

How America and the Western World Became an Oligarchy

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According to a new study from Princeton University, American democracy no longer exists. Using data from over 1,800 policy initiatives from 1981 to 2002, researchers Martin Gilens and Benjamin Page concluded that rich, well-connected individuals on the political scene now steer the direction of the country, regardless of - or even against - the will of the majority of voters. America's political system has transformed from a democracy into an oligarchy, where power is wielded by wealthy elites.

"Making the world safe for democracy" was President Woodrow Wilson's rationale for World War I, and it has been used to justify American military intervention ever since. Can we justify sending troops into other countries to spread a political system we cannot maintain at home?

The Magna Carta, considered the first Bill of Rights in the Western world, established the rights of nobles as against the king. But the doctrine that "all men are created equal" - that all people have "certain inalienable rights," including "life, liberty and the pursuit of happiness" - is an American original. And those rights, supposedly insured by the Bill of Rights, have the right to vote at their core. We have the right to vote but the voters' collective will no longer prevails.

In Greece, the left-wing populist Syriza Party came out of nowhere to take the presidential election by storm; and in Spain, the populist Podemos Party appears poised to do the same. But for over a century, no third-party candidate has had any chance of winning a US presidential election. We have a two-party winner-take-all system, in which our choice is between two candidates, both of whom necessarily cater to big money. It takes big money just to put on the mass media campaigns required to win an election involving 240 million people of voting age.

In state and local elections, third party candidates have sometimes won. In a modest-sized city, candidates can actually influence the vote by going door to door, passing out flyers and bumper stickers, giving local presentations, and getting on local radio and TV. But in a national election, those efforts are easily trumped by the mass media. And local governments too are beholden to big money.

When governments of any size need to borrow money, the megabanks in a position to supply it can generally dictate the terms. Even in Greece, where the populist Syriza Party managed to prevail in January, the anti-austerity platform of the new government is being throttled by the moneylenders who have the government in a chokehold.

How did we lose our democracy? Were the Founding Fathers remiss in leaving something out of the Constitution? Or have we simply gotten too big to be governed by majority vote?

Democracy's Rise and Fall

The stages of the capture of democracy by big money are traced in a paper called "The Collapse of Democratic Nation States" by theologian and environmentalist Dr. John Cobb. Going back several centuries, he points to the rise of private banking, which usurped the power to create money from

governments:

The influence of money was greatly enhanced by the emergence of private banking. The banks are able to create money and so to lend amounts far in excess of their actual wealth. This control of money-creation . . . has given banks overwhelming control over human affairs. In the United States, Wall Street makes most of the truly important decisions that are directly attributed to Washington.

Today the vast majority of the money supply in Western countries is created by private bankers. That tradition goes back to the 17th century, when the privately-owned Bank of England, the mother of all central banks, negotiated the right to print England's money after Parliament stripped that power from the Crown. When King William needed money to fight a war, he had to borrow. The government as borrower then became servant of the lender.

In America, however, the colonists defied the Bank of England and issued their own paper scrip; and they thrived. When King George forbade that practice, the colonists rebelled.

They won the Revolution but lost the power to create their own money supply, when they opted for gold rather than paper money as their official means of exchange. Gold was in limited supply and was controlled by the bankers, who surreptitiously expanded the money supply by issuing multiple banknotes against a limited supply of gold.

This was the system euphemistically called "fractional reserve" banking, meaning only a fraction of the gold necessary to back the banks' privately-issued notes was actually held in their vaults. These notes were lent at interest, putting citizens and the government in debt to bankers who created the notes with a printing press. It was something the government could have done itself debt-free, and the American colonies had done with great success until England went to war to stop them.

President Abraham Lincoln revived the colonists' paper money system when he issued the Treasury notes called "Greenbacks" that helped the Union win the Civil War. But Lincoln was assassinated, and the Greenback issues were discontinued.

In every presidential election between 1872 and 1896, there was a third national party running on a platform of financial reform. Typically organized under the auspices of labor or farmer organizations, these were parties of the people rather than the banks. They included the Populist Party, the Greenback and Greenback Labor Parties, the Labor Reform Party, the Antimonopolist Party, and the Union Labor Party. They advocated expanding the national currency to meet the needs of trade, reform of the banking system, and democratic control of the financial system.

The Populist movement of the 1890s represented the last serious challenge to the bankers' monopoly over the right to create the nation's money. According to monetary historian Murray Rothbard, politics after the turn of the century became a struggle between two competing banking giants, the Morgans and the Rockefellers. The parties sometimes changed hands, but the puppeteers pulling the strings were always one of these two big-money players.

In *All the Presidents' Bankers*, Nomi Prins names six banking giants and associated banking families that have dominated politics for over a century. No popular third party candidates have a real chance of prevailing, because they have to compete with two entrenched parties funded by these massively powerful Wall Street banks.

Democracy Succumbs to Globalization

In an earlier era, notes Dr. Cobb, wealthy landowners were able to control democracies by restricting government participation to the propertied class. When those restrictions were removed, big money controlled elections by other means:

First, running for office became expensive, so that those who seek office require wealthy sponsors to whom they are then beholden. Second, the great majority of voters have little independent knowledge of those for whom they vote or of the issues to be dealt with. Their judgments are, accordingly, dependent on what they learn from the mass media. These media, in turn, are controlled by moneyed interests.

Control of the media and financial leverage over elected officials then enabled those other curbs on democracy we know today, including high barriers to ballot placement for third parties and their elimination from presidential debates, vote suppression, registration restrictions, identification laws, voter roll purges, gerrymandering, computer voting, and secrecy in government.

The final blow to democracy, says Dr. Cobb, was “globalization” – an expanding global market that overrides national interests:

[T]oday’s global economy is fully transnational. The money power is not much interested in boundaries between states and generally works to reduce their influence on markets and investments. . . . Thus transnational corporations inherently work to undermine nation states, whether they are democratic or not.

The most glaring example today is the secret twelve-country trade agreement called the [Trans-Pacific Partnership](#). If it goes through, the TPP will dramatically expand the power of multinational corporations to use closed-door tribunals to challenge and supersede domestic laws, including environmental, labor, health and other protections.

Looking at Alternatives

Some critics ask whether our system of making decisions by a mass popular vote easily manipulated by the paid-for media is the most effective way of governing on behalf of the people. In an interesting Ted Talk, political scientist Eric Li makes a compelling case for the system of “meritocracy” that has been quite successful in China.

In *America Beyond Capitalism*, Prof. Gar Alperovitz argues that the US is simply too big to operate as a democracy at the national level. Excluding Canada and Australia, which have large empty landmasses, the United States is larger geographically than all the other advanced industrial countries of the OECD (Organization for Economic Cooperation and Development) combined. He proposes what he calls “The Pluralist Commonwealth”: a system anchored in the reconstruction of communities and the democratization of wealth. It involves plural forms of cooperative and common ownership beginning with decentralization and moving to higher levels of regional and national coordination when necessary. He is co-chair along with James Gustav Speth of an initiative called The Next System Project, which seeks to help open a far-ranging discussion of how to move beyond the failing traditional political-economic systems of both left and Right..

Dr. Alperovitz quotes Prof. Donald Livingston, who asked in 2002:

What value is there in continuing to prop up a union of this monstrous size? . . . [T]here are ample resources in the American federal tradition to justify states’ and local communities’ recalling, out of their own sovereignty, powers they have allowed the central government to usurp.

Taking Back Our Power

If governments are recalling their sovereign powers, they might start with the power to create money, which was usurped by private interests while the people were asleep at the wheel. State and local governments are not allowed to print their own currencies; but they can own banks, and all depository banks create money when they make loans, as the Bank of England recently acknowledged.

The federal government could take back the power to create the national money supply by issuing its own Treasury notes as Abraham Lincoln did. Alternatively, it could issue some very large denomination coins as authorized in the Constitution; or it could nationalize the central bank and use quantitative easing to fund infrastructure, education, job creation, and social services, responding to the needs of the people rather than the banks.

The freedom to vote carries little weight without economic freedom - the freedom to work and to have food, shelter, education, medical care and a decent retirement. President Franklin Roosevelt maintained that we need an Economic Bill of Rights. If our elected representatives were not beholden to the moneylenders, they might be able both to pass such a bill and to come up with the money to fund it.

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