



THE MONETARY \$Y\$TEM

OCCUCARD #5



EXPOSING AND OPPOSING THE CORPORATE STATE

Federal banking rules allow banks to make loans of up to nine times the amount of money they have in reserve. This is called “fractional reserve banking” and is the process by which private banks increase the money supply by creating and loaning out more money than they actually have. Fractional reserve banking is commonly misunderstood to mean that banks must put 10% of their customers’ deposits into reserve, after which they can loan out the remaining 90%. But in fact, banks can put as much money as they want into reserve, and then issue loans up to nine times the reserve amount, or 900% more than their deposits. This means that when a bank makes a loan, it is literally loaning money into existence. This newly created money enters into circulation and increases the nation’s overall money supply. Then, as the borrower begins making loan payments back to the bank, the principal portion of each payment is removed from circulation, while the interest remains, becoming the bank’s profit. This entire process takes place digitally. No paper money needs to be printed, since loans and repayments are made simply by increasing and decreasing account balances on computers.

This awesome power to create money out of nothing is the reason banks are the most powerful institutions in the nation. The ability to loan new money into existence gives private banks unlimited capital with which to finance and control society’s development, and the pursuit of profit is their only consideration. Commercial bank loans are awarded with no consideration for the social or environmental consequences of the commercial activity, but rather solely on whether the business will make money and hence be able to pay back the loan with interest. The immense wealth banks are able to accrue through this process also allows them to manipulate society’s

political institutions. By funding the political campaigns of both major parties and hiring huge armies of lobbyists, banks and other giant corporations have subverted the political process, resulting in a government unresponsive to the needs of citizens.

Currently, all new money entering into circulation is created by banks through the process of issuing loans, which saddles the population with massive debt. However, there are other ways money can be created. The U.S. government could create its own money (rather than borrowing it from the Federal Reserve) and release it into circulation in the form of salaries and wages via public works programs, or in the form of subsidies given directly to private companies that provide benefits to society. Spending money into existence like this increases the money supply without creating debt.

The wholesale privatization of the money creation process, where all new money is released into circulation in the form of bank loans, and where the US Government is forced to borrow money from the Federal Reserve (or else tax the people) before it can spend, enriches private banks at the expense of ordinary Americans, the majority of whom are perpetually in debt. Given the power of large, financial corporations over our government, returning to a just monetary system will require a broad-based movement of **education, protest, and civil disobedience.**

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