations*, however, said that we remain enslaved to the Invisible Body Part and the laws of the Market. We Americans just can't figure out which way to go. We worship the virile acumen and business genius of a Henry Ford, Bill Gates, or Attila the Hun, and we believe that their wisdom verges on the superhuman. We defer, and this is all the more true when we behold the shenanigans of those in public office.

The problem is threefold. Our Declaration of Independence asserts complete faith in ourselves, and this is an explicit demand that each and every one of us takes full responsibility for our own education and comprehension of the issues. A democracy falls flat on its face when entertainment, idle recreation, and downright abdication interfere. Still, we might get away with personal irresponsibility if we elected people who weren't birdbrained glad-handers and party hacks. If could we somehow remove money from the electoral process, we might succeed in drafting those thoughtful introverts who now cower in the corner. The third facet, then, is that these are times of nearly overwhelming fear and uncertainty, so contemplation and steady decision become scarce commodities.

The bottom line here, however, is that we pulled off the World War II miracle without the benefit of geniuses in either Congress or the White House. Jesse Jones of the RFC was no Hamilton or Schacht. He simply knew a good loan when he saw one, so rural electrification became ordinary common sense. He also knew how to bang a few corporate heads together if the country needed an aluminum smelter. I personally have no doubt that there is now some such personality dying of boredom in a corporate office, and all we need to do is find her.

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The fifth fly in the ointment is perhaps the most damning of all.

The financial world now employs more experts than we can shake a stick at, and it's more than tempting to do just that. None of these gurus and egghead whiz kids is saying what I'm saying. The chairman of the Federal Reserve himself is a self-styled student of the Great Depression, and he'd be the first to admit that the war solved the problem. He's even printing money like it's going out of style, which it is, thanks to him. But his "money" is the useless helicopter, floating variety, and he's not about to advocate anything out of the ordinary. So, on one side, we have the full weight of orthodox monetary theology, and, on the other, we have you listening to a sixty-two-year-old heretic writing from his home in suburban Baltimore. Whom are you going to believe?

Once again, the whole idea here is that you believe no one but yourself and the muse of History. Yet again, keep in mind that whatever we did seventy years ago did the trick, and then hit the books.

Unfortunately, this won't be easy. Jesse Jones wrote a history of his time at the RFC, and Hjalmar Schacht published his *Confessions of "The Old Wizard"*, but in neither case do we find an articulation of revolutionary theory. They were dyed-in-the wool capitalists, and both were

administrative personalities that grabbed whatever practical tool was nearest at hand. Both were Freemasons, and I wish that meant something. I wouldn't have to craft all these arguments if only there were a secret conspiracy of cognoscenti working behind the scenes to set things right. No such luck.

But by trumpeting my proposal, I am diabolically placing the ball in the experts' court. The economic miracle of war is a plain fact whose causes must be explained. Suppose that I'm completely off base in attributing the magic to fiat money and a national bank. What other explanation is there? We did drain Britain of all its gold just before the war, so did we then deposit the metal in commercial banks that started lending like madmen? Was this the cause of full employment and a tripling of the money supply? Not bloody likely, but I frankly don't care what the mechanisms were. We did something very right, and our genius economists are now challenged to identify both the early cause and the present-day solution.

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Nitpick Number Six is that Hamilton was an arrogant elitist and Schacht was a member of the Nazi Party. All that really means is that our reprise of history can dispense with all the needless and overweight irony. Given the desperation of the current economic meltdown, we could again resort to a solution devised and implemented by a handful of well-placed conspirators. Yet without widespread comprehension and endorsement, our conniving cabal would soon fall prey to the standard suspicion and demagoguery. This is where you come in.

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In the end, it's the idea of Freemasonry and parallel initiatives that brings us home to the essential thrust of this essay. In other treatises, I'll explore the dismal prospects for ever seeing the \$49 trillion work its wonders. Given the unanimity of antique opinion, our immediate future could hardly be more bleak. Yet, in these times that try humanity's soul, the presence of Truth becomes all the more palpable. That Truth is nothing more than ordinary human Compassion, and her sister, Agony, and, once the heart engages, the brain won't lag behind. This, then, is the invitation to you, warmly and personally extended. There are worse things than being a voice in the wilderness. Make no small plans for small plans do not stir the blood.

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