

# REFORM OF THE FINANCIAL SYSTEM

Money without Debt or Interest

Solving the Global Warming Problem

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*...printing money, paying it to infrastructure contractors, to essential services such as Education and Health, Transport, Power and Water, to the extent necessary to mop up unemployment without charging interest or taxing for the cost of the work, makes for prosperity, low unemployment, healthy and bright children and provides solid buildings and infrastructure without inflation.....*

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Includes “Solving the Global Warming Problem”

The Author, the Humanist Society of South Australia, together with a group and individuals from Germany have run a charity to help some 200 African children go to school. Before 2008 they lived in a refugee camp in Buduburam, Ghana. After the end of the civil war in Liberia they were transferred back to Gardnersville, Liberia where they are worse off than they were in Buduburam.

We regret that this charity no longer exists. The German group found their donations were being improperly used and the Australian Humanist group found they were becoming too old to continue. There being no funds to hire the building the school collapsed, the staff found other employment and education is more difficult.

Liberia suffers from huge unemployment and in country districts have no schools so many children get no education. Most third world countries are in a similar position, for them the world financial system is a complete failure because trade means making an excessive profit out of them. The plans indicated in this pamphlet would be a solution but the World Bank would be unlikely to permit.

## **REFORM OF THE FINANCIAL SYSTEM**

Throughout history the financial system has failed to provide a fair or reasonable distribution of wealth amongst the peoples of the world. Trillions of people have lived in - and died from - poverty. In ancient times this was blamed on crop failures and the foolishness of the poor. But it is clear that from biblical times the practices of the money changers were a major cause.

The monetary system has developed and changed over the centuries but poverty and starvation has remained with us. Today, most countries provide money by authorizing the banks to loan out money as a debt and charge interest. Coin and notes produced by the Treasury are only a small part of the money in circulation. States (Countries) used to issue all the money they required. Jewelers and money lenders held money in safe keeping for their customers and found that all these deposits were not required by their owners most of the time so they were able to loan out a portion of the money, which did not legally belong to them, and collect some interest, thus the idea of banking was born.

Today, if you want to buy a house you consider taking out a loan. If you don't have much money, you will have to spread the loan over many years and you will notice that the interest you pay will total three times or more than the amount loaned in the first place. Whereas, if you had the money to pay cash, you would be able to buy the house at a discount. If you decided to rent, you would be paying the loan that the owner took out on the property as well as his living expenses, so you would be worse off.

Then again if you need to buy anything, food, clothing, furniture etc. then these are sold by a firm which runs on tick. Everything you buy is loaded with debt and if you are poor then most of your income goes to buying these items. Whereas the rich man may only use half his income on general purchases, with the other half he might buy shares in a company, putting the company in debt. You will realize that the poor person is spending a higher portion of his income to pay the debt and the rich man will receive the rewards of his investment.

These problems and more have been so since the time of Julius Caesar as you can confirm by reading "The History of the "Money Changers" by Andrew Hitchcock.

( [www.iamthewitness.com/books/Andrew.Carrington.Hitchcock/The.History.of.the.Money.Changers.htm](http://www.iamthewitness.com/books/Andrew.Carrington.Hitchcock/The.History.of.the.Money.Changers.htm) )

It is also clear from Hitchcock's paper that throughout history there have been good people in the position of power who have provided debt free money benefitting the community. But as soon as the ruler had lost power, or been assassinated, then the

financiers would seduce the rich, form a bank, reduce the money supply so they can charge a higher interest rate, putting the lower classes into poverty.

For these reasons I will review some of the various proposals to reform currencies so as to make them interest and debt free, and allow a much greater amount of infrastructure, needed to progress the economy and mop up the current worldwide unemployment.

## **The Guernsey Experiment**

In 1816 this little channel island closer to France than England was stony broke. They owed money to the banks; the interest was 2,400 pounds per year. Their total income was only 3,000 pounds per year. The ocean was eating away the western cliffs, unemployment was high, and many had left the island. The Banks, realising there was no money, had also left. A school, roads and a market building were urgently required.

They had one advantage, they were in charge of their own currency and they decided to print money. In 1818 they printed 6000 pounds but they were careful, the amount they printed was modest, sufficient to pay for immediate repairs to the sea walls. The money was paid directly to builders who were contracted to do the work. The workers got paid and spent their money in the shops and services so the islands economy recovered. No interest or capital was charged, and no inflation took place. Taxation was retained but it was only 20%. Duty on Spirits was also charged and this paid off the Bank loan as well as the construction of new harbors, roads, etc.

By 1829 the notes issued totaled over 48,000 pounds. The covered market, Elizabeth College, parochial schools, and more had been built. After the amount printed had achieved its purpose, and came back to the Treasury via taxation, the same amount was retired from the currency. This might seem odd but it is a similar procedure as carried out by the banks. As you pay in your loan, the loan is cancelled, destroying the credit, preventing inflation.

During World War 1 the British restricted the expansion of their money supply. Guernsey was under no such restriction and issued 142,000 pounds. After WW2 they became a Tax Haven. It is said that certain gentlemen from England, “suffering” under high taxation from the Atlee government brought undue pressure to bear on the Guernsey committee. This brought in extra revenue making the printing of money for infrastructure unnecessary, but the demand for the Guernsey pound increased due to trade and the prosperity of the island has

increased. The extra revenue came from lands far away - they lost out.

When I visited Guernsey in 1999 I found they have other means of looking after their own. Firstly, if you are a firm in say UK and would like to open a branch office in Guernsey - they will welcome you and point out that they have a law which requires you to employ the same number of local staff as you import and you must train the local staff up to the same standard as those you bring in.

Then secondly there are two housing markets in Guernsey, one for the locals, and another for foreigners (the open market). There are only about 100 open market sales each year. This makes it difficult for foreigners to buy up property, make cheap renovations, and sell it at a high price and take the money out of the country. So housing becomes more available for younger Guernsey people.

***The lessons of this short history of Guernsey is that printing money, paying it to infrastructure contractors to the extent necessary to mop up unemployment without charging interest or taxing for the cost of the work, makes for prosperity, low unemployment and provides solid buildings and infrastructure. Whereas reliance on a loan from a Bank and paying back both the loan and the interest ensures that the workers have less money to buy all their needs so the whole community suffers. Boom and Bust becomes inevitable but the Guernsey system has proved stable for nearly 200 years.***

## **The Greenback Dollar**

President Abraham Lincoln went to the banks and asked for a loan. He was being threatened by forces in Canada and Mexico. The banks wanted the Union to fail so they offered rates from 24% to 36%. Colonel Dick Taylor suggested a bill authorizing the printing of full legal tender treasury notes to pay their soldiers. The printing of \$450,000,000 bills printed with green ink on the reverse side were eventually completed and paid the troops and purchased their supplies without interest or debt.

It is claimed that inflation resulted. However in wartime conditions, inflation is inevitable, and the British counterfeited and distributed the notes. These were the real causes of inflation

In 1865 President Lincoln was assassinated. By 1866 the bankers persuaded Congress to pass a "Contraction Act" to retire some of the Greenbacks. Over the next 20 years two thirds of the American money supply had been withdrawn representing a 760% loss in buying power.

It is clear that a large supply of money, debt free, is required to run a successful

country, whereas the banks were restricting the money supply so they could charge high interest rates and make high profits. James Garfield was elected President in 1881. He knew about the scam and a few weeks after he made a speech when he said *"when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate."* He too, was assassinated, before he could enact any monetary laws.

You can find the story of these dreadful times by Andrew Hitchcock (see page 1) ***My father was the chief cashier at Barclays Bank Blackheath, London. A more honourable or decent man it would be difficult to find. He would have been shocked if he had known. The great majority of Bank staff is of the same caliber. It may well be up to them to consider the following possibilities and recommend appropriate action.***

### **Sir Dennison Miller**

-the first Governor of the Commonwealth Bank of Australia 1911 - 1923, known as the people's bank, did not conduct the bank along traditional lines involving high interest rates. He conducted the bank as a government bank and a savings bank. The savings bank prospered and provided the backing. He never needed to get loan money from the market and the interest rates he charged were low compared with the commercial bank's 6%.

During WW1 he financed the war effort for a total of \$700,000,000 at a rate of less than 1% and Australia came through the war with only a nominal debt compared with many other nations.

He financed the Trans Continental Railway. (When Howard built the Adelaide to Darwin railway, private banks were used to provide the loans. The line failed and was sold off).

He financed the purchase of 15 Cargo ships to support the growing export trade. The Snowy River Hydro Scheme was funded without debt by drawing on the national credit card. He loaned \$18.72 million to local Government bodies for the construction of roads, railways, tramways, harbors, gas works harbors, power plants etc.

Journalists asked Millar on what basis did he grant loans. He replied he would check that there was sufficient manpower, materials; technical knowhow to build the project and that there would be sufficient trained staff to run the project. If

satisfied, he would grant the loan. When questioned on capital adequacy, he said "The bank was started without capital, as none is required at this time, but it is backed by the entire wealth and credit of the whole of Australia"

Sir Denison Miller used the power of the bank's credit after WW1 to save Australia from the world depression being imposed on other countries. Sadly he died in 1923 and by 1924 the Banks had convinced the politicians to change the law to make the Peoples Bank behave like conventional debt producing banks.

***Had the Peoples Bank continued without this interruption, then Australia could have avoided the effects of the depression with unemployment peaking at 33%, lasting from 1930 to WW2 and Whitlam would have had no trouble with loans.***

## **The American Monetary Act**

Authored by Stephen Zarlenga, founder of the American Monetary Institute, this Act is currently in front of the Washington Congress where it is called HR 2990 introduced by Mr Kucinich and supported by Mr Conyers in 2011. Their web page gives the full text of the Act, their one page summary reads as follows:

“Over time, whoever Controls the nation’s money system Controls the nation.

Article 1, Section 8 of The U.S. Constitution places the Money Power of our nation into the Congress. That is the power to create and regulate the nation’s money supply. However in 1913 the Congress delegated this power to the private Federal Reserve System. The results have been horrendous! HR 2990 takes back this power.

The National Emergency Employment Defense Act, The “NEED” Act HR 2990 solves the problem with 3 actions

1) The Federal Reserve is dismantled and good parts are placed into the US Treasury. A Monetary Authority is created which avoids an inflationary or deflationary money supply.

2) Accounting rule changes prohibit the banks from creating what we use for money- from using debt for money - what’s known as fractional reserve banking is decisively ended.

3) The Congress originates (creates) new US Money and spends it into circulation, for infrastructure, health care and education; starting for example with the \$2.2 trillion the engineers tell us is needed for infrastructure over the next 5 years. Later the human infrastructure of health care and education is added. This is estimated to create over 7 million good jobs quickly.

Additionally the NEED Act, HR 2990:

- \* Pays off the national debt as it comes due, if necessary by creating the money to pay for Bonds coming due, rather than rolling them over with new borrowing
- \* Limits interest rates to 8% including all fees; Historically this is a high interest rate
- \* Ends compound interest; with the rule that total interest may never exceed the principle, except on mortgages
- \* Lets the 50 states decide where 25% of the new money goes each year through per capita federal grants. Some general areas can be specified – infrastructure, health, education. Unfunded federal mandates, pensions. This is a big deal – no way that any local actions (e.g. mythical local currencies) can be as powerful in solving local crises.
- \* 2990 Contains a tax free dividend for every citizen. Imagine if the bailout went to all our citizens. Say 3 trillion to the citizens instead of to the banks. With 300 million citizens that \$10,000 to every man, woman and child. \$40,000 to a family of four. The depression/recession would be over! Banks could have competed for these deposits.

THE YAMAGUCHI STUDY (World expert in predictive economic modeling process) concluded that HR 2990:

- Pays off the national debt as it comes due
- Provides the funding for infrastructure (which solves the unemployment problem)
- Does these things without inflation!

Friends please re-read, and forward this page to your entire email list. Please send any questions to [ami@taconic.net](mailto:ami@taconic.net). We will answer! Thank you!

Kucinich's HR 2990 runs our money system for the nation, not the bankers; And that's why you are not hearing about it from their media! “

[www.monetary.org/wp-content/uploads/2013/01/HR-2990.pdf](http://www.monetary.org/wp-content/uploads/2013/01/HR-2990.pdf) for full text

[http://www.iamthewitness.com/DarylBradfordSmith\\_Bankers.htm](http://www.iamthewitness.com/DarylBradfordSmith_Bankers.htm) gives the text of the earlier Monetary Act and good explanation in the side panels as to the reason both for the Act and its sections. If you have difficulty using the above URL's such as a 404 unknown type message, then type or cut and paste the words into Google and let Google find the page.

***Sadly this Act will not pass because of the extreme right wing nature of American politics. The Republican Party is cowed by the Tea Party who are too***



*well funded to be ignored. The American public are beginning to recognize this and many Democratic Senators are so right wing it is hard to distinguish them from the Republicans. Oh! that America would elect more representatives like Kucinich. Not only does American policies harm themselves but with free trade agreements they restrict other countries from protecting themselves.*

*This very comprehensive Act is worth careful study. Please use the most recent version, the above is a summary. It uses the basic principles used by the Guernsey Experiment but much enlarged to cover the needs of a modern country with many states and local bodies. The Act could be used as a template to build an Act for any other country; however it must be realised that it does refer to the American Constitution and re-writers must consider local conditions. Also they must consider additional powers such as the power to extinguish or retire blocks of currency to eliminate the possibility of inflation, and clauses to prevent excessive consumption and environment protection.*

## **The SITUATION OF THE WORLD**

I break into this review to give you my thoughts on the world situation which must be rectified if any real progress is to be made.

The IMF economic outlook reports some improved world output but the basic position is still poor, Europe has high unemployment, the governments continue to apply cuts, making recovery difficult. America is almost as bad. The Occupy Wall Street Movement continues to produce literature showing that for several decades the wages of the poor and middle classes has been falling while the richest 1% has been accumulating more wealth year by year. The 99% have not put forward any firm proposals for reform perhaps because they knew the 1% would not accept them and there has been no sign that the 1% would be prepared to propose any reform itself.

South America, Africa, India and China are said to have high growth rates but there is considerable poverty especially in India and West Africa.

The Middle East suffers from war, insurrection, trashing of people, buildings, water and electricity services, and is the basic cause of migration to anywhere, to places where life might be safer. Australia may find that the attempt to stop the boats will be futile, reducing overseas aid will ensure more people will emigrate.

The Oil situation has changed markedly in the last two years. The industry can now frac oil from rock and drill horizontally making available huge quantities but at a much higher cost which could be unaffordable. The Arabs reduced the price

of oil in order to maintain their trade. They are taking a risk as their wells must be reaching their end point. Unfortunately this will make it more difficult to change from oil to electric vehicles, essential to reduce CO2 emissions.

Our CO2 level has now increased to over 400 parts per million and rising. This makes it essential to stop building coal burner generators and build sustainable alternatives with heat saving and Australia should place a reducing cap on coal exports.

This replacement of coal and oil will cause a huge amount of work and will require many bucks which banks will not be able to provide, but the systems explained herein will provide the money, interest free and debt free. ***The money system must advance to cope with the situation.***

Many people point out that the basic problem is really one of overpopulation. They are quite right. We will run out of resources, we will run out of road space, we will be forced to use electric motor bikes. You can't build more roads as that will take away housing space and agricultural land.

So - we must reduce population. In developed countries we are already doing this; our women are having fewer children than their grandparents. To do this in third world countries, they must develop interest free money which will improve their living standards and education so they can discover family planning etc.

**Derivatives:** Banks everywhere invest in derivatives as a form of insurance but many economists regard them as a threat to world stability. There is as much money in derivatives as in world trade. Derivatives are basically a gamble, they should be outlawed. When money becomes debt free the need for derivatives should cease.

**The state of the world is bad and the future prospects are worse. There is no sign that any Government, any traditional banker, financier or industrialist has a solution. We are now heading for the next crash.**

## **POSITIVE MONEY**

An association in U.K. dedicated to the reform of banking. In conjunction with New Economic Foundation and the University of Southampton they have presented a submission to the Independent Commission on Banking in the UK .  
( <http://www.yumpu.com/en/document/view/11322530/nef-southampton-positive-money-icb-submission> )

This association inspired the formation of another Positive Money group in New Zealand ( see <http://www.positivemoney.org.nz/> ) in 2010 by Sue Hamill and Don Richards. In their web page they describe their guiding principles:

"After leaving university young people will not know a time when they are free from debt. They will not enjoy the free and easy years previous generations had after graduating. Should they aspire to own their home it will require two incomes to service the loan and decades to pay it off. They will also need to save for their retirement - while raising their children.

This is not the sort of world we wish to pass on to them."

"Positive Money New Zealand is a campaign to move New Zealand from a debt-based economy to one that operates with a full reserve in which money has been issued debt-free and interest-free.

This will free the nation and its people from the crippling effects of ever increasing interest bills - that keep the majority of people on the debt treadmill".

Positive Money N.Z. provides a Plain English Guide to the proposed legislation which is summarised as follows:

1) The New Zealand Government shall exercise its sovereign right to create all of New Zealand's money supply, both cash money and digital money (money in bank accounts) and 2) shall seek to achieve the Government's monetary policy.

3) It shall be illegal for commercial banks or other institutions to create new money.

4) This bill intends to free the economy from its dependence on the commercial banking economy and deposit taking for its money supply. It intends to protect in full the current accounts of all depositors. It intends to prevent and stabilise the inflation of the money supply and separate the payment system from risky lending activity to ensure that the failure of one bank does not threaten the entire system.

5) Describes a mechanism which prevents banks or similar institutions being able to increase the money supply based on the contents of customer's accounts.

6 & 7) shows how, similarly to the UK Bank Charter Act of 1844, bank notes are now recognized as money and are included in 'broad money' section of official statistics.

8) The Bill "nationalises" the creation of money, it does not nationalise the banks.

9) Emphasises that commercial banking is not a proper function of the state, and providing the nation's money supply is not a proper function of commercial banking.

For further information refer to the web pages above.

***A worthy system but has been criticised for not taking into account the need to accommodate capital accumulation and other problems.***

# **THE MANNING PLAN FOR PERMANENT DEBT REDUCTION IN THE NATIONAL RECOVERY**

[www.integrateddevelopment.org/manningplan20120913.htm](http://www.integrateddevelopment.org/manningplan20120913.htm)

Authored by Lowell Manning from New Zealand this plan is best understood from its Executive Summary as quoted below. (Version 10, 24-10-2013)

1 This plan offers a very low risk way to resolve the world debt crisis without sudden or radical change to the world financial system. It brings together a number of ideas such as Universal Basic Income (UBI), Debt Jubilee Income (DJI), and Quantitative Easing (Monetary Dialysis) that are already receiving some attention but cause concern to some policy makers when they are considered in isolation. The plan can be implemented quickly and unilaterally.

2 The plan is based on specific forms of UBI and DJI structured to avoid inflation. The plan avoids most inflation because it can easily be adjusted so that incomes match the physical and human resources available to the economy.

3 The Manning Plan sets out implementation details for New Zealand. Each New Zealand legal resident will receive about \$100/week in a special Basic Income Account, and each business will receive about \$100/week in a special Debt Jubilee Income Account for each full time Equivalent employee employed by that business who is paid wages and salaries under the PAYE (pay as you earn) tax system.

4 The total Universal Basic Income payments are initially about NZ \$23 billion/year and the total Debt Jubilee Income payments are initially about NZ\$7 billion/year. The money to make the payments will be created debt-free and interest free by the Reserve Bank and administered by a New Zealand Debt Management Authority (NZDMA).

5 The payments made to indebted persons and businesses will be used to retire their bank debt. The payments made to non-indebted persons and businesses will be invested in a New Zealand Public Development Fund (NZPDF) that will pay tax-free interest on the deposits at around 2.3%/year, a figure comparable to the existing average deposit interest rate after taking into account reduced inflation and taxation. The NZPDF money will be used to fund new productive development both public and private. NZPDF acts as a publicly owned Savings and Loans institution for the purposes of new productive investment.

6 About NZ \$15 billion of bank debt will be retired during the first year, leaving new deposits of about NZ \$15 billion, roughly similar to the present financial system.

7 Bank deposit holders will be able to invest in a Public Investment Trust Account (PITA) that will act as a publicly-owned Savings and Loans Institution to manage the on-lending of deposits to fund the exchange of existing assets and to provide personal loans (including student loans and credit cards).

8 Bank balance sheets will still grow, but there will be little bank debt. Instead secondary lending will be 100% backed by monetary deposits. Banks will be paid a spread of around 1.7%/year for their services, comparable to what they get now after taking into account that their lending becomes largely risk free. Normal debt repayment is guaranteed through the Universal Basic Income and Debt Jubilee Income accounts.

### **APPENDIX C USING A FOREIGN TRANSACTION SURCHARGE (FTS) TO MANAGE THE EXCHANGE RATE**

Included in the Manning Plan Papers is the following (abbreviated) appendix by Lowell Manning and Raf Manji 19/5/2012.

It is widely recognised that New Zealand's exchange rate is too high, mainly because foreign ownership of New Zealand's economy has reached crisis level and is still expanding due to:

- 1) the high foreign ownership of domestic businesses, property, land and resources
- 2) the high level of offshore private borrowing by business, is now over NZ\$74.5 billion, but for that borrowing, New Zealand would have had to sell another NZ\$74.5 billion of its businesses, property, land and resources to foreigners.

The recent sale of NZ assets including the partial sale of public energy companies is useless and self-defeating as the current account deficit will expand further as profits from foreign ownership are remitted offshore.

New Zealand has become the Greece of the Southern Hemisphere. Greece faces its crisis because it does not have an independent currency. It is tied to the Euro. New Zealand is facing a similar crisis because its floating exchange rate mechanism doesn't work and never has worked since the New Zealand dollar was floated in 1985.

When faced with real impending economic doom, the orthodox response that "nothing can be done about the exchange rate" borders on gross negligence. Economic policy makers have a duty of care to their country to create new tools that will work.

### **FOREIGN TRANSACTION SURCHARGE (FTS)**

One way to correct the exchange rate is to use a variable automatically collected, Foreign Transaction Surcharge which would be simple to administer, applies only to outward capital flows. Similar Capitol controls have been used in countries like Singapore, Brazil and Malaysia. Similar policies such as "pegged" exchange rates have been used by many major countries including Japan and China.

It is not thought that the surcharge would contravene international financial agreements as there are provisions in the World trade Organisation (WTO) a protocol, for countries to protect their balance of payments, and the GATT Article XI clause 1 specifically permits taxes to apply.

Financial receipts from the surcharge could be used to offset domestic taxation or put towards foreign debt reduction.

A foreign transaction surcharge would cause the exchange rate to fall towards a stable base level allowing exports to increase and imports to decrease, providing a more even playing field for local manufacturers and producers.

***In their concluding statement the authors point out that the accumulated current account deficit can only be reduced or eliminated by reversing foreign ownership of the domestic economy. And they give reasons why the printing of money does not solve the foreign exchange issue in practice.***

***This is a very interesting and unusual plan which does more to ensure equitable treatment between classes. It needs thorough examination and reports by experts. Australians concerned about foreign takeovers should re-read the above appendixes which will confirm their fears and give some remedies.***

## **THE STATE BANK OF NORTH DAKOTA**

From "Web of Debt" by Ellen Brown ( <http://ellenbrown.com/> )

An idea that might get more traction because it is closer to conventional banking practice, is for a State to own its own bank. The bank could then use standard fractional reserve banking principles to create credit on its books. Leveraging its capital into loans backed by deposits, as all banks do. Publicly-owned banks are common in India, Switzerland, Germany, Canada and other countries, where they peacefully co-exist alongside privately owned banks.

Today in the United States only one state owns its own bank - North Dakota. The Bank of North Dakota (BND) was formed in 1919 specifically to free farmers and small business men from the clutches of out-of-state bankers and railroad men. The BND's mission is to deliver sound financial services that promote agriculture, commerce and industry in North Dakota. By law, the state must deposit all its

funds in the bank. The bank's earnings belong to the state, and their use is at the discretion of the state legislature.

The BND has had a return on equity in recent years of 19% to 26%. It pays a hefty dividend to the state, projected at over \$60 million in 2009. In the last decade, the BND has turned back a third of a million dollars to the state's general fund, offsetting taxes. The BND can make subsidized loans to spur economic and agricultural development and is more lenient than other banks in pressing foreclosures. It avoids friction with private North Dakota banks by partnering with them to lend money to farmers, real estate developers and schools.

North Dakota remains fiscally sound when other state governments are swimming in red ink. It is the only State to completely escape the credit crisis, boasting a budget surplus every year since 2008. It has the lowest unemployment rate and lowest credit card default rate in the country, and no state government debt at all. An impressive performance when you consider its economy mainly consists of isolated farms in an inhospitable climate.

*A small impoverished country might decide to use such a system if it found itself in a world crisis situation where the World Bank and the local bank had crashed. It could do so on the basis that it could convince the electorate to take this course where other methods would be unacceptable. A state not in charge of its currency might find this to be a satisfactory solution. However it must be borne in mind that all banks can fail, particularly banks operating on the conventional system.*

**Take the case of the Bank of South Australia formed by a 1984 merger. It collapsed in 1991, because the managing director Tim Marcus Clarke, followed a policy to make an excessive profit on its loan portfolio. But these investments failed to perform.**

**The Premier resigned in 1992 and the Labor government was defeated in the 1993 election. The Electricity Trust was privatised to reduce the debt of over 3 billion dollars which the Government and hence the people were liable.**

## **ANDREW HITCHCOCK'S CONCLUSIONS**

At the end of his review "History of the Money Changers" (see page 1) he writes: "The only monetary system that seems to have worked in history is one which is backed by the goodwill of the government and is debt free, such as President Lincoln's "Greenbacks" Fortunately Milton Friedman came up with an ingenious solution of wresting back control of the money supply from the bankers, paying

off all outstanding debts, and preventing inflation or deflation whilst this process is completed as summarised below.

Using America as an example, Friedman suggests that debt free U.S. notes be issued to pay off the U.S. Bonds (debts) on the open market, in conjunction with this, the reserve requirements of the day to day bank the regular person banks with, be proportionally raised so the amount of money in circulation remains constant.

As those people holding bonds are paid off in U.S. notes, they will deposit the money in the bank they bank with, thus making available the currency then needed by these banks to increase their reserves. Once all the U.S. bonds are paid off with U.S. notes, the banks will be at 100% reserve banking instead of the fractional reserve system and then fractional reserve banking can be outlawed.

The remaining liabilities of financial institutions could be assumed or acquired by the U.S. government in a one off operation. Therefore these institutions would eventually be paid off with U.S. notes for the purpose of keeping the total money supply stable.

The Federal Reserve Act of 1913 and the National Banking Act of 1864 must also be repealed and all monetary power transferred back to the Treasury Department. The effect of this will be seen very soon by the average person as their taxes would start to go down as they would no longer be paying interest on debt based money to a handful of central bankers.

A law must be passed to ensure that no banker or any person in anyway affiliated with financial institutions, be allowed to regulate banking. Also the United States must withdraw from all international debt based banking operations i.e. the IMF, the BIS, and the World Bank If all the countries of the world adopted the conclusions above, then at last humanity would be free of these central bankers and their debt based currency..."

Hitchcock's solution reads very like the American Monetary Act but it does raise the question - what to do with the IMF, the BIS and the World Bank.

When thinking about the most impoverished nations in the world, mainly situated in West Africa, It was reported that before the Bretton Woods Agreement, these countries were slowly improving their debt situation, thanks to Keynesian policies. After Bretton Woods loans were subject to "Structural Adjustments" including "retrenchment of workers, trade liberalisation, cumulative devaluation, privatisation of public enterprises, free entry for multinational corporations, abolition of exchange, price and wage controls, withdrawal of subsidies, credit squeeze, budget cuts and general deflation" (Quote by Bade Onimode from



Michael Rowbotham's "Goodbye America")

These structural adjustments were the cause of poor performance. Bad advice from the IMF has caused crop gluts and a catastrophic fall in prices. These countries are still in debt; their people are still hungry and have little hope. Yet the IMF/World Bank have rarely, if at all, apologised for the damage they have caused. In these circumstances the IMF/World Bank should be entirely dismantled and renamed organisations created with new staff trained to provide loans, debt and interest free.

## **SUMMING UP**

The major economic system we use today uses fractional reserve banking which creates money as a debt on which you pay interest, is the system most countries currently use, operated by most banks, taught in most colleges and is the only one recognised by most media, in spite of the fact that it is not working, having many faults, has always been subject to booms and busts, and leaves on average 20% of the world's population unemployed and in poverty.

This paper recommends that we switch to a system using 100% reserve financing, which creates money, debt and interest free, pays it to contractors who build infrastructure, to essential services such as Education and Health to the extent necessary to mop up unemployment and be able to cancel blocks of currency to prevent inflation.

100% reserve banking has many advantages. It allows infrastructure to be built at less cost, reducing taxes, provides more employment, encouraging those who have given up, to return to the work force. Reduced poverty helps charities to cope with those who cannot work. Politics will have more meaning, as people find they have more control over their future. Banks will become more like Credit Unions. World trade will no longer be a race to the bottom, increasing prosperity may mean less military and world peace.

Today any reform must take into account the sustainability of global climate, food and water supply, energy supply and population level. Under the current financial system the CO2 level has exceeded the 400 ppm level and is rising at a higher rate than ever before, millions die of starvation while there is plenty of food available, too much coal is burnt when scientists tell us 4/5 must stay in the ground, we build more and bigger vehicles when oil production will be unaffordable by most. and present population levels consume too much of the world's resources and cause too much pollution both to the earth, the atmosphere and the oceans.

The world will have to turn to green alternative energy, this will require more money than the present system can produce but is not a problem for the systems outlined herein. Many objections will be raised such as inflation but this is easily controlled. Better living standards in the poorest countries and better education will cause reduced fertility rates as it did in western countries. The example of Guernsey shows how it can be done, they started from bankruptcy and grew to a prosperous country, without inflation, while their exports were only tomatoes and tulips.

We need to realise that nothing in this paper is new; these ideas have been published in book form and on the internet. Some are over a hundred years old, some 10 years old. Nevertheless there are many people who think they understand traditional economics but who do not know that there are other systems, they have never heard of debt and interest free money; if they have they assume inflation is inevitable. It is not inevitable. They include Politicians, Industrialists, Miners, Farmers, Priests even Bankers. They all need to be educated if finance is to be reformed to provide a more reasonable and equitable life for all peoples. Opposition to these ideas will be huge but we can spread these ideas by spreading the word, writing to editors, countering the opposition.

The banks are still held in high regard, Reform seems remote but it only requires a world collapse to provide the opportunity for reform and many economists predict a collapse within 12 months. In the 2008 collapse the banks were bailed out with no conditions attached. Some banks have repaid the bail money. Many banks are now said to have a more prosperous balance sheet than before 2008, which cannot be said for the general state of the economy.

Which plan you adopt depends on the country where you live, you may find one plan more politically acceptable. It will only require two or three countries to adopt these plans for the whole world to realise the benefits forcing all to reform.

Today we have the advantage of the internet but it depends on you. We need to send out a copy of this leaflet, or the URL reference, to people you know, plus one to your representative, another to an overseas country, to a leader in your industry, to your church and to the IMF or World Bank.

I am afraid that I may not be able to give much help in this process because I am 91 years old, so my web page will not last, but you have my permission to reproduce this on your web page, print it or write your own version. You might have questions; I suggest you put your question to Google. Of course Google will give you many different answers so you have to be selective.

In conclusion I ask you to think about the peculiar nature of currency we are

saddled with today. It is our countries right and duty to issue sufficient currency for our needs, but we allow banks, private organisations, to create money and charge interest, enabling their leaders to become rich and allow them to determine how the Nations money is to be spent. When they loan money they determine which business or industry gets the loan. They decide on the grounds of profitability, and it can be a gambling den which is most profitable. These decisions are never questioned or reviewed so in fact we are governed by the Banks, a very undemocratic process.

Then again consider basic items such as roads, railways, hospitals, schools most people would say such items should be provided at cost but no we have to pay the interest on the money loaned. Most reform plans considered herein do not even charge the cost.

What we need to decide is what basic plan is most suitable for our country, what additional precautions are needed to prevent inflation and to prevent excessive use of raw materials and to care for the environment both land and seas.

At all times it will be necessary for us to maintain a pamphlet battle so as to inform and educate Politicians, Industrialists, Unions, Associations, and to ask governments to move in the United Nations for a thoroughgoing reform of the World Bank and the IMF.

This paper has been presented to a group of friends; their opinion was that these reforms would not take place. The difficulty with this view is that if reform is not possible then you have to accept the continuation of unemployment and poverty, and the possibility of being unable to control global warming and also that the world will continue to use up resources at a rate that will make life for your great grand children very difficult. Do we really accept these possibilities?

Thanking you for your kind attention and the best of luck!

Dick Clifford

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Past President - Humanist Society of South Australia

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February 2016

## **Additions and References.**

Extract from "The Economics of Killing" by Vijay Mehta being an address to the Ethical Society, Conway Hall, London. Ethical Record October 22, 2013

### **"The 2008 Financial Collapse**

Unregulated capitalism is trapped in a competitive world that seeks growth, efficiency and profit maximization only. Capitalism's finance along with resource theft is becoming the 21st century's modus operandi. According to a recent Harvard University report, the cost to the US tax payer of the wars in Iraq and Afghanistan is estimated at \$4 - \$6 trillion, which the US cannot afford and plunged it and the west into massive debt and financial crisis. Britain is experiencing the human and economic cost of the Afghanistan war today,

It was China that provided US with its seemingly endless quantities of cheap credit which left huge amount of liquidity in western markets resulting low interest rates and unwise lending of loans by bankers leading to a market crash. Banks were responsible in a major way for the global financial crisis from which they profited. When they got into trouble, the governments of US, UK etc. stepped in to bail them while knowing that this happened because of the unethical and greedy behavior of the banks themselves. The World Bank and the International Monetary Fund are controlled by powerful vested interests - a situation that compromises our security and undermines democracy."

## **REFERENCES**

**The Guernsey Experiment** by Olive and Jan Grubiak first published 1960

Simply Google "Guernsey Experiment" to locate this 36 page pamphlet and other articles on this subject.

Likewise Google "The American Greenback", "Sir Denison Miller", to find more information on these subjects.

**Steve Keen** Australian Economist see his blog at:

(<http://www.debtdeflation.com/blogs/>) (If connection fails- type text into google)

**Herman Daly**, University of Maryland and former World Bank economist, makes the case for 100% reserves.

<http://www.paulcraigroberts.org/2012/07/30/nationalize-money-not-banks-herman-daly/>

**Michael Hudson** is a Wall Street Financial Analyst; see his article on "Public Banking Needed to Stop 'Cannibalization' of the Economy."

<http://www.econintersect.com/b2evolution/blog1.php/2013/05/28/michael-hudson-stop-private-banking-cannibalization-of-the-economy>

## **American Presidents Famous Quotes**

The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of

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consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interests. Money will cease to be master and become the servant of humanity - **Abraham Lincoln**

Issue of currency should be lodged with the government and be protected from domination by Wall Street, We are opposed to...provisions (which) would place our currency and credit system in private hands, - **Theodore Roosevelt**

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. - **Dwight D. Eisenhower, farewell address Jan.17.1961**

### **Banker's famous quotes**

Let me issue and control a nation's money and I care not who writes the laws.

**Mayer Amschel Rothschild, Founder of the House of Rothschild**

Bankers own the earth; take it away from them but leave them with the power to create credit; and, with a flick of a pen, they will create enough money to buy it back again... If you want to be slaves of bankers and pay the cost of your own slavery, then let the bankers control money and control credit.-

**Sir Josiah Stamp, Director, Bank of England, 1940**

**Addendum** for those who say "there is no problem, we are quite well off".

### **POSTCODE 5112**

I live in post code 5112. The socio - economic index from the national census states that this district, in greater Adelaide, has the least advantage in terms of housing and income. There are similar post codes in all the main cities in Australia. When I wake up in the middle of the night I hear a woman from two streets away, screaming out a protest at her partner, and the world at large. When shopping in the morning I occasionally pass a couple engaged in a domestic at the tops of their voices in broad

daylight. My daughter asks "What is it with these people ?" *These are the sounds of poverty.* I reply.

Their houses are old Housing trust properties which were reconditioned about 15 years ago but their main problem is intermittent employment. To "encourage" them to get a job, they do not get immediate relief. When employed their income is low and they never recover from a spell of unemployment. Aboriginal communities are in a worse condition.

This is also the area where General Motors Holden threaten closure, they have already reduced staff levels causing more unemployment in subsidiary firms. GMH want to reduce wages so they can compete with imports but they continue to make good expensive petrol guzzlers when they should know that Electric cars are the way of the future, so we should be saving oil for making plastics and medical items.

They should look to the future with an electric car designed for range rather than speed, with batteries that can be hired and easily replaced so you can go to the charging station (converted petrol station) and continue your journey across Australia with a newly charged battery. Such cars can be more economical than petrol or diesel cars.

**At the opposite side of the world.** A report from the President of CYE who ran a school at Gardnersville, Liberia which was entirely dependent on overseas donations.

"Since our return to Liberia, we have come to discover that the living condition is quite similar to that of the Buduburam Refugee Camp. Communities lack pipe borne water supply and electricity, the number of street children have even increased with no access to education. The high unemployment rate has impoverished the majority, resulted to increased prostitution, teenage pregnancies and visible child labor in street corners because jobless parents now have to depend on their children for survival."

*Linus Gedeo*

(See details on index page)

### **Stiglitz on the World Bank**

from "**The History of the Money Changers**" by Andrew, Carrington, Hitchcock. (Time line 2001) Professor Joseph Stiglitz, former Chief Economist of the World Bank, and former Chairman of President Clinton's Council of Economic Advisers, goes public over the World Bank's, "Four Step Strategy," which is designed to enslave nations to the bankers. I summarize this below,

#### **“ Step One: Privatization.**

*This is actually where national leaders are offered 10% commissions to their secret Swiss bank accounts in exchange for them trimming a few billion dollars off the sale price of national assets. Bribery and corruption, pure and simple.*

#### **“Step Two: Capital Market Liberalization.**

*This is the repealing any laws that taxes money going over its borders. Stiglitz calls this the, "hot money," cycle. Initially cash comes in from abroad to speculate in real*

*estate and currency, then when the economy in that country starts to look promising, this outside wealth is pulled straight out again, causing the economy to collapse.*

*The nation then requires IMF help and the IMF provides it under the pretext that they raise interest rates anywhere from 30% to 80%. This happened in Indonesia and Brazil, also in other Asian and Latin American nations. These higher interest rates consequently impoverish a country, demolishing property values, savaging industrial production and draining national treasuries.*

### **“Step Three: Market Based Pricing.**

*This is where the prices of food, water and domestic gas are raised which predictably leads to social unrest in the respective nation, now more commonly referred to as, "IMF Riots." These riots cause the flight of capital and government bankruptcies. This benefits the foreign corporations as the nations remaining assets can be purchased at rock bottom prices.*

### **“Step Four: Free Trade.**

*This is where international corporations burst into Asia, Latin America and Africa, whilst at the same time Europe and America barricade their own markets against third world agriculture. They also impose extortionate tariffs which these countries have to pay for branded pharmaceuticals, causing soaring rates in death and disease.*

*There are a lot of losers in this system, but a few winners - bankers. In fact the IMF and World Bank have made the sale of electricity, water, telephone and gas systems a condition of loans to every developing nation. This is estimated at 4 trillion dollars of publicly owned assets.”*

*Professor Joseph Stiglitz was awarded the Nobel Prize in economics. Actually the Nobel Prize Committee do not make an award in economics. Another body just happens to have the same name. Still they are to be congratulated for this award.*

## **Solving the Global Warming Problem**

Scientists are providing more evidence daily that we are producing too much CO<sub>2</sub> and must stop burning fossil fuels. Many industrialists consider the current financial situation, refuse to accept this necessity because of the cost, overseas competition and power failures due to clouds, wind failure etc.

However a system of Debt and interest free money will solve most of these problems. For example the power plant at Port Augusta needs replacing, the government would call for plans for a concentrating solar plant with heat saving and additional wind generators. Contracts would be awarded and the usual clauses inserted for payment on completion of each stage. Such payments would use debt and interest free money provided by the Reserve Bank.

A board would be appointed to manage the plant and as the sun, the wind and the plant are free they would only have to pay for the maintenance and staff thus undercutting coal plants who would go out of business. Alternatively the government could pay the Owner to replace the old plant with approved solar plant etc. In either case legislation would be passed to prevent the sale of the new plant.

By this process energy costs and pollution including Mercury in the oceans will be reduced, much else must be attempted such as metal smelters converted to solar working, cement factories converted to the green system as in Melbourne Etc.

**Global Warming** is melting Ice caps, causing storms, forcing fish to cooler waters, Increasing droughts and floods, For these reasons we must **now** leave coal and oil in the ground, re-educate coal miners as solar technicians, convert to using electric cars, designed for quick replacement of batteries. Petrol stations will become charging stations. A separate company will own and hire the batteries all computerised to show the batteries output, history and pricing. Electric cars will be cheaper, so will their fuel. Strong Government action along these lines will cut unemployment close to zero for many years.

In Australia we should nationalise Holden's and Fords, offer contracts to those with experience in racing electric cars from Darwin to Adelaide. Imports from overseas would be subject to tariffs to neutralise wage differences and it should be general policy to trade with countries who have similar energy policies. A reducing cap should be applied to coal exports. Debt and interest free money is essential to achieve these aims.

**The current financial system** cannot provide sufficient funds now to reduce unemployment or to alleviate the suffering of the 800 million across the world who are in poverty, close to starvation. The only remedy is for governments to provide debt free money without charging interest. This will not be easy. Governments will want to provide infrastructure. Roads, Transport, Hospitals, Schools and at the same time funds to solve the global warming problem. But they must ensure that the money provided is only sufficient to eliminate unemployment, anymore will result in inflation.

It is not intended that Banks should be done away with, they will work more like a credit union, Their executives pay should come down and precautions taken so that the money they loan can never be excessive.

**Global warming is a deadly problem. In a hundred years the effects of melting Ice caps will become apparent to everybody. It could be easier to convince the public to adopt money reform.**

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