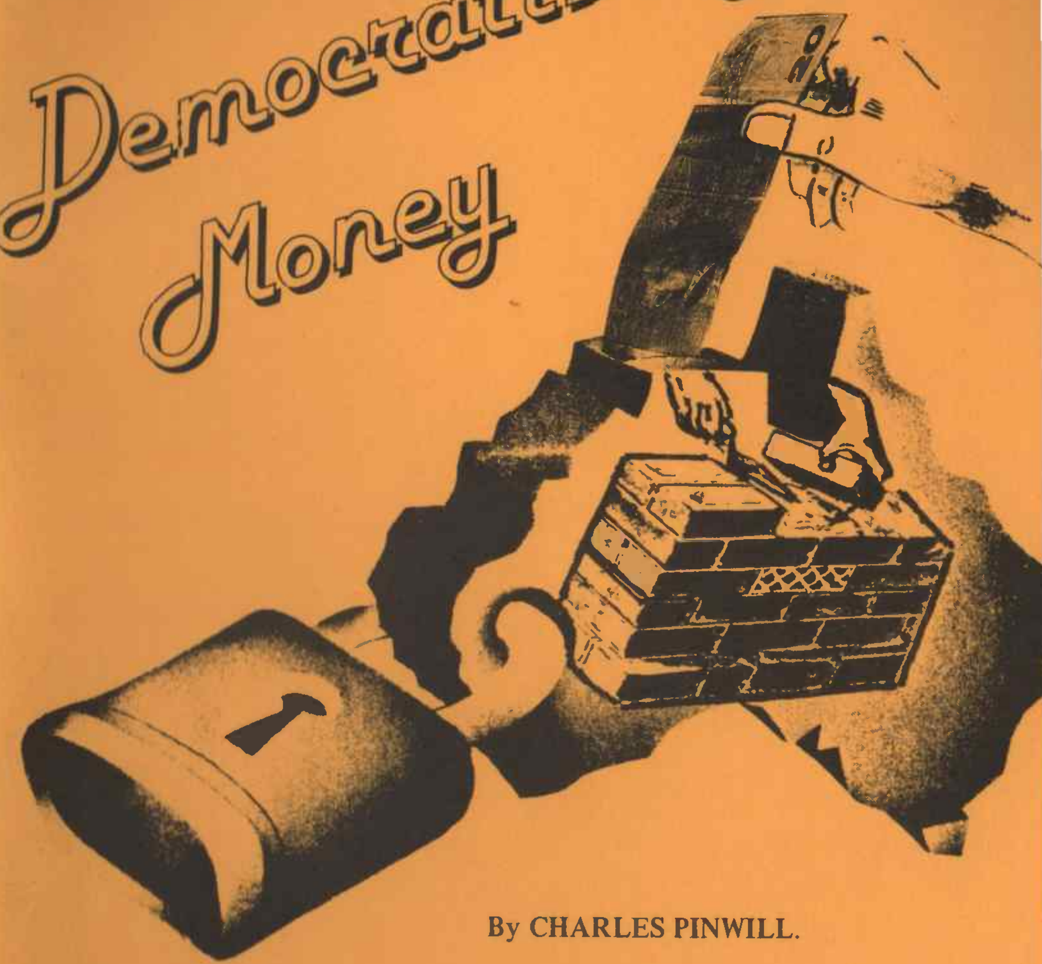
Democratising Money



By CHARLES PINWILL.

PREFACE TO THE FIRST EDITION

By early 1990, at the time of first publication, democratic acclaim had approached almost universal dimensions among the peoples of the world.

In the West this had been so since the defeat of Nazism in 1945. In the East both popular uprising, and the realisation by leadership that passive non-co-operation has placed their States in economic checkmate, have brought historic shifts towards free (or more free) elections.

In the Third World, where the stronger cultures are imitated, while democracy is still often subject to gross imperfections, primarily due to the illiteracy of large sections of their populations and unsophisticated information infrastructures, democracy is at least the most popular form of government, or form of pretense by governments.

Yet in the East all Democrats are apprehensive lest a free vote be so confined, as to leave the bureaucratic State effectively in command of the substantive powers; the media, the police, the parameters of consumer choice, etc..

While in the West, there has never been less satisfaction with their representative systems; not because they are representative, but because in a myriad of areas they are not. Be it levels of taxation, increasing Government indebtedness, immigration policy, a centralised private media ownership, or the deferral of Governments to international pressures contrary to popular will, a great unease is awakening at misrepresentation.

Various offending parties are identified in the popular understanding of this problem. Multi-national Companies, "the media", Trade Unions, and the collusion between Political Parties to defeat effective policy making by citizens, are but four suspect entities.

Yet, beneath all this there is a sleeping giant; the awesome power of inducement which is the almighty power of money.

When this giant breathes, the very economic ground under our feet moves. Boom or recession, bankruptcy or prosperity, employment or want, increasing debt, inflation, taxation or interest rates; these are his domain. The peoples of the world, democratic or not, walk in timid obedience to his mastery; mute servants to his every mood.

The Lord high god of consumer choice, and of the industry which serves it, the omnipotent One True Mammon; the Banking System, has all at its command.

Yet it need not be so!

The big picture of the twentieth century, has been one of popular effort to break economic dictatorship, or mitigate its ruthlessness.

The moral support for Communism in the early twentieth century fed on this, and led the misguided to betray it into tyranny. Lenin seized the banking system of Russia as the mechanism to dictate, as he explained, 90% of economic policy. The power of money and the power of the gun thus came to rest in a single elite. From that point forward, the only "inevitability" about communism was its present impasse.

One cannot remove (centralise) responsibility away from a people without inevitably bringing in its train public irresponsibility and decline.

No socialist movement has ever sought to democratise money into the hands of citizens, but has laid this decisive power at the feet of the State, and become its slave.

In life there is a dynamic. Democracy cannot stand still. We must seize this opportunity at the close of the twentieth century to expand its application, or it will be diverted into its antithesis through the public reaction to its failures. This hour of greatest opportunity is also, if neglected, potentially one of greatest danger.

Many initiatives are brewing to further democratise political power, not the least of which is visible in the rising support for the right of citizens to initiate referendums, to veto or propose legislation, now evident in Europe, the United States and elsewhere.

Yet at the time of writing not one man in a thousand could outline the concept to "democratise money", nor has ever heard

of it.

Historically, the time is now come. The developments of political democracy, and the rising literacy levels and mans of communication, have brought this moment. The stone is now cast into the waters.

May those who would be free ride upon its ripples and waves to a safer, freer shore. We've nothing to lose save our impossible indebtedness.

To the cynics amongst us who will say (correctly) that banking is nine-tenths of the centralised power in the world, we will counterpoise the decentralised initiative of a million, and a hundred million, free and informed men and women.

The non-bank financial houses and industry will in time come to realise that their interests lie with their clients, not with Banks. With this realisation they will form common cause with the citizenry to democratise money.

The last of the three great sanctions in human affairs, is about to fall to the people.

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Democratising money

Democratising money? What's democracy? What's money? And how can we possibly democratise money?

First of all we have to understand something about what democracy is, and although I am not going to give you an extensive lecture on democracy — although of course the subject is worthy of one — we have to spend some time on it.

If you ask somebody what democracy is, the most normal definition given is: "Oh, that's where people vote." And that's true. But if you pressed a little harder, and said, "Well, what about in the 1930's, when there was a gentleman called Joe Stalin running the Soviet Union, and everybody voted, at least 98.5% voted for Joe Stalin's nominees; there didn't happen to be any other candidates, and if you didn't vote for his nominees you may well be shot". Is that democracy?

Well! Who brought him? That's not democracy. No way!

So democracy is more than just a vote. Democracy involves a vote, certainly. But a vote in which an effective sanction for each person, to have his or her just share in power and decision making, is enabled.

A vote is a way to a decision, or a choice behind the mechanism.

The second most common definition of democracy is, "Well, that's majority rule".

Last century, the foremost and most-quoted constitutional authority, a gentleman called Dicey, often used theoretical propositions to illustrate points, and he maintained that if a Parliament passed a law, that all blue-eyed children should be put to death at birth, then that would be a perfectly legal piece of legislation. Legal or not, we know most certainly that it is not democracy.

Democracy, with its sanction for each person to have his or her just say in power, involves respecting minorities, and respecting the right of minorities to have their just say also. Decisions in democracies must be made by individuals, as individuals, and not by mobs who are harangued by demagogues into some emotional "Yea" or "Nay".

Democracy is not Mob-ocracy.

Democracy in the West was centred around lawful authority. And it was primarily developed by the British around a constitutional monarchy. It was not developed by any mob-ocracy. In Australia this continues to be the case, where the monarch continues, through her coronation oath, in a context of being loyal to God, and to the people, and the people's will. It does not involve any options to depreciate minorities' rights, or lives or property.

Limits to majority rule

Democracy is confined in some ways. It is confined in that it must only be applied, where the decisions are actually made by those people who are affected by that issue. I don't particularly want my neighbour making decisions about matters that are strictly my business, and he doesn't want me making decisions about his household either. And so in a way, democracy is to some extent a mechanism, whereby my neighbour and myself associate together and agree that we shall limit, through government, and the control of government, the possibility of other people interfering in that business which is properly that of the family or of the individual.

Democracy is also limited in that it only can apply to policies. With democracy we outline the results we want, and we can give them priorities. We can say, "Yes, the foremost thing we want in this community is better roads." But it cannot go beyond that, into telling the engineers and the surveyors and all of the technical people how to do their job. They must be personally responsible, but in a true democracy the individuals in that community make the decision that yes, it will be roads that we will be constructing and not, perhaps, pyramids or Parliament Houses.

A just relationship between individuals and society is what democracy is all about.

Democracy is not any one simple device, but a relationship. Simple mechanisms are needed to carry it, though those mechanisms will not be foolproof. The absence of the secret ballot, for instance, did for a time defeat democracy. The secret ballot, or vote, for government elections is an Australian invention, historically a comparatively recent one, and is still referred to by the Americans as the *"Australian ballot"*.

Whose is the vote?

However once we have a mechanism, and in this case the mechanism of political democracy is the vote, we must then make a decision as to whom that mechanism belongs. Whose is the vote? The early English approach was that you had to be over twenty-one, you had to be a male, and you had to have very substantial property, and be a man of very considerable substance.

Centuries later South Australia was one of the first States in the world to extend the vote to the gentler sex.

There has been a lot of consideration and development given to the question, of to whom the vote belongs. One of Australia's best-known novelists, Neville Shute, made his contribution in his novel, *"In the Wet"*, where he had an old Australian, on his death-bed and hallucinating about the future of his country. He saw the need for a tremendous increase in the responsibility of voters. And he made a novel suggestion. He suggested that everybody should get one vote, but then on top of that, there would be others that could be given. Those who were raising a family, or who had raised a family, would be given a second vote, because that indicated they had extra responsibilities in the community. Those people who owned their own homes, maintained their own homes, or were paying one off, would get a third vote, for the same reason. Those who served in a military way to defend their country, or gave notable service to a charity, may get others. And finally, very occasionally a particular person may get a total of seven votes. The last one in his proposal being conferred by the community itself, as an honour to those who had given greater service.

I am not raising this proposal in order to advocate it, but simply to indicate that there is a decision there that has to be made. The current Australian decision is that every Australian, eighteen years of age or over, will get one vote, and only one vote. On balance I think that's a good decision, and probably the best one. However, a decision has to be made, and that decision must reflect, and always will reflect, what is perceived to be a just relationship within the community.

If we went back to the early English experience, where only the substantial landowners had a vote, that would be perceived now, quite correctly, as a gross injustice. But nevertheless, in its initial development, it was a tremendous advancement for democracy because it began to expand responsibility, and it began to institute the concept of government with the consent of the governed.

Makers keepers

I would like to make another proposal, just to see how you react to it.

If you have ever taken a number of children on a bushwalk and picnic, you will notice that some of them will pick wildflowers, and others will gather dry reeds and make little baskets, and collect things. When it comes time to go home, you may find a little reed basket with some wildflowers in it, and you pick it up and say, "Who's is this?", and they all say, "Oh, that's Mary's". "Is this yours, Mary?". "Yes, that's mine.". We all agree it is Mary's. Why is it Mary's? Because she made it. Natural justice is in operation.

Now let's face it, when we go to elect a government, who makes the ballot papers? The Electoral Office. If it wasn't for the Electoral Office, there would be no votes. So the Electoral Office makes all the votes, they create all the ballots. So here is another proposal for you.

The Electoral Office should cast all the votes.

But of course, votes are not like goods, are they? A vote really is an invention out of our own minds. It is simply a concept, developed into a mechanism, to indicate choice, whereby certain people, it is agreed, can make a choice.

A vote is different, isn't it, from the paper on which it is

written. They are different things. One is a piece of paper — a mechanism — the other is a choice by a free person, acting in his own interests.

Now I hope you agree that this proposal, to give the Electoral Office all the votes, is ridiculous. I think it is absolutely and completely ridiculous, and would be a tremendous tyranny. Please don't forget this matter of the Electoral Office, because I am going to draw you back to it, as a proposal, a little later.

The three sanctions

Dr. Thomas Szasz, a well-known though controversial psychologist, observed in passing in one of his addresses here in Australia only a few years ago, that there are only three sanctions in human society.

The first one, he said, was the gun. Compulsion. Raw, naked compulsion. Naked political power. And what is the answer to that, and how are we to control it, in order to have something called democracy? The vote.

The second sanction, is the power of inducement. In most circumstances inducement is more powerful than compulsion, because all men are universally open to inducement, and it doesn't create as many enemies. We have a mechanism of inducement, and it's called the Australian Dollar.

And the third and final sanction, is described as the Word. The word can change people's minds. Words can enthuse us, convince us, depress, encourage us, inspire, despair or entertain us. The word is a sanction, which can be exercised over human minds.

Well, who owns words? We do have something called Copyright, it is true. But that only applies where words are put together in a particular and unique and original sequence. There have been people who have invented words. George Bernard Shaw, for instance, he invented a word. It is the longest word in the English language. It is "*Antidisestablishmentarianism*"! Now, don't ask me what it means; I don't know why anybody would ever want to use such a word, but if you like it, you can have it, it's yours!

Words, you see, are free. They are a tremendous mechanism for communication, and they represent a real sanction in human society. But of course, educating us in their use is not free, and society has recognised that. Someone must pay, someone must teach, and someone must provide the written word and other facilities.

So we have developed a concept of the right of every child to a free education, or what's called a free education, so that all individuals, since they are exercising a vote, can be properly informed and therefore can properly exercise that responsibility. Thus we instruct our children so that they shall know words, be able to spell them, be able to write them, that they shall be able to properly use them and pronounce them, be able to read them, and beyond all, be able to understand them.

Free education is an integral part of democracy in a free society. Where all vote, all obviously need access to information, and it is interesting that the vote followed literacy. It did not precede it. In a society like the early English one where fewer people read, fewer people voted, but after everybody was able to command reasonably well that sanction of the word, then the moral persuasion that these people were responsible and had access to knowledge, could not be denied, and so the vote was extended universally.

Enormous care, effort, and sacrifice have been given through the ages, and applied to ensuring that the sanction of the vote and the sanction of the word, were available without charge to all free men. The vote controlled political power, and through political power controlled all of those other powers, like monopoly industry, or corruption in the Police Force, or organised crime, and much else. The vote was also used to make sure that every individual could make up his own mind, through being freely informed with a free press, in a highly literate society.

The sanctions of the vote and the word were both, in their own way democratised, and the one buttressed the other.

However, we have been rather neglectful in the instance of that other sanction, the sanction of the dollar, of the inducement that is money.

Well, what is money? Let's define it.

"Money is anything, no matter of what it is made, or why people want it, which everybody will accept in exchange for their disposable goods and services."

What is money?

When you ask most people what money is, they take out their wallets and wave a piece of paper and say, "That's money!". That's quite right. That is money. But if you went to Japan, and you purchased something and they asked you for some money, and you took that out and offered that, they would say, 'What's here? It's only an old, second-hand jam tin label, rather crumpled, with a lot of squiggly, unintelligible writing on it. That's not money!"

So what makes money money?

Belief.

Only the fact that we believe it's money makes it so. Money is a product, if you like, of faith.

Is rum money? We don't believe that. However if you went back to the first thirty years of the first city in Australia, over 90% of all transactions were done either with rum, or reckoned in terms of rum. Rum was the first money form developed in this country.

Even today, there are people who think that drinking rum is a waste of money! However, there are others of course, with whom I have more sympathy, who believe that it is a very good investment.

Funny money

If you want to look at some of the unusual money forms, you can have a lot of fun. I have a couple of history books at home, which outline literally hundreds and hundreds of them. Wampum shells on the North American continent among the Indians; the early English, using notched sticks. The people of the Santa Cruz Islands used Woodpecker scalps. In northern Siberia it was reindeer; and in the very isolated community on Easter Island, that had practically no domestic animals, it was dead rats, a gastronomic delight.

I can't remember anybody actually using the kitchen sink. But almost everything other than the kitchen sink has been used as money. In the Polynesian islands, for instance, there was a money form there, where an individual coin weighed over fifty tons and was made of stone. At least the thieves could literally never lift them!

The Greek city-States to whom we owe so much in the development of western civilisation, had one of the most efficient military cultures in the world in the city-State of Sparta, and they actively discouraged any form of commerce, because they had plenty of slaves to do all the economic activity. And so when they made coins, they were made out of iron, and they made them to weigh over a hundredweight each, and the difficulty those poor Spartans had in spending a penny you wouldn't believe!

Money developed first, in its very early beginnings, through the use of a commodity. The early Egyptians used grain; in mediaeval Europe they used cattle, and we speak today of "pecuniary" matters, because the Latin word for cattle is "Pecus". We still talk of "salaries", and that comes from the Roman use of salt, the Latin word for which is "Salarium", as a commodity to pay wages. And of course, there was the commodity of gold.

However in many instances, for convenience we moved on from using the commodity itself to use a token to represent the commodity. And so in mediaeval Europe leather discs were developed with a particular cattle brand on them, and the cattleman took his "Pecus" into the market place as a leather disc. It was traded as money, and eventually when somebody wanted a bullock, they brought a disc back to the cattleman and took delivery of the beast.

Of course we developed tokens for gold, or banknotes, and until 1931 in Australia all Australian notes promised to pay the bearer of the note, upon demand, one Sovereign in gold.

The official government of Canada used playing cards, ordinary playing cards. The British Governor found himself in difficulties because he had a lot of troops to pay, and there was simply not enough specie or coin, or any form of money in Canada to pay them, and they were very restless. So he requisitioned the playing cards. The Governor personally signed some of

the denominations, so for instance an Ace might be worth $1,000, and a King $500 and so on. And it worked, and at times it was re-used when specie was short, for over a hundred years.

The credit we believe

And lastly of course, we arrive at this mysterious thing called Credit, i.e. Bank Credit. Bank Credit sounds rather foreboding, but it is not really any different to butcher's credit.

If, as a cattleman, I supplied a beast to the butcher, and he offered to give me a credit in his books for say, $500, and I had an account there and I bought my beef from him, then I might accept that. Instead of using other money, I may on occasions ask the butcher to transfer some of the credit I had in my account, to some other person who also had an account with him. When all parties agreed, payments were sometimes made in this way.

And when that was agreed as a perfectly acceptable mechanism, nothing changed hands, except in those greasy old books which butchers' fingers used to turn over in my childhood, where hundreds of farming families had thirty day accounts with the local butcher.

Bank Credit began with the bank storing gold, and those who wanted could go and get it. The Banks gave receipts for that gold as a token of it, and that token could either be spent, or returned to the banker and the gold procured in that way. However, finally, the bank may open an account for you and any gold, or receipts for gold, you deposited would be credited to your account, and you could transfer it to somebody else, and it was a very convenient mechanism for making payments, and they even supplied you with a book of standard letters, that you just had to fill out and sign, which we now call cheques.

The en-numbered what?

So finally man arrived at the ultimate form of money; the Enumerated Abstraction. Today most of our money exists simply as records in computers. It has no other physical representation at all. It has numbers; it has no set form; though it can be printed out onto a piece of paper. It is not a token; it is just a record. What gives it value, is that we confer value upon it. We believe, for some reason, that a deposit in a bank is money. And so does everybody else, and so we are able to use it as money.

With a political vote, it doesn't really matter what form that vote takes. It may just be a noise. And often in Parliament House, major motions are carried on the voices. "Aye!"; "Nay!". That's a vote. It just needs to be an indication of choice. It may be conveyed as an action. "Those for, raise your right hands!". "Those against?". Or it may be a mark on a ballot paper. Its value, of course, is elsewhere. A political vote's value is in the choice that it grants you.

Well, what about your money? Does it really matter whether your money is a coin or a note, or credit in the computer at the bank? Its value is elsewhere. It resides in the inherent choice that it gives you over goods and services, not in any intrinsic value.

Now we know what we do with political votes, don't we? We hand them out. Everyone gets one each. And there is no charge. Well, the money vote, do we hand those out? Nobody has given me any; and I don't think you have received any, and the mails just aren't that bad. It's no wonder we are here discussing the matter. "Well," some people say, "but look! Money is different from votes." Is it?

Electing the products of industry

Just suppose you have a dollar. You might be lucky to have a dollar. And you go down to the Corner Store. And you walk in and you say, for some odd reason, to a perfect stranger, "Can I have a pie and peas, please?". And he goes and gets it. And when he comes back you say, "Got any hot sauce?", and he says, "No, I've got tomato sauce. Would Soy sauce be alright?". He is deferring to you, isn't he? In fact, he is acting like your servant, and treating you like his master, and he's never seen you before in his life! Why is he doing that?

Because you've got a sanction. Because you have a dollar. Because you have *ordered* a pie. He has been given an order. You could of course have elected to have two sausage rolls instead, or

a cup of chips, or some soda squash. You could have elected any of many things, but you *ordered* a pie. And industry needs orders, and responds to orders. The money vote is a mechanism to control and direct industry, in the same way that a political vote is a mechanism to control and direct government.

When we use our political vote we can choose, for our sins, to have a Labor representative, or a National, or a Liberal, or perhaps even a Citizens' candidate. Somebody says it is a bit like marriage, you takes your pick, and you pays your price! The price of a pie is $1, and if it's a bad pie, perhaps indigestion.

You see the ballot paper and the money paper are simply mechanisms. Both are sanctions. Real sanctions. And both are abstractions, organised to indicate choice. Both are man-made. Neither the political vote nor the money vote grows on trees. The political vote is a mechanism to give orders in politics, and a dollar a mechanism to give orders in industry.

Who owns the political vote? We all get one each, we've decided that. We may change our minds and have something else, or other societies may. But that's our decision.

Who owns the dollar?

Making money - the hard way

Well, with commodity money, you see, it was quite simple. In the days when everybody decided that it was gold, and only gold that was the money, then to get some money you had to go out into "them thar hills" with a pick, and you had to dig an enormous great hole in the ground. And you had to dig out tons and tons of rock; then you had to get a sledge hammer, and you had to beat the rock day after day until it was all pounded up. Then you sifted it out and got the heaviest particles, and then you had to heat it up to a few hundred degrees, and then you poured it into a mould. And at the end of all that, if somebody had come along and said, "Look, what you have there is a kind of vote, and you should share it with everybody", the answer would be a miners' revolt, or what we in Australia call "the Eureka Stockade".

You see, it wasn't a just relationship, was it? Not if it was that difficult to create money.

- and the easy way

Well, what about when money is just printed? Just printed on paper or typed into computers? The cost of production is almost zero. The difference between telling a computer to create a Loan Account with $1, and a Loan Account with $1 billion is nine times zero, and the time it takes to type it.

When a government goes to a trading bank for a loan of a billion dollars, they have lots of discussions, but all that really happens is that a very junior girl, normally, brings up the account, or a new account on to a computer display, types in a few details about the number of the account, the name of it, and who is responsible for writing the cheques, and then simply types in "Credit limit $1 billion dollars".

It's a bit like, I suppose, if you went back to your butcher and said, "Look, butcher, I'm a bit short, would you lend me a million dollars?". And he might say, "Okay. Sounds alright. You'll have to pay the going rate of interest — ten, fifteen, twenty percent perhaps. I am not responsible for setting interest rates mind you. It's the government which does that. So I'll give you a credit, in your little account at my butcher's shop, as long as you give me $200,000 a year."

"Well, that's the going rate. That sounds okay."

Or does it?

Admittedly the butcher has to wipe his greasy fingers on his apron, he has to take his pencil out of his pocket, turn to your account and write across the top — "Overdraw to the limit of $1,000,000." Later when your million dollar cheque is presented, he must debit you $1 million and credit the payee.

The butcher is entitled to charge for this service, but to charge $100,000 to $200,000 per annum for eternity, or until you can get someone else with a credit of $1 million in their account at the butcher shop to transfer it to you, seems to me excessive.

Of course in the butcher's case he has to bear a risk. It is always possible that the person who you paid, and who now has a $1 million credit, may walk into the butcher shop and say:

"Could I have a million dollars' worth of sausages please?"

Since on any one day there are not that many sausages in the southern hemisphere, the butcher is then in default. All his assets are then seized and sold to help meet his obligations.

Of course Banks don't have this difficulty.

If you have a $10,000 deposit in your Bank and you go in and say, "I've decided to spend the $10,000, could I have a used car please?" they say, "See the garage proprietor".

Perhaps you say, "Oh well, too bad. Would you please extend my house by one room?". They tell you to see the local carpenter.

No matter what you ask for the Bank can't and won't supply. While our deposits in Banks are recorded in the banker's books as liabilities, they are really a phony liability.

All a Bank will do to meet its liabilities is undertake to transfer your deposit (the Bank's liability) to the Bank account of someone else. That someone else will be the one who actually provides real value for it with goods and services.

All that a Bank will do to honour it's liability to you as a depositor, is to give you pretty bits of paper (which they buy at much less than face value from the Commonwealth Government Mint — which many years makes a loss) or transfer your deposit record to another account upon your direction.

What a Bank calls a $1 million liability is generally met at the cost of about 20 cents, by transferring the deposit to another account when directed to do so with a cheque.

Who's making money - and how much?

Let's look at some official figures. The figures I am using, and there are not many of them, only two sets of statistics are used, come from the Reserve Bank of Australia's Bulletin, of August 1989. You can't get them more authoritative than that.

If, on the 30th June 1988, you counted up all the Australian dollars in existence, you would find there were 130.2 billion of them. Somebody actually did it, and that's the answer. And exactly one year later, the 30th June, 1989, they did it again, and this time there were 165 billion of them. There were an extra 34.8 billion Australian dollars (M3) in existence. Where did they come from?

They were simply created in the banking system by the normal mechanism of extending extra credit to people. Well that's okay. We need a mechanism. It's a very simple, efficient, well-organised system. I even agree that we should licence, or charter, banks or some institution to do that; to create and keep the records of our money.

But should they then keep all the proceeds? They do now!

From today, whatever day it is, until this day next year there will be, and this is drastically understating it, more than an additional $34 billion Australian dollars created. More than $2,000 for every one of the 17 million Australians alive.

Thinking of it in households of an average of four people, that is more than $8,000 for every Australian household. When next you take a drive through the city, or out in the country, every time you see a home, say to yourself, "Ah, another $8,000 was created just this last financial year". But they don't get them. Our household, and we're four people, we didn't get that $8,000. We didn't even get one.

We know if the Electoral Office created all the political votes, and then decided to keep them, we'd be furious!

But we have another entity, the Banks, which are a mechanism to create the money vote, the sanction of economic choice, and they keep them all. Is that a just relationship? Because that is what democracy is about in the end, a just relationship.

Bank robbery? It sure is!

Well, if you doubt whether they kept the money or not, we've only got to refer back again to this same one document, the Reserve Bank Bulletin of August, 1989. This is the last set of statistics I'll use. In that same financial year, at 30th June, 1988, trading banks' assets, and savings banks' assets, were 145.8 and 72 billion dollars respectively, or $217.8 billion together. At the end of the financial year, in June 1989, they were 181.9 and 86 billion dollars respectively, for a total of $267.9 billion. Bank assets, in one year, increased by $50.1 billion dollars.

And that is the Reserve Bank telling us that in its August, 1989 Bulletin. Loans increased by over $50 billion. It is interesting, isn't it, that our deposits only increased by $34.8 billion, as we have already discovered in this talk. The reason for this discrepancy was in part, servicing overseas debt, and import costs.

Well of course, the banks are embarrassed. But we only hear about them being embarrassed about profits. The ANZ Bank, just last year, were very embarrassed, they made a record profit of $350 million. And the National Bank profit, I think from memory, was $140 million, Westpac was more, $500 or $600 million. The total trading bank profits for the last financial year, were over the billion mark.

Now, if this wasn't a seminar paper about money, but it was one of those public entertainment Quiz shows, and I said, "Look, you're winners! Here's a billion dollars! It really is, in notes or whatever, a billion dollars!" And over here there is a box. In the box you've got $50.1 billion worth of cash assets. What do you want, ladies and gentleman, do you want the money, or do you want the box?

You see, the money in the box, Bank asset growth in that year, amounts to $2,947 per citizen and to over $11,788 for every Australian household. Some 11,788 money votes were created for every household in this country. That's assuming there were four people, on average, in them. That's $226.69 per week per household.

Let's have a say

There is a free choice. We can choose that all newly-created dollars can be put into Bank Assets. We can say, "Yes, that's a great way to organise them." Or we can say, "Well, no we'll give them all to the Government, and then we can either work for the Government, or give them goods and services, and perhaps we can get some." It might be better, perhaps, than going into debt to the Banks, which is the only way you can get them at the moment. Or there is another choice.

The third choice is that we can decide that those money votes belong to the people. This is a radical view of course. I use the word "radical" in the orthodox way here, as one which is at variance with the Banks' self interest.

Often people say, "Well, look. Taking $50 billion dollars away from Bank Assets growth in the next year, isn't that robbing the banks?"

We know that there is going to be something like $3,000 for every living Australian created in the next year. How can those money-votes or dollars belong to the banks? They don't exist. The money that is going to be created in the next year, it doesn't yet exist. Can you own something that doesn't exist? That's impossible. The old money which was created yesterday, and which somebody now has, that's a very different matter, but let's just look to the future for the moment.

Nobody owns those now uncreated dollar-votes, and the option is open to make a decision in a democracy about who shall own them.

Company law is clear

Company Law, of course, has long-since solved this question. If we regarded Australia Unlimited as a type of Company, then the board of directors would be seen as the Government, and the shareholders would be us, the citizens. We have already decided politically we are all shareholders in Australia, and we are all to get one share at par or one vote. The citizens of course, use that to elect the board of directors, that is, the Government.

Now suppose that our Company so organised, issued additional scrip, shares or stocks. And the board of directors said, "Well look, that's great! We're the government, us parliamentarians, and we'll take the lot of it, all $50 billion dollars worth!"

It's not on! Any company director that did that would be before the Court for fraud so quickly, that he wouldn't have a chance to turn around.

But there is another point of view. It has got its supporters. And they say that when a company issues additional shares, that the people who work in the Share Registry should be able to put them all in their brief cases and go home and say, "Mum! we're rich!" There is not one company in the world that has ever accepted that as a just relationship, is there?

The other option, and I favour it, is that the shareholders own

all the scrip created. All Company law, all over the world, supports that point of view.

Yes, ladies and gentlemen, this is definitely a case of Bank robbery. They are robbing us, there is no doubt of it.

Is it inflationary?

Next question. Is it inflationary? Well suppose the government got it all. Would that be inflationary? Maybe. If we got it all, would that be inflationary? Maybe. But supposing that the Banks got it all? You've noticed, haven't you? You've noticed over the last umpteen years, that inflation is what we've had. It isn't a matter of *who* gets the money, but firstly of *how much*, and secondly of *how*. If it's to be at 157% interest, inflation will be higher per dollar issued.

I'm going to put a simple proposal. Every Australian citizen should get an equal share, in the post, plus the share due for any dependent children.

I am not interested in interfering in the technical considerations of how much is the best amount to issue. It's beyond the question of whether it's $50 or 50 cents or $50 billion. *Whose are those money votes?* Just how are they distributed? To whom, and on what terms? That is the question.

Of course, citizens do get a lot of the dollar increases now. But they get them in the form of increased Consumer Debt. Industry gets a share of those additional dollars also, and you can call that Industrial Debt or Company Debt. And Government of course, gets a lion's share; and we can call that Public Debt, or the National Debt.

What it means, when Government borrows it, is more taxes next year to meet the repayments. When industry gets it, it means higher prices than would otherwise be the case to service those debts. And of course when we get it as Consumer Debt, it means that we shall certainly be needing more wages next year, to be able to meet those repayments plus the increased taxes and prices.

However, if we are going to decide that all newly created dollars belong to individuals as a right of birth, then we will be giving them to ourselves without charges for redemption and interest. Then, if we are giving all new money away, and we are not increasing people's costs, and we certainly aren't, and if the citizens have this money rather than the banks, and we are not increasing the money supply more than it would otherwise be increased, then no, it is not inflationary.

In doing this we will be deciding after all, to be a democracy, and as we are going to organise democratically, to democratise the sanctions in all three areas of life. That is, in politics, in money and with the word, or of the Gun, the Dollar and the Word.

What about Bank loans and assets?

First question. Is it the proposal that instead of the banks claiming the money increases, and then making them available to the citizens as loans, the citizens get those money increases direct?

Essentially that is correct. But that doesn't mean the funds aren't there. It simply means that they are in our hands, and we own them. And we can invest them, if we like, in Building Societies as we do now, or Investment Trusts, or agriculture, or small business, whatever we choose. Industry and Government would have to go to the public, not to the banks, for those funds. So what? Where is the problem? The Government and Industry would be in debt to us, not us to the banks. And that sounds okay to me.

Another question. Are the Banks' Asset increases quoted, net increases?

No they are not. When we deposit the proceeds of Bank loans back into the bank, then that deposit is accounted as a Bank liability. But really what sort of a liability is it? To honour that liability, as we've said previously, the bank doesn't have to come up with goods and services and deliver them to you because you've got a deposit there, all they have to do is agree, which they do, to transfer that bank deposit to somebody else, and that somebody else is going to meet the real requirement, which is to give you those goods and services which you want.

Mechanisms

I am generally asked for some suggestions about the machinery of a democratic money system. A brief outline will suffice to establish one viable option.

In Australia we have an Arbitration Court to handle the rather complex matter, with many competing interests and conflicting considerations, of wage and salary levels. Such an approach could be used to determine our money policy.

A special Fiscal Arbitration Court might be constitutionally established and empowered to determine what the money supply expansion (or contraction) would be in any period of time, probably quarterly.

It would need to be able to take evidence from whosoever it chose, employ whatever expertise it needed, and be well funded.

Other desirable conditions would be that it:—

1. **Always meet in open session.**
2. **Be required to accept and consider written submissions from any Australian citizen.**
3. **Give all findings with supportive reasoning in writing, and make them publicly available.**

It would also need two other constitutional powers:—

A. **The power to direct the Reserve Bank to create and place in a special account the money supply increase as determined by the Court, and to disperse these funds equally to all persons of Australian citizenship, and**

B. **The power to impose unlimited fines, if necessary, to fulfil its constitutional obligation to prohibit any Bank or Banks from creating any money whatever, other than as in the above paragraph (A).**

The three main economic effects would be:—

1. **The annual increase in indebtedness would stop, thereby stopping the cost increases occasioned by extra debt servicing, and limiting this major aspect of inflation.**

2. Credit would be placed in the hands of citizens with which to cancel out remaining personal, industrial and national debt.
3. By having the decision as to the optimum level of money supply made by a disinterested party, better decisions will result. Banks which claim ownership of additional money created, or Governments which get to spend it on vote catching by deficit borrowing, are not disinterested parties.

The social impact will be as well computed by you, as by myself. It would obviously take the pressure off all families.

This would translate in as many different ways as their are families. Some would reduce their debts and live more relaxed lives.

Some wives would be able to stop working. Instead of working for many years to pay off the home before having children, this would often come sooner, and at least some families would be larger.

A more relaxed society should be a less grasping society, a more generous and harmonious one. There should be a little more time to do the things we really want to do — more time for each other.

What's democratising money?

Of course the final question is, is this proposal democratising money?

Well, supposing your family gets $12,000 in the post. If you decide to spend that money, you might order an additional room on the house, because perhaps the family is growing. You might elect to buy a second, rather beat-up used car for perhaps a student member. You might decide that all the family will have a better education. But who's giving the orders? The citizen. And is that democracy? I think so.

Well, what if we decide to invest it? Perhaps in small business, or you are a farmer. You decide to invest it in your own business. Perhaps if you are not involved in your own business, you decide to invest it elsewhere, and you walk, perhaps, through the great

towers of modern capital cities, and you see all the vast office spaces, and you observe that they are only 60 percent tenanted, and you say, "Ah! I'll invest in that, that looks great! There looks to be a shortage of those." That's what the banks are doing.

Or perhaps you'll decide, "Well, we don't really seem to need any more of those". Perhaps you'll invest in an ethical investment. Perhaps you don't want to finance a highly polluting industry. Perhaps you don't want to finance the clearing of the Brazilian jungle, which is only being cleared for one reason, and that is to meet the obligations of the Brazilian government to the International Monetary Fund, and other international banks. Perhaps if you had the say you wouldn't have funded revolutions in Latin America lately, or even — going further back — many of the others that have been financed.

If you were investing that $12,000, be it in high technology, agriculture, heavy industry or basket weaving, who would be making the decisions? You, the citizen would be making them. And is that democracy? Is it democracy, to have citizens responsibly making the real decisions about investment in this country? I think so.

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