PositiveMoney


‘The fish is the last to know water’


Waterstone's

How dependent are you on money?

(a little, a lot)

How likely are you to get into debt into the future?

(not likely, highly likely)

Money Equals Power

(agree, disagree)

Where does money come from?

(I have a strong idea, I have no


Who will create the money?

Where does money come from?

and why does it matter?

INEQUALITY

Why is the gap between rich and poor getting bigger?


FOOD BANK

GETCO
UNITED

HOUSING

Why are prices too high for people to afford?

ENVIRONMENT

What’s stopping us tackling climate change?

Where does money come from?


£20
Bank of England
I PROMISE TO PAY THE BEARER ON DEMAND THE SUM OF TWENTY POUNDS
LONDON
FOR THE GOVERNOR AND COMPANY OF
THE BANK OF ENGLAND
CHIEF CASHIER
© THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND 2006
Twenty
Pounds
20
EIIR
20


97%
3%
from the Bank of England

most money is created by...

Lloyds TSB

Santander

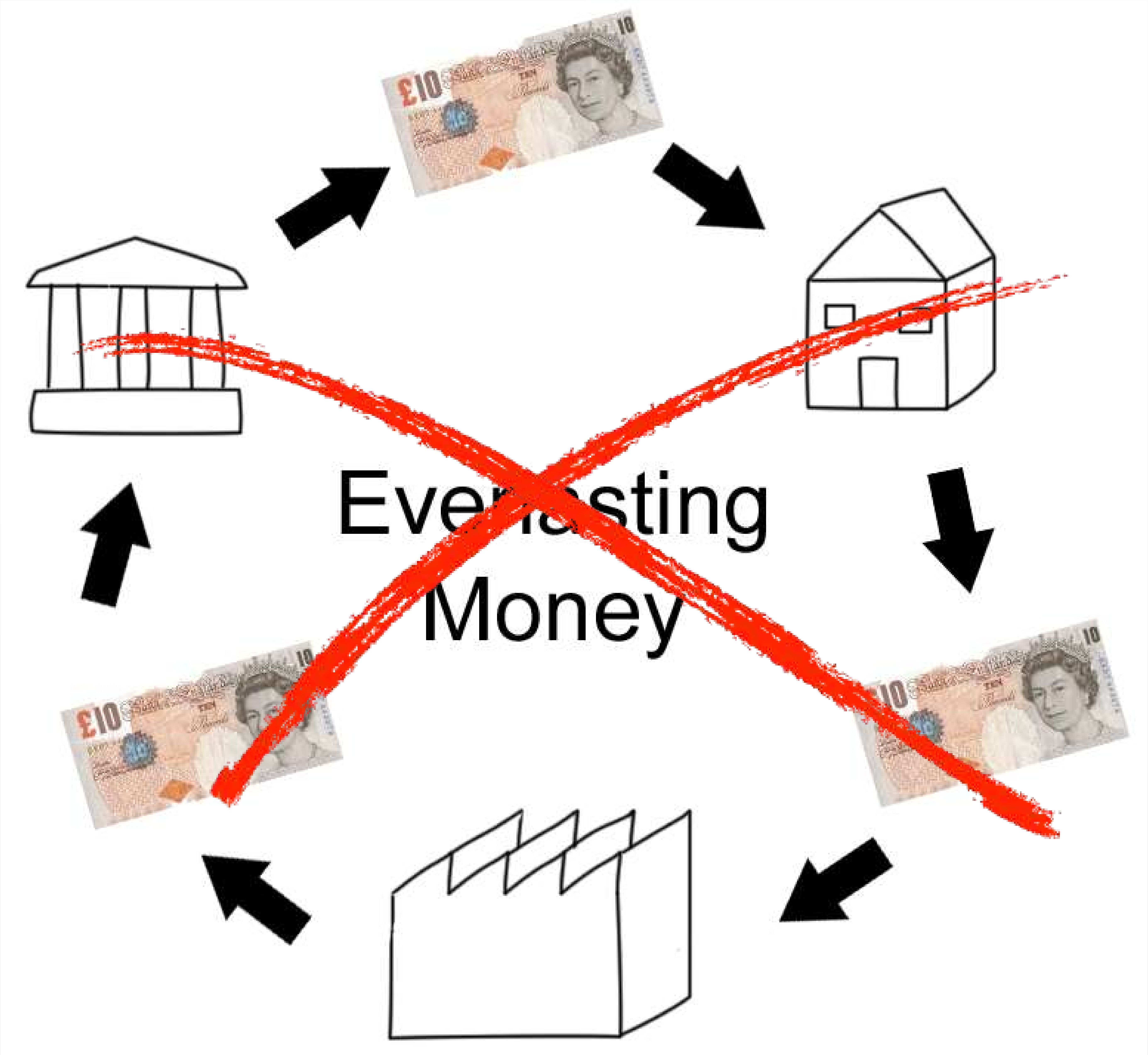
RBS
The Royal Bank of Scotland

BARCLAYS

HSBC

HALIFAX


97%
3%
£20
TWO POUNDS
R.TREVITHICK
2004


Everlasting
Money


SAVER
BANK
BORROWER

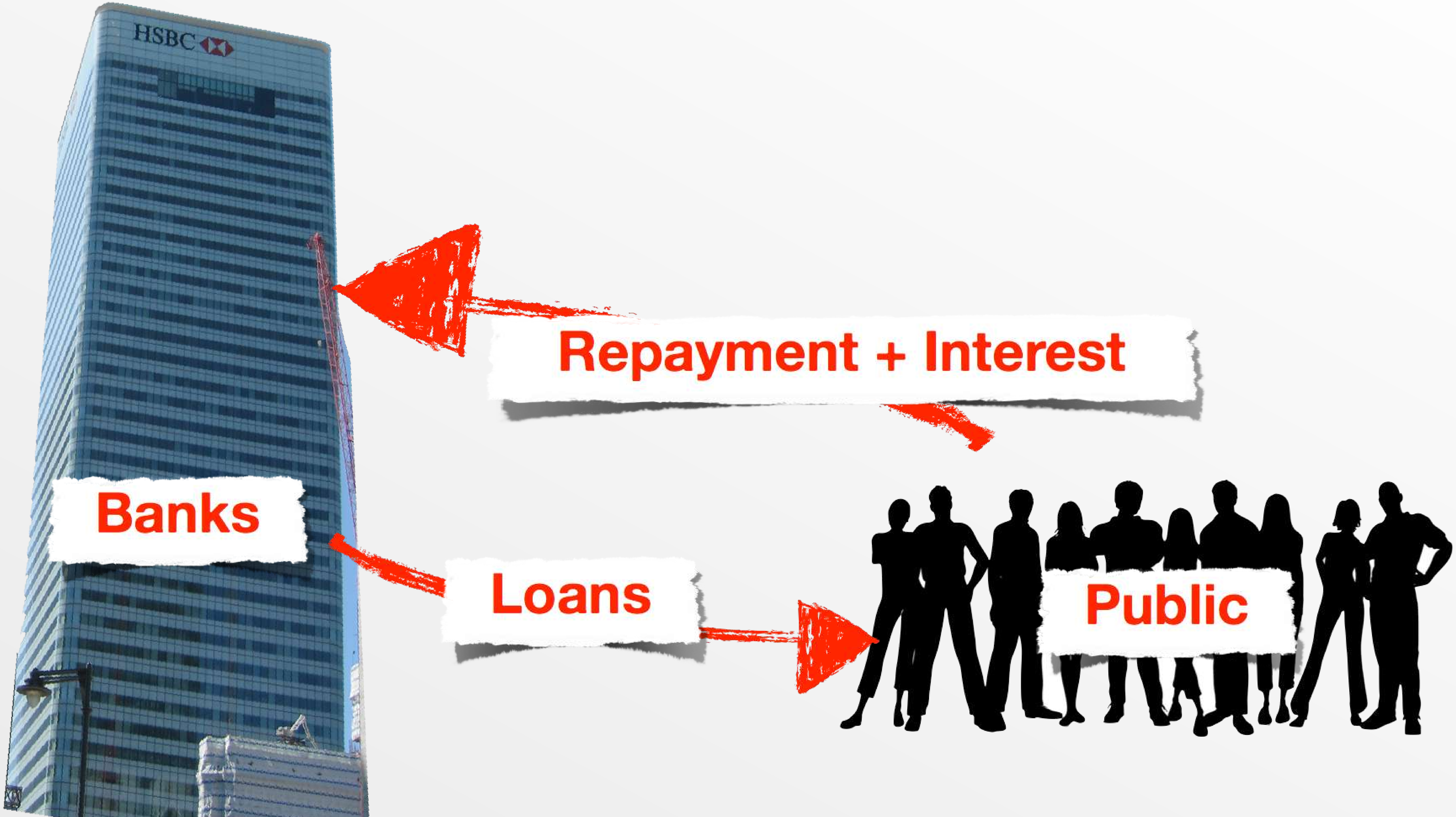
“The process by which banks create money is so simple that the mind is repelled.”

Professor John Kenneth Galbraith, Economist

"In the modern economy, most money takes the form of bank deposits. But how those bank deposits are created is often misunderstood. **The principal way in which they are created is through commercial banks making loans**: whenever a bank makes a loan, it creates a deposit in the borrower's bank account, thereby **creating new money**. This description of how money is created differs from the story found in some economics textbooks."

how much have they created?

£ BILLIONS
2500
2000
1500
1000
500
0
BANK-ISSUED MONEY
CASH
1964
1968
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012
£29bn
£107bn
£495bn
£857bn
£2,185bn


HSBC
Repayment + Interest
Banks
Loans
Public

Total Interest

£108bn - £217bn a year

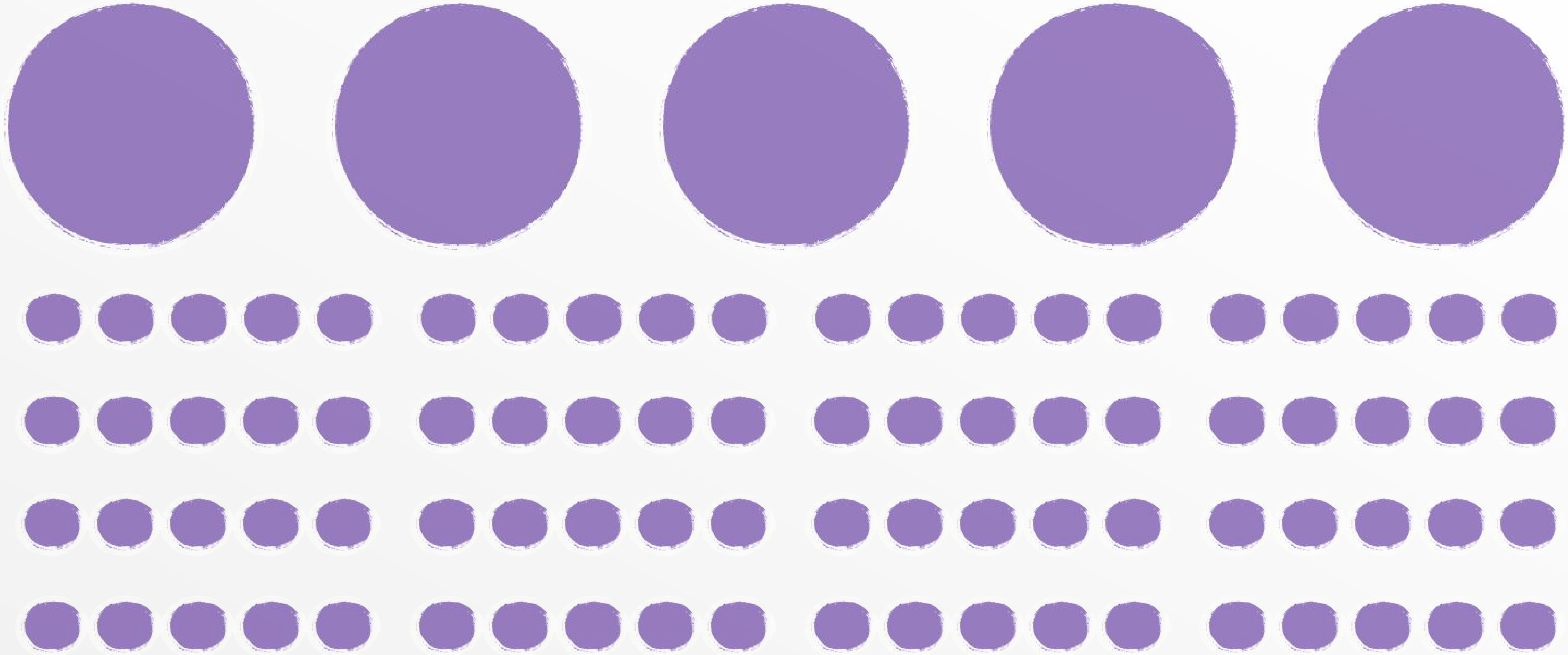
Average per person:
£2,400 to £4,822

Loans

What happens to the money they create?

who decides
how to use the
new money?

5 largest banks



78 board members

2002-2007

allocated £2.9 trillion

WHERE DID THE MONEY GO?

INCREASE IN LENDING 1997-2007

40%

Housing

37%

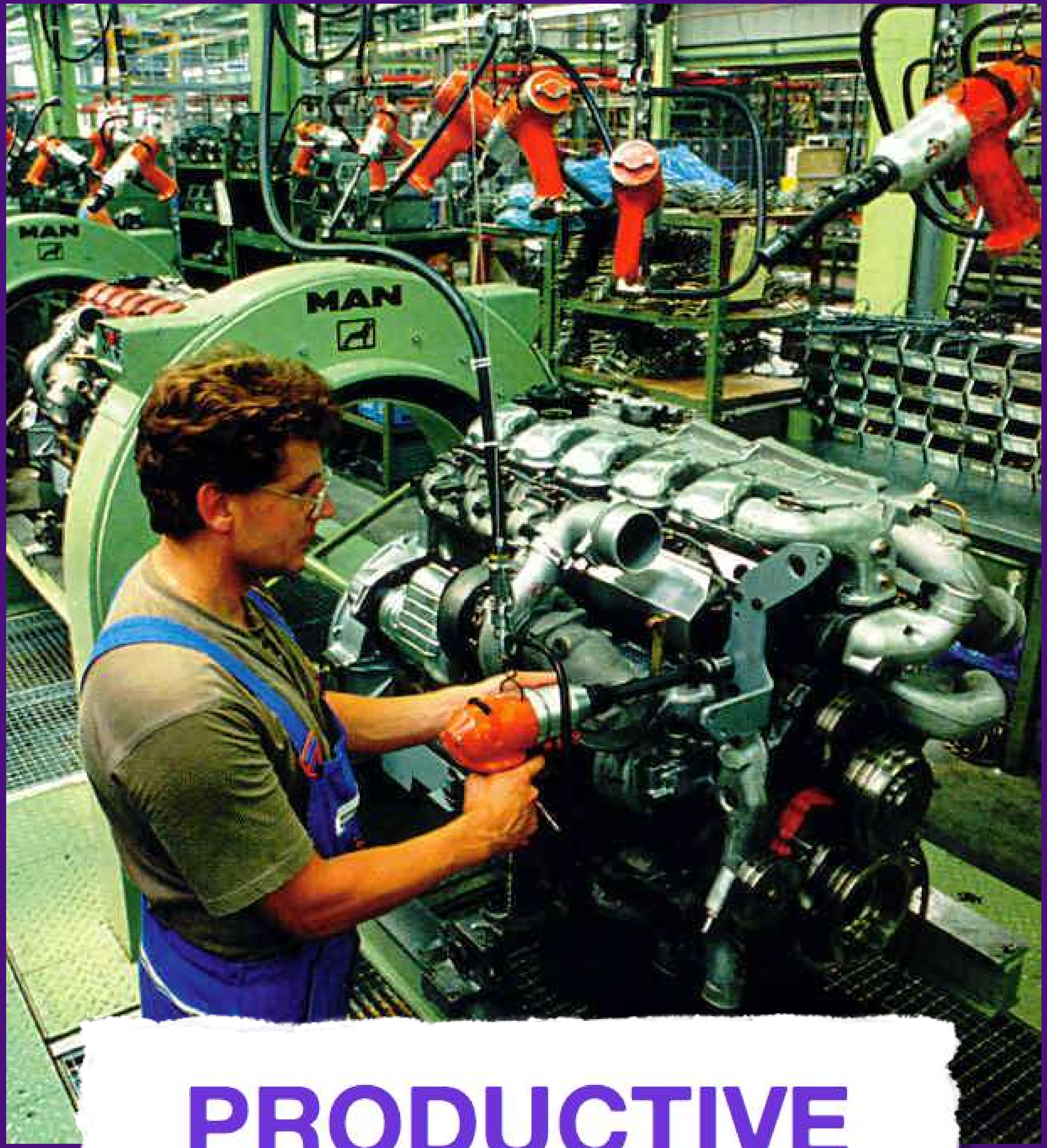
Financial

13%

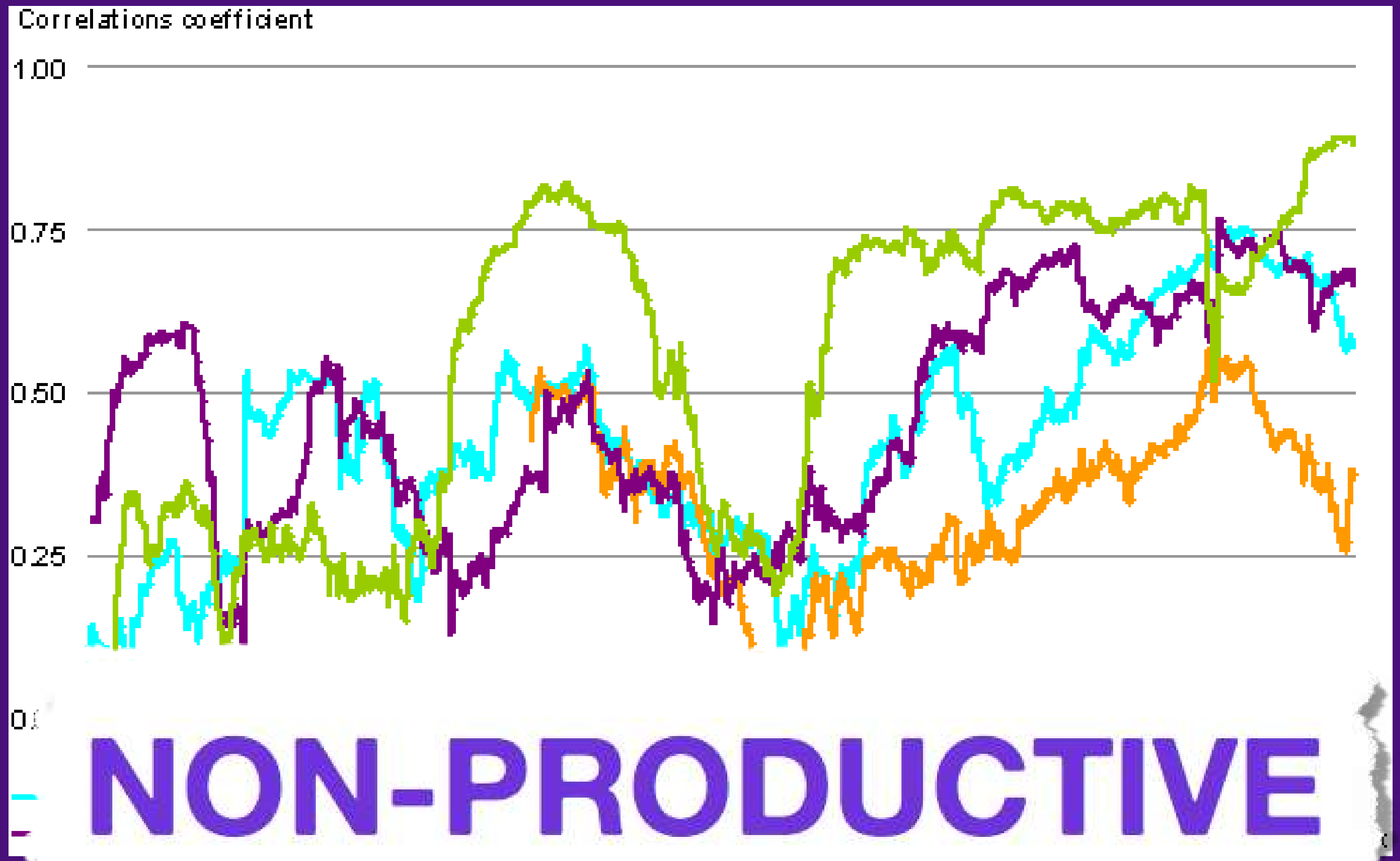
Non-financial business

10%

Credit cards and personal loans

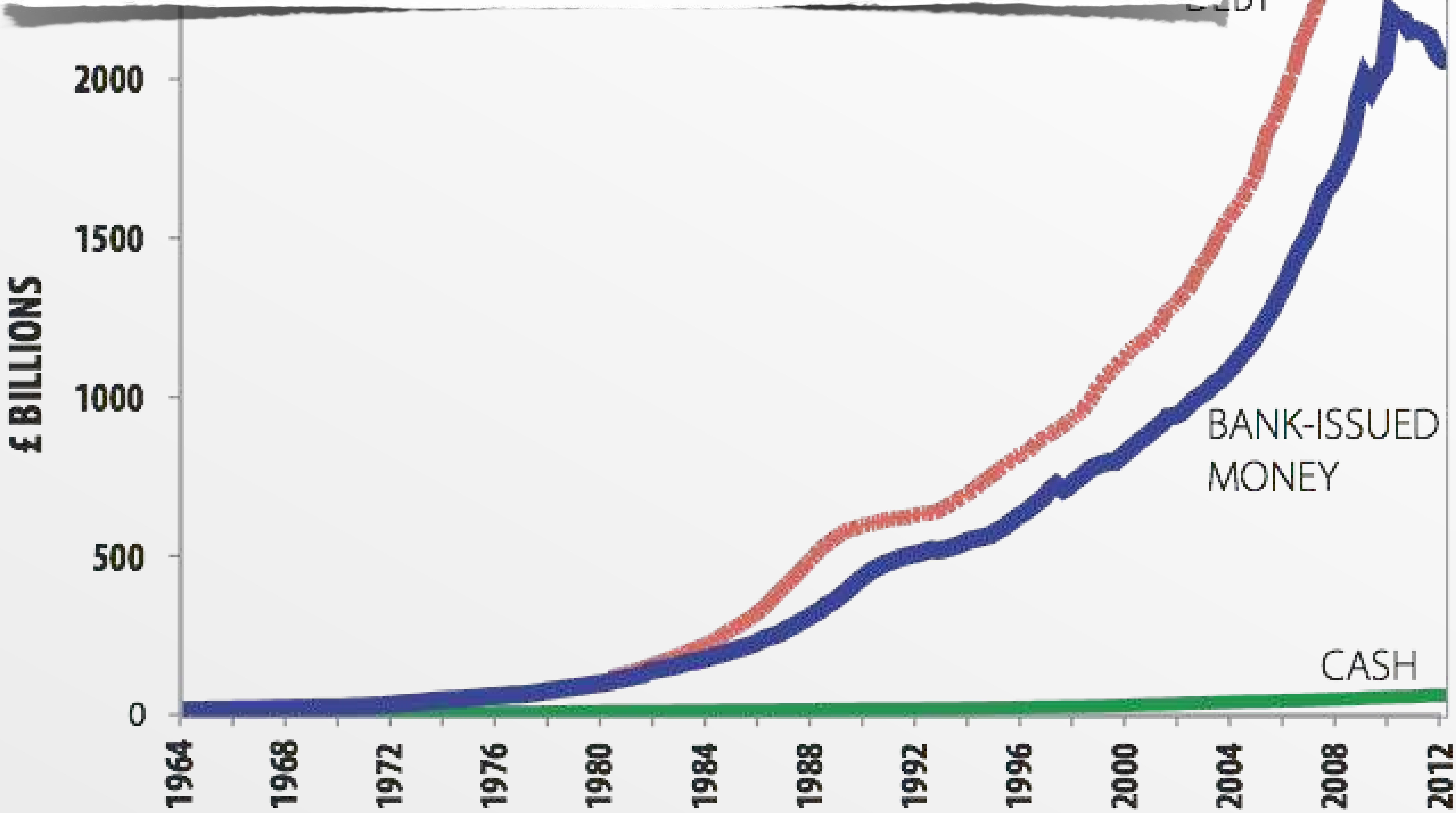


PRODUCTIVE



NON-PRODUCTIVE

Indebtedness...



If banks don't lend...

...there is no money

News

GOT A STORY? EMAIL: TALKBACK@THE-SUN.CO.UK

Lend, you bankers

THE RULES

MORE MONEY ☛ MORE DEBT

LESS DEBT ☛ LESS MONEY

We need:

LESS DEBT & MORE MONEY

Impossible.


“Of all the many ways of organising banking, the worst is the one we have today.”

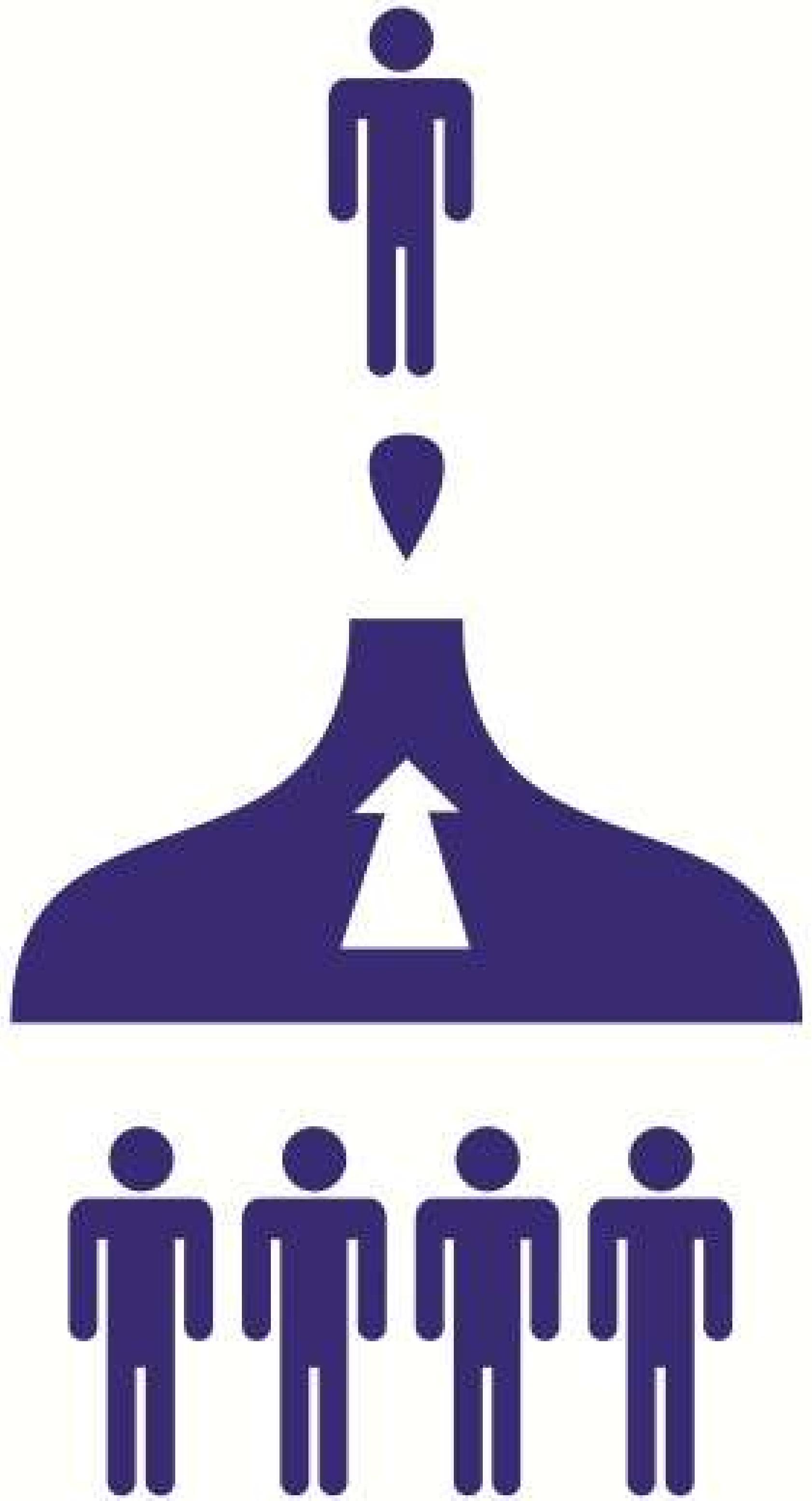
INEQUALITY

Why is the gap between rich and poor getting bigger?

MYTH

Instead of money trickling down from the very rich to the rest of us...

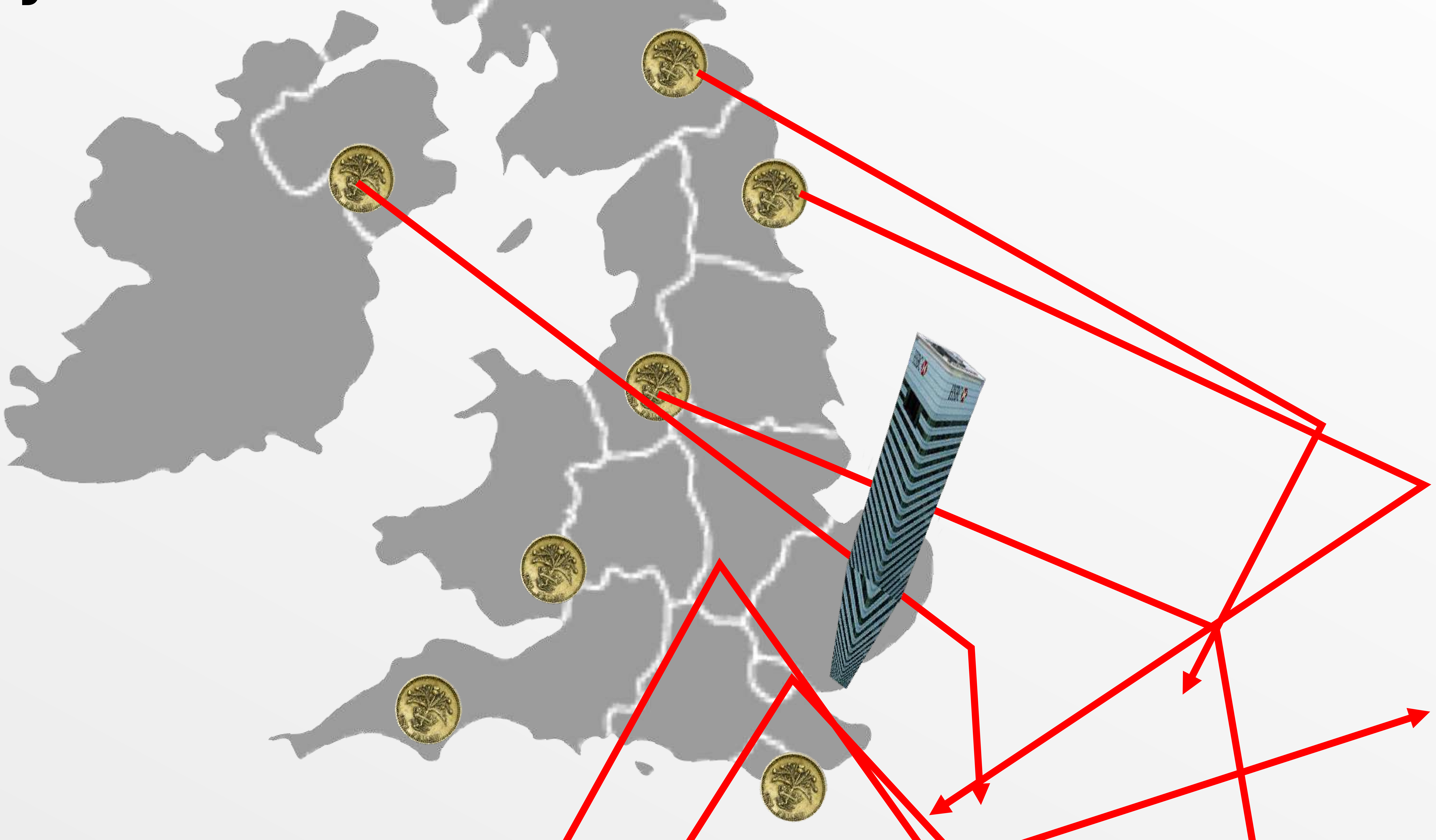
REALITY



...It's sucked up to those at the very top.

he system distributes money from the bottom 90% to the top 10%

It transfers money from the rest of the UK to the City of London



RICH

POOR

Debt to assets which appreciate

Debt to consumables which depreciate

HOUSING

Why are prices too high for people to afford?


(Relative to 1991)
Index
600
500
400
300
200
100
0
1991
1992
1993
1994
1995
1996
1997
1998
1999
2001
2002
2003
2004
2005
2006
2008
2009
2010
Population
Housing Stock
Lending Secured on Dwellings


1996
2000
2004
2008
Average House price
£51,000
£78,000
£140,000
£179,000

5,000 made homeless every year

3.9m families only have enough savings for one month’s rent/mortgage

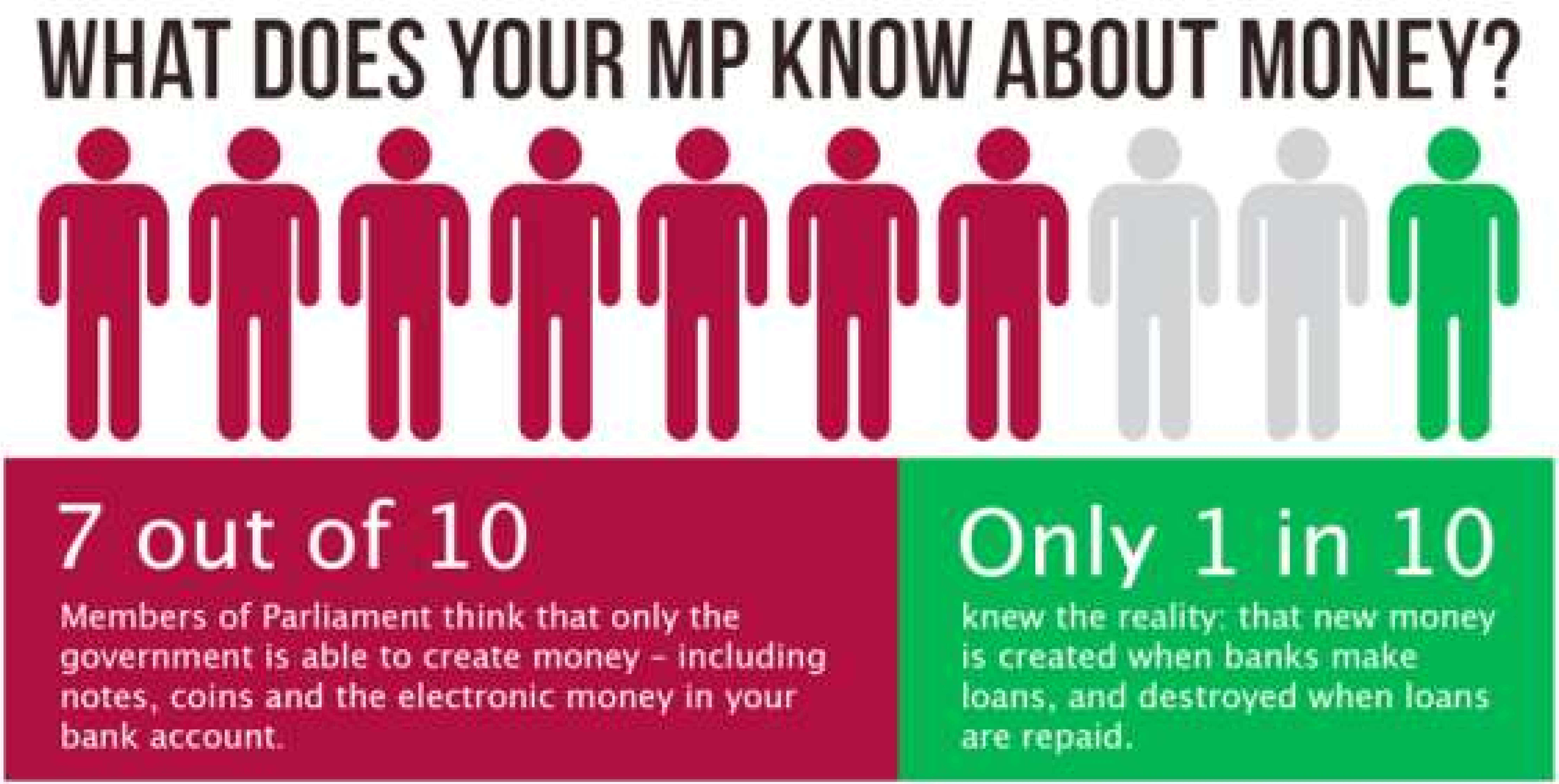
The poorest 10% owe 4x their household income.

DEMOCRACY

Debt-based money weakens democracy as nations become heavily indebted.

5 YEARS LEADING UP TO FINANCIAL CRISIS

GOVERNMENT SPENT £2.1 trillion
COMMERCIAL BANKS LENT £2.9 trillion


WHAT DOES YOUR MP KNOW ABOUT MONEY?
7 out of 10
Members of Parliament think that only the government is able to create money – including notes, coins and the electronic money in your bank account.
Only 1 in 10
knew the reality: that new money is created when banks make loans, and destroyed when loans are repaid.

ENVIRONMENT

What’s stopping us tackling climate change?

1. Banks create our money, so they decide how to use it.
2. No transparency over how your savings are used
3. Boom and bust leads to short-termism

We don’t like growth…..

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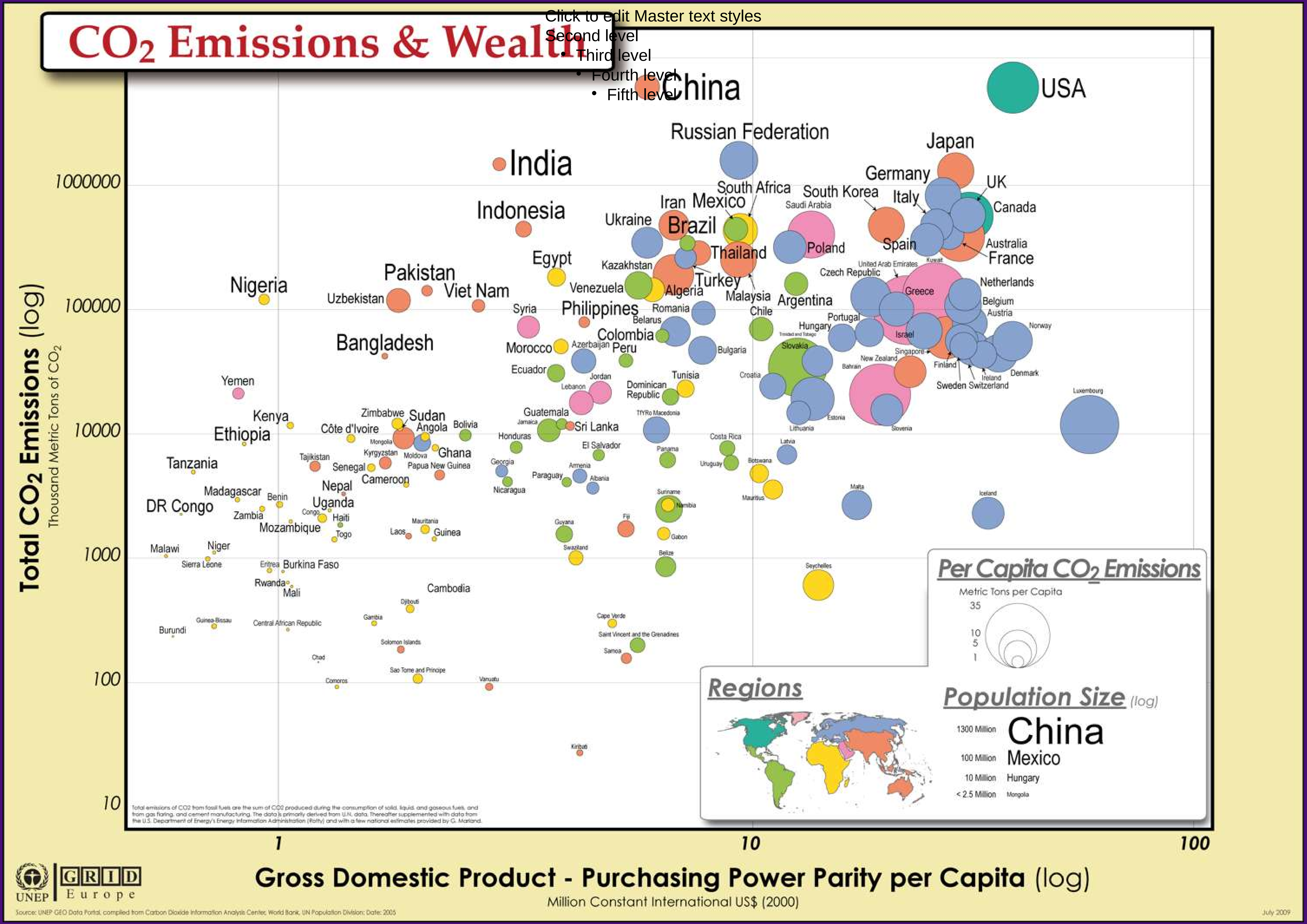
Second level

- Third level
  - Fourth level
    - Fifth level



DECOUPLE?

WHY DOES DEBT DRIVE GROWTH?

- Debt repayments
- Asset price bubbles
- Loan repayments
- Indebtedness

GOOD VS BAD GROWTH

Could it be different?

HOW CAN WE CHANGE IT?

SOVEREIGN MONEY

CURRENT SYSTEM	SOVEREIGN MONEY
Money created by banks	Money created by Bank of England
Created with debt attached	Created without debt
Put into property and financial markets	Put into real economy
Too much / too little	About right

COMMENT

Strip private banks of their power to create money

Martin Wolf

Printing counterfeit banknotes is illegal, but creating private money is not. The interdependence between the state and the businesses that can do this is the source of much of the instability of our economies. It could – and should – be terminated.

I explained how this works two weeks ago. Banks create deposits as a byproduct of their lending. In the UK, such deposits make up about 97 per cent of the money supply. Some people object that deposits are not money but only transferable private debts. Yet the public views the banks' imitation money as electronic cash: a safe source of purchasing power.

Banking is therefore not a normal market activity, because it provides two linked public goods: money and the payments network. On one side of banks' balance sheets lie risky assets; on the other lie liabilities the public thinks safe. This is why central banks act as lenders of last resort and governments provide deposit insurance and equity injections. It is also why banking is heavily regulated. Yet credit cycles are still hugely destabilising.

What is to be done? A minimum response would leave this industry largely as it is but both tighten regulation and insist that a bigger proportion of the balance sheet be financed with equity or credibly loss-absorbing debt. I discussed this approach last week. Higher capital is the recommendation made by Anat Admati of Stanford and Martin Hellwig of the Max Planck Institute in *The Bankers' New Clothes*.

A maximum response would be to give the state a monopoly on money creation. One of the most important such proposals was in the Chicago Plan, advanced in the 1930s by, among others, a great economist, Irving Fisher. Its core was the requirement for 100 per cent reserves against deposits. Fisher argued that this would greatly reduce business cycles, end bank runs and drastically reduce public debt. A 2012 study by International Monetary Fund staff suggests this plan could work well.

Similar ideas have come from Laurence Kotlikoff of Boston University in *Jimmy Stewart is Dead*, and Andrew Jackson and Ben Dyson in *Modernising Money*. Here is the outline of the latter system.

First, the state, not banks, would create all transactions money, just as it creates cash today. Customers would own the money in transaction accounts, and would pay the banks a fee for managing them.

Second, banks could offer investment accounts, which would provide loans. But they could only loan money actually invested by customers. They would be stopped from creating such accounts out of thin air and so would become the intermediaries that many wrongly believe they now are. Holdings in such accounts could not be reassigned as a means of payment. Holders of investment accounts would be vulnerable to losses. Regulators might impose equity requirements and other prudential rules against such accounts.

Transition to a system in which money creation is separated from financial intermediation would bring huge advantages

Third, the central bank would create new money as needed to promote non-inflationary growth. Decisions on money creation would, as now, be taken by a committee independent of government.

Finally, the new money would be injected into the economy in four possible ways: to finance government spending, in place of taxes or borrowing; to make direct payments to citizens; to redeem outstanding debts, public or private; or to make new loans through banks or other intermediaries. All such mechanisms could (and should) be made as transparent as one might wish.

The transition to a system in which money creation is separated from financial intermediation would be feasible, albeit complex. But it would bring huge advantages. It would be possible to increase the money supply without encouraging people to borrow to the hilt. It would end "too big to fail" in banking. It would also transfer seignorage – the benefits from creating money – to the public. In 2013, for example, sterling M1 (transactions money) was 80 per cent of gross domestic product. If the central bank decided this could grow at 5 per cent a year, the government could run a fiscal deficit of 4 per cent of GDP without borrowing or taxing. The right might decide to cut taxes, the left to raise spending. The choice would be political, as it should be.

Opponents will argue that the economy would die for lack of credit. I was once sympathetic to that argument. But only about 10 per of UK bank lending has financed business investment in sectors other than commercial property. We could find other ways of funding this.

Our financial system is so unstable because the state first allowed it to create almost all the money in the economy and was then forced to insure it when performing that function. This is a giant hole at the heart of our market economies. It could be cl
provision o
function of
provision o
the private

This will
remember
next crisis
will – we

martin.wolf

advantages. It would be possible to increase the money supply without encouraging people to borrow to the hilt. It would end “too big to fail” in banking. It would also transfer seignorage – the benefits from creating money – to the public.”

Martin Wolf
Chief economics commentator, Financial Times




20+ COUNTRIES

Who else is considering Sovereign Money?

Iceland

Switzerland

Denmark

UK

Green Party

monetary
central
ntify
sks;
cular


Today 97% of all money in the economy is created by **private** banks out of nothing and **lent** to us at interest.
IT IS NOT A LAW OF NATURE THAT WE HAVE TO HAVE A DEBT-BASED MONEY SYSTEM
IT CAN BE REDESIGNED