

## The "Occupy" Debt Serfs

November 28, 2011 - [Jonathan Wellum](#)

*Editor's Note: Quantitative easing was once an obscure and unconventional monetary policy that central banks used to stimulate the economy. Central banks will buy financial assets to inject a pre-determined quantity of money into the economy. But now, quantitative easing is a far more common concept, with Christians fiercely split on its merits. Today Comment asked two of our leading economic and financial luminaries to tackle the question of quantitative easing. Earlier, [Charles Clark argued in favour](#) (<http://www.cardus.ca/comment/article/2999>); here, the counter in the series: Senior Fellow [Jonathan Wellum](#), against.*

---

One of the age-old monetary debates concerns how governments use debt. How much debt, if any, should the government contract, and for what purposes? Is there an optimal term to maturity? Does it matter?

These questions take us back to the earliest days of humanity. The first recorded discussion I am aware of on the subject takes us back to Moses and the Levitical law, revealed to the Israelites approximately 3,500 years ago. In the book of Leviticus, a year of Jubilee was to take place every fifty years. This was the year in which slaves and prisoners would be freed, and all debts would be fully amortized or forgiven. The year of Jubilee helped to ensure that debts would not be perpetual and obligate the debtor unjustly. Their understanding was clear: excessive debt would strip borrowers of their dignity, freedom, and wealth and would eventually lead to an undue concentration of wealth. Whether the Israelites ever instituted Jubilee or not is open to debate. One point that is not open to debate: the use of perpetual debt on the part of government leads to abuse and eventual debt serfdom.

Today, we live in a world that has created the largest amount of debt in the history of mankind, all by expert design. The global economy is built on perpetual debt. Until the recent crisis, the very notion that governments would pay down any outstanding principal (unless forced) was dismissed as "puritanical" and ridiculed by our economic "elite." But ask yourself a simple question: How can country after country add compounding levels of debt on their citizens, including unborn citizens, without eventually hitting a wall?

Governments love to use debt. *Buy now, pay later* has become a social culture, not just a political one. Governments can often disregard the long-term consequences as they grow and become a larger and larger

percentage of the economy. As they take more responsibility for economic management, promises become bigger, money gets printed and inflation and debt rise ever higher. What most people, including those occupying our public spaces, seem to overlook is that, over time, indebted governments seldom cover their obligations and end up harming the very people they are supposed to be helping. Only in the divine miracle of grace can debt be cancelled. And even there, someone pays.

Government coercion is subtle but complete as future generations are saddled with unconscionable amounts of debt until they are forced to outright renege on their promises and start all over again. The worst institution in the world to trust with debt is the government, and next are big financial institutions that are in cahoots with governments through the linkage of the central bank. It is a gross error in judgement to distinguish the bankers today along with their avarice from the governments that regulate them. In reality they operate hand in glove in perpetuating the production of debt. The bankers love the debt because they can make paper profits and pay outrageous bonuses, and the government loves the debt because they can bribe their citizens with worthless promises of "prosperity" while all the time destroying their freedom, dignity, wealth, and future prospects.

None of this is new. Within the British Empire, Prime Minister Sir Robert Walpole is credited with the introduction of a perpetual debt-funding system in England during the 1720s. British acceptance of perpetual debt aided and abetted its growth throughout much of the developed world. Unfortunately this system was open to enormous abuse. It wasn't long before the national debt of a country was used not only in times of war but also to fund grandiose national projects and social programs.

In the early days of the United States, government debt was viewed as temporary, to be issued only for pressing national purposes and then discharged by those who contracted it. In a 1789 letter to his friend James Madison, Thomas Jefferson raised the philosophical and moral question of whether "one generation of men has the right to bind another." He believed the answer was no, even applied to government borrowing. After all, the following generation cannot have given consent to decisions made by their fathers, nor will they have necessarily benefited from the deficit expenditures.

British empiricist David Hume (1711-1776), referring to intergenerational debt and the abuse of debt by governments, stated, "The practice, therefore, of contracting debt will almost infallibly be abused, in every government. It would scarcely be more imprudent to give a prodigal son a credit in every banker's shop in London than to empower a statesman to draw bills, in this manner, upon posterity."

When we consider the total global debt, the best estimation is that our global debt is now in excess of \$200 trillion USD (three times the global GDP). Over the past 10 years we have witnessed a 100% increase in the level of global debt (and this does not include the massive unfunded liabilities/entitlements). During the past 40 years the annual growth rate of debt in the world far outstripped the annual GDP growth. Simply stated, all those "things" we have loaded up on were largely bought on credit, and these lifestyles we enjoy are unsustainable.

The global economy is a Ponzi scheme; it has to issue new and growing levels of debt at manipulated interest rates in order to roll maturing debt and cover existing deficits. This should not surprise us in the least since, in order to survive, all debt-based money systems must grow exponentially—a denial of reality. As a result, all debt-based systems must eventually collapse and restart.

