

THE FIRST ATTWOOD MEMORIAL LECTURE
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THOMAS ATTWOOD -
AND POLITICAL AND ECONOMIC REFORM TODAY¹

Introduction

It is an honour to have been asked to give this first Attwood Memorial Lecture. I am delighted with this opportunity for us to discuss some of the insights which Thomas Attwood's life and times may offer to us today.

Attwood lived in a period of profound economic and political change in the first half of the 19th century, and he played an influential part in one of the great events of that time. We are living in a period of profound economic and political change in the early 21st century, and we want to help to shape our world for the better. In spite of the differences between his time and ours, I believe that his experiences of success and failure have important things to say to us today.

So I shall say

- something about Thomas Attwood's life and work,
- then something about the differences and similarities between his concerns and ours, and
- finally something about what we may learn from his experience.

Up to 1820

In 1800 at the age of 17, after Wolverhampton Grammar School, Attwood joined the family banking business. In the early years of the century, industry in Birmingham suffered badly from trade disruptions, partly arising from the Napoleonic Wars and the war with America in 1812, and partly from British Government restrictions on overseas trade and from the monopoly enjoyed by the East India Company. In 1812 Attwood, aged 29, led a political campaign on behalf of Birmingham industry and trade against those restrictions and the East India Company's monopoly. He was thanked at a big meeting of Birmingham workers, and given a massive silver cup inscribed by the Artisans of Birmingham, "as a memorial of their gratitude... for his constant attention to their interests and for his well directed zeal to support and extend the Commerce of the Country".

Among the practical lessons Attwood drew from these early experiences was that the urban manufacturing classes - the business owners and the working people - who had sprung from the industrial revolution and were unrepresented in parliament, could work together in support of their common interest; and that that interest conflicted with the agricultural, commercial and financial interests of the rural land-owning classes whose representatives still monopolised

¹ I am indebted to the following publications for information about Thomas Attwood:

D.J. Moss, *Thomas Attwood : the biography of a radical*, McGill-Queen's University Press, Montreal & London, 1990, and
Joseph Hunt, *Thomas Attwood: Hales Owen's Forgotten Genius*, B M Insight (The Journal of the Birmingham Institute and Library), Issue 4 2001.

parliament and government. That lesson was reinforced by his personal reaction to the politicians he met while lobbying and campaigning in London. He wrote to his wife in 1812, "Such a set of feeble mortals as the members of both Houses are, I never did expect to meet in this world. The best among them are scarce equal to the worst in Birmingham". His experience of dealing with London had radicalised him. For the next ten or fifteen years most of his energies were directed to monetary reform, but twenty years later he was to be a key figure in one of the most important events in our history - the successful passage of the great Reform Act of 1832.

As a banker with a radical cast of mind - does that sound like a contradiction in terms today? - it was natural that he should become heavily engaged in current controversies about the need for changes in the monetary and banking field. The transformation of the economy by the industrial revolution was straining existing monetary institutions and theories. In 1797 the effects of the Napoleonic Wars had driven the Bank of England off the gold standard; the exchangeability of its banknotes for gold sovereigns had been suspended. In 1810 a Select Committee of Parliament, influenced by the orthodox economist David Ricardo, had recommended in the "Bullion Report" that the number and value of banknotes in circulation should be reduced and their exchangeability for gold should be restored. This recommendation was rejected at the time. Then, when in 1816 manufacturing industry in Birmingham was in deepening crisis, Attwood campaigned, not only against restoring the gold standard, but for the money supply to be increased by the Bank of England issuing more banknotes. Many years later William Cobbett attributed the short-lived revival of trade in 1818 to Attwood's influence. However, perhaps because of that revival, in 1819 the recommendations of the Bullion Report were implemented and the gold standard was restored, in spite of Attwood and his Birmingham colleagues continuing to lobby against it.

Looking back, we can see two points here of significance for us.

First, Attwood's aim was not fully achieved until the 20th century, when currencies were disconnected from gold (the gold standard was abandoned) and regulating the money supply to meet the economy's needs became a standard feature of economic policy in modern states. Clearly monetary reformers need patience!

Second, although Attwood may not have explicitly said so, he was in effect calling for money to be *redefined* - to include paper banknotes as well as gold coins and bullion. His redefinition has now taken place. Banknotes are now recognised, along with coins, to be "cash". Like coins they are now issued debt-free by an agency of the state. British banknotes still say "I promise to pay...", but that is a meaningless survival from past history. Everyone knows that banknotes now are not just credit notes. They are cash, and there is nothing they could be redeemed in except themselves or other banknotes and coins of the same value.²

The challenge we face today is similar to Attwood's. We also need to expand what we mean by money. Now we should include, not just banknotes as well as coin, but also the electronic money in our current bank accounts. That clearly has become money, directly and immediately available for spending, even if people with pretensions to knowledge in these matters still tell us

² The Bank Charter Act of 1844 eventually resulted in a Bank of England monopoly of the banknote issue in England and Wales. Scottish and Northern Irish banks still issue their own banknotes, but these must be backed by Bank of England notes. However, the number and value of the banknotes issued are simply what is needed to meet the convenience of the public. They play no part in controlling the total value of the money supply. That is done by regulating interest rates, which controls the value of the non-cash money created by commercial banks and issued to their customers as interest-bearing loans.

it's something distinct from money, called credit.³ We shall say more about the significance of this redefinition for monetary reform in our time. But first we return to Thomas Attwood.

1820 to 1832

By the early 1820s he was recognised as a leader of the Paper Money school. In November 1825 when a national financial crisis loomed, he wrote to the then Prime Minister, Lord Liverpool, urging that the Bank of England should prepare to issue many more £1 banknotes. When the crash came and panic set in a month later, with many banks failing, the soundness of that advice became clear. Attwood was credited with having helped the country to avoid a catastrophic financial collapse.

As pressure grew for parliamentary reform in the later 1820s, Attwood recognised that monetary reformers would have to work together with campaigners for other radical causes. One of these was the campaign to repeal the Corn Laws, which imposed a tariff on imported grain and so protected agricultural profits and imposed dearer food on urban working people. In 1829 Attwood and his colleagues succeeded in bringing these various campaigning groups together under the banner of a new Birmingham Political Union for the Protection of Public Rights, a "general political union between the lower and middle classes of the people". Its first priority was to campaign for reform of the House of Commons, which had become, in Attwood's words, "the seat of ignorance, imbecility and indifference", filled by people who specialised in the pursuit of power, influence and corruption. For the time being Attwood subordinated the cause of monetary reform to parliamentary reform.

As the Birmingham Union under Attwood's leadership spearheaded the parliamentary reform campaign, similar political unions spread all over the country. Huge demonstrations and marches to London were held. Attwood proved able not only to bring diverse political groups together but also to combine radical rhetoric with keeping his supporters on the path of "Peace, Law and Order" - so that, as John Stuart Mill put it years later, they "should appear ready to break out into outrage, without actually breaking out" - cf Seattle, Geneva and other anti-globalisation manifestations today! In June 1832 after the Reform Act had finally been passed, George Grote - as a former classics student I remember his name as a historian of Greece - praised Attwood as principally responsible for that historic achievement. Having been made a Freeman of the City of London, Attwood returned home to Birmingham at the head of a "march of triumph" - a growing procession of working people carrying banners proclaiming "Attwood and Liberty". He was at the peak of recognition and popularity, in Birmingham and throughout the country.

After 1832

By 1833, Attwood was in Parliament, as the first of the two Birmingham MPs in the new House of Commons seats created under the Reform Act. But he was clearly a fish out of water there. The culture, even of the reformed Parliament, was alien to him. MPs laughed at his provincial accent. He bored them with his lengthy expositions of monetary theory. By 1834 they were impatient with him. They defeated his Private Member's Bill on the currency. In 1837 he

³ Today's official monetary statistics raise a different problem. They contain alternative definitions of the money stock, based on confusing aggregates called M0, M1, M2, M3, M3 extended, M4, and so on. They are part of the veil of mystery which now shrouds the workings of the money system even in "democratic" countries. The reform I shall come to later will replace them with one clear definition of money, M.

pronounced them to be "as ignorant as asses and obstinate as hogs". Meanwhile, the new Bank of England representative in Birmingham described his currency reform ideas as "ingenious" but "lamentably wrong". Economists called him a monomaniac, and the description stuck.

In 1839 he resigned from Parliament in disappointment and frustration. Five years later, the famous Bank Charter Act of 1844, which set the pattern of the British monetary system for nearly a century, rejected his "Paper Money" philosophy. Over the ensuing years increasing supplies of gold from new mines in South Africa, Australia and California met the need for an increasing money supply. It was not until 1931 that Britain finally came off the gold standard, and not until 1973 that the USA did.

Meanwhile, the Birmingham Political Union had crumbled. Its working class supporters felt betrayed and frustrated by the Reform Act's failure to give them the vote. The manufacturers and merchants withdrew from the Union. Having gained parliamentary representation for themselves, they now feared the radical nature of working class demands. The two classes no longer shared a common political aim. In 1838-39 Attwood's attempt to create a coalition between working class Chartists and his group of Birmingham business colleagues broke down. The Chartists' refused to forswear violence and to include "Paper Money" in the Charter's demands. In 1843 Attwood left public life altogether.

Our Situation Compared with Attwood's

Like ourselves, Thomas Attwood lived at a time of great economic and social and political change.

The American and French revolutions of 1776 and 1789 had raised political hopes and fears in this country, and these had continued to smoulder during the Napoleonic Wars. At the same time, the industrial revolution had led to huge economic and social upheavals, and the institutions of society had been slow to adapt to them. The urban middle and working classes of Britain were ripe for mobilisation as a powerful force for change. It was against that background that Attwood and others like him strove for monetary and political reform.

With hindsight, the challenges he faced look simpler to us than those we face ourselves. They were essentially internal to this country; they aimed to change things here.

By contrast, the economic and political and environmental issues affecting our lives today are global in their reach. The reforms we need are global, as well as national and local. We have learned that "Think globally, act locally" is not enough. Without changes at supranational levels, institutions which wield economic and political power today - the International Monetary Fund, World Bank, World Trade Organisation, European Union, and so on - will continue to limit our freedom to shape our future as we think right. Many of us also feel a sense of interdependence and mutuality with people in other less privileged parts of the world, and a responsibility to help to reform global structures of power for their sake as well as our own.

One thing that many of us share with Attwood, however, is awareness that the money system needs to be brought up to date. For over two centuries political democracy has been spreading through the world, thanks to Attwood and others like him. But our capacity to control the power of money and harness it to the public good has lagged far behind. So much so that failure to bring the workings of money and finance into line with economic justice and the realities of the Information Age is already damaging confidence in political democracy itself.

We need to bring the corporate power of multinational money under democratic control. That will have to be done within a new framework of :

- global public revenue raising, including taxation,
- global public spending, eg on United Nations' activities, and
- a global currency, evolving from something like the IMF's Special Drawing Rights (SDRs).

This will have to be supervised much more effectively at UN level than international monetary and financial institutions are today. It can then serve the needs of the world's peoples much more fairly and efficiently than an international monetary system based on one or two superpower currencies such as the US\$ and (as some people hope) the euro, which profit the countries that issue them - at the expense of the majority world.

For us in Britain the euro highlights another question. In spite of efforts to persuade us that scrapping the pound and replacing it with the euro would be a progressive step, people are increasingly doubtful. Why can't we use the euro as a parallel currency, alongside the pound, rather than a single currency managed by a remote, centralised monetary authority imposing one-size-fits-all interest rates on millions of diverse people and places? Surely 21st-century pressures to become more globalised *and* more localised call for a more pluralistic monetary system, allowing different currencies and means of payment to evolve at local to global levels, enabling people and organisations to choose to use whichever currency they find most convenient and useful for different purposes.⁴

So - as well as national currencies, continental currencies and a global currency - we should be encouraging currencies issued by local government authorities for local circulation, and payment systems set up by local community groups (like LETSsystems), local social service groups (like Time Banks), and local business groups (like the Wirtschaftsring - WIR - co-operative in Switzerland). In technical terms, whereas paper money could have been the new basis for managing the monetary system in Attwood's time, electronic money can now make it convenient for us to use different currencies for different purposes.

That technical factor is also relevant to monetary reform at the national level. Dematerialised non-cash money (i.e. electronic money held in bank accounts and transmitted between them by modern information and telecommunication technology) is now overwhelmingly important. About 97% of this country's money supply is created in that form by commercial banks, and only 3% as banknotes and coins issued by the Bank of England and the Royal Mint. The commercial banks create the non-cash money out of thin air, calling it credit and writing it into their customers' current accounts as profit-making loans. That gives them over £20 billion a year in interest, while the taxpayer gets less than £3 billion a year from the issue of banknotes and coins. Stopping commercial banks creating non-cash money, and transferring to the central bank responsibility for creating it and issuing it debt-free to the government to spend into circulation, will result in extra public revenue of about £45 billion a year.⁵

This reform will mean that:-

- 1) Taxation and government debt can be reduced, or public spending can be increased, by up to £45 billion a year.

⁴ James Robertson, "Forward with the euro AND the pound", Economic Research Council, London, 2002.

⁵ This reform is described by Joseph Huber and James Robertson, "Creating New Money: A monetary reform for the information age", New Economics Foundation, London, 2000.

- 2) The value of a common resource - the national money supply - will become a source of public revenue rather than private profit. That will remove an economic injustice. Also, by withdrawing the present hidden subsidy to the banks, it will result in a freer market for money and finance, and a more competitive banking industry.
- 3) A debt-free money supply will help to reduce present levels of public and private debt, which are partly caused the fact that nearly all the money we use has been created as debt.
- 4) The economy will be more stable. Banks inevitably want to lend and their customers want to borrow more at the peaks and less in the troughs of the business cycle. So, when the amount of money in circulation depends on how much the banks are lending, booms and busts are systematically amplified.
- 5) The central bank will be better able to control inflation if it itself decides and directly creates the quantity of new money the economy needs. It now tries to control inflation indirectly, by raising interest rates (ie the price at which people borrow from banks). But that actually helps to cause inflation.
- 6) Environmental stress will be reduced. When, as now, almost all the money we use is debt, people have to produce and sell more in order to service and repay debt than they would if it were debt-free.

In our proposals for this reform, Joseph Huber and I called it “seigniorage reform”. Seigniorage was the profit made by monarchs and local rulers from minting and issuing coins. In democratic societies in the Information Age, the proposed reform will restore the prerogative of the state - now on behalf of the people - to capture as public revenue the value of putting the money supply into circulation.

Lessons from Attwood's Life

So what can we learn from Attwood's experiences, nearly two centuries later? Two points stand out.

- First, he owed his *success* in the Reform Bill campaign to his ability to bring together people with different goals, such as repealing the Corn Laws and disconnecting money from gold. But they all saw parliamentary reform as a necessary step towards those goals.
- Second, equally significant, was his *failure* to get the Paper Money reform included among the aims of the parliamentary reform campaign, and - after 1832 when the Reform Act had not given working people the vote - his *failure* to persuade the Chartists to include the Paper Money reform in the Charter.

What coalitions for progressive change today will compare with Attwood's coalition which saw the 1832 Reform Act on to the Statute Book? A group which presented an "Earth Emergency Call To Action" to the Johannesburg World Summit in August may suggest a pattern. Campaigners with different aims - for renewable energy, sustainable agriculture, local production for local consumption, and so on - will increasingly promote them, not just as separate reforms, but as integrated reform programmes.

That group called for the following changes:

1. REPLACE POLLUTING ENERGY SYSTEMS in industry, agriculture, transport and built environment with RENEWABLE ENERGY TECHNOLOGY.
2. SHIFT TAXATION *from* LABOUR *to* the USE of RESOURCES, POLLUTION and WASTE - promoting conservation and clean production, and enhancing social welfare and jobs.

3. CREATE ECOLOGICAL ECONOMIES, compatible with the Earth's ecosystems - acknowledging that perpetual economic growth on the present model is not possible in a finite world.
4. CO-OPERATE GLOBALLY to REVIVE LOCAL DEMOCRACIES and LOCAL ECONOMIES - with emphasis on local production for local consumption and less long-distance transport of goods.
5. MAKE SUSTAINABLE AGRICULTURE the GLOBAL NORM - securing food supplies with minimal environmental impacts.
6. PROTECT TRIBAL and TRADITIONAL SOCIETIES and LANDS - acknowledging their right to decide their own future and respecting their contribution to human knowledge.
7. REFORM WORLDWIDE MONETARY and FINANCIAL SYSTEMS to protect and enhance the well-being of human communities and the natural environment on which they depend.
8. Initiate a progressive SHIFT of FUNDS *from* MILITARY SPENDING *towards* ENVIRONMENTAL SECURITY - providing adequate water, nutrition, healthcare, shelter and sustainable livelihoods for all.
9. Create a PARTICIPATIVE EARTH DEMOCRACY - fundamentally reforming global governance for the benefit of people and nature, so that international decision making is open and accountable within the framework of a strengthened and democratised United Nations.⁶

It already clear that monetary and financial reform will play a more central part in these campaigns, than they did in Attwood's time. Many more people now understand that money is power, and that today's institutions of money and finance negate democracy by using their power to exploit people and keep them dependent. Many more people also understand that money is a scoring system - for the game of economic life - and that today's scoring system is systematically perverse: it rewards undesirable activities, penalises desirable ones, and frustrates desirable change in almost every sphere. Campaigners in many fields are now beginning to see monetary and financial reform as a necessary step to progress in them all, as their predecessors in Attwood's time saw parliamentary reform as a necessary step to progress then.

Conclusion

So I conclude optimistically that, in our time unlike Attwood's, radical proposals for monetary and financial reform will become a central part of progressive programmes of change.

However, I recognise that a lecture in Attwood's memory should end on a sober note.

His last years were saddened by the deaths of his wife and son, by the collapse of his family bank, by Parkinson's disease, and not least by his sense that his life's work had ended in ruins and he had been a failure. The monetary reform he had striven for all his adult life had not been achieved. In 1856 he died aged 72 in comparative obscurity - in contrast with his national celebrity 24 years before.

If Attwood had realised in 1832 that his life might end that way, would he have given up his commitment to Paper Money? I suspect the answer is No, he would have gone on. I think we should ponder the fact that in our time the need for radical monetary and financial change is

⁶ See *Positive News*, Special Issue, August 2002. This was one of a number of similar civil-society statements published for the Johannesburg Summit.

greater and is more widely understood than it was in his, and that the prospects for our achieving it are much better than they were for him.

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