Introducing Democratising Banking 2014

By Charles Pinwill

My booklet “Democratising Banking” was published in 1995. It reflected my then experimental approach towards advocacy of Social Credit. It was not orthodox Social Credit, but rather, an exploration of two notions. Firstly, was that if all money was created as a liability upon society’s assets, it should therefore belong to all, and be distributed as a National Dividend, or otherwise, to all. And secondly, it inquired into the consequences of this on the Balance Sheets of Banks.

C H Douglas never advocated that all money creations by the Banks cease, and that all creations belong to, and be paid directly to the people. He advocated that this take place only to the extent that was necessary to enable the full consumption of what society had at a given time produced, and desired. Some structure must be in place to finance production, and the least disturbance necessary in fixing the maldistribution of purchasing power, the better. I fully accept Douglas’s approach as being the correct one.

More are coming to understand that chartering the Banks to create and destroy money in the financing of production, is a privilege and responsibility given to the Banks, and does not negate the social ownership of any money system, except on a temporary basis in acting as society’s agents.

The first half of my booklet was entitled *Democratising Money* and was useful in establishing the moral ownership of money creations, but in little else. The second half was designated *Democratising Banking* and dealt with something I had not seen addressed elsewhere. In any proposal to create money outside of the banking system, this money must be depositable with that system to be useful.

Whereas now banks create loans which they account as assets, and receive these loan funds back on deposit when the loans are used, which deposits are accounted as liabilities, though if they are receiving deposits which they have not themselves created they have the liability but not the asset. If but 20% of money was created outside of the banking system in some way, all banks within the system would be technically insolvent.

In *Democratising Banking* I proposed that banks be allowed to account their deposits as do all other financial institutions as both liabilities, and also as assets in that these deposits are the means whereby these liabilities are met. This would provide a once only windfall doubling of assets with no increased liabilities, and this I proposed in exchange for banks foregoing forever the right to create societies money. Wild notions indeed, and all I can say now is that sometimes one must sin boldly in the process of learning.

I had visions of bank shareholders, seeing that if their companies were to retain their assets (their loans) under social credit, yet were compelled to account their deposits as do all other entities holding things in trust, as both liabilities to others and as the assets with which those liabilities would be met, it might occasion interest. They would then own as net assets a sum equivalent to the total of all Australian money in existence. At the time when I researched it in the 1990's, the average bank shareholder's shares would immediately have assumed a value of over 8 times their then market value. It amounted to a social credit take-over offer at an 800% premium to the Stock Market's trading value, whilst allowing the Banks to continue to operate their banking business in all respects except that of claiming the ownership of money creations.

I personally placed a copy into the hands of some Bankers. It frightened the hell out of one former CEO of Westpac, one of Australia's "Big Four" Banks, who would have none of it. I don't blame him, for while I answered his every objection in our very long talk with each other after he had read it, both he and I knew that his peers (though it was left unstated) would have crucified him before they got their heads half around it, or emerged from the emotional shock to their inculcated orthodoxy. From two others even more highly placed the response will be recounted later in this article. Such mundane proposals are apparently of little interest to those obsessed with materialism, though only apparently, for I had no means of telling them all and often, which is the only thing that works in advertising experience,

The means I would now advocate as bringing minimum disturbance in introducing debt free money from outside of the system, resembles in some respects the techniques used in quantitative easing. The Bank of England's Quarterly Bulletin of 2014 Q1 explains.

The central bank creates money and buys assets in quantitative easing. It does so however, through the commercial banks as intermediaries. The central banks create money which becomes the deposits in the central banks, that is the Reserves, of the commercial banks. In return for these reserves the commercial banks create money and buy the assets which are made across to the central bank. The central bank has acquired assets in exchange for deposits, or what are to the commercial banks, reserves with the central bank.

The commercial banks have acquired reserves in exchange for liabilities (deposits) of a like amount. The asset they acquired has been handed to the central bank, but the deposit which this caused is still in the commercial banking system, and accounted of course, as a liability.

It need not be much different if a National Credit Authority, or some such designated entity, were charged with distributing a national dividend and administering a compensated price system to end inflation. In exchange for central bank reserves the commercial Banks would fund the N. C. Authority and as this money was spent it would become deposits, and therefore liabilities of the commercial banks. The commercial bank's balance sheets, would indeed balance.

Though would the central bank's balance sheet balance? They could be made to by the N. C. Authority issuing some sort of paper, if tidy minds think the convention necessary. What must be realised is that the very purpose of Central Banks, and their reason for existence, is so that liabilities may be created against the national assets in the form of money, whereby production and distribution may be more readily facilitated.

There is one balance sheet which can never balance, nor should. This is what may be called the National Balance Sheet. It would list all of the nation's assets irrespective of who owned them. Included would be residential homes, agricultural lands, industrial plant and equipment, transport and communication facilities, the education of the nation's people, cultural infrastructure etc. as assets, and on the other side as liabilities those things which make claims against those assets, primarily the money supply. As probably less than 5% of a nation's assets are offered for sale at any one time, issuing money to the extent of the existence of assets would be chaotically inflationary.

So much for my literary effort. The one person who learned much from it was probably the author. But two most surprising things eventuated.

The former Federal Treasurer of Australia, Dr Jim Cairns, had been sent a manuscript prior to publication and responded with his congratulations and saying "To achieve what you have written about is a top priority reform."

Through friendship with one Canberra politician I was able to obtain the personal postal addresses of several prominent Australians to whom I mailed a copy. Among these was Dr H C Coombs, the then retired former Governor of the Federal Reserve Bank in Australia for over two decades. In response Dr Coombs telephoned my home from the Northern Territory where he then lived, wishing to speak with me. Unfortunately I was not at home, though my wife Helen took the call

Helen reported that Dr Coombs firstly expressed his support and general agreement with my book. He especially wished her to convey to me the importance of his understanding and conviction that the achievement of this reform could never be obtained from public understanding or pressure. It could only be achieved from the top down, by recruiting those in influential positions to both understanding its need and acting to implement it. These are not his exact words, but he repeated his assurance that this was the only approach which could bring success several times, to ensure that Helen would transmit it correctly to myself.

Satisfying himself in this, he then talked of his interest in aboriginal affairs in the Northern Territory, and of the very deep bond which Aborigines feel with their land and the importance of Aboriginal land rights, before ringing off.

Having Dr Coombs's postal address only, I was unable to return the call, and in appreciation of the fact that as he had not chosen to respond in writing, that he may, in view of his public stature, have been sensitive about doing so, I did not persist with contact.

I was aware that both of these Doctors had contact previously with thinking along the lines of Social Credit, but was surprised at their show of interest in later life. Thinking that it may influence others at some future time to examine reform in the area of credit creation, I thought it may have value to evidence Dr Coombs's telephone call for posterity, which I have faithfully done.

Apparently my efforts to conceptualise reform conducive to freeing men from the tyrannous dictates of a monopolistic money regime, had attracted the sympathy of men who had formerly occupied the highest posts in the financial hierarchy in the country. Upon reflection my efforts seem quite unworthy, even wrongheaded, and I assure you that this is not false modesty, but keenly felt. Yet somehow, perhaps this does tell us that those at the top are not totally untouchable, and that one day, if good-sense can white-ant the high places in finance, a sea change may come.

Already nonsensical denials of bank credit creation are put aside, and forever, except amongst residual fools. The admission of a dearth of effective purchasing-power and a clumsy scheme of addressing it via *quantitative easing* is the standard modus operandi. These funds flow to the top 1% of income earners and the trickle down is slow and inefficient, and often sees these funds being cancelled in repaying the debts of the rich before an ordinary consumer has any benefit.

"According to the Congressional Budget Office, the top one percent of U.S. households owns 57% of all income, capital gains, dividends, interests and rents." This is quoted from M. Oliver Heydorn's "Social Credit Economics" on page 203. If the object is to bring relief to the 99% this seems like an inefficient way of doing so.

These funds can never go directly to the 99% as individuals, as whilst they are only dispersed as debt, the nightmare of re-collecting debt from everybody is impossible. If we want to keep society we may have to give away money. Some of the Lords of the Golden Internationale may well say "Over our dead bodies!" and if they persist, and are predominant, they may be right, and visit a similar fate needlessly upon millions.

Hope may yet come from the most unlikely quarters. Do we need sleepers at the highest level, quietly and anonymously exposing their peers to social credit, never risking exposure of their real loyalties? Giving their peers' contact details to the most talented and well trained and able Social Crediters who judiciously, over the years, and of course accidently, see that they are exposed to the best material. Let's think about it.

