

Chapter 3

PROCUREMENT MODEL “C” in pictorial form

Following a survey of banks and construction/property companies. (see chapter 12)

A new procurement model “C” can look roughly as the example on page 3, known as Figure 1 can be utilised with adjustments for (a) Traditional (b) PFI, and (c) straight “tax and build” projects, which do not require repayment being as they are of Public benefit from public taxes, and paying for private anything means the public are paying twice (depending on the type of public building a modest entry fee will pay for its use in a hundred years or so, being as it is very well constructed.).

Using a PFI repayment scheme on a debt with no Interest is of course acceptable, but the repaid figure should be counted as money received twice, once in taxes and once in repayment receipts, an extra surplus, as the project/asset is produced. If the asset is counted in bookkeeping terms, it will reduce the “red” to black. It could always be paid back (see Channel Islands example in chapter 6b no1, and Credit Union in chapter 2 page 32). As this national debt also carries no compound interest over centuries and centuries, it will be therefore easier to repay.

From the survey issued to construction firms, property developers and investors there is a very high desirability for this type of construction and construction financing model.(interest free loans).

See chapter 12. Of 261 questioners returned 82.4 % said they thought interest free credit would be a good idea, and surprisingly 35.08% of the returned questionnaires said they would wish to raise the matter of a new procurement model with the Government/DTI, on the idea of a new procurement model. Raise the matter as opposed to just

thinking it was a good idea.3 (2.83%) banks and finance houses felt they would raise the matter with the Government, contrasted with 50 (32.25 %) of construction Companies.

Broken down further 2 Banks (1.8%) have offered interest free credit to companies for financing PFI/PPP projects. For the purposes of any new procurement model it would only require 1 bank to fulfil the purpose. 21 Banks (19.1%) said they thought interest free credit would benefit the construction industry and the economy, this contrasts sharply with the 80.6% of construction companies and property developers who admire the idea. 39 banks (36.79%) said however that they felt constrained from offering the product of interest free credit.

The desire to facilitate this type of construction and construction financing is not shared with the majority of banks and finance houses, but many have indicated their favour to it.

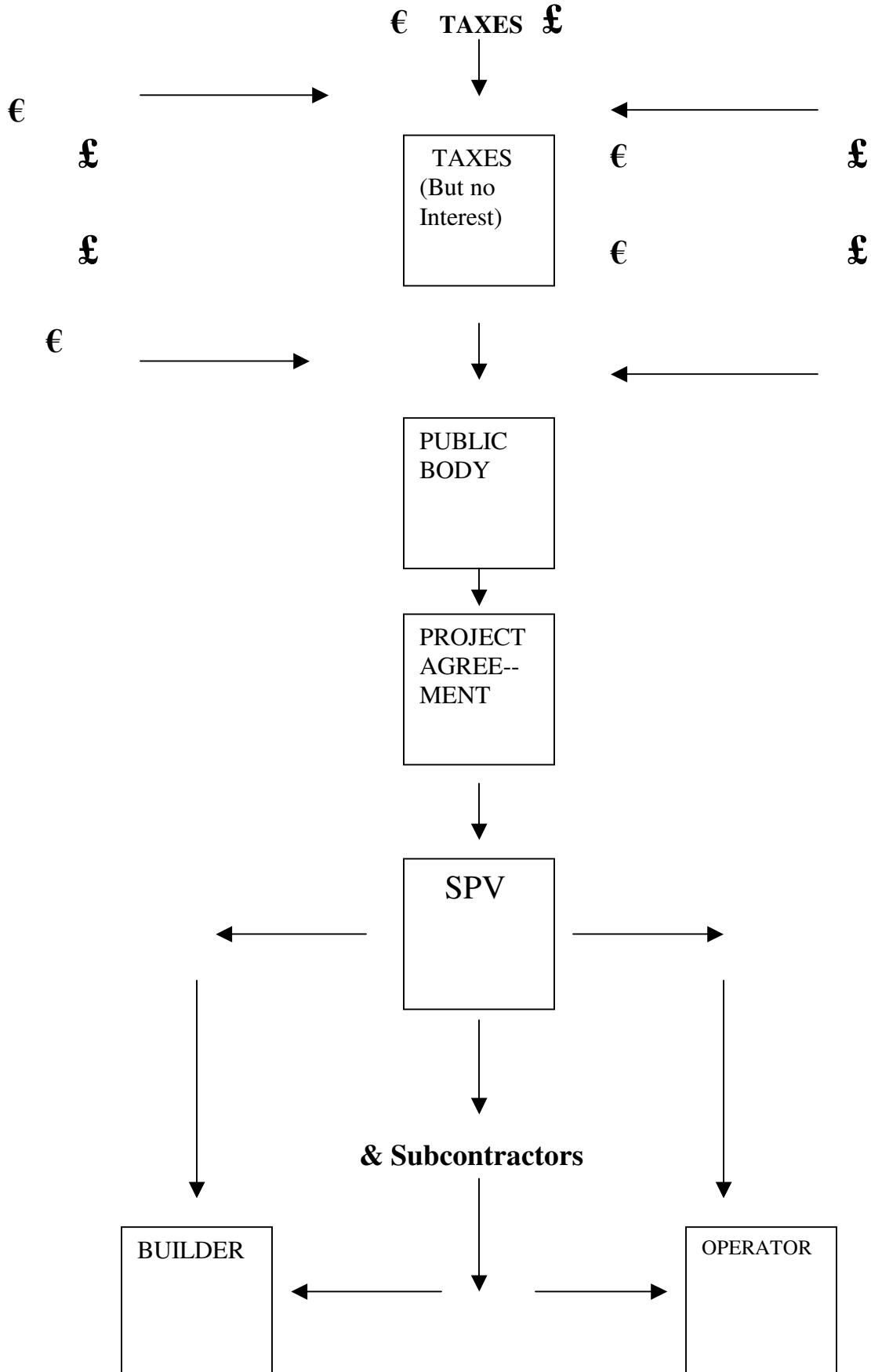
However you cannot buck a market and the demand is there, so the supply will obviously follow.

Or purposes of any new procurement model it wool only take one bank, and one construction company, who would need a new SPV, (special purpose vehicle) operating from Government.

This chapter needs to be read in conjunction with the next, which shows examples of current PFI/PPP projects and is interspersed with an academic explanation in pictorial form of how PFI/PPP, and its financing works.

(see figure 1 below, which is a third type of procurement model)

Figure 1 procurement model “C” Outline (alternative to traditional & pfi/ppp)



(Repeated in green) If (as nearly was in December 2004) £450 Billion was collected in taxes, and assuming it was set at 25% tax rate (actually 22% ish), then £2200 Billion is circulating, and taking Professor Fishers 100% Money proposal, this £2200 Billion could be made as the yearly limit of money (auditing only, as MO..cash in circulation, is only £45 Billion presently).With less taxation, and council tax and other adjustments, this amount could still reach £1800 to £2000 Billion in circulation.

However if an extra £100 Billion was created separately, and made to build schools, hospitals, roads, houses at very reduced price levels etc, it could after its distribution be collected back, and destroyed, allowing the separate £2200 Billion to carry on circulating.(not separate during circulation) The separate extra £100 billion is in effect an IOU, but set against the infrastructure and works carried out. Is this IOU then paid, is it met by the physical asset everybody owns, allowing it to be destroyed.?

If not why not. Granted it is a simple outline, but when we consider that in America an extra £300 Billion can be created to create war, and carnage, and blow the world and people to smithereens, is this any less simplistic, especially when the debts it amasses (the permanent national debts) increase and at interest, accrue interest on the debt, increasing taxation, and is in existence long after hundreds of thousands have died and cities have been bombed into the stoneage).

In effect this extra £100 billion is a separate circulation than circulating collected taxes, it may not be necessary, but even if it is an extra £3 billion to create needed infrastructure it can be matched by 100% money backing it. Reduced taxation will alter these figures, but it is an “embarrassment of riches”

Fisher.

If you can plan for war you can plan for peace, and both the £2200 (or £1800 - £2000) Billion and the £100 Billion can be issued interest free.

(taxation and hoarding will cause complications which can be scientifically ironed out, but these problems compared to what we see in the world today, are very acceptable). Alternatively the £100 Billion can be turned to equity (on the assets/projects built) and provide a social dividend, or taxed out of existence, placing the assets as debt free existing infrastructure. Simply cancelling after a work/s is completed is best.

As mentioned Smiths (in chapter 10) land tax provides circulation calculations the same as the above.

A banker in the preface of the 100% money book said it could produce an “embarrassment of riches”, not just money, but a perfectly well planned society with equality, beauty and vision.

All of it can be produced without interest attached, and without debt

A new approach is needed and either way since Government are at least elected, albeit out of a very narrow choice of similar candidates, civil servants are preferred, to carry out its functions, (as directed) overseen by a committee of the public.

Not a private bank or bureaucracy.

A new public committee

The public (lay/amateur committee) can monitor “bureaucracy” (as opposed to private banking) and its potential abuses. It would be similar in structure but not personnel to Friedman’s Federal Monetary Authority or Currency Commission.

The public committee(peoples committee) would work within the Treasury, re-(s)elected every year, (or 9 months etc) from the working class of say 36 people (including teenagers and retired pensioners and the

unemployed, anyone, and this number could grow e.g. 136, 236 etc) with accounts that can be seen and published on the internet, so that the taxpayers can see what they pay, and could be understood by children, as well as adults, as it is in effect your money (see the pre-budget report above as a simple example which could be expanded), the committee consisting of different people like Jury service (or similar) who should be reimbursed for attending every day for a year or 6 months (or 30 weeks approx with usual holidays as Parliament closes for 3 months...during which the country manages not to collapse and become confused or grind to a halt, the committee can continue all year). They would also be able to raise objections and policy ideas with a larger density of the population, who of course also become better educated as to how the economy functions, with full scrutiny over the mint which is in Wales.

In the treasury Doris the pensioner, or Sean the teenager, or Angus (the angry) the long term un-employed committee members could put their hand up ask questions like; “what is the difference between macro-economics and micro-economics” or philosophically or practically “what is money exactly” or “its our/everybody’s money isn’t it” (etc) and civil servants could patiently explain. Also included could be accountants, solicitors, dustbin men, plumbers, nurses etc, Rajid, Dai, Hulio, Betty, Achmed, Bob, Arthur, Jemimah, Wong, Tara (etc)

These people could be paid £30,000.00 per annum or equivalent to their loss of wages (not pro-rata). This would total £1 million and 80,000 pounds (£1,80,000.00), with expenses this may reach £2-3 million pounds. When one PFI or any traditional project can cost £240 million, the interest alone is nearly £18 million a year.

If ten projects of similar costs were financed under this new model that would save £180 million a Year.

As the government has earmarked £110 billion for PFI alone over the next ten years, the interest would be £7.7 billion saved at a cost of £20 million.(and no debt on the £110 billion)

The scheme or sector could have the patronage of up to 3 MP's, a patron (not employee) from the DTI, and F.S.A and perhaps from the Union of H.M. Taxes and one from **a builders association with experience in Social housing, and a representative from civil engineering.** The scheme or sector would produce good quality housing. Eventually it would (as it does now without its circulating journey) fund every area of public life, and breathe life back into society. A feature missing too long in the land.

This way those that pay the tax can implement its running and can account directly to Parliament and local authorities the matters they observe and decide upon. 18 of them could oversee the new SPV and procurement model, whilst 18 or so could oversee the treasury, passing information back and forward, which would also go to parliament who would receive instructions and outlines for new laws and legislation and regulation to improve the new model. Accounts like the pre-budget report (on the internet) will show instantly every quarter if interest has been charged on the tax collected and re-issued to the SPV, and will be obvious to all.

The committee would have rights to exist in Statute law and European law.

This way the civil service, the Commons and an independent overseeing committee and can keep a check on the way the taxes are managed, spent and accounted. Regulation will then become tighter by new laws, which the committee would have a direct influence and drafting upon.

This of course is creating new jobs and is in the context of economic democracy and is in essence very simple and would serve the purpose of a new procurement model, it is also just one shade of many shades of similar ideas by way of example to best explain a missing component in "democracy".

Friedman suggests a split in the roles of “100% money” and private banking so that the government could issue the currency as treasury bills with an overseeing committee, whilst the private bank issues credit, a half way position between the treasury being nationalised into the Bank of England (the more “Bureaucratic” approach), and the treasury being made independent into the Bank of England (the more “private” mercantile style).

Private banks of course like any other private concern or firm, outside of the wheels of Government and new procurement model can still issue credit at interest,(0.1% over 60 years !) and we can also lend them our money at interest, this is up to individuals and peoples personal views and has nothing to do with the running of government in its mechanics, which was instigated to serve the people, as our elected leaders were.

i.e. it is separate from the philosophy of private banking (or government unregulated) carrying out the following;

“they issued a £1, the holder of the £1 note had the right to demand that the bank give him cash for his note, but, if he made that demand, the Bank had the right to demand the Government raise the £1 by taxation and repay the £1 worth of debt to the bank so that the bank might repay its £1 to the note holder” (Hollis)

This gives the government (or the people rather) control over the amount of credit and the interest rate upon it. The Government take back from the private banking system the ability to create and destroy money when they increase or decrease loans. Private banks are of course still able to offer credit deals to anyone who wants credit privately, its just that the collected taxes would not be subsidising their endeavours.(although this last point is not exactly clear, with Friedman, who although sympathising with the “100% money” scheme of Fisher is also championed by the monetarist neo- liberal position, hence the concerns for greater public direct control.)

If these (full) reforms were enacted, neither checking nor savings banks could expand or contract the volume of circulating currency by its actions. However Friedman's views, which seem to be both Keynesian, and resembling Fisher, (the Federal Monetary Authority or Currency Commission proposal) does not allow for a "democratic" check of the monetary supply of the state by the taxpayers themselves, (classical, neo classical, orthodox, heterodox? merge into inseparability) hence my example above of people being able to monitor, influence and control the building programs, which their taxes finance and therefore a large measure of the economy.

The people could then report to local authorities who could with a smaller people's committee borrow their requirements in the same way with the new procurement model and SPV. Construction, Building and Property firms, large, medium and small, Architects, surveyors and other smaller interest groups like parish committees (etc), social groups, mini-brigades, business groups, political parties, charities, co-operatives (anyone) could also be kept informed as information is in itself the main ingredient to raise peoples awareness across all but mainly the working class. Applying for funds direct or via the local authority follows from this awareness.

Political parties could increase the need for local debate, which the leadership then implemented; remote parts of the country could also be directly involved, as much as those in the Capital.

The chicken and the Eigg

<http://oldfraser.lexi.net/publications/forum/1999/04/chicken.html>

<http://www.alastairmcintosh.com/articles/2003-hebridean1-eigg.htm>

In Scotland with 5 million people, they could raise annually £35 billion pounds approximately, plus more as credit to themselves to build infrastructure as highlighted in green above on a annual basis (without

debt, built as paid).Scotland also has untold Billion in natural resources.Wales and Ulster could use the same model. Controlling these themselves they can work as much or as little as they wish.

This view takes the main assorted theories and adds the public committee principle overseeing the model. They should be lay and professional “working class”, of differing political persuasion and should work for one year, and a new committee be selected at random, a sort of Ministry of no interest on tax for public social desirability in public works. (Scheme, sector, ministry).

The national debt as is could be converted to equity or cancelled, and a true public debt backed by cash reserves, and recouped by taxes (as in Channel Islands or similar example see chapter 4 no 1) could be instituted.

The model could also be used in any country including the European Union.

Compare how regulation actually protects “the people” a vital component with taxpayer’s money. in (next paragraph)

Keynes General Theory.(1979), Milton Friedman and Anna Schwartz, (1963), Veblen (1904) “Theory of business enterprise”, De Soto “The Mystery of capital” (2001).

Marx “Capital” (1906)

(See full analysis of survey of 778 banks/finances houses and property/construction firms in chapter 12)

What is a compelling factor in this study is that the Government already produce a source of debt free money i.e. MO

BMW lent MG Rover 427 million interest free in 2000, as part of the restructuring deal it then faced between Alchemy and Phoenix.

Although this has not saved Rover, the principle point is made.

BBC news 15/04/2005

Out of 778 institutions surveyed **35.08 % or 273** Construction companies, Property Developers and Investors, Banks and Finance Houses (would) have said they would wish to raise the matter with the Government on the matter of a new procurement model. This is not just thinking it is a good idea, but proactive.

(1.8%) and (80.6 %c/pd/I + 1.8% b/f) = **82.4 % or 641** Construction companies,

Property Developers and Investors, Banks and Finance Houses (would) have said they would like to receive interest free credit.

This model of finance/money taxpayer's wealth already exists = MO, in 2004 it was £44.5 Billion.

Clearly since it is not these institutions role to encourage or lobby for such ideas they are interesting statistics. In both cases it would take only one from each.

In this study although the figures as I presumed show a certain amount of reluctance to monetary reform, it is apparent that the qualitative feedback, as well as the quantitative, shows a certain amount of misperception about how simple it would be to enact. The public are unaware of the situation, obviously this is less so in construction, managing directors and small businesses, but even here the connection to their own money as tax being utilised to construction projects, does not compute unless there is a bank, or

financial house to bootstrap the programme. Other attitudes are incredulous, amused or dismissive, although the majority like and support the idea.

There is a long history of theoretical thought on the subject, hence the need for also for a qualitative approach. Expanding out from a central idea the original point is lost in the theory in many economists' writings. Debate surrounds the distinction between Governments or a Private bank issuing nation's currency, and in either should it be issued at interest, originating as it does in taxes. The Survey suggests a majority (82.4% of which are on the borrower side), would like interest free money, it also raises the apparent awareness that Government can issue currency themselves, and the vast majority would like a new procurement model.(this aside from many wishing to know the context of the survey, which if studied does reveal that context plainly, as the majority realised)

A new procurement model like the one suggested would also serve well in LCD's, and other countries, which are less than LCD status and would help to boost economic democracy and create their new home grown employment.

As Hanley Economic Building Society (b/f218) in their questionnaire suggest, social desirability is the pre-requisite for funding in this manner and perhaps over a year or two, 150 or 200 houses (or more) could be built to monitor the model. As social desirability is also a qualitative subject (although a survey on this could be commissioned by a public overseeing committee), there is no reason why hospitals or roads could not be built and the system expand into all areas of public life.

Private land should be purchased at bare minimum cost (or schemes devised for the upkeep of a house or mansion, in return for free compulsory purchase). Land may be donated for “charitable reasons”. Land stocks could also be bought and as they increase, the cost of this land does not need to be factored into house construction as taxpayers via taxes, have already paid for it once.

Mr Prescott could then request house’s being built at £60,000.00, (£40,000 an acre) and be bought by the homeowner at £63,000.00. (Mortgaged as loaned without interest.). of course it could be much less. They would then own the land and the house

Environmental concerns could be answered by building traditional housing using mass produced methods even for say mud/ cob construction, which for the past 500 years have stood the test of time, and are the most desired of housing by many. They also (almost) fulfil building regulation demands. The material is in any case free (soil, water and straw and feet). These buildings also fulfil “eyesore” concerns of the countryside.(these are just a few ideas).

Conclusion

Mo (taxpayer’s public money) already exists and extending it, redirecting it reshaping it, would require no great effort.

“There has therefore been a convergence between, for example, the ways in which central banks and academic economists think about monetary policy, and in ways of tackling economic development” **Backhouse**

Given the fact that the government has earmarked £110 Billion for PFI's over the next 25 years, this has obvious implications (one of which £7.7 Billion approx at 7% in interest per year is enough to build a lot of hospitals, i.e. £4.4 billion approx million at 4%, on every Billion borrowed, once we times this by 110, and then multiply it over 25 years, we get a lot of potential infrastructure)

The reality is Trillions of taxpayers money will be spent over the next ten years, (a miniscule drop in the ocean to what used to be spent) therefore times the saving's i.e. tax, interest free to public works of £7.7 Billion by 1000 (trillion= 1000 billion) and suddenly the whole public sector looks very well funded. Reclaiming the Trillions lost in tax, also boost's the public sector enormously.

“The increased involvement of economists in government, have come to be seen as technical experts whose advice is essential to decision making” **Backhouse.**

This has increased since the Second World War, but why is it essential, everybody is potentially a “technical expert”, and decision-making seems to be removed away from the public who should have their own “committee” to tackle economic development.

This is more than a “Federal Monetary Authority” or “Currency Commission” as Suggested by Friedman, but a real peoples committee, with real members of the public.

Without such direct involvement into the heart of Government, it is not surprising that people feel like they are apathetic at General Elections. Without economic control it is essentially a waste of time voting as the same monetarist (neo-liberal and neo-conservative or whatever) policies continue at a distance from the public.

Agents assisting a new procurement model and Special Purpose Vehicle (SPV) based on interest free loans too the construction industry is of course electronic banking, a concept many economist's in early theories had not the advantage of. Inclusion of the receipts of Oil, Electric, Gas and others into the treasury for public benefit, and recycled without interest also swells the coffers enormously. and will turn the supply of money from a small stream into a waterfall, a Niagra.

A further problem is motivation and access to heighten the awareness for change, which is to bring especially the 1st worlds Plutocracies, (this includes Britain and the USA) not to “democracy” status (as it is currently), which is only the skeleton of an ineffective machine, but to bring those Plutocracies to Economic Democracy Status, which is actual democracy.