

Future Money

REVIEWED BY JOHN RATTRAY

Most people have tended to consider questions of money – apart from the feeling that one could do with a bit more of it – as complicated matters best left to the experts. The financial crises of the last few years have led to some fairly widespread doubting of this, and the emergence of campaigning groups such as Positive Money in the United Kingdom show that public opinion is changing in some quarters.

One person who has long been ahead of the game is James Robertson, who is a major authority on the subject of monetary reform. In the wake of the banking and debt crises, views such as his, previously seen as esoteric or even eccentric by many, are coming to be seen as sensible and even essential if we are to solve the enormous problems of our financial systems. In his latest book, *Future Money – Breakdown or Breakthrough*, he gives us a potted, but comprehensive, history of money, beginning in the days of the Old Testament and Ancient Greece, and pointing out some useful lessons en route. He also considers the relationship (or lack of it) between economics and ethics. In the second part of the book he puts forward his own proposals for reforming the money system, both nationally and internationally, while also considering the scope for local currencies.

Money has traditionally been described as a unit of price, a means of exchange and a store of value, but to Robertson it is far more than the neutral mechanism therein suggested. He draws attention to the power exercised by those responsible for issuing money. This power, he believes, tends to transfer money and wealth from poor individuals and countries to rich ones, and to encourage maximisation of the exploitation of natural resources, leading to the ecological problems and potential future scarcities with which we are nowadays becoming all too familiar.

Most early money systems were physically based, usually on gold or silver coins. Since the development of paper money, and now electronic money, this is no longer the case. But it continues to surprise most people to learn that the overwhelming majority of our

money is not brought into being by the government, but is created by the commercial banks as interest-bearing debt, under what is known as the fractional reserve system, with the interest accruing to the banks when the debts are repaid. In the UK for example - and this is typical of advanced economies - only 3% of our money is created by the Bank of England; the remaining 97% is created by the banks.

Robertson makes a strong case for the power to create money to reside solely (in the case of the UK) with the Bank of England, who would transfer the money to the Government, who in turn would spend it into circulation. The commercial banks would then compete in the marketplace for borrowing and lending the money already in circulation. The resulting lower debt and interest costs for the rest of the economy would be generally beneficial. Perhaps the feeling that one could do with a bit more money would not be so acute!

He also examines the possibility of a National Dividend or Basic Income Scheme, mooted originally by the Social Credit movement and more recently in modified form by the Green Party. Along with this, he also proposes shifts in the taxation system, away from taxing labour through income and value-added taxes, and towards taxing polluting and resource-depleting activities. In this connection he also gives a sympathetic hearing to the idea of land value taxation as originally expounded by Henry George.

In this book Robertson does not address the subject of the monetary union on which the European Union has embarked, although he has said elsewhere that it would be "a deeply undemocratic act" for Britain to replace the pound sterling with the euro. He acknowledges in this book a debt of gratitude to the "small is beautiful" ideas of E.F. Schumacher, whom he knew, and would seem to have a clear preference for smaller rather than larger political and economic units.

This book is to a large extent a distillation of James Robertson's work to date; it is thorough and scholarly, while also being accessible to the general reader, and a valuable source for the experienced student or seasoned campaigner. As well as a full index, it contains an extensive appendix linking numerous organisations and individuals pursuing these or similar themes.

Future Money - breakdown or breakthrough

James Robertson

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JOHN RATTRAY has been and continues to be active in a number of Green and Eurosceptic organizations and campaigns.