

**Chapter 6 A The Third world (and the first and second and fourth, fifth and sixth)**

**(Chapter 6 B alternative methods of Finance page 21 onwards)**

**“Third world debt”**

A problem identified is explained simply as under the system (called the Fractional Reserve System in America...in that a bank only held a fraction of the amount it lent out in reserve !) £100 credit is created and £110 debt is demanded in return; that is, there is always more debt than credit. This equation should be £100 credit equals £100 debt even in the worst model.

“ Since the population of Britain in the eighteenth century was around six million, such vast debts (£20 Million in 1696, and £249 million in 1748, after a stretch of 4 wars internationally, and the Irish war domestically) might appear potentially disastrous. On the contrary, however they represented the mechanism whereby England gained control over the resources of many and distant lands across the world. Thus loans to the Government or to private individuals were profitably invested in seizing the land, property and persons (as slaves) of people around the world. **Hutchinson**

In this way slaves unto starvation were made domestically and in the commonwealth and elsewhere, and it is still very much in place today. National debt democracies are vital aids to imperialism. Without them the IMF, the World bank and the WTO, could not exist. Further they also harm “our way of life” domestically.

The world including Africa, India, China, slaves to America etc.

### Writing In 1998

“At least 90% of the \$2.3 TRILLION owed by the poorer nations are owed to commercial banks and lending institutions –the World Bank,(USA) the IMF, (Europe) and the commercial banks of the world”

“the debts of developing nations are not, in the main ‘inter-national’; they are debts that record an obligation on the part of debtor nations to banks-not to other countries.”

“In the public discussions that have led to the ‘current consensus’, we are being persuaded that the massive backlog of Third World debt is primarily due to the economic incompetence, or corruption, of their governments. This is a supposition of the most extraordinary arrogance! Are we saying that the governments of the entire third world are either corrupt or incompetent ?And what short memories we have. If we are going to introduce ‘corruption’and ‘incompetence’ into the argument, we should keep the balance right and remind ourselves of the record of the IMF and World Bank.”

Reminding us that the research to support this over the last 20 years “is beyond question”

### **Rowbotham (1998)**

The Worlds and Europe’s central bank (of central banks, the IMF growing out of the Bank of International Settlements), with its ideology rooted in monetarism, itself expressed as a “money multiplier effect”, in turn relying on the collection and charging of interest on credit loans, is also a description of the Bank of England, (beginning 1694) the central bank of banks domestically and its policy, national and international based on the same philosophy over many more years.

Hutchinson Speaking on the loan with interest system, collectively and centrally known as the “National debt democracies” **Marx 1906**

“Inspired by the success the success of the Bank and the profits of its shareholders, landowners invested money in developing their estates, creating the agricultural revolution which turned land from a commonly managed food producing resource to a privately owned profitable investment.”

This led to the industrial revolution as gunpowder, arms, tin, coal, iron, cotton mills etc and a new class of merchants and wealthy landowners. **Hutchinson**

Contrary to many opinions the system of accumulated debts was first introduced by colonisation onto societies which although not like the industrial revolution societies of the colonies, were advanced, secure and wanted for very little. Also contrary to popular economic myth is that economic self interest of capitalism espoused by Adam Smith and much quoted was not his own view, writing in 1776.

“The bank of England generally advances at an interest, which since the Revolution\* has varied from three to eight percent. The sums for which those taxes are granted, and receives payment as their produce gradually comes in. If there is a deficiency, which there always is, it is provided for in the supplies of the ensuing year. The only considerable branch of the public revenue which yet remains unmortgaged is thus regularly spent before it comes in. Like an improvident spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its factors and agents, and of paying interest for the use of its own money.”

**Professor Adam Smith “An inquiry into the Nature and Causes of the Wealth of Nations” Book 5**

**Ch 3** \* denotes Glorious revolution

And now as then taxes increased becoming ever more heavy and intolerable.

“In the reign of King William and during a great part of that of Queen Anne, before we had become so familiar as we are now with the practice of perpetual funding, the greater part of the new taxes were imposed but for a short time (for four, five, six or seven years only), and a great part of the grants of every year consisted in loans upon anticipations of the produce of those taxes. The produce being frequently insufficient for paying within the limited term the principle and interest of the money borrowed, defences arose, to make good which it became necessary to prolong the term”

**Professor Adam Smith “An inquiry into the Nature and Causes of the Wealth of Nations” Book 5 Ch 3**

In other words a new king had arrived who needed increased tax to fund a war, the nation was not a part of, and as these would be insufficient, the populace became slaves to a credit boom for his personal use (or their personal use, being as he was only a figurehead with no constitutional powers), which the national debt system spiralled into being, making slavery by increased tax to service the debt.

As Hutchinson has explained above the system was then introduced and planted onto the colonies, and slaves were required to service it.

By 1909, “the bank had become the bank to the entire world” **Professor Anreades**

By the late 1960s this system was not just enslaving colonies, national democracies were introduced as sub banks or lending institutions which would be overseen by the World bank and International Monetary fund, and the City.

The system would be reclassified as a “democracy” Even when the Welfare state was introduced in Britain in the 1940s, with free hospitals and better working class conditions the colonies were still underdeveloped, working as slaves managed through the banks, which in turn were overseen by the City, World bank and IMF.

Adam Smith writing 200 years earlier pointed out that under the system, wars are prolonged because new loans can always be found and the tax burden can be increased the following year.

He points out that war without debt on enormous credit terms would prove to be so unpopular with the people they would cry out to stop the war burdened as they are with such a huge increase in tax.

“The return of peace, indeed, seldom relieves them from the greater part of the taxes imposed during the war. These are mortgaged for the interest of the debt contracted to carry it on”

and

“Wars would in general be more speedily concluded, and less wantonly undertaken”

**Professor Adam Smith “An inquiry into the Nature and Causes of the Wealth of Nations” Book 5 Ch 3**

Of course the question of how the war started is interesting as it is hardly likely that a few hundred soldiers were passing a continent in the streets of London and got into a brawl with the continent, and invaded in a matter of hours.

This type of colonisation and the need of credit to expand worldwide meant domestically the populace would have to be controlled. As we have seen Hutchinson explains the populace of Britain was 6 million, it has grown disproportionately around the “Heptarch” (around which a non-standardised “English” was fabricated to give uniformity, but look at Cornwall for instance or Wiltshire) of London, in comparison with those in the North of Britain, Scotland, Wales and Ireland, being as they were

slaughtered, starved or forced to emigrate economically or false accusation in the courts (i.e. to Austarilia).

This was the same treatment the natives of other continents received. Those around the Heptarcy, increasingly had to move to London, or exist as cannon fodder in the new empires needs, which of course also needed the wealth of other nations to fund its need for credit. Today immigration is an “issue” but those who have been deposed and had their wealth of their nation stolen, are perfectly entitled to live in Britain, receive free housing and high wages and an apology along with it, if they will accept it, as a start to make amends.

Without the loot of those lands, there would be no 1 st world to emigrate into. Further whilst the West is free to plant a Corporation (in the new era of colonisation) as a front for banks and military bases in other lands, those in those lands are not free to come to the west and enjoy the high wage, why ? Further to this reasonable solution, a further step is to cancel the debts inflicted on those countries, by the IMF, World bank and the City of London, (not just the World bank and the African development bank as Gordon Brown is proposing) this is not just to Africa, its everywhere and it’s the yearly **\$370 Billion it has to pay, (this is only the yearly interest)** is not even including the totals of the principle amounts The G8s response in May/ June 2005 only applies to 27 countries out of 300 countries in the developing world, and is only \$30 billion of the principal(which has never existed intrinsically only as debt created out of thin air).(\$100 million is taken every day in debt payments) However it’s a small start, which people are confusing with giving aid.?

Conversations as to why we should not cancel their debts,.... they are all dishonest, they will misuse the funds ?.Such is the ignorance of economics or even money, credit and debt. Any debt counsellor will tell you that debt puts pressure on individuals to act as otherwise they might not have done.

Also once a debt is established on a nation it is necessary for the lenders to ensure by military force covert or otherwise to ensure the indebted nations leader is unlikely to renege on its obligations.

Adjustments to its economy and a gradual withdrawal from colonies, in turn for a compromise of compliant puppet figureheads means that every step is taken to ensure, that if a brutal controlling oligarchy is not imposed to carry on the debt, extension, then a free popular leader must still promise to take the loans.

Thus the British classified Ghandi as a terrorist, and Margaret Thatcher also classified Nelson Mandela as a terrorist, right up until the point they gave them power.

In South Africa, apartheid was removed as it was feared an uprising by the Black population would lose the Western banks, and Corporations total control. Africa full of minerals, and fossil fuels and natural wealth such as oil, still had not got total economic democracy.

Even if they are corrupt why this mean does debt cannot be cancelled.

Other opinions express bewilderments by saying “they keep taking the money”, but why is it been offered if they are corrupt, goes a reply, and why if they are taking it and it is being given, cannot aid be given in its place? (i.e interest free, and free for ever). Why aid is given, even those announced by Gordon Brown and Mr Bush as only as long as the countries receiving it privatise amenities, schools and hospitals.

Most importantly why is “aid” (bank loans), continually given to Western Corporations, who have proven corrupt, these include;

B.C.C.I. spectacular in the 1990s. The list of companies involved including Enron, WorldCom Imclone, Tyco , Qwest , A.O.L. Time Warner, Andersen Accounting, Allied Irish banks.

Merck and co, Toshihde Iguchi lost 1.1 billion for Daiwa bank in New York, Xerox , General Electric IBM, Exxon, Sol-ex, Nick Leeson of Barings.

“A loss of \$10,000 is easy to spot; when it grows into a loss of \$100 million, it almost begins to disappear. Its like an elephant in the middle of the room that nobody wants to talk about because nobody believes it actually exists” so said Nick Leeson.

Nick Leeson of Barings in 1995 who lost a billion in a frenzy of gambling speculation “it feels like your being carried away in a hot air balloon, if you don’t jump off immediately, you cant jump off at all”

**The Guardian Weekend magazine “How to lose a Billion” 26/10/2002.**

Investigations into the illegal and /or irresponsible trading , close their investigations by citing that a few “rogue traders” are too blame , when in fact the Elephant nobody wants to talk about is the system itself..

The US State Department describes the UK as a "country of primary money-laundering concern" in its annual survey of world vulnerabilities - but on the basis of its importance as a financial centre, not its rules and defences.

<http://news.bbc.co.uk/1/hi/business/4336583.stm>

Therefore corruption is only a tool which can be used regularly by the rich and powerful and dwarfs, corruption on an individual level.

It is also worldwide everyday problem in all continents and “worlds”

### **The Mystery of Capital (Solving it)**

However, “in the 21<sup>st</sup> century, 0.6 % of the people own 69 percent of the land”

#### **Cahill,**

This is a description of Britain, and it seems everywhere else.

In developing countries, (or rather countries which were purposely underdeveloped, left to stagnate whilst the looters prospered, before the new colonisation by stealth begins again) despite the various revolutions over the centuries, and the driving need of credit to make everything more efficient, real wealth around the world is held by a minority, whilst the majority simply service the debt (which being national is “theirs”, not the banks or corporations)

“In most countries in the world, land is not being democratised and spread across the population. In fact, the World Bank and International Monetary Fund have been imposing policies on poor countries that actually increase the concentration of land ownership and make more people into landless peasants”.

#### **Hari**

“The single most important source of funds for new businesses in the United States is a Mortgage on the entrepreneur’s house. These assets can also provide a link to the owner’s credit history, an accountable address for the collection of debts and taxes, the basis for the creation of reliable and universal public utilities, and a foundation for the creation of securities (like mortgage backed bonds) that can be then re-

discounted and sold in secondary markets. By this process the West injects life into assets and makes them generate Capital.

Third world and former communist nations do not have this representational process. As a result, most of them are undercapitalised, in the same way that a firm is undercapitalised when it issues fewer securities than its income and assets would justify. The enterprise of the poor are very much like corporations that cannot issue shares or bonds to obtain new investment and finance. Without representations their assets are dead capital.

The poor inhabitants of these nations – the overwhelming majority - do have things, but they lack the process to represent their property and create capital. They have houses but not titles; crops but deeds; businesses but not statutes of incorporation.

It is the unavailability of these essential representations that explains why people who have adapted every other western invention, from the paper clip to the nuclear – reactor and weapons, have not been able to produce sufficient capital to make their domestic capitalism work.

This is the mystery of capital. Solving it requires an understanding of why westerners, by representing assets with titles, are able to see and draw out capital from them.” **De Soto**

The mystery is the legal system is geared towards the rich; capitalism is built on usury, on nothing of substance, smoke and mirrors, which do not have any basis for morality in philosophy or religion. People, are landless, and believe that mortgages are ownership.

A further mystery is that even in the “West” you can be in the “South”, you approach the West as you near a Corporation or Central bank, whether you live in the south or in the West.(North or East)

The West and America have very high levels of “poor”, and whether it is taxes hived off, or Trillions traded in the same few hands, it all benefits the few.

Raping the third world and suppressing it has led to the few living in the “West”, only be the few taking back lands which they own and live on, in a fairer acreage for sustainability (with deeds) can this type of enforced poverty cycle be broken.

We could argue that future generations benefit from an infrastructure built on borrowed money, which if had not been borrowed or invented out of nothing then the infrastructure would not exist to improve their quality of life and sophistication. This depends on whether we are indeed building for long term benefit and sustainability, as opposed to short-ism, and if large percentages of the borrowed debt money (sometimes twice borrowed into existence!) have not been wasted or been incurred at stunningly disproportionate amounts to the original principal sum.

Organisations like the Globalisation Institute cite the fact Asia for example was poor 50 years ago, but now it is rich !.However Marco Polo who on his travels around Asia remarked that he had never seen such riches, and the West was envious at its splendour. China for example had nothing the west wanted, the west wanted everything the Chinese had. Only by exporting heroin from India to Hong Kong could the new addicts be tricked into signing a lease on what was to become Hong Kong.

However now Asia is rich in debt.The richness the globalisation institute boasts about is citing really how skyscrapers and pavement replace, Arable land, and how a bank and corporations can be placed into the new shiny areas. Just around the corner as John Pilger puts it from the MacDonald’s, Starbucks the skyscrapers and hotels is an increasingly landless, sweatshopped impoverished peasantry, who exist on a dollar, or 40 pence a day. Out of view and mind.

We on the other hand overproduce, and have landfill sites to get rid of the rubbish and waste (consumerism).These new overproduced products need new markets to sell to and a path is created by

war. Then when the poor Asians get the new bank and shiny skyscrapers, they will recover from the war by getting rich. To see how mistaken this view is go to Calcutta.

To really have it confirmed for you ask any member of staff to swap their lives for 25 years with that of a sweatshop worker.

Solving the mystery of capital is a bit like discovering the Grail.

With 400 years of blatant Capitalism, the world exists today with 30,000 people starving to death every day <http://thescotsman.scotsman.com/index.cfm?id=438432005>

The 1<sup>st</sup> world is a class society where debt buys what we own, and therefore we do not own it. Ranking sixth from the bottom, these Islands having such a superior economic system, still has 25% of its children living below the poverty line. Being the 4<sup>th</sup> richest country millions exist on income support, hundreds of thousands, above the current statistics are not classed as homeless, being in Bed and Breakfast. [www.oxfam.org.uk/](http://www.oxfam.org.uk/)

Making poverty history could easily be solved by allowing “aid” (not debt cancellation) to be placed into an observable bank account (by the receiving countries population), Bono on a recent news clip documentary on world poverty, and the G8 Gleneagles summit cited an example in Uganda, whereby “aid” was placed into a separate account which was able to be monitored by the population to see where it was and where it was not being spent. Which is also a need in the 1<sup>st</sup> world.

**Hewson, Paul David(aka Bono) BBC1 news 13.6.2005**

This has some extent being taken up by the government in Britain.

“Mr Brown will hope that the “G8” countries will also follow suit (Germany, the US and Japan included.) Peter Hardstaff, of the World Development Movement, welcomed the news but said Mr Brown should go further.

He said: "Most importantly he must drop the free market measures imposed as a condition of debt relief on developing countries”.

[http://news.bbc.co.uk/1/hi/uk\\_politics/3692414.stm](http://news.bbc.co.uk/1/hi/uk_politics/3692414.stm)

This has been formulated into the Marshall plan, which does not only include plans for Africa, and will involve the G8, IMF, the World Bank and the Paris Club.

### **Jubilee News asks us to Drop 100 % of the Worlds Debt and to;**

“Get educated about the debt crisis faced by impoverished nations, and take action today with Jubilee USA! We call for 100% debt cancellation without harmful conditions for the world’s impoverished nations. The G-8 must expand its agreement immediately!”

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

The misconception between dropping the debt and debt relief is, the onus is on the lender, as the debt/loan should never have had to be made or should have been made. “Aid” is also nothing to do with 100% debt cancellation And its not just Africa, its everywhere including the 1<sup>st</sup> world.

The G8, have simply dipped their toes into debt cancellation, and it is not a “Jubilee”, which should include a 100% debt cancellation and 100% restoration of lands nor is it a “Seven year Sabbath celebration” to cancel debts and free slaves to a new start.

A distinction in a Jubilee (50 year reign celebration) is that after 100 % debts are erased and lands restored, then there is a celebration, (not before) and the world is still waiting for that.

2005 is also the year in which there is a final chance to half the worlds poverty by 2015 and

### **Figure 1.1 Make Poverty History**

"The gap between the worlds's rich and poor has never been wider. Malnutrition, AIDS, conflict and illiteracy are a daily reality for millions But it isn't chance or bad luck that keeps people trapped in bitter, unrelenting poverty. its man-made factors like a glaringly unjust global trade system, a debt burden so great that it suffocates any chance of recovery and insufficient and ineffective aid"

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

Of course this could also be applied to the 1<sup>st</sup> worlds democracies, in Britain and the USA, and as Condoleezza Rice has announced a change in USA policy (although it sounds exactly the same as the past six years) June 2005

"Now, we are taking a different course. We are supporting the democratic aspirations of all people," she said.

But

"Our security correspondent says the remarks not only risked alienating Cairo and Riyadh - by making such calls for democracy the US could open the way for more Islamist governments"

and

In her speech at the American University in Cairo, Ms Rice referred to US President George W Bush's second inaugural address, in which he said his aim was to help people find their democratic voice and not to impose a US-style government on them.

"For 60 years, my country, the United States, pursued stability at the expense of democracy in this region, here in the Middle East, and we achieved neither," she told an audience that included government officials and academics.

[http://news.bbc.co.uk/1/hi/world/middle\\_east/4109902.stm](http://news.bbc.co.uk/1/hi/world/middle_east/4109902.stm)

Many would add and not just the Middle East, but if not to impose a US style government, but to support democratic governments across the Middle East is suggestive that the US government is not itself democratic.?. The statement perhaps means planting the “Anglo business model” instead (without the dwindling checks and balances currently removing what little democracy there is left in the USA) Democracy is credit. “The democratisation of credit, especially since the turn of this century means democracies are not defined as such, until they can issue credit, here or abroad.”

**George Susan (1999) *The Lugano Report* Pub by Pluto Press and Susan George**

Of course this Anglo business model was overwhelmingly rejected by the French in the European constitution referendum in June 2005.

Therefore a solution between these problems and business models and theories worldwide may be to open a new account in every country where taxpayers can see all there cash, and income from natural resources, as Bono suggested.

Not just in the third world, after all its peoples money and they own their own tax, and why bother charging interest on it before being redistributed back.

In the third world, without debts and secure banking they would also own their tax (barter economies excluded, but owning land free from contamination and western farming methods as described in Chapter 5, is their income, which if stabilised could produce a small tax), and the aid could with it be a national delight. If corruption or revolution constantly prevents this then the West and Britain and the USA are the biggest exporters of armaments stop selling the corrupt officials weapons (e.g. like Saddam Hussein for example), Africans may pull together and realise constant coup de taut, and more improved

weapons being sold to them to counter the old weapons, in turn fuelled by generous credit to keep the selling and updating merry go round going, they may have more have a future.

If this is naive then this is how also the West developed, and underdeveloped countries have the right To do it themselves. If this is naive then this is how also the West developed.

Alternatively as this keeps occurring, loans of billions at interest, weapons, coup de taut and more weapons, starvation, mass killings or resettlement because they live on top of a oil field (as in Iraq) and more wars they may realise in Africa and everywhere else that perhaps this is the point to keep them underdeveloped.

### **International Finance Facility**

Aside from the IMF, (Europe) World Bank, (USA) and the African development bank, there are new proposals for the UK to provide an International Finance Facility (IFF UK).

This will work by;

**“For example, at an interest rate of 5% the IFF would disburse \$500 billion of aid over a 15 year period, with donors making \$720 billion of payments over a 30 year period”**

Donors would in effect be funding a bond which would provide the finance. It is borrowed on future tax receipts (the never, never....never)

The bond would be paid back after 2015, but like a mortgage, will take up to 2030 by the donor countries to repay. Pledging streams of money every three years, after 30 years it will finish its

commitment. As individual donors each country will not be responsible for another country defaulting, which if occurring it would be classed as a sovereign default affecting its credit rating.

The IFF finance facility is not a development bank or charity, but a finance mechanism to channel aid to developing countries and HIPS. The recipient country will not bear the interest, or repay the grant as the loan is classed.

[http://www.hm-treasury.gov.uk/documents/international\\_issues/int\\_gnd\\_intfinance.cfm](http://www.hm-treasury.gov.uk/documents/international_issues/int_gnd_intfinance.cfm)

(see [PDF file of International Finance Facility proposal - April 2004 \(138k\)](#))

However it is simply moving the debt elsewhere onto another economy and Bonds in effect produce debts twice.

“There is a shallow pretence that it is not the true arrangement, since repayment of national debt stocks is actually accounted as coming from taxation, not from the sale of more bonds. But this repayment of from taxation creates such a massive shortage in government revenues that can only be made up by the sale of more bonds, so that the net effect is that repayment is constantly deferred by the sale of further government bonds. This is what is referred to as the interest on the national debt, although it is not really interest in the strict banking sense, but a constant rescheduling of a completely un-repayable debt”

### **Rowbotham (1998)**

Of course this adds to the national debt of the donor countries, who aside from maintaining payments to the IMF, and World bank, must try and reach aid of 0.7% of GDP (oda/gni), must bear increased taxation to pay the principal sum of \$500 billion and interest of \$220 billion. This is providing the interest rate is actually 5%, when the world bank rates are 8% and higher.

It also cites the triple AAA credit rating of some US bonds issued by agencies such as Fannie May, Federal home loan bank Freddie Mac.

Freddie Mac however has been criticised by the Federal Reserve bank (who issue money at interest beginning the whole chain in the first place?)

And;

The two most senior executives at US mortgage giant Fannie Mae have resigned after accounting irregularities were uncovered at the company.

Chief executive Franklin Raines, a former senior official in the Clinton administration, and chief financial officer Tim Howard have left the firm.

Fannie Mae was criticised by financial regulators and could have to restate its earnings by up to \$9bn (£4.6bn).

It is America's second largest financial institution.

Freddie Mac, the country's other largest mortgage firm, was forced to restate its earnings by \$4.4bn last year and pay a \$125m fine after an investigation of its books.

<http://news.bbc.co.uk/1/hi/business/4116903.stm>

“The government warning was issued on the same day that the National Association of Realtors called for increased consumer education on the dangers of what the trade group called "toxic" loans with predatory terms that hurt homeowners, such as high-interest-rate loans that could cause them to lose their homes if they lost their jobs. The group said that banking regulators were doing little to protect homeowners”

<http://www.washingtonpost.com/wp-dyn/content/article/2005/05/16/AR2005051601555.html>

The merry go round continues around the world with desperate methods to find the 11<sup>th</sup> dollar, pound, euro or Yen, when there are only 10 in existence. At least this system does not mean, indebted poor

countries have to repay, although the treasury website does say that it's looking at how the recipient country can contribute.

What is amazing is that this scheme (**International Finance Facility**) could be managed as follows: (to repeat the treasury's report)

**“For example, at an interest rate of 5% the IFF would disburse \$500 billion of aid over a 15 year period, with donors making \$720 billion of payments over a 30 year period”**

But imagine if the treasury suggested;

**“For example, at an interest rate of 0% the IFF would disburse \$500 billion of aid over a 15 year period, with donors making \$500 billion of payments over a 30 year period”**

**Spot the difference ?**

In fact why tie the donors into the IFF model, along with the bond from the international capital markets at all? Why can't the donor country just give the \$500 billion straight to the recipient country, and save themselves £220 billion in interest. The \$220 billion only goes to the few as profits on the money itself, making money out of money, and remember without the donor countries governments agreeing on behalf of paying taxpayers the bonds could not be issued, even though they are collective bonds. Even if private money (i.e. savings or assets of fully owned items) funds the bonds, which it is not, why should aid receive \$20 billion as a motive?

The donor country could also simply donate \$720 billion direct, why the middleman.

Perhaps it's because under this method the bond holders stand to make \$220 billion on each donor countries national debt, and the treasury indicates 15 countries are in the scheme (and rising) this is 15 x \$220 billion !!

This is all aside from the debts Africans and other 2<sup>nd</sup> and 3<sup>rd</sup> world countries are paying on their own debts, which the “g8” world leaders have already abandoned since “live 8” in July 2005. The 1<sup>st</sup> world are already paying their own national debts as it stands.

It's easy to see why the IMF and World Bank began.

In any case Capitalism has or will never produce a Utopia or a working class democracy.

## **Chapter 6.B (alternative methods of finance)**

**1 Channel Islands & Simple loan sanctions.**

**2 THE PUBLIC WORKS LOAN BOARD**

**3. Interest free credit to Nationalised Oil companies**

**4. Alternative methods of paying a mortgage, for individuals or construction companies (anyone) and PFI/PPP**

**The method of reducing the principal amount with monthly repayments rather than just the interest.**

**5. Previous Governments issued credit.**

**6. Proposal by Professor Soddy circa 1933**

**7. Variant on above**

**8. Tomlinson's debt into equity proposals**

**9. Fishers 100% money scheme**

**10. Fishers stamp Scrip**

**11. Currency commission**

**12. New Government proposals for affordable housing 2005**

**13. Rowbothams Compensating money supply**

## **Alternative methods of finance.**

Many examples of debt free financing exist, and some of those have been suggested by the replies from questionnaires sent to support this dissertation, most notably from the Co-operative group (see questionnaire C/PD/I/90), who do not borrow in the open market, but raise the capital themselves, but who do nevertheless build in a nominal interest sum of 6% into their financial models. This figure being the loss of interest had they not spent the money? This then avoids debt, but it passes on the interest as if it were a lending institution itself, they do add that a government backed reduced interest scheme would be very attractive to less fortunate members of the retail or construction industry. Student loans are an example, although credit with interest is priority, not education.

Of course the Co-operative group are not the government, and are not supervising, managing or redistributing our taxes.

Many banking institutions and construction firms would either like to offer interest free credit, and/ or receive it, according to the questionnaires which will be examined in greater detail later.

The concept of Interest free credit appeals to the construction, as 82.40 % of construction firms and property developers contacted in the attached survey said this is an idea they like. (But alas only 1.8 % of banks agreed). 100% Money backing lending without interest, would also cut taxes in time

A lot of these ideas however suffer a lack of public control or influence.

The concept of interest free credit over a period of one year or three years is also familiar to the public.

This can apply to credit card purchases, or higher purchase agreements on furniture or cars, here are a few others.

## 1 Channel Islands & Simple loan sanctions.

One example concerns the funding of debt free infrastructure in Britain, which has existed for decades.

The Channel Islands have many times funded projects without debt. Jersey as the largest Island was contacted by email to Michelle De La Cour, Private Assistant to Ian Black Sates of Jersey treasurer; she passed the query on to Ray Foster Head of Corporate Capital States Treasury on the Channel Islands  
here are my complete emails and replies

My wording in black, **all replies in green.**

**From:** PETER KELLY [mailto:\*\*\*\*\*@\*\*\*\*\*.com] **Sent:** 16 February 2005 16:16**To:** Michelle De La Cour

**Subject:** [May be spam] Channel Islands government finance system.

Hello Michelle.

Further to our telephone conversation today i will outline my enquiries for you.

I am currently researching financing for traditional and pfi/ppp projects currently employed for construction and mainly public projects.

I am also interested in looking at alternatives to the mainland system such as the "lending to borrowers" system the Channel Islands use which although is credit, it is not classed as a national debt and gradually the extra funds or created money to fund such projects(which may be outside of the tax budget for that year) are cancelled out by subsequent taxation in the following years.

I am also interested in the criteria the jersey administrators employ to decide if a project is worth pursuing i.e.

1) is the project needed 2) are materials readily available 3) do unemployed workers need employment

Essentially the rationale of the monetary economy being subordinate to the "real" economy is my interest, and Jersey,s interesting method of financing projects is one which should be admired.

To be able to quote sources etc i would need a booklet or essay or pamphlet which outlines the simplicity of this system, and any website which may also help.

I hope this is not too much trouble for contact details please see below;

Mr Peter Kelly

Reply from Ray Foster Head of Corporate Capital Jersey States Treasury

**Hello Peter**

**Sorry for not getting back to you sooner.**

**I assume from your e-mail that you are referring to the way the States of Jersey has funded some capital projects through what has been called 'loan sanction' - in effect, internal borrowing and repayment from future years revenues.**

**The Public Finances (Administration) (Jersey) Law 1967 (currently in operation, but soon to be replaced) does not allow the States to commit**

funds more than one year ahead. This means that, in effect, a large capital project must be fully funded when a contract is entered into even though expenditure may occur over a prolonged period.

As a result, should the States undertake, for instance, a school project costing £25m and lasting 3 years, the full sum must be inscribed into the capital budget in the first year, leaving limited funding for other projects. In the 1990's when States finances were plentiful (before my time!), it was agreed that the capital programme budget for the first year could be inflated to meet the full costs of the project - in practice, a transfer from the States Capital Fund - with repayments made to reimburse the Capital Fund in future years, e.g.:

School Project £25m; 3 year loan sanction; £50m annual capital budget:

Capital Budget	Year 1	Year 2	Year 3
School - Loan Sanction	£8m	£8m	£9m
Other Capital Works	£42m	£42m	£41m
Total Capital Budget	£50m	£50m	£50m
Cash - Capital Fund			
Opening Balance (say)	£100m	£83m	£91m
Allocation from revenues (say)	£50m	£50m	£50m
Allocation to Capital Budget	(£50m)	(£50m)	(£50m)
Loan Sanction Adjustment	(£17m)	£8m	£9m



Application.doc>>

I trust that the above is of assistance and I wish you well in your Research.

Regards

Ray Foster

Head of Corporate Capital

States Treasury

2<sup>ND</sup> Email to Ray Foster Head of Corporate Capital States Treasury (his reply in blue)

Dear Mr Foster,

Many thanks for the information which is invaluable to my research.

Briefly to clarify a few points,

1) are you saying this loan sanction has now ceased at least until some future point. **Yes, the Finance and Economics Committee has stated that it no longer supports this route as a means of providing funding**

2) do you feel taxation increases in the next tax year following a capital project approval (and subsequent years), either direct or indirect taxes (does anything give in services or less important items), i understand your figures in the example provided, but i feel a deeper explanation is needed.

**The sums allocated to capital form part of the States overall budget - the current policy is to achieve a 'balanced budget' approach and**

expenditure 'growth' is set within an overall target figure (currently 2.5%, based on local inflation forecast less 1%). If pressures are such that revenue expenditure growth exceeds this figure (e.g. pay award's are higher than forecast), the allocation to capital is likely to be reduced, and hence schemes deferred or reduced in scale/scope before additional taxation measures are implemented.

3) To clarify these projects were completed without debt. The States generally undertakes capital projects from existing resources, without raising external debt finance. There are a few exceptions, mainly in the States trading areas where the organisation is more commercially focused, however, this is a very small element of the States overall activity.

Many thanks again.

Yours Sincerely

Mr Peter Kelly

This is clearly an alternative method to monetarism, and the “multiplier effect” model the banks employ, itself presented by the (M0,M1,M2, M3 & M4), M0 – M4 money supply system.)

## **2 THE PUBLIC WORKS LOAN BOARD funded by the National Loans Fund in turn funded by the Consolidated fund.**

Below (at the end) are two pages of the website of the PWLB. Currently it loans to local authorities and drainage works for periods of up to 25 years, at rates between 4.75 % and 8%.

Loans are also available over 3, 4 or 8 years etc, the rate of interest increasing as the period increases. America also has its own Public works board with similar financial limits at <http://www.pwb.wa.gov/>

However in the past it has offered loans to local authorities at 0.5% interest over a 60 year period, which considering it is underwritten by taxpayers money, it is nearly perfect. However a Select committee on the treasury recently investigated a sudden surge in loans by the PWLB in Nov 1999, when it offered loans over 25 years at lower interest than the government (debt) gilts would yield making for a shortfall in the accounts.

This is partly explained as follows:

## **UK PARLIAMENT V PUBLIC WORKS LOAN BOARD**

81. Unlike the Debt Management Office and National Savings, the PWLB does not sell Government debt. Instead, it makes loans to local authorities out of the National Loans Fund. Such loans are, in theory, matched with equivalent liabilities in the form of gilts. The impact of low gilt yields on PWLB lending, and the consequences of a mismatch between PWLB loans and the gilts with which they are backed, were major themes of this part of our inquiry.

### **What is the National Loans Fund**

Clause 208: DEFINITION OF LIABILITIES AND ASSETS OF NATIONAL LOANS FUND

HM Treasury

Finance Bill 2003

Clause 208

Summary

**1** This clause removes the present definition of the assets and liabilities of the National Loans Fund and provides that those assets and liabilities are to be as determined by the Treasury.

Details of the clause

**2** At present the liabilities of the National Loans Fund are defined as the nominal amount of the outstanding debt charged to the Fund and its assets are defined as the sum of the balance in the Fund and the outstanding principal due to the Fund. The clause removes these definitions and empowers the Treasury to determine the assets and liabilities of the Fund.

Background

**3** This change is necessitated by the proposed move to preparing accounts for the National Loans Fund on an accruals basis as UK accounting standards for accruals accounts require liabilities to be accounted for on a different basis. For example, the liability in respect of gilts will reflect discounts and premia that have not yet been amortised. A further important difference is that liabilities in respect of unpaid accrued interest will also have to be included. The clause gives the Treasury the necessary flexibility to determine the assets and liabilities of the Fund in a way that accords with changes in accounting standards and other developments.

**The inquiry into the public loans board however did not consider if the loans were funded from tax without having to offset them against Government Gilts (Gilts... buying a piece of the national debt), but could if it had wanted to. The fund called the national loan fund (which sounds like a charity)**

could be repaid like the previous Channel Islands example, and of course without debt. The national loan fund however has investors who must also invest at interest, or maybe not into the fund, which is underwritten by tax under the arrangement

“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” (the £1 they issued was created by the Bank, it did not exist before a loan request was received by them)

Hollis

And “The bank hath benefit on the interest of all monies which it creates out of nothing”

Hollis

Once you consider this very safe investment into the “National” loan fund what is the select

UK parliament actually not investigating. The National Audit office explains

## National Loans Fund

The National Loans Fund Act 1968 provides that all money raised by the creation of debt is payable into the National Loans Fund together with receipts representing repayments of loans made from the Fund (or, before the National Loans Act 1968, charged directly on the **Consolidated Fund**) and interest on these loans. The National Loans Fund, the account for which is maintained at the Bank of England, is thus the channel through which pass all the Government's borrowing transactions and most domestic lending transactions. (Loans made from voted monies are the exception: in these cases repayments of principal and interest are normally paid into the Consolidated Fund as extra receipts).

[http://nao.gov.uk/about/accounts.htm#national\\_loans](http://nao.gov.uk/about/accounts.htm#national_loans)

## What is the Consolidated fund

### Consolidated Fund

**27.2.4** The Exchequer and Audit Departments Act 1866 (as amended by the National Loans Act 1968) provides that most gross tax revenue (less repayments) and all other *public monies* payable to the *Exchequer* shall be paid into the “Account of Her Majesty's Exchequer” and form one general fund ([27.2.5](#)). This account is kept by the Treasury at the Bank of England. The Consolidated Fund is at any point in time the amount standing to the credit of this “Exchequer Account”.<sup>1</sup>

## Charges upon the public revenue

27.2.2 Under Standing Order 47 of the House of Commons, “the releasing or compounding of any sum of money owing to the Crown” (e.g. a write-off of any portion of a debt owed to the Consolidated Fund or National Loans Fund) is also treated as a charge.

### **Relationship between the Funds**

27.2.3 The Consolidated Fund and the National Loans Fund (NLF) are closely linked. The Consolidated Fund is balanced daily by means of a transfer to, or from, the NLF. There are also more formal links. By statute, the Consolidated Fund stands behind the NLF, so any excess in the liabilities over its assets is matched by a claim on the Consolidated Fund. In addition, transfers are made periodically from the Consolidated Fund to the NLF to meet that part of the NLF's financing costs that cannot be met from the NLF's earnings from interest on its loans and advances and any similar income

?

### **Payments into the Consolidated Fund**

27.2.5 The Treasury prescribes the mechanics of how and when receipts are paid into the Consolidated Fund. There are two main categories:

Receipts from taxation: all tax revenue is paid into the Fund unless Parliament has decreed otherwise. Details of receipts and payments are provided to both the Treasury and the Comptroller and Auditor General, who reconcile them with daily statements and other information provided by the Bank of England and the Bank of Ireland. Under standing arrangements, the sums received each day into the Exchequer Account at the Bank of Ireland are transferred to the Exchequer Account at the Bank of England.

Consolidated Fund extra receipts (CFERs) and other sums due to the Consolidated Fund: these are receipts which are not the product of taxation, and Chapter 20 explains how these receipts should be classified and treated. Subject to the guidance in [27.1.9](#), departments should pay these receipts over to the Consolidated Fund as soon as they are received, not wait until the finalisation of their accounts.

**[http://www.government-accounting.gov.uk/current/content/ga\\_27\\_2.htm](http://www.government-accounting.gov.uk/current/content/ga_27_2.htm)**

“The Public Works Loan Board (**PWLB**) is a statutory body operating within the [UK Debt Management Office](#), an executive agency of H M Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.


The Board can be contacted at:

Public Works Loan Board  
UK Debt Management Office  
Eastcheap Court  
11 Philpot Lane  
LONDON EC3M 8UD

Applications for loans may be made by telephone during working hours. At present applications cannot be made online or by e-mail.

**Telephone:** 020-7862 6610  
**Fax:** 020-7862 6509  
**e-mail:** [pwlb@dmo.gsi.gov.uk](mailto:pwlb@dmo.gsi.gov.uk)

[http://www.pwlb.gov.uk/index\\_pwlb.htm](http://www.pwlb.gov.uk/index_pwlb.htm)

“The Public Works Loan Board is an independent and unpaid statutory body which originated in 1793 and became established on a permanent basis in 1817. Since 1946 it has consisted of up to twelve  [Commissioners \(115 KB\)](#) appointed by the Crown to hold office for four years; three Commissioners retire each year on 1 April but are eligible for re-appointment.

The functions of the Commissioners, derived chiefly from the Public Works Loans Act 1875 and the National Loans Act 1968, are to consider loan applications from local authorities and other prescribed bodies and, where loans are made, to collect the repayments. At present nearly all borrowers are local authorities requiring loans for capital purposes. The security for money borrowed by a local authority, together with interest, is charged indifferently on all its revenues; all securities created rank equally without any priority. The Commissioners are legally required, before making a loan, to satisfy themselves that an authority is able to service and repay the loan.

Moneys are provided by Act of Parliament, drawn from the National Loans Fund and rates of interest are determined by the Treasury. The Board's accounts are audited by the Comptroller and Auditor General whose reports on them are laid before Parliament.”

<http://www.pwlb.gov.uk/aboutpwlb.htm> & [http://www.government-accounting.gov.uk/current/content/ga\\_27\\_1.htm](http://www.government-accounting.gov.uk/current/content/ga_27_1.htm)

In short taxpayers including Irish (Republic) taxpayers are funding the fund, which in turn funds the fund.? Despite the select committee and parliament (the commons) veto or its overseeing capacity since 1793, the Bank of England still charges interest at 4.75% on

taxpayer's money back to us for public works. Ireland has been paying into the fund since 1802 <http://www.bopcris.ac.uk/browse/eppiLCSH/269.html>

This then asks what was the fund doing during the famine when 1.5 million people, men woman and children starved to death, and why is the Bank of Ireland even entertaining paying into a foreign countries account.

Not helping the famine victims is murder,as it is in the third world, and along with the foreknowledge of repealing the corn laws in economic consequence's.

### **3. Interest free credit to Nationalised Oil companies.**

The British National Oil Corporation in 1976 was given £900 million in Interest free credit from taxpayers (direct from tax).

It was given the right to buy 51% of any Oil produced in the North Sea, and first refusal over assets sold by private companies. It was also made exempt from special petroleum revenue tax.

It was privatised in the 1980's.

**Hobson** (page 375)

Clearly interest free credit is possible to fund major areas of our everyday life, freeing us from debt, and freeing the 3<sup>rd</sup> world from debt.

### **4 Alternative methods of paying a mortgage, for individuals or construction companies (anyone) and PFI/PPP**

## **The method of reducing the principal amount with monthly repayments rather than just the interest.**

If we assume a lender borrows £100,000.00 over say 30 years at 14.5 % interest (not uncommon in the high interest years of the 1980s and 1990s) with a monthly repayment of £1,224.56, it would be a full 12 years and eight months before a substantial part of your monthly repayments begin to pay off the £100,000.00 principal amount.

In fact after spending 12 years and eight months paying £1,226.56, and on to the full 30 years you would have paid £180,265.82 in interest alone, leaving approximately £92, 908 76 still to pay. This means you average £26,590.00 in repayments for every £1000.00 you borrow.

Every month of the first 12 years and 8 months the principal amount of £100,000.00 is chipped away by approximately £16.42, and it is very easy to see if you increased your payments by £16.42 in just one month you will save a monthly payment of £1,224.56 in the future and also reduce your term from 30 years to 29 years 10 months.

Of course you could pay more than £16.42 say £32.84 extra a month and so on.

You would need to arrange this with the Bank manager or mortgage broker, yet they will be reluctant to let you do this. A second option would simply to send the first payment of the £16.42 with your first month's interest payment in one cheque with a covering letter, registered post explaining all future payments will use this arrangement. This first payment strategy beginning with the payment made on the day the borrower starts to charge interest on the mortgage, (and it has to be that very day) can be set against the principle reducing the term of years and the interest.

The vendor may try to discourage you by making the £100,000.00 mortgage, a £98,776.00 mortgage instead,(i.e. minus the first months payment of £1,224.56) the reason is this first payment made

immediately will save you 54 months (4.5 years ) in payments and £64,900.48, remember only £16.42 is made to the principal amount every month in the first year so an immediate payment instead of deferring a month, saves all that burdensome interest which forces you into wage slavery and increased debt.

**Hutchinson (see also Avanzini)**

This simple explanation of interest payments on a mortgage is also applicable to methods employed by PFI/PPP, and in effect Interest free loans to a new procurement model would save millions.

## **5 Previous Governments issued credit.**

The UK Government has itself many times over the last 300 years, simply issued treasury bills as credit, this of course be done with or without interest attached, it can then be taxed back and cancelled out, or it can be a straight swap for an asset, without debt for taxes. The tax can then be written off. Alternatively it could be created as a national debt but also without interest as it is taxpayer's money. Like the current national debt it would be a total that would not attach interest year in, year out and as it truly issued by the Government, it could be written off at any point, the procurement construction project being the asset which has accumulated and owned by the country.

The easiest method is simply to extend the principal of MO debt free money currently 3.78 % of total money supply, and simply let the Government Issue as opposed to the Bank of England.

The Government issued Treasury bills in 1816, 1817, 1822. etc

In 1864 Gladstone in a parliamentary debate on monetary reform essentially to break the banks monopoly on minting interest-bearing notes, commenting when he was Chancellor of the exchequer "I began to learn

that the state held, in the face of the bank of England and the city, an essentially false position as to finance”

Gladstone added “The state ought to get into its hands the whole business of money issue, and that business should be taken at the first reasonable opportunity” **Rowbotham (1998)**

The Bank of England’s charter “The bank hath benefit on the interest on all monies, which it creates out of nothing”, this includes taxes being made ready to bolster the arrangement as it does today.

President Lincoln in 1865 “He proclaims the right and duty to create and issue such currency, and supply this to the economy free of debt , through government spending, thus reducing the need for Increased taxation.” President Lincoln. “Monetary policy”

And after proclaiming he did indeed issue debt free money known as greenbacks.

Lloyd George in 1914 issued debt free money **Rowbotham (1998)**

(these last two examples came about as a result of war Crisis, but could be issued at any time)

All the examples have occurred since the reformation. Interestingly President Jackson in 1835, paid off the American national debt by issuing government treasury bills.

Challenges against the system of monetarism, and of national debt were also made in the 1930s, by introducing a new system.

## **6 Proposals by Professor Soddy 1933**

“To initiate the system some £2,000,000.00 of national interest bearing debt should be cancelled and the same sum of national money (non- interest – bearing National debt)

issued to replace the credit replaced by the banks. The taxpayer would thereby be relieved of the payment of £1,000,000.00 a year on purely fictitious loans. This annual interest is a payment by the taxpayer to bondholders for money lent to the state, and it is transferred under the existing system to the banks for their services in creating new money as bank credit and conferring it on bond holders against their bonds as collateral security. The taxes are thus paid to the bank for doing what the taxes were imposed to prevent being done, namely the increase of the currency. Otherwise there would have no reason for the state to borrow at interest if it had not wished to prevent the increase of the currency”

**Professor Soddy**

**7** However the taxes could also be paid directly to the treasury under this same idea.

**8** This has been expanded on further by taking this suggestion and turning the national debt into currency and/or equity. “Debt investments are investments where the amount of money invested is fixed and must be returned with interest. Equity investments are investments where money is exchanged for a fixed proportion of the ownership of the business or property in which the investment is made. In the case of debt investments - lending - taxpayers will provide the lender with courts, police, and bailiffs and, if necessary even prisons, to help the debt investor correct his or her error in judgment. That is not the case with equity investments. Equity investors must shoulder the full burden of their own errors in judgment. They can lose the total investment.

The appearance of safety is enhanced by the legal preferences given to lenders. If the investment fails, the investor will have made an error in judgement and, regardless of which type of investment the investor made - debt or equity - the same error in judgment will have been made.

Why should taxpayers spend their hard earned money to help investors to correct their own errors in judgement? In particular, one must ask, why should taxpayers spend any money to support investors whose chosen method of investment produces all of the unwanted side effects we have seen above? It is a waste of taxpayer's money and it encourages the production of these unacceptable by-products.

The government further encourages debt investment by allowing the interest costs of businesses to be deducted before the calculation of their taxes. Dividends must be paid out of the profits left after they have paid taxes. Individuals cannot deduct interest costs in the same way. Therefore, individuals pay a disproportionately higher level of taxes than they ought and companies pay less than they ought. Once again the banks have succeeded in getting preferential treatment for debt investment and the taxpaying citizen ends up paying the price.” **Tomlinson**

### **9 Fishers 100% money scheme**

Fisher argues that the Government not the Bank, create credit by introducing a cash currency (created without debt), called a “100 % money scheme”.

Professor Fisher gained his PHd at Yale, and developed a formula to help classical economist's unite with monetarist economist's inflation theory, followed by the i.e.  $MV = PT$  (although if M and T are controlled by the few then they also own VP)

Resurrection of the quantity theory of money made him renowned.

His ideas changed sharply when he suffered huge losses in the 1929 Wall Street crash, as he advised that this would not happen, his reputation was severely marred after the crash. His ideas turned to the problems of debt and debt based financing or capitalism, producing “Booms” and depressions”, “The debt-deflation theory of great depressions” and his final work “100% money”. Fisher (1936)

The latter as already explained introduced the notion of a 100% reserve banking system. (i.e. having 100% of funds to borrow or invest)

<http://www.economyprofessor.com/theorists/irvingfisher.php>

### **10.Fishers stamp scrip**

As an experiment in 1932/3 Fisher introduced a “stamp scrip”, or stamped money (an idea first proposed by a German born businessman Silvio Gesall 1862 –1930, after he witnessed a severe deflation in Argentina in the 1880s).

Experiments in Germany and Austria in the early 1930s, and in Iowa, Illinois and Kansas gave a promise to pay (stamp scrip) to a worker issued from a municipality or public body, guaranteed by a bank. It could be taken out of circulation and be presented to the bank for conversion into legal tender. It could also be subject to tax by an ingenious method of paying 2 or 3 cents in the dollar per week, which was paid by affixing a stamp on the back of the note (scrip). This way payment of wages and the Inland Revenue was made in one transaction saving the municipality or public body time and money in collecting taxes. Its other value was that it circulated quickly as in order to avoid paying an extra weeks tax, it was therefore spent quickly by the agents. It had considerable success until the Roosevelt administration declared them illegal in March 1933.

Fisher thought this scrip would promote public works, and give workers an income who would otherwise be idle and wages would stimulate demand and increase prices of commodities.

### **Fisher 1933 Stamp Scrip**

## **11 Currency commission**

A solution, which contrasts with the current almost nil requirement of the current system

Irving Fisher was not the only one at the time advocating that the government issue our money supply.

Government issuance of the money supply was also advocated by the Chicago Group of economists. This group was comprised of Professors Harvey Simons, Lloyd Mints, A.G. Hart, Frank Knight, Garfield Cox, Henry Schultz, and Paul H. Douglas. There are so many economists, businessmen, and even former bankers supporting this view..

There is one more economist who has backed monetary reform. It is our Nobel Prize winner Milton Friedman. He wrote a book in 1960 called, "A Program For Monetary Stability". he stated that he was in favour of what Henry Simons and Lloyd Mints were advocating, that is, 100% reserve. In other words, he advocated that governments, rather than private banks, issue the money supply. Milton Friedman suggests the treasury can issue treasury bills, issue and destroy them. Milton Friedman also suggests a savings bank, which would accept long-term deposits and make private sector loans and equity investments. Savings institutions would be forbidden to accept demand deposits, would penalize early withdrawals, and would not be required to maintain cash reserves.

If these reforms were enacted, neither checking nor savings banks could expand or contract the volume of circulating medium by its actions. This would be the job of a Federal Monetary Authority or Currency Commission, which would expand money and credit at a steady and slow pace as the economy grows.

This organization would also buy back the national debt little by little. Later, the government could spend, lend, or transfer needed new funds into existence through the monetary organization. All reformers favoured rigid rules to limit the discretion of the commissioners, although there was some disagreement as to whether the growth of population, the price level, the employment level, or the long-run growth rate of the economy should set the pace of money creation.

<http://lamar.colostate.edu/~rphillip/hotson.htm>

However as already mentioned in the Qualitative data analysis, the 100% reserve system, Friedman advocates is still based on tax, and as such should not bear interest, before distribution.

## **12 New Government proposals for affordable housing 2005**

“The equity loans, which will pay for up to half the cost of a home, have to be repaid when the home is eventually sold. The amount is based on the proportion of the value of the home that the loan initially covered. So if the loan represented a third of the value of the home when it was bought, a third of the value of the home would have to be repaid when the home is sold.

Such loans are already available under the government's £690m Key Worker Living Programme. But the scope of that programme is limited by the availability of government funds.

The new loans would be financed by lenders rather than the state. But the government is understood to be willing to subsidise individual deals for key workers for at least the first five years.

Peter Williams, the deputy director general of the Council of Mortgage Lenders, revealed that talks are due to take place this week on the details of the scheme.

He said: "We have put forward proposals for developing the shared equity loan market. The extent of the government's help is a matter for discussion at this stage.

"This is something that ordinary buyers would also be interested in."

Professor Glen Bramley, from Heriot-Watt University, who served on the government's home ownership taskforce, said the idea would represent a more efficient use of government resources than current schemes for encouraging home ownership.

"The government could fund six times as much low cost home ownership than it does at the moment through this kind of model, he said."

**<http://society.guardian.co.uk/keyworkers/comment/0%2C1266%2C1351905%2C00.html>**

also other concerns are raised

Homelessness charity Shelter warned the government not to use public assets to help more people own their own home at the expense of those at the very bottom of the housing ladder.

"We believe today's announcement represents a significant shift of public money away from providing social rented housing towards subsidising home ownership - a cause for extreme concern."

The government have also challenged builders to design and produce a £60,000.00 house.

Interest free loans would of course help. As we have already examined mortgages do not deliver on home ownership, but only act as assets for sale and profit if you're lucky.

**[http://news.bbc.co.uk/1/hi/uk\\_politics/4399463.stm](http://news.bbc.co.uk/1/hi/uk_politics/4399463.stm)**

However after the election was over by a safe two months the Government have said that there is not enough to go round for these schemes?.

**BBC1 news 19.6.2005**

Of course technically this is incorrect as in fact there are Billions and billions of interest bearing credit pounds, printing all year round. To provide cheaper housing simply take the interest away.

See also <http://www.habitat.org/>

**“Some 2 billion people worldwide live in poverty housing. More than 1 billion live in urban slums, and that figure is expected to double by 2030. Many of these people earn less than US\$2 per day.” (and housing and land is a major problem in Britain)**

**Habitat for homes, build homes in the USA for an average \$45,000, and in developing countries \$800, that is £24,500 pounds and £450 respectively.**

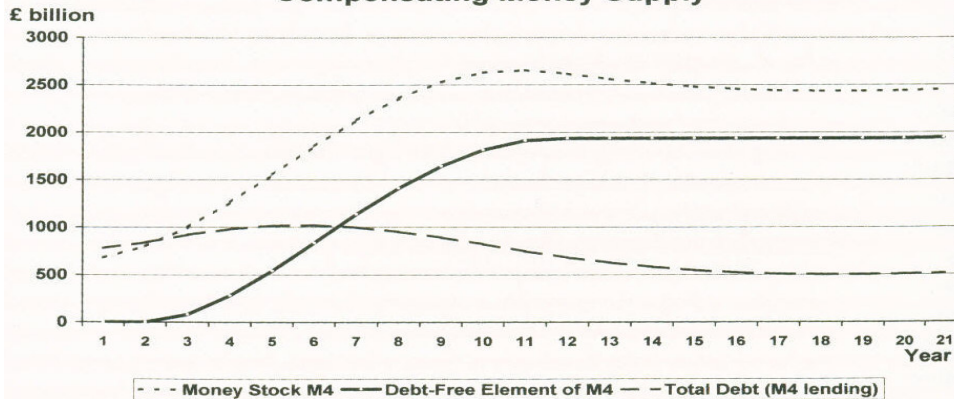
<https://www.habitat.org/default.aspx>

### 13 Rowbothams Compensating money supply Figure 1

#### COMPENSATING MONEY SUPPLY

YEAR	Estimate of Annual Borrowing	Debt-Free Money Created	Increase in M4	Total Of M4	Total Debt (M4 Lending Counterpart)	Debt-free Money Stock
1997	60	-	60	680	780	-100
1	60	60	120	800	840	-40
2	80	120	200	1000	920	80
3	60	200	260	1260	980	280
4	35	260	295	1555	1015	540
5	5	295	300	1855	1020	835
6	-25	300	275	2130	995	1135
7	-45	275	230	2360	950	1410
8	-60	230	170	2530	890	1640
9	-70	170	100	2630	820	1810
10	-75	100	25	2655	745	1910
11	-65	25	-40	2615	680	1935
12	-55	-	-55	2560	625	1935
13	-45	-	-45	2515	580	1935
14	-35	-	-35	2480	545	1935
15	-25	-	-25	2455	520	1935
16	-15	-	-15	2440	505	1935
17	-5	-	-5	2435	500	1935
18	-	-	-	2435	500	1935
19	5	-	5	2440	505	1935
20	5	5	10	2450	510	1940

**Compensating Money Supply**



“Over subsequent years as more stable credit was distributed, the need to borrow would decrease (as debt based money constantly needs more money to be created), A fall in borrowing would lead to a decrease in the M4 lending counterpart, leading in turn to a decrease in the input of stable credit”

“The only point at issue is whether that money is to be created by the banks as debt, or by the Government debt free” **Rowbotham (1998)**