

In a world of plenty, there is no need for poverty and debt. We have the technology to feed, house and clothe all people on earth without destroying our environment. Whatever is physically possible and socially and environmentally desirable can be made financially possible. This is everyone's concern and it is urgent.

Where's the Money to Come From??

– Where does money come from?

– a discussion document outlining the reasons why we need to look at the issue of monetary reform, as the most fundamental issue for a sustainable future, and to formulate and promote appropriate policy, – urgently.

Where's the Money to Come From??

–This is the constant refrain from government when solutions to social or ecological problems are proposed.

What is physically possible and socially/
ecologically desirable **must be financially
possible.**

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and published on behalf of
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February 2013

–Where does money come from? –

- a) Trees?
 - b) Thin air?
 - c) The government?
 - d) The Bank of England?
 - e) Commercial banks?
-

Well, yes; not a). It really doesn't grow on trees!

–but b)? In essence, YES!...

c)? Notes and coins are created by government, and then spent into circulation via the banks – but this means that because of the decline in their use, now only under 3% of our money is created by government, despite popular belief.

d)? e)? Over 97% of the money used by society currently consists of nothing more than book-entries or data in computers, kept mainly by the commercial banks – so the correct answer is, almost entirely, e). [Long ago, governments/monarchs created nearly all of their nations' money, but the banks have been increasingly taking over this function during the last three centuries or so, and especially over the last few decades.]

When a bank makes a loan, *it does not take the money from anyone's account, or even from its own funds*. It simply creates the money, by crediting its customer's account with the amount of the loan – a 'liability' of the bank – and balancing its books by entering the new amount owed to it by the customer as an 'asset'. When the borrower spends it, the credit circulates among accounts indistinguishably from other money, but the borrower is left with the debt, which attracts interest until it is repaid, at which point the principal is cancelled out of existence. Every loan makes a deposit – in someone's account; note: it's not the other way round! This is how the 'money supply' grows: by continuous increase in borrowing – but therefore with a corresponding growth of debt, which grows even faster, due to the interest added onto it.

It has to grow, because always more has to be found for repayment than has been loaned, due to the interest charged on the loans – *which has been created as someone else's loan* – so more loans have to be made, for this to be possible.

The interest received by the banks is partly paid out again, as its operating expenses and dividends to shareholders, but some is retained as "reserves", which have to grow in proportion to the growth of the money stock, and are not then available to perform as part of the money supply. If new loans are not taken out faster than old ones are paid off, the 'economy' is in trouble: experiencing a 'recession' or, worse, a 'depression'. Recently, whole national 'economies' around the world have collapsed, essentially because of this – as is now happening, perhaps globally.

The levels of debt – personal, commercial and governmental – throughout the world are at record levels, and still growing fast, along with record levels of wealth for the elite few.

NET LENDING AND WRITE-OFFS

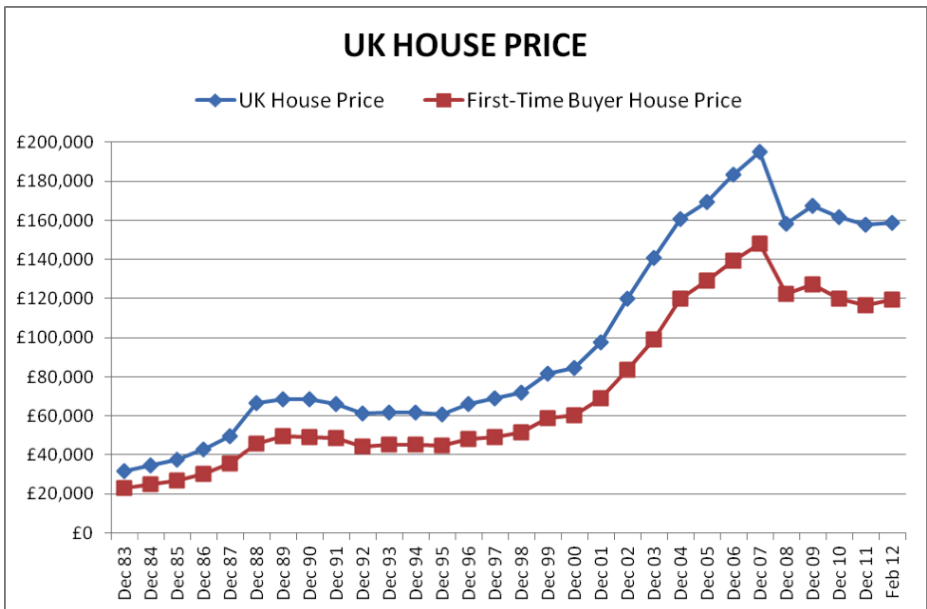
Total net lending by UK Banks and Building Societies rose by £1.6 billion in February 2012.

Net secured lending rose by £1.2 billion in the month; net consumer credit lending rose by £0.4 billion.

UK Banks and Building Societies wrote-off £6.9 billion of loans to individuals over the four quarters to Q4 2011.

In Q4 of 2011 itself they wrote-off £1.48 billion (of which £907 million was credit card debt) amounting to a daily write-off of £16.23m.

– Data from Halifax House Price Index (Standardised, Non-Seasonally Adjusted)



-- from *Credit Action*, April 2012

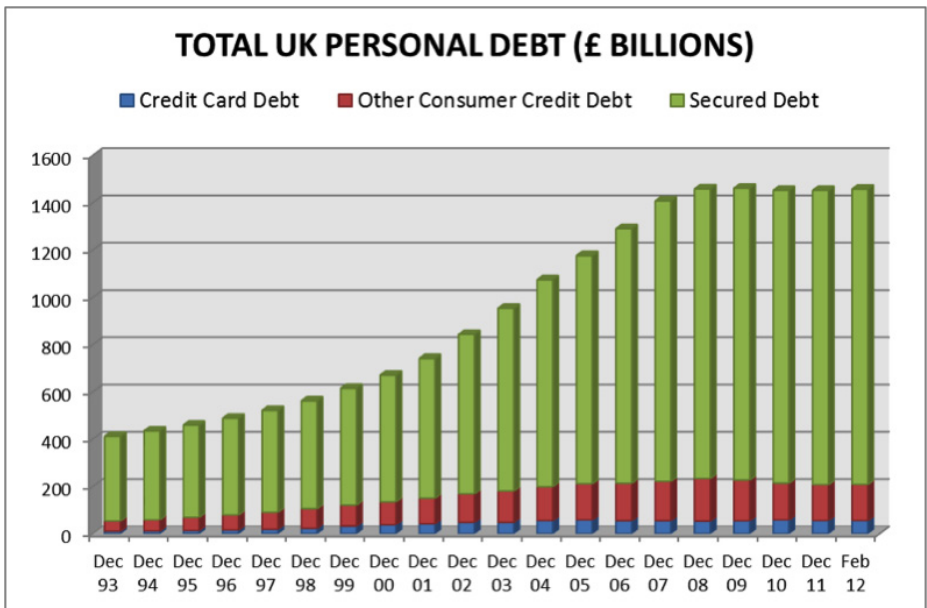
Money paid to shareholders goes largely into further shares, currency exchange, ‘derivatives’, and other more exotic forms of gambling, tax havens, existing housing, and luxury items, e.g. antiques and works of art, circulating in an “upper level”. This makes it largely unavailable for purchase of industry’s current products, which must be sold to enable the debts incurred in their production and distribution to be repaid, with interest. Money invested in shares is mostly a matter of gambling – selling and buying already-existing shares in the hope of increasing dividends – and not of buying new shares,

which help to fund companies' business. This practice also drives companies to seek to maximise their profits, at the expense of socially responsible operation.

The banks also create vast sums of money to lend specifically for this gambling, which now totals far more than is used for the real economy. Since the 'deregulation' of the 1980s, banks themselves also join in this gambling. More and more has been gambled on 'derivatives', and the bubbles this has created are now imploding.

None of the money used in these ways can at the same time be used to buy the products of industry. This is a reason for the drive to export more than is imported: because of the lack of money available to buy all the goods home-produced.

To service the increasing debts created by this method of money creation, there is a constant effort to increase the money supply by persuading people to increase their level of debt – as "consumers", in the form of mortgages, HP, credit card spending; as businesses, for expansion, for modernising, for automating, for aggressive advertising. Enormous effort and materials are expended by the advertising "industry", and on wasteful, "persuasive" packaging.



-- from *Credit Action*, April 2012

Banks especially favour loaning for asset purchases, such as 'leveraged buy-outs' of existing businesses, for the new buyers to 'downsize' them by selling off the most profitable bits, cutting staff. They then claim tax relief on the interest payable on the loans, which eat up the profit the businesses would otherwise have been taxed on. Banks also favour loans for real estate – house

mortgages, etc., since these retain value the banks can claim in case of default on repayments: much safer than loans to new businesses! This has caused the house-price ‘bubble’ which has recently burst, causing the ‘crash’ in 2008.

The levels of debt – personal, commercial and governmental – throughout the world are at record levels, and until the crash in 2008, were still growing fast, along with record levels of wealth for the elite few.

A Potted History of Banking

Until the last few centuries, though money was used for government purposes, trade in luxuries and foreign trade, most people did not use money. Instead, there was a range of social obligations, free use of local commons, and free exchange.

For most of history, at least since year 0 AD, most money was ‘coin of the realm’, giving the sovereign the ‘seigniorage’ – the face-value, less the cost of producing it – as it was spent into circulation, without creating any debt as it was spent, so allowing it to circulate indefinitely.

Gradually, this was supplemented by ‘bills of exchange’ or other receipts issued by goldsmiths, who later became bankers, for the gold coin deposited with them for safe-keeping. These were made ‘payable to bearer on demand’, so that they could be used by the depositor in place of the coin, to make payments; they slowly became widely accepted as money. Over time, the ‘bankers’ realised that only a small fraction of the coin deposited with them was ever demanded back, so they could make ‘loans’ themselves by issuing these ‘receipts’, which became known as ‘banknotes’, instead of actual coin, and could do this for more coin than they held. As long as they were not too greedy, and caused a ‘run on the bank’ by worried depositors demanding back their coin when they suspected that there was not enough there, the bankers were safe. This was the start of ‘fractional reserve banking’.

Modern banking is regarded to have started with the founding of the then-private Bank of England in 1694, when it lent money to the king, in exchange for the right to issue the same value of ‘banknotes’, “backed” by the debt of the government. This was the start of the National Debt.

The total of banknotes, issued by the Bank of England and by a growing number of other banks, grew until they became recognised as causing inflation, bankruptcies and other problems, and further issue was banned by the 1844 Bank Act, giving the sole right of issue to the Bank of England.

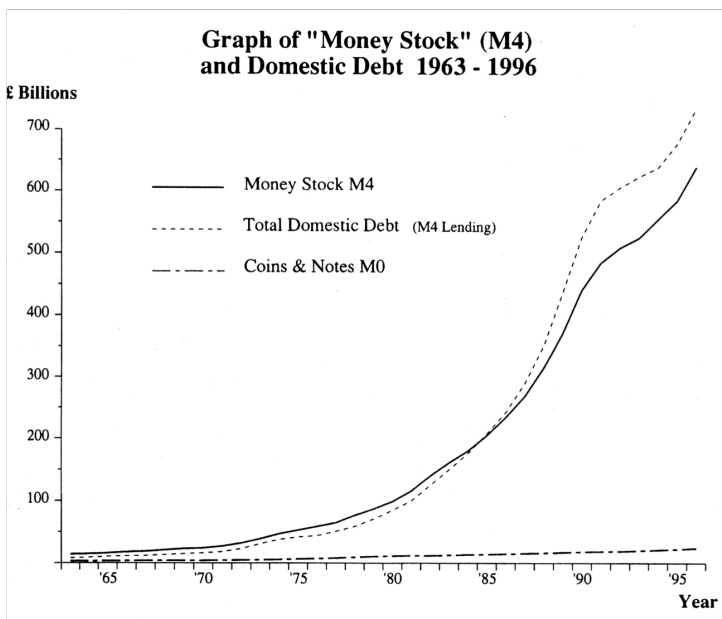
Gradually, the other banks’ notes were withdrawn. This led to the growth of the use, instead, of cheques to transfer funds between banks’ depositors, and for the borrowers from the banks to make payment to others from their loans, which had the same effect as banknotes of increasing the money supply; money in current accounts is effectively, money-in-circulation.

The Bank of England was eventually nationalised in 1946, but its profit from issuing banknotes had long been subject to payment to the government of some part of it, and then in its entirety since 1928.

For most of this time, the law required banks to hold a proportion of their

liabilities (see p.1) as reserves in notes or coin, or in their own deposits in their accounts at the Bank of England. This is the ‘fractional reserve system’. The proportion slowly reduced, from 25% down to 10% or less, and now, with ‘bank deregulation’ (see below), it is up to the banks’ discretion. In some cases, this is only 2-3%!

Until the 1940s, up to the end of the Second World War, coin and banknotes were the main money-in-circulation. At that time, about half of the money supply was still in this form – few ‘blue-collar workers’ had bank accounts. Since then, however, the use of coin and banknotes has steadily declined, much more rapidly since the ‘bank deregulation’ of Reagan and Thatcher in the late 1970s, as cheques and more recently electronic transfer became increasingly used instead. As already noted, now over 97% of the money supply is electronic ‘bank-account money’.



– from *The Grip of Death* – see ‘Further Reading’

Note from this graph (above) that in 1984, for the first time, domestic debt became greater than the ‘money stock’ – essentially, the sum of notes, coins and money in current accounts, available for immediate spending. It has since grown even more and even faster than the ‘money stock’.

As reported by Michael Meacher in *The Sunday Telegraph*, 24 Dec. 2006:

“Britain is now one of the most unequal countries in the world. A recent report on boardroom pay reveals that the average salary of chief executives of the top FTSE 100 companies is now a staggering £46,154 a week. That is

115 times the average wage in Britain today, 249 times the national minimum wage, and 519 times the basic state pension.

The latest Government figures, entombed within their publication *Households Below Average Incomes*, show that the rich have made quite a killing out of the last decade and that inequality rose sharply between 1997 and 2002. It has, however, fallen back somewhat since then, but it remains above the level of 1997. This reflects the fact that though child credits, working family tax credits, and pensioner benefits have given a modest and very welcome lift for the poor, the rich have done hugely better. Official statistics now show that 1.5 million people now earn more than £1,100 a week.”

Since then, the gap has grown a lot worse.

Why does this matter?

It matters in many ways:

1) ***By giving the banks the benefit of their interest charges on all the outstanding loans, so on virtually the whole of our money supply, it sucks wealth from the producers of it to the money-managers, and up to the ‘1%’, the target of the Occupy movement.***

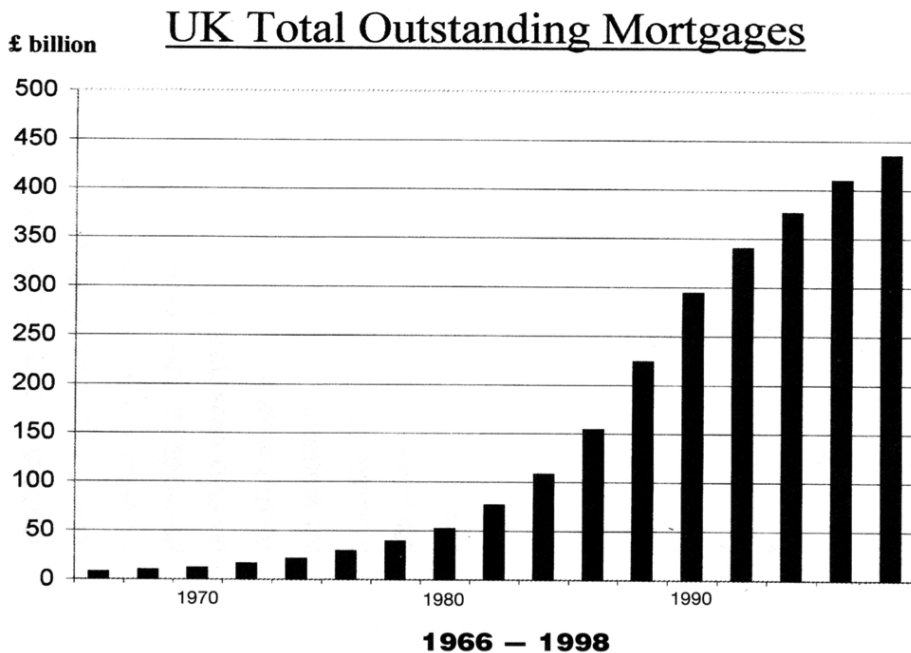
2) ***It does not ensure that the money supply is matched to society’s needs, and results in a cycle of booms and slumps.*** With a money supply based on interest-bearing debt, booms and slumps are inevitable. When banks are confident of a growing economy, they lend freely – until they become worried about the security of their loans and start calling them in, and refusing further loans. This starts a vicious circle: contraction in the money supply, making it difficult for firms to stay in business; less money paid out for employment, making less money available for purchases; lower sales figures causing more business failures; etc. Eventually something will reverse the process: in the 1930s, massive government spending (of money borrowed from banks) for the “New Deal” in America; for rearmament in Britain and Germany ...and now?

This process was most dramatically evident in and following the 1929 stock market crash, and has been happening repeatedly on a smaller scale before and since. The ratio of total debts to bank reserves is now far greater than in the 1920s, and the total of consumer debt in this country now far exceeds £1.3trillion – much greater than the money supply. Bankers and governments are seriously worried about how to cope.

3) ***It gives the banks power to decide who can get loans, on what terms, for what purpose.*** They then decide this according to their own needs for reliable repayment of the loan and interest, and for collateral which they can claim in case of default. Society’s needs are irrelevant to their decisions – as noted above.

This results in their ***support for many socially/environmentally damaging projects***, as long as they can expect to bring in enough profit; and in their

support of large companies, and discrimination against small firms and individuals, with often punitively high interest-charges for small loans, even where these are actually granted and not refused. The recent housing price ‘bubble’, leading up to the crash in 2007-8, was due to the banks’ preference for lending on existing ‘collateral’, with claimable value in case of default, rather than the more risky lending to business for speculative ventures.



Sources: Building Societies Association; Bank of England; Council for Mortgage Lenders.

Many small firms have been bankrupted when banks have called in their loans or refused to extend or increase them at critical moments, just when profitable trading was in sight. Armament production is seen as a more reliable investment than renewable energy projects!

Dependence for a money supply on Banks’ willingness to make loans, with a money supply continuously dependent on the granting of these loans, gives the banks effective unaccountable power over the economy. The growth of the TNCs (Trans-National Corporations) is the result of banks’ support for them and for their influence on legislators. This is the fundamental reason for the promotion of ‘globalisation’, by the elites in banking and the multinational companies, supported by their chosen and promoted economists and politicians acting in their own interest, but against that of the vast majority of people throughout the world.

4) ***It results in growing indebtedness***, and growing competition for funds and profits to discharge the debts. It causes the crazy, desperate struggle between

nations to export their internally-unsellable goods, in exchange for foreign debt. This has caused two world wars, as well as countless other wars.

It is the prime reason for the growth worldwide of ‘national debts’.

Banks also impose high levels of interest on this debt, causing the growing divide of extreme wealth and poverty – and giving the banks huge profits, out of proportion to the service they perform. Practically every country has a fast-growing national debt – and the country with by far the biggest national debt is the ‘richest’: the USA.

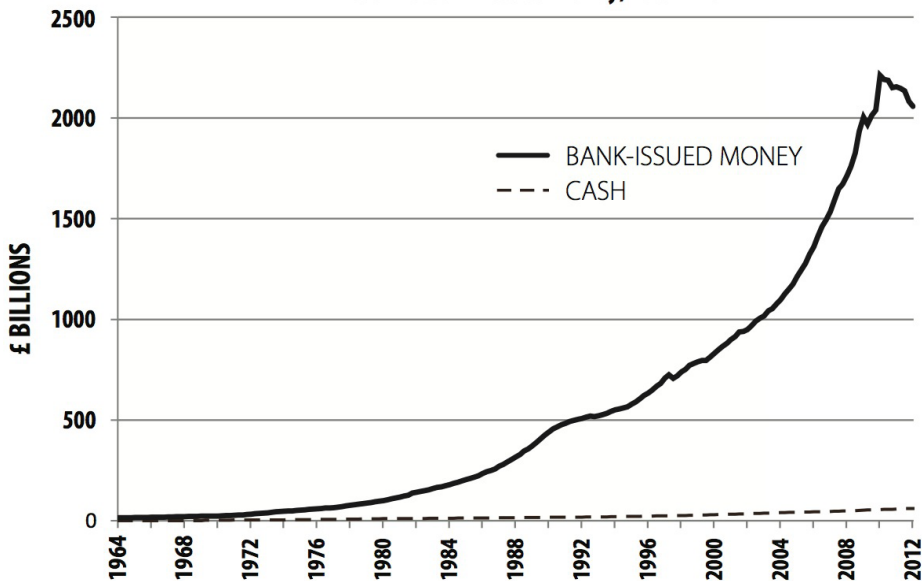
More and more farmers are going bankrupt.

More and more people in the UK have large mortgages. In 1960 3.3 million properties were mortgaged; by 1996 this had risen to 11 million – from under 20% to 45% of all houses – and has grown further since. Mortgage debt now forms over 80% of our money supply.

Industrial and individual debts are now increasing by about 10% a year.

Since the total of debt is far, far larger than the money supply, it is quite impossible for all debts to be repaid – and any serious effort in that direction would collapse the whole money supply!

Cash vs Bank-Issued Money, 1964 - 2012



<http://www.positivemoney.org/>

5) ***It requires a growing money stock***, to pay the interest on these increasing debts. This makes essential “the growth economy” or price inflation, or both.

To attempt to repay these debts we cut expenditure and try to improve “productivity” (per person; not of non-renewable resources, machines, etc.!) Yet,

or rather because of this, we cannot ‘afford’ to employ all those seeking work.

Despite the incredible productive capacity of the modern economy the workforce is required to work ever harder, with increasing stress and poor pay – we are always chasing insufficient money. (In the 1960s, the TUC was looking forward to a future Leisure Society!)

There is not enough money circulating because of the money system, and not because of any shortage of resources – though the profligate use of finite resources, together with a growing world population, if not checked, will lead to growing real shortages, which have in fact now begun. Meanwhile, the usury built on the money supply, combined with the promotion of greed, is a major cause of the growing extremes of wealth and poverty, and consequent maldistribution of resources.

The shortage of money for “consumer-spending” creates intense competition for sales, driving down prices while adding to costs, and driving down the quality of the products in order to reduce costs. It also compels firms to reduce and exploit their workforces and to move production overseas to exploit cheaper and less protected workers in ‘Third World’ countries.

6) ***It raises the cost of everything!*** The interest charged on all these loans is added into the prices charged to cover costs and profits; on average, about half the price of everything can be traced back to the interest charges.

Usury – ‘making money out of money’ – has been condemned for its destructive effect on society for thousands of years, by philosophers and religious leaders. Having our money based on interest-bearing loans ‘justifies’ other charging of interest, to counter the inflationary effect of the drop in value of earnings and savings.

7) ***It is the driving force of Finance-Capitalism;*** and Finance-Capitalism requires scarcity, to “maintain markets” – and thus profits. Between the two World Wars, “surplus” food was destroyed on a massive scale, to maintain prices while millions starved for lack of the means to pay for it. “Poverty in the Midst of Plenty!” was the campaigning cry of the growing monetary reform movement of the time, while politicians declared: “We must export or die!”.

Toward the end of the Second World War the deliberate policy of “planned obsolescence” was dreamed-up in the USA (and soon spread worldwide) along with the arms race and wars, to ensure that the huge wartime increase in productive power should never, applied to peacetime production, be able to “saturate the markets” – that is, we should never achieve abundance, and meet everyone’s needs. If abundance were ever allowed to emerge, the ‘markets’ would collapse, and finance-capitalism would collapse in unredeemable debts!

To maintain demand for its goods, ever since the last world war industry has been developing and perfecting this strategy of planned obsolescence as it squanders resources and pollutes the planet. Products, or major components, are now deliberately designed to be unrepairable, or spare parts are deliberately overpriced, while the original article is underpriced, for the sake

of competitive advantage. This is an essential part of this strategy: to persuade, if not to force people to throw away what they have and buy new – in fact, to regard buying new as a prime objective in life! Constantly changing ‘fashions’ are a deliberate part of this. Massive resources are devoted to this campaign of persuasion, and the giving of new meanings to such words as “disposable” is an essential part of this effort.

The advertising and packaging industries are responsible for massive waste also in their own use of paper, card and plastics, in addition to the waste inherent in the success of its persuasion to throw away and buy new.

A more widely recognised, more obviously murderous aspect of this plan is the build-up of the arms industry, supported by the military build-up. This was ably summarised by Philip Agee in 1991*:

“Bush is trying to use the Gulf crisis, as Truman used the Korean War, to justify enormous military expenditures in reaction to economic slump and recession, while reducing as much as possible spending on civilian and social programs. Exactly what Reagan and Bush did, for example, in the early and mid 1980s with the “evil empire” scenario as justification.

“In early 1950 the Truman Administration adopted a program to vastly expand the U.S. and West European military services under a National Security Council document called NSC-68. This document was Top Secret for 25 years, and only by error was it released in 1975 and published. The purpose of military expansion under NSC-68 was to reverse the economic slide that began with the end of World War II wherein the U.S. GNP had declined 20% and unemployment had risen from 700,000 to 4.7 million. U.S. exports, despite the subsidy program known as the Marshall Plan, *were inadequate to sustain the economy*, [my italics] and remilitarisation of Western Europe would allow transfer of dollars, under so-called defense grants, that would in turn generate European imports from the U.S.

“As NSC-68 put the situation in early 1950: ‘the United States and other free nations will within a period of a few years at most experience a decline in economic activity of serious proportions unless more positive governmental programs are developed.’

“The solution adopted, the ‘more positive governmental programs’, was expansion of the military. But support in Congress and the public at large was lacking, for a variety of reasons, not least the increased taxes the program would require. So Truman’s State Department, under Dean Acheson, set out to sell the so-called Communist Threat as justification, through a fear campaign in the media that would create a permanent crisis atmosphere.”

Since that was written, we have had the Gulf War and the tragedy of ‘9/11’, the resurrection of the ‘Star Wars’ project, and the wars on Afghanistan and Iraq, then Libya, etc., soon to be followed by Syria,...

* – in Gulf War Launches New World Order, in *Open Eye*, Issue 1

– The ‘War on Terror’ is the replacement for the ‘Communist Threat’.

By the insane logic of the debt-based money system, governments cannot afford the socially beneficial spending on welfare and infrastructure, but can, indeed must, afford unlimited spending on armaments – for their own country’s defence against trade-war competitors driven to desperation, if not to attack other countries to gain control of increasingly scarce resources, especially oil. Armaments are also the most profitable and reliable export commodity, needed to bring in the money to allow their citizens to buy their necessities.

Governments and central banks nowadays try to steady the economy to avoid the extremes of boom and slump, by manipulating interest rates. Raising them makes borrowing more expensive, and so “cools” an “overheating” economy – regardless that it causes an increase in bankruptcies and house-repossessions from mortgagees who can no longer afford the repayments, especially if they are also the unfortunate victims of the cut-back, who have lost their jobs or gone bankrupt. High interest rates are, of course, a boon to the lenders: the banks and the rich.

(Before Thatcher and bank deregulation, adjustment of the banks’ reserve ratio – the ratio of the deposits they were legally obliged to keep as ‘reserves’ with the central bank to their liabilities, i.e. to the amount of money they had created and lent into circulation – was an alternative way of adjusting the amount banks could lend, but was one that did not enrich the banks! Limits were also imposed on levels of borrowing: on mortgages, as a multiple of annual income; on hire-purchase, as a required % down-payment; etc.)

When the recession appears to be getting out of hand, interest rates can be lowered again, to re-stimulate borrowing and spending. ‘Consumer confidence’ must be restored! – though with the recent near-collapse of the system, this is no longer working.

8) *It allows financial speculators, using this unreal money, to gamble the world’s currencies against each other, and destroy the world’s economies.*

The “Asian Meltdown” and its spread to Russia, etc. would not have been possible without bank-created “credit” used in speculative trading in currencies. Over 95 times the money needed for international trade in goods and services changes hands in this gambling. Bank deregulation now allows these gamblers to borrow vast sums from banks for this, and banks themselves join in this gambling.

9) *It is behind the rise of third world debt.* Loans were made to the Third World, to provide extra markets for TNCs (Trans-National Corporations) and profits for ‘Western’ banks. These were denominated not in their own currencies but in (mainly) US dollars. This placed their national debts under the control not of their own governments, but of foreign powers, especially the USA, and the international institutions they control: the World Bank, IMF (International Monetary Fund), etc.; and consequent pressure to repay, with mounting interest added, drives their efforts to export in competition with each

other, so driving down the prices they can get for their goods. The IMF-imposed ‘structural adjustment programmes’ add further injury.

10) *This issue has been the fundamental driving force of the “growth economy”, and makes the collapse of the global economy imminent!* ‘Peak oil’ – the end of the increase of oil production, and start of its decline – has arrived, and desperate measures – ‘fracking’, tar-sands extraction – are being used in a vain effort to stave off the decline. This decline will make continuing the mad aim of ‘economic growth’ impossible.

We must end the obscene waste involved in ‘planned obsolescence’, and change back to producing durable, repairable goods. Ending this waste will make the continued growth of the ‘economy’, and so the servicing of the mountain of debt, impossible, with disastrous consequences, unless the way money is created is changed; read on!

We now have also the belated recognition of the growing threat to the future – possibly, even to the continuation of life on Earth – caused by the growth of fossil-fuel use to make all this increase in production possible. ‘Climate Change’ has belatedly been recognised even by the vested-interest-dominated governments of most of the world, as reality. This demands a drastic reduction of use of fossil fuels, even without the exhaustion of their supply, and the development of renewable energy and energy-efficiency. It also needs a drastic reduction and localisation of production, concentrating on supply and fair distribution of necessities – smooth but rapid contraction, to avoid the collapse of the ‘economy’!!

World population growth

World population continues to increase. With current world population now over 7 billion people, there is significant pressure for excess population to migrate from more densely populated countries to those less populated.

[see above right]

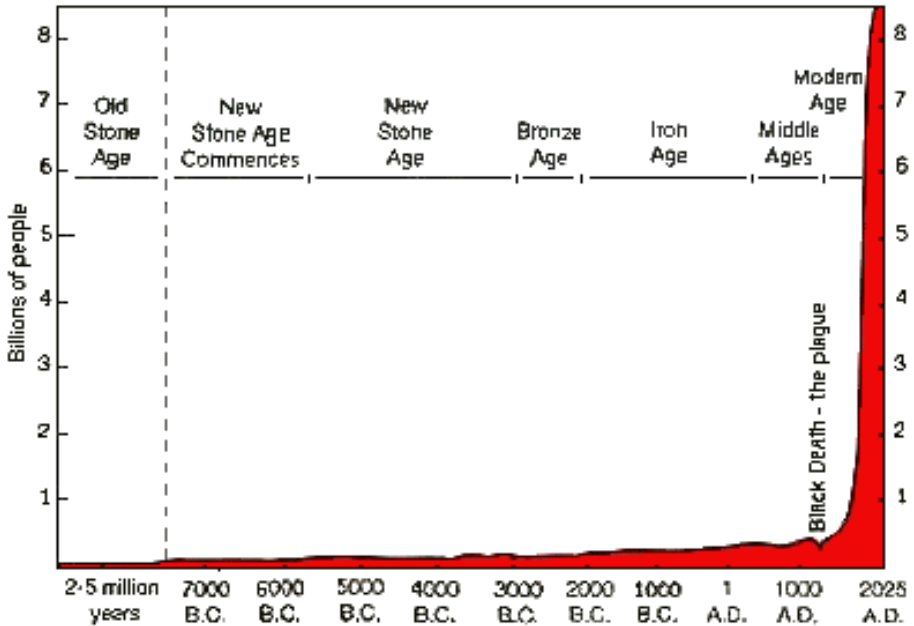
The alarming growth of World population has coincided with the globalisation of the ‘Western’ debt-based money system and its distortion of wealth distribution, wanton destruction of resources, and growing insecurity in the Majority World.

This in itself makes it clear that the elimination of debt, equitable sharing of resources and security of provision in old age, are vital. We need also to make it possible for women the World over to receive a good education and control over their own fertility. Efforts must be made to publicise the need for stopping or reversing the growth of world population, as urgent requirements for transition to a sustainable World economy.

Radical change is urgent – and possible!

The last few centuries have seen a struggle between bankers and governments – or people within them who understood the issues and were not in the pockets

World Population Growth Through History



From <http://www.susps.org/overview/numbers.html>

of the bankers – for the power to create our money supply. The bankers sought to gain the enormous power and wealth they now command.

The issue is not simply which is the right institution to hold this privilege, but how the money should be brought into circulation.

When a government issues notes and coins, it gets the benefit of their face value, less their production cost, as revenue. This is known as “seigniorage”. It spends the money it creates, allowing it to circulate as a medium of exchange, without a matching (and interest-bearing) debt – so it can continue indefinitely to circulate.

At the end of the last World War, about half of our money still existed as notes and coins and we could afford to extend free education, introduce a free National Health Service, and build a vast quantity of social housing as well as restore the devastation of that war. Now, with the near-disappearance of use of notes and coins, despite the huge increase of productive potential due to mechanisation and automation, we can no longer ‘afford’ these things!

Additionally, many countries’ central banks, including our Bank of England, are now owned by their governments, so if these governments chose to borrow from them, they would in effect get interest-free loans, since any nominal interest charged, less the minimal cost of administration, would return to the government as profit.

Incredibly, however, for political reasons, most government borrowing is from

commercial banks, and some from private individuals. The resulting interest charge on the ‘National Debt’, paid out of taxation, is comparable with the spending on education and health.

In contrast to the money – the notes and coins – issued by government, which once issued can continue to circulate, money existing only as “credit” resulting from a bank loan is constantly being chased to be repaid and cancelled out of existence, as well as accumulating massive debts, with the added interest, owed to the banks of issue. It requires an ever-growing total of new debts to be taken on, to replace those paid off and so to keep the system functioning.

What alternative is there?

Government has the power to create all our money, and can spend it all into existence, not only as notes and coins but also as electronic/book-entry money (‘credit’) – but without the corresponding debt, and so also without the interest currently charged on it.

There is nothing new about this proposal. In fact, the conflict between private and public power to create and issue any form of money has strongly influenced history from early times.

In early Roman times, the government issued copper coins, with a state-fixed face-value far above their metal-value, as the only legal tender within their territory, and Rome flourished until it adopted gold and silver as trading currency for domestic as well as international trade – when private interests then manipulated it, with disastrous consequences. (See Zarlenga – ‘Further Reading’ at end.)

The Chinese were the first to use a government-issued paper currency, which circulated for several centuries at least until the time of Marco Polo.

In colonial days, several American colonies issued their own paper currencies, with great benefit, until the British government outlawed them – with the resulting problems leading to the war of independence.

Both sides in the American civil war financed their war-spending with government-issued paper currency, since there simply was not enough gold or silver, and banks were demanding too much interest for loans of ‘debt’, aka ‘credit’. The Confederates over-issued, and so devalued their paper, but Congress legislated for government-issued “greenback” notes to the extent of just \$450 million. These were issued as legal tender, so avoiding increasing the national debt, much against the wishes of the banking interests, who hoped to profit massively from the interest which would have been extracted from the people by taxation.

The Guernsey ‘States’ (its Parliament) in 1816 first issued its own paper currency to pull itself out of a serious depression and rebuild its public buildings, roads and harbour. Despite determined opposition from the private banks, it still continues to do so, but to a limited extent.

There are many other examples recorded of similar action by governments,

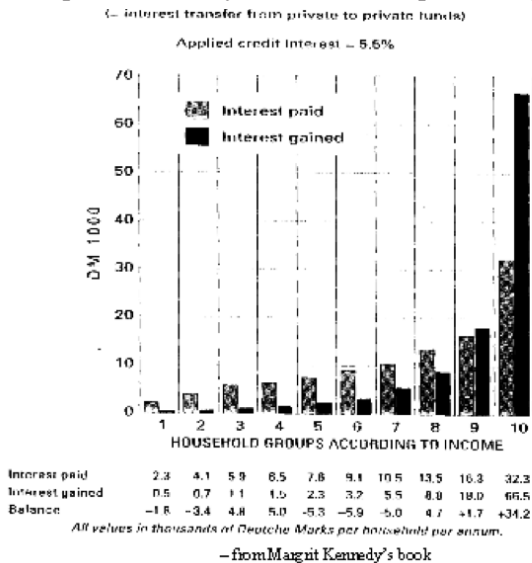
both local and national, with dramatic improvements resulting; and many proposals from prominent economists of the past for monetary reform on these lines.

We do not need to go back to more use of notes and coins to have the government create more of our money; it can create 'credit' just as banks do, but without creating any interest-bearing debt along with it. There have recently been several EDMs (Early Day Motions) put to Parliament on these lines.

Fear ...

Many who have understood the implications of monetary reform are afraid to 'rock the boat'. They fear a backlash from the powerful people benefiting from the present system, and/or a collapse of the 'economy'.

They are right to be worried; many atrocities have been committed in the past to preserve those privileges. But fundamental reform is becoming desperately urgent. Society, the 'economy' and the environment are all on the verge of collapse – and that should worry everyone! Increasingly, influential economists and campaigners are speaking out, and gaining respect for it. Increasingly, those at the top of the pile are realising how precarious and damaging is their position. They too must be experiencing fear!



All the main political parties around the world, and the corporate media, are still firmly in the pockets of the bankers and the multinationals that the banks have created by their policies; their leaders are the dupes or paid servants of them. Bribery and corruption are rife. (See the periodical Corporate Watch, or David Korten's book, When Corporations Rule the World.)

In the last few decades, many countries have suffered a near-collapse of their

‘economies’: Mexico, Argentina, Japan, the Asian ‘Tiger economies’, Russia ... Greece, Spain, Ireland ... the EU ... Now the USA is seriously threatened; this could well trigger the final (imminent?) collapse, worldwide!

When that final collapse does occur – if reform is not adopted in time to escape or forestall it – we need to be ready with workable alternatives, to stop history repeating itself.

How can it be done?

Many ways have been proposed to make the changeover, at a stroke or gradually, and their merits need to be compared. MERVYN KING, Governor of the Bank of England, recently suggested that “some form of functional separation...to divorce the payment system from risky lending activity – that is to prevent fractional reserve banking (for example, as proposed by Fisher, 1936, Friedman, 1960, Tobin, 1987 and more recently by Kay, 2009) [should be considered]”. He ended: “Of all the many ways of organising banking, the worst is the one we have today”.

In 1926 the leading radiochemist, Frederick Soddy published a book, *Wealth, Virtual Wealth and Debt*, in which he advocated ending the banks’ ‘fractional-reserve’ money-creation. This idea was taken up in 1935/6, by a leading US economist, Irving Fisher, who published a book, ‘*100% Money*’, which was supported by the influential ‘Chicago School’ of the time – Henry Simons, Milton Friedman, &c. It proposed ending the banks’ ‘fractional reserve’ privilege and restoring to government the sole right to create the nation’s money. This was not implemented at the time, but a recent working paper by a Dr. Michael Kumhof of the IMF (the International Monetary Fund) **found that the plan exceeded Irving Fisher’s best expectations.** (See <http://www.imf.org/external/pubs/cat/longres.aspx?sk=26178.0>)

James Robertson and Joseph Huber co-authored a book published by the New Economics Foundation in 2000, *Creating New Money*. In essence it updates Fisher’s proposal. They propose that on a given date, all the banks’ customers’ chequeable “sight deposits” (i.e. current accounts) should cease to be part of banks’ “liabilities”. Money in customers’ current accounts would henceforth belong to those customers, though lodged with the banks for safekeeping and accounting – they could no longer be claimed by the banks, and “owed” to the customers, as is now the case. (Thus customers’ current-account money would be safe from disappearance as the result of the failure of any bank.)

Banks’ customers’ deposit (savings/investment) accounts would become the sole source available for bank-loans to private businesses and the public, other than the banks’ own capital or money borrowed from other banks, on the open market, or from abroad.

Banks would no longer be allowed to lend money into existence.

To complement the removal of customers’ current-account balances from their “liabilities”, all the banks’ “assets” which consist of outstanding loans at that time would be transferred to the central bank, so that the repayments would be made, via the banks, to that central bank.

Credit in bank accounts, as well as coins and notes of the realm, would henceforth be legal tender – “Plain Money”. (See *Creating New Money*, details at the end of this booklet.)

The central bank, or a ‘national monetary authority’, would then have the responsibility to decide the amount of new money needed by society at, say, monthly intervals, and credit it to the government to spend it into circulation – ideally, in part, as part of Citizens’ Incomes (see below); or if there were ever found to be too much in circulation, to recall some of the government’s money for cancellation. The monetary authority’s workings must be open to public scrutiny. To maintain a constant volume of money in circulation (if this is accepted as needed), it would have initially to create the new money at the same rate that outstanding bank-loans were being repaid and cancelled.

This change would rapidly reduce the amount of debt-based money in existence, rather than increasing the total money supply. It would, over time, drastically reduce the levels of outstanding debts, ultimately to a negligible amount – and so reduce the need for further borrowing. It would also give the monetary authority direct control of the money supply, instead of the current, insanely counter-productive method of varying interest rates.

Similar proposals have since been put into draft Acts of Parliament/Congress by the groups Positive Money, in the UK, and the American Monetary Institute, in the USA.

Other proposed schemes would operate more gradually, by reintroducing and progressively increasing the statutory reserves banks are required to hold – eventually to 100% – and also by progressively increasing restrictions on people’s borrowing, so reducing banks’ capacity to create money by lending, as the government increases the money it creates in place of this.

How to decide how much money is needed in these new circumstances will have to be determined over time in light of experience, but this period of trial and error cannot be worse than the present situation.

With the level of indebtedness reducing, the stresses and strains created by this system should progressively reduce, and it is probable that ensuring that enough money is available is far more important than making sure not to over-supply it. There must be enough to allow the purchase of the goods on sale, and for investment in new production, for savings, etc. (but not for gambling on the Foreign/Stock Exchanges, or ‘derivatives’!) but the velocity of circulation, as well as development/use of local/alternative currencies, or the size of the ‘gift economy’, etc. will influence this.

The only limits which need be placed on production would be those arising from nature – the need to limit pollution to the absorbing capacity of the environment, and the need to conserve and recover non-renewable or over-used resources. ***Whatever is physically possible and socially desirable can and must be made financially possible***, and this includes the drastic reduction of ‘employment’ needed, to cut our demands on the environment, allowing in its place freedom of choice of occupation, without the imperative of gaining income by this means; and gaining increasing leisure! – See ‘Citizens’ Incomes’, on next page.

As “plain money” replaced debt-based money, and the general level of debt shrank, banks would be competing hard to find borrowers, so interest rates should eventually drop to, perhaps, ½% to 1% to cover administration costs, with a small margin for profit. Also, with the reduction of debt levels, the cost of interest charges entering into prices should greatly diminish (even if usury is not eventually prohibited!), leading to falling prices.

Banks would probably compensate for the loss of income from the interest on the money they were now prevented from creating, by reintroducing/extending service charges on transactions, but competition should also keep these low. The result would be a fairer distribution of the costs of banking than occurs now – and the lifting of them from those without bank accounts! (As noted above, as well as the interest charged on the National Debt and paid out of taxation, interest charges enter significantly into the prices of everything – see *Interest and Inflation Free Money*, by Margrit Kennedy.)

Reducing the opportunities to gamble with debt-based money, as well as paying off all the accumulated debts in society, along with introduction of Citizens’ Incomes, would also do much to reduce the extremes of wealth. The ‘shadow banking’ and other financial profiteering must be restricted or banned, but ending the banks’ power to create money to lend for this purpose would itself limit this activity.

Other factors influencing the amount of national money needed are the extent of use of alternative currencies, such as LETS, or local community currencies, and the regrowth of the moneyless “gift economy”. While the law continues to require taxes, debts and certain other payments to be made in national currency, and it is also needed for exchange into foreign currency, these alternatives cannot replace it, but they could significantly reduce the volume of it required.

The velocity of circulation is another factor affecting the amount of money needed in the ‘economy’. This is generally fairly constant, however. Rapid change has in the past been induced by depressions; but given the reforms proposed, there should be little cause for much variation in velocity. If needed, the monetary authority could easily and rapidly adjust the supply to compensate.

Though not specifically part of the Robertson/Huber proposal or most others, the new money should be used in part to buy back government bonds as they mature, and so reduce and eventually cancel the National Debt.

Inflationary?

– This is the usual dismissive accusation launched by bankers and their friendly “economists” and politicians to dismiss any proposal for government to create more of the money supply, when in fact it is the banks’ interest-bearing debt-based money which is itself the main cause of inflation – as well as of far more serious problems. (Usually no attempt is made to justify this accusation; it is assumed to be self-evident!) The very meaning of “inflation” is, in fact, highly debatable, as well as are its other causes, and ways of measuring it.

The only justification for this accusation is that, if banks were free to use the new money as ‘reserves’ to increase their debt-based money loans, then this could lead to extra inflation through the banks’ use of it as base to further increase the money supply. But with the proposed reform, banks could no longer do this. One conclusion of Dr. Kumhof’s study of Fisher’s ‘Chicago Plan’ is that the potential for inflation is much, much smaller when money is created by the government instead of by the banks.

The reform proposals would give a publicly accountable body such as a department of the central bank full control of the volume of the money supply, and the possibility to make money serve society, instead of controlling and destroying it.

The monetary authority must be democratically accountable, and charged with the duty of managing the money supply to meet the needs of society. The data and criteria used must be open to public scrutiny and debate. In the last resort the monetary authority should be open to direction by parliament (*not by the Government*).

Citizens’ Incomes

For a sustainable economy, we need to end the “need for growth”, which is supposedly required to provide the incomes which derive from paid employment, and which are generally accepted as necessarily the main source of income for nearly everyone. This means that basic (or “Citizens’”) incomes **must** be provided independently of employment, if we are to enjoy the potential of modern technology to provide increasing leisure, with efficient production for need, in place of the present mad competition to exploit people and resources to keep an unsound system going. We must end wage-slavery! The threat posed by global warming means that we need to drastically reduce use of fossil fuels, and after the initial readjustments, be prepared to enjoy a life of leisure instead of compulsive consumption!

If Citizens’ Incomes were introduced and initially funded out of new, debt-free “credit” (or “plain money”) then the combined effect of these proposals would be dramatic indeed. Citizens’ Incomes would replace most benefits, such as JSA, and given monetary reform, could be set at a much more generous level than is possible without it.

This would have the effect of freeing people from the compulsion to find paid employment. ***Self-employment and co-operatives could flourish***, with the fall-back of Citizens’ Incomes to support their members, and no longer would people be forced into telesales; distributing free, unwanted advertising material; road building; armament production; the armed forces; ... (The list is almost endless!)

The pathetic efforts to escape poverty by starting unwanted businesses, doomed to failure, need no longer be made. No employer would be able to exploit its workers, as they would be able to dictate terms. It would spell the end of wage-slavery, as well as of the ‘poverty trap’. Industry could be transformed to produce, efficiently, the high-quality, repairable, indefinitely durable goods we need and would all prefer, given the money to allow us this

choice – without worries about redundancies or saturation of markets as needs were met.

Citizens' Incomes would also have a major effect in countering the uneven distribution of income among the various regions of the country.

The “gift economy” could flourish as never before, and increasingly replace the money economy, starting with the areas in which it has been driven out over the last century and more: the domestic and local community.

Taxation

Not all government expenditure can be funded by its creation of Plain Money, even in the initial stages of conversion, when funding entirely in this way might not replace all need for taxation. Ultimately, once all the debt-based money had been retired, since the Plain Money would continue to circulate unless in part withdrawn deliberately by the Monetary Authority, no further creation of Plain Money would be needed, unless the economy ever needed to grow.

With the ending of the pressures and distortions created by debt-based money, contraction of the economy should be expected and *to reduce the threat of climate change, must urgently be accomplished*, after an initial period of possible expansion while all the needed but neglected aspects of the economy and infrastructure were put right (changeover to organic farming; repair and insulation of the housing stock; development of renewable energy sources; local production developed to meet local needs; redesigning and producing high quality products designed for energy efficiency, durability and easy repair; repair, modernising and rebuilding of the Victorian sewage system; extending the rail network and repairing roads {not building more!} ...etc.).

The pressures to create artificial demand would have been removed. Debt would have become the exception, instead of the rule.

This means that taxation would then again be needed to fund most government expenditure; but most people would have become far better off, and so better able to afford it. Conversely, as people gain in prosperity, less government spending will be needed to support them.

Eventually some additional taxation may well sometimes be needed to withdraw surplus money from circulation, as use of money contracts, to avoid a situation where there is genuinely “too much money”.

The type of taxation must change, however. Just as Citizens' Incomes can be seen as the distribution to all of their share of the value of the “common cultural inheritance” from the past – the infrastructure of knowledge, skills, roads, buildings, organisation, tools and equipment developed by past generations – on which present productive capacity essentially depends – and of the value of the ‘commons’ – all the natural resources on which all wealth is based; so that value should be collected for redistribution by Land Value Taxation – a tax on the rental value of all land – and resource taxation on all

non-renewable or overused natural resources, such as metals, aggregates and timber.

These taxes should be applied as near as possible to the point of extraction from the environment, and by pushing up their prices closer to their true value to society, would give a great boost to *economy of use*, to *recycling* and to *substitution by more abundant/sustainable alternatives*. Pollution taxes should also be applied, to protect the environment from damage, supplementing direct regulation or prohibitions.

The benefits of the “common cultural inheritance” of infrastructure, mechanised/automated production, etc., are currently claimed mainly by the very rich and by large commercial companies. This suggests that those people and companies should initially be heavily taxed. Though this would push up the prices of the companies’ products, it therefore would make competition from small, local enterprises catering to local needs far more viable.

To avoid gross initial injustices, Land Value Taxation would have to be introduced at a small percentage of rental values – perhaps the 10% at which level it now exists in a number of places around the World – and slowly but systematically increased, eventually at or close to 100%. As revenue from this source increased, income tax – a tax on effort – could be reduced; I would suggest, by progressive raising of the tax threshold, so that fewer and fewer people would remain “in the tax bracket”. Eventually it should be possible to end income tax altogether. By then, the extremes of income should have shrunk to socially acceptable and justifiable levels.

Government spending

Any government adopting this measure will have no problem funding needed infrastructure repair, social services, etc.; conversely, it would not need to yield to pressure from Big Business for subsidies to “create” or to “preserve” jobs, or to bribe foreign firms for “inward investment”. It would not need to subsidise armaments firms for them to get export orders, or to guarantee their losses.

It could spend as much as society required it to, limited only by the physical/ecological constraints on production of wealth. But with adequate Citizens’ Incomes, the need for Government spending on support services would be greatly reduced. As already mentioned, the National Debt could be redeemed, as the bonds and securities it consists of came to maturity.

Foreign Exchange

These internal changes need not affect present arrangements for foreign exchange, except in the detail that private banks would not themselves be able to create the money for exchange.

If this country introduced monetary reform on these lines, other countries which have not also reformed their money systems would remain desperate to export to us, glad to accept our debt in exchange, to prop up their “economy” (and if we needed to export our goods to gain needed imports, our government could, if necessary, choose to subsidise them).

Low – or eventually perhaps even zero – interest rates on money loaned for investment, and greater funds available for reinvestment without need for borrowing, would not encourage “inward investment”, but we would have no need to seek such inward investment, since we would be creating enough money to fund our own investment.

Exchange with any other countries with reformed systems would be a matter of exchanging genuine surpluses for mutual benefit. Neither country would be desperate to export in order to keep its “economy” going.

The Pound Sterling is one of the world’s “reserve currencies”, used by other central banks as a more dependable alternative to their national currencies. (The US Dollar is currently the major one, though it is now in serious trouble.) With reform, this country should not need to hold large reserves of foreign currency, but as the Pound could far more dependably be made to retain a steady value, as it would be directly related to the country’s productive capacity instead of being vulnerable to manipulation by speculators and misguided counter-measures by our central bank, so it should become a more favoured “reserve” for currencies not yet reformed.

However, holding a foreign currency as a reserve gives the country of origin of that currency the seigniorage on it. The US has benefited in this way from trillions of dollars worth of imports, much of it at the expense of the Third World. Third World debts are mostly denominated in US dollars, and with US inflation and IMF-enforced Third World currency devaluations, this has hugely increased the debts of the Third World to the USA.

It is clearly wrong for any country to enjoy this advantage, and there is need for an international currency. A number have been proposed.

In 1944 J M Keynes proposed an international currency, the ‘Bancor’, which would be administered by a World Bank, and would charge interest on both creditor and debtor countries’ outstanding balances, to encourage balance of trade. This was rejected by the US delegates at the Bretton Woods conference, when the World Bank and IMF were created.

A more recent proposal for an international currency, from the Global Commons Institute, is for the IMF to administer a currency based on tradable emission rights for greenhouse gases, issued on a per-capita basis. These would be issued annually, in progressively smaller amounts, until the emissions had reduced to a sustainable level. They could be linked to internal, national per-capita allocations. This idea, known as Contraction and Convergence, has been gaining much support among official bodies, national and international.

Other proposals base the international currency on the value of a ‘basket’ of internationally traded primary commodities.

If all countries adopted “plain money” systems, the foreign-exchange gambling would not be possible on any significant scale. This now forms some 95% of international exchanges, with less than 5% being used for trade in goods and services. Meanwhile, the general adoption of the proposed “Tobin tax” – a small tax imposed internationally on all currency transactions

– would either kill-off this gambling or restrict it and yield substantial funds for, e.g., international poverty relief, while not seriously affecting international trade in goods and services. Such a tax could fund international initiatives by the UN or other existing or future bodies.

Final thoughts ...

As Mike Rowbotham wrote in *The Grip of Death*, in 1998:

“... *Monetary reform is an approach to economics* – an approach to improving the foundation upon which economies are built. Those who have advocated it are part of a unique tradition of social and economic criticism. Monetary reform is therefore radical in the literal sense, in that it involves first identifying the root cause of related problems and second, searching for solutions that can make a constructive contribution to solving these problems. Not only are there a large number of possible systems of reform, but within each basic scheme or proposal there are a host of options – additional decisions, considerations and possibilities – which again underline the scope of monetary reform.

“The second point is that monetary reform, whilst it may have simple principles, is a complex issue, involving supportive measures to back up the new monetary flows involved. Any scheme is bound to be speculative and sketchy in the initial stages, and would have to compensate for events as they occur. But ***with a negative £100 billion monetary base in the UK, there is an undeniable need for a healthy supply of debt-free money, and an awful long way to go before any question of excessive debt-free money creation arises, by which time the major trends would have become evident and any problems begun to be anticipated.***

“The final point to be made is that ***not*** starting a programme of reform is ***as much an act of faith and a policy decision as deciding to embark on one.*** It is an act of faith that a financial system that has developed almost by default, based upon minimalist government support and maximum banking activity and deregulation, will not go on to cause even greater damage and social misery. It is also the continuation of a policy of repression and covert rule by finance, and the exclusion of democratic principles from the economic domain.”

Other relevant quotes:

“Only Congress shall have the power to coin [i.e. issue] money, regulate the value thereof...” – Constitution of the United States of America. All banks in America therefore operate in clear breach of the American constitution.

“We believe that the existing system of debt-finance, whereby practically all money comes into circulation as interest-bearing debt is prejudicial to human well-being, a drag on the development and distribution of wealth, finds no justification in the nature of things, and perpetuates a wrong conception of the function of money in human society.”

– Congregational Union of Scotland; report 1962

“... why not challenge the virtual monopoly we have allowed the private sector bankers to exercise over the creation of credit? Why shouldn't a socially aware and economically responsible government create credit where it is appropriate in order to ensure investment is made and at the same time strike a great blow for the democratic control of the economy?”

– Bryan Gould, M.P.; *New Statesman*. 19 Feb 1993

“We should study credit and how to use it. Why not even appoint a commission on

it rather than stand in awe of finance, mouthing the platitudes of piggy-banking? ... Credit is the key. We can control the excesses of private credit. We can mobilise the power of public credit. Government is required to borrow or tax for every penny it spends.... This privatisation of credit can't be right. Using public credit eases the debt burden. It is creating money, not borrowing it."

–Austin Mitchell M.P.: *'Borrowers can be Choosers'*. 1994.

“A BALANCED FINANCIAL SYSTEM

“It is important to be quite clear over what is meant by debt-free money. What is being proposed is that money be created that does not have to be repaid. The two questions which have always vexed both those who have sought such a reform, as well as those who have not fully understood the need for such a reform are these: first, how much of this debt-free money should be created, and second, who is to get this free money? How much debt-free money is needed, and how should it be distributed within society?

“This latter is a major issue. Debt-free money has to get into the economy, and whoever gets it first, gets it literally, free.

“As for a Basic Income, this is simply the most obviously democratic way of distributing the debt-free money needed. It is also highly constructive, since it would offer a positive basis for unemployment, and an end to total wage dependence. Over a period of years, this would inject stable money at a controlled rate into the economy. As debt decreased, and the gap between purchasing power and prices closed, so the need to create money would also decrease.

“No-one goes into debt unless they have to; no-one wants to borrow unless they have to; no-one takes out a loan if they have other funds available. In other words, get the supply of debt-free money right, and the loan system will fall into place. The steady creation of debt-free money would allow consumers to settle past debts, and buy without going into further debt, gradually leading to the replacement of the current stock of debt-money with a permanent stock of stable money. The need to borrow to buy would be substantially reduced. ... People and businesses are individually responsible for repaying loans, plus interest, and only use the loan system if there are no other funds available.”

– Mike Rowbotham

Further reading:

The England and Wales Green Party's Money Reform Policy Working Group publishes a magazine, *Sustainable Economics*, (“*SustEc*”) at £12/year (6 issues) or £1.20 per copy + 60p p&p, payable to Brian Leslie (see inside front cover) or view it on its website, www.sustecweb.co.uk

Andrew Jackson and Ben Dyson, *Modernising Money*, 2012 Positive Money ISBN 978-0-957448-0-5 £14.99 www.positivemoney.org
- documents, in more detail than ever before, exactly how we could fix the monetary system for the benefit of business, society, and the environment.

Joseph Huber and James Robertson, *Creating New Money - A monetary reform for the new age*, New Economics Foundation June 2000 ISBN 1 899407 29 4 £7.95
– Looks at changes brought about by computerisation, money as information, and proposes a way to return the seigniorage on money creation to government, its benefits

and possible objections, and how this would affect society. Extensive literature list. (pdf of it viewable on www.jamesrobertson.com/book/creatingnewmoney.pdf)

A 47 minute DVD, *Money as Debt*, from Canada, by Paul Grignon, outlines in cartoon form in 47 minutes, the way the modern debt-money system developed, its effects and possible reforms. Can be viewed on line at <http://video.google.com/video-play?docid=-2550156453790090544>.

Stephen Zarlenga, *The Lost Science of Money: The Mythology of Money — the Story of Power*. 724 pp. Survey from ancient times to the present, highlighting the deliberate mystification about the nature of money for exploitation of the system. American Monetary Institute, 2002 ISBN 1-930748-03-5 (See the web site, <http://www.monetary.org/lostscienceofmoney>.)

James Robertson *Future Money – Breakdown or Breakthrough?* Green Books, 2012 – Expands on the themes in this booklet; recommended!

Ellen H Brown, *The Web of Debt*, Third Millennium Press, 2007 ISBN 978 0 9795608 0 4 www.webofdebt.com

524 very readable pages covering the disastrous development of the ‘web’ of the global money-power and the efforts by politicians and others to counter it over the past centuries, and how we can break free. Focusing mainly on the developments in the USA, since these are most clearly documented and show most clearly the struggle and the need for reform, and covering also its dominant relationships with Europe and the rest of the world, and the UK’s part in the origins of central banking. Very fully referenced.

Michael Rowbotham, *The Grip of Death, A study of modern money, debt slavery and destructive economics*, Jon Carpenter Publishing (see below), 1998 ISBN 1 897766 40 8 – Traces the influence of the debt-pressures deriving from the money-creation process on the development of the modern, destructive economy... and see its fine “Further Reading” section.

Michael Rowbotham, *Goodbye America! Globalisation, debt and the dollar empire* Publ. May 2000 ISBN 1 897766 56 4 - Explores the relation of Third World debt to globalisation, to the debt-money system, and to the issue of political power. £11 Post free in the UK from Jon Carpenter Publishing, Alder House, Market Street, Charlbury, Chipping Norton, Oxfordshire OX7 3PH (Add 10% for Europe, 20% ROW) Visa/Mastercard by phone: 01689 870437

Where Does Money Come From? A Guide to the UK Monetary and Banking System by Josh Ryan-Collins, Tony Greenham, Richard Werner and Andrew Jackson, with a foreword by Prof. Charles A.E. Goodhart. Published by the New Economics Foundation in Sept 2011. ISBN 978-1-908506-07-8

– also *free downloads of other publications* from <http://www.positivemoney.org/publications/>

Patrick S J Cormack & Bill Still, *The Money Masters. How International Bankers Gained Control of America*, 1998 Royalty Production Co. – A 3½-hour video, covering events from Christ’s expulsion of the money-changers, through European events of the last three centuries, to the US of the 19th & 20th C, in the struggle for power between banks and politicians... See www.themoneymasters.com. Also the sequel, the Secret of Oz, book or DVD.

Frances Hutchinson *What EVERYBODY really wants to know about MONEY* 1998. ISBN 01608 811969. £12 Pb Order post free from Jon Carpenter Publishing, see above.

– This relates the subject of ‘money’ to a huge range of issues past and present. These include feminism, Christianity, land tenure and enclosure, power relationships and politics, &c, but her primary topic is the Guild Socialist and Social Credit ideas, developed jointly by C H Douglas and A R Orage, in the Guild Socialist NEW AGE weekly, contrasted with the philosophy and background history of the present state of global money. Especially valuable for those new to the debate on monetary reform, the book addresses a host of issues that need attention to challenge the current mindset and stimulate fresh thought, and it is to be highly recommended for this. Emphasis is placed on the important distinction between real and financial credit – crucial in considering the current global ‘economic’ (i.e. financial) crisis!

Margrit Kennedy, *Interest and Inflation Free Money* Seva International; ISBN 0-9643025-0-0 – fine examination of the widespread and dire effects of interest-charges, but proposes demurrage-charges (negative interest, à la Gessel) as a remedy.

Richard Douthwaite, *The Growth Illusion*, second edition, Green Books, 1999 £12.95 ISBN 1 870098 76 5 – Updated discussion of economic trends, especially the harm done by ‘growth’.

Molly Scott Cato, *Market Schmarket – Building the Post-Capitalist Economy* 2006 New Clarion Press, 5 Church Row, Gretton, Cheltenham GL54 5HG, UK Pb £13.95, hb £27.50 – A wide-ranging survey of historical and current economies, critical of the myth of the ‘free’ market and the effects of the usurious debt-money system, then outlining alternatives. Written in plain English!

Roy Madron and John Jopling *GAIAN DEMOCRACIES — Redefining Globalisation & People-Power*. Schumacher Briefing No.9. 2003. Green Books £8 ISBN 1 903998 28 X – Analyses the world ‘economy’ in terms of systems theory, and identifies the dominant, self-perpetuating human system, which threatens our future, as the ‘Global Monetocracy’.

Alan D Armstrong, *To Restrain the Red Horse*, Towerhouse Publishing Ltd, 1996 ISBN 0 9529320 0 8 - Well researched update of Social Credit.

Richard Douthwaite, *The Ecology of Money*, Schumacher Briefings No. 4. Green Books, 1999 £5 ISBN 1 70098 81 1 – Review of the historical and potential future forms of money, and their effects.

David Korten, *When Corporations Rule the World*, Earthscan, 1995 - Powerful attack on the power and destructiveness of corporate commerce and financial institutions, esp. the IMF and World Bank.

William Hixson, *A Matter of Interest. Reexamining money, debt and real*

economic growth, Praeger, 1991 - A closely-argued, historically referenced study.

William F Hixson, *It's Your Money*, COMER Publications, 1997 ISBN 0 9680681 1 1 \$10 + P&p – A concise, closely argued case for government to create more, and banks less, of our money supply.

William Hixson, *What's the Difference between Bankers and Counterfeiters?*, 2005. E-BookTime, LLC ISBN 1-59824-060-9 – A collection of his essays, organised into three parts.

Eric de Maré, *A Matter of Life or Debt*, Humane World Community Inc., 1983 ISBN 0 9619877 0 7 – Passionately argued condemnation of the effects of the debt-based money system, but weak on remedies.

Herman E Daly and John B Cobb Jr, *For the Common Good*, Beacon Press edition, 1994 ISBN 0 8070 4705 8 – Environmental economics, with an 'afterword' arguing for monetary reform, on lines of the '100% Reserve' proposal of Irving Fisher in 1935.

J K Galbraith, *Money: whence it came, where it went*, 1975. Penguin

James Gibb Stuart *Fantopian Update* Ossian Publishers, 268 Bath Street, Glasgow G2 4JR £6 – A parable illustrating the case for monetary reform.

Richard Heinberg, *The Party's Over – Oil, War and the Fate of Industrial Societies*, 2003, ISBN 1 902636 45 7 and *Power Down – Options and Actions for a Post-Carbon World*, 2004, ISBN 1 902636 63 5. Clairview. Predicts the serious consequences of the imminent peaking of oil supplies, and their impact on the debt-based money-driven 'economy'. Looks at likely consequences and options for action.

Websites worth a look:

'An Abbreviated Monetary History of the US:

Part I' by Stephen Zarlenga on www.monetary.org/briefusmonetaryhistory.htm

Monetary reform:

www.sustecweb.co.uk

www.positivemoney.org.uk

www.monetary.org

<http://www.resilience.org/stories/2013-01-18/a-return-to-sovereign-money>

www.moneyreformparty.org.uk/

www.moneyasdebt.net

www.prosperityuk.com

Social Credit on:

www.douglassocialcredit.com

www.scss.gil.com.au

www.democrats.org.nz

Land Reform/LVT:

The Land – new magazine:

www.thelandisours.org

www.tlio.org.uk

www.henrygeorge.org.uk

The Land Value Tax Campaign:

www.landvaluetax.org.uk/index.htm

www.earthrights.net/

www.prosperityuk.com

www.moneyasdebt.net

More quotes:

“Since I entered politics, I have chiefly had men’s views confided to me privately. Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of something. They know that there is a power somewhere so organized, so subtle, so watchful, so interlocked, so complete, so pervasive, that they better not speak above their breath when they speak in condemnation of it.”

– Woodrow Wilson, *The New Freedom* (1913)
www.gutenberg.org/etext/14811

“I am afraid that the ordinary citizen will not like to be told that banks can and do create money...And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hands the destiny of the people”

– Reginald McKenna, past Chairman of the Board, Midland Bank of England

“The inability of the Colonists to get power to issue their own money permanently out of the hands of George III and the international bankers was the PRIME reason for the revolutionary war.”

– Benjamin Franklin <http://www.english.udel.edu/lemay/franklin/>

“The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. The privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government’s greatest creative opportunity.”

– Abraham Lincoln, assassinated president of the United States

“If all the bank loans were paid, no one could have a bank deposit, and there would not be a dollar of coin or currency in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash, or credit. If the banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent money system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless situation is almost incredible – but there it is.”

– Robert Hemphill. Credit Manager, Federal Reserve Bank of Atlanta
www.worldnewsstand.net/today/articles/fedprivatelyowned.htm

“Whoever controls the volume of money in our country is absolute master of all industry and commerce...and when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate.”

– James A. Garfield, assassinated president of the United States

“The world is governed by very different personages from what is imagined by those who are not behind the scenes.”

– Benjamin Disraeli, first Prime Minister of England, in a novel he published in 1844 called *Coningsby, the New Generation*.

“Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist.”

– Kenneth Boulding, economist
<http://cepa.newschool.edu/het/profiles/boulding.htm>

“The powers of financial capitalism had another far reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements, arrived at in frequent private meetings and conferences. The apex of the system was the Bank for International Settlements in Basle, Switzerland, a private bank owned and controlled by the worlds’ central banks which were themselves private corporations. The growth of financial capitalism made possible a centralization of world economic control and use of this power for the direct benefit of financiers and the indirect injury of all other economic groups.”

– *Tragedy and Hope: A History of The World in Our Time* (Macmillan Company, 1966) by Professor Carroll Quigley of Georgetown University, highly esteemed by his former student, former US President, Bill Clinton

“The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented.

Banking was conceived in iniquity and born in sin. Bankers own the Earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough money to buy it back again...

Take this great power away from them and all great fortunes like mine will disappear, and they ought to disappear, for then this would be a better and happier world to live in. But if you want to continue to be slaves of the banks and pay the cost of your own slavery, then let bankers continue to create money and control credit.”

– Sir Josiah Stamp, Director of the Bank of England 1928-1941
(reputed to be the 2nd richest man in Britain at the time)
<http://members.shaw.ca/theultimatescam/index.htm>

“Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country. Our minds are molded, our tastes are formed, our ideas suggested, largely by men we have never heard of.”

– Walter Bernays *Propaganda* 1928

“The study of money, above all other fields in economics, is the one in which complexity is used to disguise truth or to evade truth, not to reveal it.”

— and

“The process by which banks create money is so simple the mind is repelled. Where something so important is involved, a deeper mystery seems only decent.”

– **John Kenneth Galbraith**, Economist
Money - Whence it came, where it went, 1975,
Penguin