

## Review

# A Reform Of The Money System Is Needed

Robertson, James. *Future Money: Breakdown Or Breakthrough?* Totnes Devon, U.K.: Green Books, 2012. Paperback, 208 pages, £14.95.

By John Maclean

"The unspoken purposes of the money system from its origins to the present time can be seen as being: to transfer wealth from poorer and weaker to richer and more powerful people and countries, and—as far as possible—to conceal this in mystery, myth and technical tricks of the trade. In recent centuries two further purposes have evolved: to develop the technical, economic and military power of nations in competition with one another; and, in pursuing that aim to exploit the resources of the planet to the maximum extent." - James Robertson

In "Future Money: Breakdown Or Breakthrough?" James Robertson writes that our elected and unelected rulers are not able to get us out of the messes they've landed us in. Robertson believes that the current money system needs to be radically altered, because, as it is, its motivations are "leading us towards a combined collapse of the interacting systems—ecological, social, and economic—on which we depend." He sees a connection between the decolonization struggles of the last century, and the present-felt needs of people everywhere to free themselves from the "dominating, exploitative, unjust, alien burden[s]" of too-big-to-fail money changers. Government cannot avoid deciding how money works; through its "primary" and "corrective" money functions it exerts a "dominating effect" on flows in any economy. Its three primary money functions are providing the money supply, raising public revenue and spending it; when these are managed poorly the corrective functions include borrowing, and an increasingly costly regulation of private sector finance. The way money is created and used shouldn't imperil the future of life.

In his historical overview of the money system Robertson writes of patterns and tricks that have long been with us. The most significant pattern has been the "collaboration between rulers and commercial profit-making businesses" to keep people "dependent on the money they create and control." This enforced dependence has remained, over time, from the "owl of Minerva's coins" of 5th Century Athens, to the unending floods of paper money under Kublai Kahn, written about by Marco Polo, all the way down to the present privileged international position of the U.S. dollar. Another noticeable pattern is that the creator of the money would secure the

greatest benefit, what is called "seignorage." In a country like Great Britain were the government currently allows commercial banks to create 97 percent of the money supply, this is quite a significant entitlement. The tricks of the financial trade run the gamut from kings of old cheating the people through the debasement of their coinage to the newer trick of creating "money out of nothing in order to lend it out at a profit." In this way money can be written into customer

bank accounts as credit, transferred to others as payment, and the shift is on from "debt-free cash" to "bank-account money created by the commercial banks as debt." Robertson calls the creation of the Bank of England in 1694 a "landmark event in the modern history of money." The idea was sold by William Paterson to London investors, with the incredible provision that government would "pay the interest on the loans out of taxes to be raised in future years." This was in spite of the fact that the endeavor was from the beginning an attempt to subvert Parliament and fund the foreign adventures of a king. In 1946, the bank was nationalized, and it still had only an indirect control over the money supply through interest rates. In Roman times authors such as Pliny the Elder and Juvenal railed against indebtedness, and the "1 percent" driving society to ruin, and sadly, writes Robertson, today's Socialist and Labour governments have been helpless before the money system.

Robertson contends that ethical questions have been almost cleansed from the economics profession. This can be seen, he writes, in their "hostile responses" to the ideas of Henry George and C.H. Douglas, both of whom inspired movements in past centuries dedicated to "the ethical purpose of making the money system work for the common interest." He doesn't recommend getting bogged down in the intricacies of Georgist or Social Credit thought, but over the years he came to realize that his "practical conclusions" are very much theirs. The fact that "money values" conflict with real-life values is not natural, or divinely ordained, as some advocates of the market claim, but bears the marks of "powerful people" and of governments that "allow banks to hold our societies to ransom." Robertson sees ethical business and finance as impractical, swimming against



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a greater current, when "what is really needed is to change the direction of the prevailing low." He writes bluntly that, "We are running out of time. 'Avarice and usury' are carrying us all too fast toward self-destruction. Can we wean ourselves off them in time to survive their consequences? That is an open question now."

Commercial banks are allowed to create credit, literally write it out of nothing into bank accounts as interest-bearing loans, through what is called "fractional reserve banking." If they are required to keep 10 percent of their deposits on hand, they can create £900 for every £1,000 deposited with them. Robertson provocatively contrasts this privilege, handed over to bankers, with the punishments meted out to forgers and counterfeiters. There is a history "suppressed and ignored" behind this discussion of how money gets created; in 1844, the Bank Charter Act in the United Kingdom deprived commercial banks of the privilege of issuing their own credit notes, because they slowly started to become "actual money" and the "failure to control their issue was damaging the economy as a whole." Despite the fact that the Bank of England was handed a monopoly over the creation of money, the commercial banks continued turning their trick by causing money to appear in the bank accounts of their customers. The effects of this arrangement are profound and rarely addressed; everyone who spends money is taxed, made to subsidize the banks, which originated the notes as debt, and the money supply, indebtedness and poverty are continually made to grow. Robertson writes that "the present way of providing the money supply systematically works to increase poverty and widen the gap between rich and poor." Furthermore, this situation yields destructive ecological outcomes, and also ensures that money will initially be put toward harmful but profitable ends. Finally, it all lends itself to "financial instability" and at each stage, through "boom, bust, and aftermath," windfall profits are secured by the bankers.

Robertson calls for a radical reform of the money system, as well as a shift in tax emphasis, both of which he sees as currently favoring "the rich over the poor," and, another change, in "public spending," which he refers to as a "universal Citizen's

Income." Current taxation patterns are dysfunctional, and at worse "positively perverse." Tax avoidance is epidemic, there is an estimated \$11.5 trillion currently held in tax havens; these "cross-border flows of money" distort economic priorities, and tend toward the criminal. It is obviously desirable to shift taxes off of things that can be moved and onto "the value of land and other environmental resources that cannot be moved from one tax jurisdiction to another." A government, or a money system, working in the "public interest" would make corporations "pay for the value they take from common resources for their own benefit." For Robertson, the value coming out of creating "a vital common resource" like money "should be captured as public revenue and no longer as private profit." All of these reforms are directed toward getting rid of burdens that crush, as the late Utah Phillips would say, and combinations of them would yield affordable housing, an income for all as a right, financial stability, and an eventual phasing out of borrowing and costly regulation.

These reforms may seem to apply mostly to well-developed national currencies, but Robertson does not lose sight of the importance of international and local currencies. In 2002, it is estimated that the rest of the world was made to pay the \$400 billion for use of the U.S. dollar, and many see the development of a genuine international currency as preferable to this 1944 Bretton Woods survival. From the suggestions of John Maynard Keynes, at the above economic conference, for a true international currency, called "bancor," the author moves easily to encouraging local currencies, even regional alternatives to national ones. Robertson sees the urgent need for a revival of "local and household economies" worldwide, and writes that they must become "significant components of national economies" in the coming decades. The current dramatic situation in Greece, in which the "remote euro" is embraced, while the people are allowed to sink, is a perfect example of the need for a return to the local, and the possibility of opening a path toward radical monetary reform. The entitled advocates of austerity in the United States never mention that Social Security cannot add to our debt, or that, in order to deal with indebtedness, we must first deal with how money is created.

Robertson illustrates this best when he writes: "Internationally, as well as nationally and locally, we must reform the whole money system that generates the money values that motivate us all to live in the ways we now do."

## Grand Rapids Call Center Workers Win Union Election



Call center workers celebrate. Photo: Nick Morse

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client services—and announce these open positions to the current staff before posting them for the general public; to update the decade-plus old computers and chairs in the call center; to create mutually agreeable procedures for grievances and for regularly scheduled consideration for raises; and to give call center workers who regularly work 40-plus hours official full-time status. We aren't asking for more money for ourselves but demanding newer work equipment and a reduction in workload for client services. This is more

money than Krasula would like to invest in the call center, but there is that familiar and infuriating irony that he has no trouble spending money on a union-busting firm.

For six weeks, the firm ran a textbook campaign, distributing numerous propaganda flyers and emails. Their "human resources expert," Vrsula, was in the office almost every day, conducting lengthy meetings with the workers that the bosses knew would be easy to win to their side. To us, their campaign came off as desperate and grasping at weak or contradictory arguments, but fear is stronger than reason sometimes. These union busters knew exactly what they had to do. Their strongest tactic was to turn people against each other, sew discord in the office, and make the campaign miserable for everyone, so they would associate those feelings with the union. We would have been more immune to these tactics had our timing been a little bit different. It just so happened that three new call center workers had been hired shortly before we submitted our petition and a

couple others had been working there for less than a year, which represented about half of the workforce. We had always run a slow-burning campaign, in which we would spend a long time building relationships and trust with people before telling them about the union. The people on our organizing committee had all worked in the office for many years and had built a solid foundation of experience and respect on the job. Normally, our own reputations would immediately invalidate most of the typical arguments the firm would pull out, like that the union organizers were outside agitators or lazy. However, our reputations meant nothing to these new people who had not been working with us for years. The firm, taking full advantage of these new workers, successfully turned a couple of workers against us and alienated the new hires from us.

We met all their hostility with civility and positivity. IWW branches and supporters from all over the country sent flowers and cookies to our office with notes of encouragement, and supporters in the community held a solidarity rally

outside of our office on the Monday before the election. In the end, the fact that the union busters had all the money and all the time to spend working on those workers who they knew were weak spots almost paid off for them. The vote on March 6 was seven-to-six in our favor. We would have liked to have had a stronger majority, but apparently all but one of the people who weren't already on our organizing committee succumbed to the shameless anti-union campaigning. Based on that, I'd say the union lost the six-week public campaign, but it didn't matter because we had won the three-year campaign.

The biggest challenge is ahead of us now—the bosses are now going to focus all of their energy on continuing to divide the people in the office and on making the union look ineffective. We now have to focus on staying positive, healing the rifts caused by the campaign, and learning how to function as a certified union. This has all been a learning experience, but the new territory ahead of us is going to be an even bigger and more important learning experience.