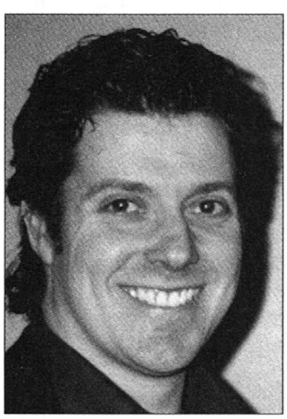
Looking Beyond the Money Myth

Alistair McConnachie, Scotland



Alistair McConnachie is based in Glasgow and is a colleague of James Gibb Stuart. He has a degree in Agricultural Economics and is editor and publisher of the monthly four-page money reform journal called *Prosperity*.

First, may I give you James Gibb Stuart's sincere apologies. Due to a very unfortunate mix-up he had a prior arrangement today and so at this point he is in fact making his way down the motorway to Leicester, where he is going to be attending the AGM of the National Pure Water Association of which he is the Vice Chairman. So, that is his apologies. May I stand in for him and deliver the speech that he was going to be giving to you.

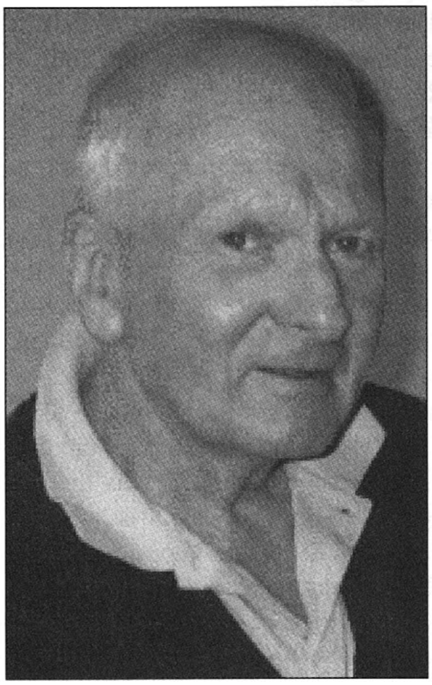
Before I tell you just a little bit about myself let me introduce James to you. He is a man who has been involved in the money reform field for about the last 30 years. And as money reformers go, he is probably one of the most prominent ones in Britain at the moment. Now, in fact, he was one of the first post-war money reformers as well. Before the war money reform had a very strong pedigree. After the war it tended to fade out and it was revived in the late 1960s and 1970s by people like James Gibb Stuart and others like Edward Holloway of the London organization called the Economic Research Council.

James Gibb Stuart wrote *The Money Bomb* which was published in 1980 and which was probably the first post-war mainstream book on money reform. It was the money reform field that had been cultivated by the Economic Research Council and others such as James Gibb Stuart that give rise to in the late 1980s an increased interest in the whole field and eventually we have seen the publication of what I regard as the money reform bible, *The Grip of Death* by Mike Rowbotham, who I am pleased to say is sitting at the back of the hall.

Now, in 1996 James Gibb Stuart and a lady from Solihull called Barbara Panvel, who is an ecologist, got together and organized the first meetings of what they called the Bromsgrove Group. It was held in Bromsgrove, just outside Birmingham, a group which is a loose association of people – ecologists, environmentalists, money reforms, academics, religious people – all who are concerned in their own fields but who are also realize that at the root of their concerns is the money question. Where does money come from? Who supplies the money? What can we do about it?

I have been working with James Gibb Stuart since 1997, and together we produce a four-page monthly which we call *Prosperity – Freedom From Debt Slavery* and each month it raises these sorts of issues, the sorts of issues I am going to be talking to you about today. We also have what we call the Bromsgrove Statement of Belief, which is a statement of belief that all the people who are involved in some way or another generally agreed upon.

The title of the talk that I would like to give to you is *Looking Beyond* *the Money Myth*. The big issue of how government gets its money and what we believe is the need for all governments to have a sure source of debt-free finance, which is under their own control. Now, what do I mean by that phrase – "debt free finance"? Almost the entire financial system of all nations today is what we would call debt-based, meaning that the processes of going into debt is relied upon almost exclusively to create and supply money to their economies. Indeed, almost the entire money stock of every country in the world is supported by debt in four main sectors. And, these are private debts (such as mortgages and loans and overdrafts); industrial and commercial debt (which are to the corporations); government national debts; and, what we would call international or third world debt.



James Gibb Stuart

Money reformers, in general, then, are dedicated to the proposition that the state through a democratically accountable authority should create a supply of debt free money, which should be spent rather than lent into the economy. And it can be done in order to fund public projects or to pay off previous national debt. Or, ways which place it directly in the hands of the people such as a basic income.

To understand the significance of that you need to understand how money enters society at the moment. Well, every year the government fails to collect enough money in taxes to pay for all its spending requirements. Therefore, it has to borrow the money and the amount required to borrow is known as the "Public Sector Borrowing Requirement" (the PSBR) and the national debt is the total which is still outstanding on all the past years' borrowing requirements. The way in which the government borrows this money is that it prints what it calls securities, which is simply pieces of paper which they sell to individuals, to pension trusts, to insurance funds and also to banks. It takes the money which is raised by these sales and it spends it on whatever it wants to spend it on. However, these securities demand a repayment. You buy a security and you expect the same amount of money back again plus your interest on it. And these securities are becoming due all the time.

So, when it comes time to pay back these securities, where does the government get the money from? It does not have the money to pay back these securities, that is why it had to raise these securities in the first place. So, it sells even more securities and it also puts up taxes even further to raise that money.

Back in the 1920s, the inventor Thomas Edison put it very well. He said: "If our nation can issue a dollar security, why can't it just issue a dollar bill? Because the element that makes the security good makes the bill good as well. It is absurd to say that a country can issue 30 billion in securities but not 30 billion in currency." So, the essence of the money reformers position is simply that the government or the state, if you prefer, through a democratically accountable authority can put this debt free money into circulation rather than borrowing it from what is generally the private banking sector.

People will say, well, that sounds inflationary to me, surely. That is always the first thing whenever we have dealt with the Treasury on this issue they have come back to us and said that if the government tried to increase the amount of this type of finance beyond current demand for it, it would lose – Sterling would collapse – and inflation would take off. That is what Anthony Nelson told us back in the 1990s. We would challenge that. We understand that the amount of money has to come in in some kind of graduated fashion. You just cannot flood society with it. But it has been done before.

Abraham Lincoln, for example, financed the American Civil War on debt free money as did the Australian government finance their First World War activities on debt free money. These are maybe not the nicest things we like money to be spent on but nevertheless they spent it when they had to and it did not cause inflation then. Bryan Gould, who was the ex-economic spokesperson for the Labour Party when he was big in his position, he said:

> It may be sensible in the precise circumstances to monetize the debt – that, is to finance it through government created credit rather than borrowing or taxation. However shocking this may seem to monetarist opinion it is hard to see why private sector banks should have a monopoly over credit creation or why credit creation by government for the purpose of investment should be inherently more objectionable than credit creation in the private sector which goes largely on consumption.

Now, the other day when I was looking through some material for this meeting, I came across a motion that was put in front of the House of Commons way back in 1965 by Henry Kerby, and summed up what Bryan Gould has said very well also. He put forward a new motion to restore the power of the issue of money to the Crown. And he said:

> This House considers that the continued issue of all the means of exchange – be it coin, bank notes or credit – largely passed on by checks by private firms as an interest-bearing debt against the public should cease forthwith, that the sovereign power and duty of issuing money in all forms should be returned to the Crown, then to be put into circulation free of all debt, and interest obligations as a public service not as a private opportunity of profit and control for no tangible returns to the people, and that the volume of money be controlled appropriately so as to maintain stable prices.

That put it very well and that sums up generally what we as money reformers are about.

Now, to relate this back to your concerns and concerns with the land, James Gibb Stuart wrote a small booklet a few years ago called *Economics of the Green Renaissance*. And in it he described how he believed that money should be backed not by any notion of gold but rather by the people, their skills and the resources which are available to them. And he used the example of being in a desert. He said you can site the most prestigious bank in all the world in the centre of a barren desert and invite it to monetize the desert's assets in the form of currency and promissory notes and securities and so on, but all of these whatever their numbers of denominations would be worthless bits of paper since they would have no purchasing power in a land without people or resources. But dig wells, find water, create an environment in which vegetation can exist and living things can grow, and multiply, then your currency will have started to acquire a value. That value will have been determined not by the awesome dignity of the bank itself or the acclaimed financial expertise of its governors, of the imposing calligraphy on its bank notes but by the intrinsic wealth of the community which had gathered around its doors. And, we live today in a very rich society — rich in people, rich in potential skills and certainly rich in resources; and, there is no reason why anything which is socially desirable and which is physically possible should not be able to happen because there happens to be a lack of bits of paper with which to exchange.

We believe as money reformers that the conventional economic wisdom states that the monetarization of all resources must come as an interest-bearing debt from the banking system. We, however, say that this whole pattern is flawed and that which is physically possible and socially desirable should be made financially possible.

There is a movement abroad – in France, in the academic world over there among students who are beginning to become disillusioned with the conventional economic wisdom. They have formed an organization, perhaps unfortunately, titled the "Post-Autistics Economic Foundation" where they regard the present economic system as inadequate. And they are beginning to question the whole wisdom of it. And you know not only students but also well-respected journalists have also questioned it. Our editor of the *Scotsman Business Section* is Bill Jamieson, who has made some interesting comments when he left the *Sunday Telegraph* last year, his final article as economics editor for the *Telegraph* said:

> Let me spill the beans about macroeconomics, unveil a truth so brutal that I could only write these words in my final column. Let me tell you as I stand at the door marked EXIT and with the get away car revving up, most of macroeconomics is bunk, bunk as in tosh, bunk as in hopeless and useless and senseless, bunk as in no use. The misleading and the partial and the dated and the subject to revision in pathetic pursuit of truth long gone.

Well, if we could just hear that truth from more economists, then we could start we believe to set our economic system on to a more just and certainly a more democratic path.

Before I conclude, let me just tell you very briefly about our Bromsgrove meeting this year. As I say, we have been meeting and for the last five years …