

# **FANTOPIAN Perspective**

**By**

**James Gibb Stuart**



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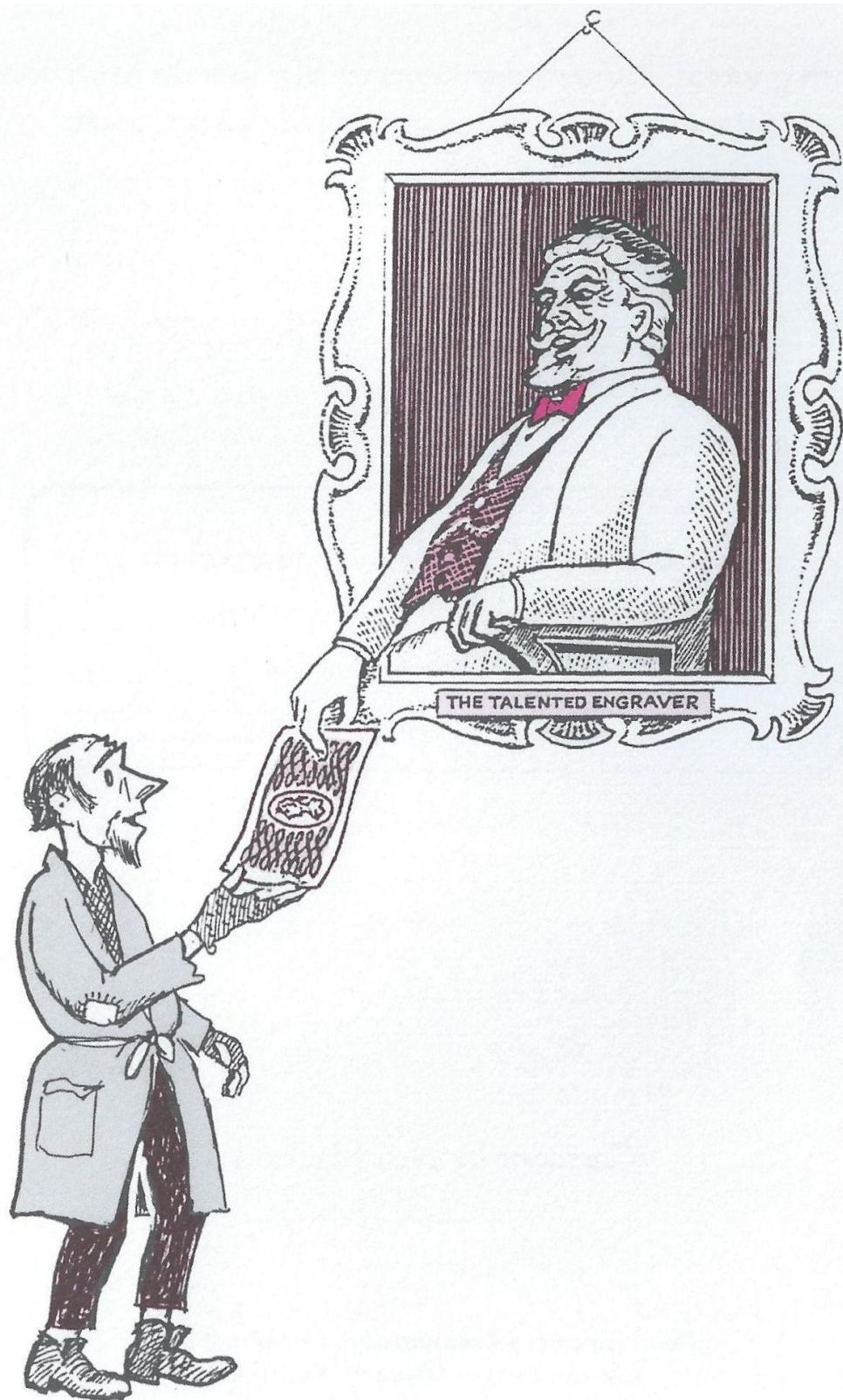
“I wonder if we could contrive some magnificent myth that would in itself carry conviction to our whole community“

## **Plato, The Noble Lie**

With grateful acknowledgements  
to Mr. Ronald Morrison  
for the research which  
first inspired this anecdote.

## **Publisher's Note**

Since it was published, first in 2005 and then updated and reprinted in 2008 and 2010, this little book with its simple yet entertaining allegorical story has opened the eyes of many to the “magnificent myth” about the creation of money. In reproducing it in e-book format we hope that many more may likewise benefit.



*He developed a charitable instinct for bestowing some of his coveted designs upon the distressed areas of the community.....*

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# FOREWORD

Fantopia is a fantasy land – like Lilliput in that the people are small but the central character big, though it's not Gulliver we encounter, but the constantly growing debt burden. Yet the fantasy is also close to home. The language has a Scottish accent, but we *all* live in Fantopia, a land where the politicians don't understand the problem, the economists keep quiet for fear of being thought eccentric, the bankers rule – not OK – and personally I feel like the Antiquarian, struggling to understand.

Monetary reformers will welcome this fantasy because it exposes a reality. The People's credit has been stolen and turned into credit cards and overdrafts, benefiting the bankers but crushing the real and original owners under a debt mountain.

Whether we live in Fantopia, Scotland or elsewhere, we're all bamboozled by bankers. They've found an infallible way of robbing all of us of the *Seigniorage* that belongs to the People and of the power of the People's credit. In return they've shackled us with chains of debt.

The power of the People's credit should be used to ensure that whatever is socially and physically possible is also financially possible, and the kind of understanding that James Gibb Stuart brings can help us to see this, and should dissipate the lack of self-confidence which has prevented us acting to take power from the merchants of debt. Enjoy your Fantopian holiday. But learn from it.

AUSTIN MITCHELL

*MP for Grimsby*

# PREFACE

## SO WHAT IS MONEY?

I once employed an indigent printer who, in his penurious state, had decided that there were only about £200 circulating in the city of Glasgow, and it was a case of grabbing a handful whenever it was being passed around. This concept – of money as finite in quantity – is still very widely held, even today, when there is so much more of it in being.

Those of us on fixed incomes look to the weekly or monthly pay cheque, and set our monetary horizons accordingly. Windfalls such as overtime, bonuses or even lottery prizes are presumed to have been gained from someone else, and basically belong to the same pile of money. Banknotes get withdrawn and changed for new ones when they get tattered and dirty and coins go on for ever.

Thus, the myth is perpetuated, and fostered by the Powers-that-be. "Money is scarce." "We have to use it carefully. There's never enough to go round." There's certainly never enough to do all the things that need to be done, so if it's used extravagantly, as some may claim, then it's wasted and gone for ever, and we're all so much the poorer.

Right? No, wrong, wrong, wrong! Let's think of money as a means of marshalling human and material resources, and, at that, we're into a whole new ball game immediately. Then all that time and energy expended on it should be thought of as wasted effort rather than wasted money.

Sure, money doesn't grow on trees, but it does appear on demand – just ask a central banker – and if there's marketable fruit on the trees, he will assuredly feel able to create money against that potential, probably in the form of an interest-bearing loan to the owner of the orchard.

Have it another way – from my character in the video *Survival Island* (and in the book, also available from Ossian Publishers) – in which he declares that "money is only a token of wealth — never the wealth itself." The value is in the loaf of bread, not in the £ 1 coin it took to buy it.

One of the principal dangers to our society from widespread misconceptions about money is the way in which money creation can be exploitatively abused, and yet escape public criticism. Market analysts tell us that 50 years ago almost all the money circulating throughout the financial system was concerned with the visible trade in goods and services – with a small proportion, say 5%, bent on speculative investment.

Today that position has been totally reversed, with a majority of the vastly increased capital flows swilling round the world in search of speculative outcomes, and only a minority devoted to the trade that feeds and clothes us and provides the necessities of modern living.

It is a grave human evil that so much of the world's financial capacity and expertise is absorbed in an incestuous exercise of money trading in money – to the enrichment of a favoured few – while millions lack the means for a better life. It's a state of affairs which is only sustainable for as long as the money myth is allowed to reign unchallenged.

We inherit two basic sources of wealth as denizens of this planet. We have our brains, our energies and our acquired skills, and we have the resources at our disposal. Some of the latter are indeed finite and should be recycled wherever feasible, but human life itself, with all its precious diversity, is infinitely renewable, and barring plague, nuclear war or cosmic catastrophe, need never be in short supply. Let us remember this when next they tell us that money is scarce to fund the essential things in social and community life.

You need a bridge or a hospital or a school. Is there a shortage of steel, of bricks and mortar, or the means of their manufacture? Are the construction trades already engaged, up to and beyond their capacity? And have *all* the doctors and nursing staff migrated to richer pastures?

These are the practical questions to be answered before the myth makers of "scarce and finite" money are seen to prevail. It is the availability of resources — and the public need – that matters, not the number of digits on a cheque.

A nation which understands these things can expand and prosper to the limit of its physical potential, provided it also has the will and the means to issue its own money, debt free, for all community endeavour.

However, under the present system, money becomes a medium of power and social control. So let's get this concept of money itself truly in perspective, so that the bankers don't have us for ever on a leash, ready to rein us in just as we're preparing to develop our full potential.

As a wag of a roads engineer once said in that connection, "Imagine not being able to complete a motorway because you've run out of miles."

\* \* \*

MONEY! How far can we venture in this sophisticated 21st century without it? Millions toil for it. Fraudsters lie and cheat for it. Those who appear to need it most are often the least competent in acquiring it. William Maclellan, my one-time publisher, reckoned that for all the intense thought and concentration which had been focussed

upon the problem by contemporary economists, no more than one in a hundred could claim to have grasped the fundamentals.

Prominent amongst these were Professor John Hotson, a lecturer in economics at Waterloo University in London, Ontario; and Major C.H. Douglas, founder of Social Credit in Great Britain and Commonwealth. Hotson died an untimely death under a surgeon's knife as the world welcomed in the new millennium, and Douglas, the practical man, the former field engineer who said, "If the machine works, don't fix it," found no recognition in a world where banker's ideas commanded the widest publicity.

DOUGLAS's main contention was that the integrated banking systems of the developed world had created a Monopoly of Credit in private hands; that if the creation and issuance of new money were to be established as a right and responsibility of elected government, not only might the needs of state and society be furnished without debt, but in favourable times a surplus would accrue for distribution as a dividend. Douglas saw this as a National Dividend, and a means of redistributing wealth throughout the community.

It could not have been done without money — money with which to develop the weaponry and build the ships and 'planes — money to encourage the cooperative and neutralise the obstructive. From a position of strength and positive liquidity at the end of World War II, the U.S. Federal Debt had remained comfortably contained until President Nixon closed the Gold Window in 1979. This effectively put an end to the Gold Exchange system, under which, for international settlements, creditor nations were able to demand a proportion of their accumulated balances in the yellow metal itself.

It also signalled an end to balanced budgets in the international arena. America's own Federal Debt, having first touched the trillion dollar mark during Ronald Reagan's presidency in the 1980's, soon spiralled off into the stratosphere, and thenceforth, in the stockmarkets and the exchanges, it was no longer a case of what you could pay, but rather what you could borrow.

Viewed in this light, the nigh incredible sequence of bank bailouts, systemic failures and collapsing equity values which engulfed the global banking industry in the late autumn of 2008 A.D was a catastrophe waiting to happen. The Big Bang of the 1980's had encouraged a new type of speculator, men who saw in the rundown of capital reserves, that and the rapid growth of computerised accounting techniques, novel ways of moving money around, generally to the detriment of society.

It was quickly recognised that a basic cause of the financial breakdown was debt, vast sums of irretrievable debt foisted upon corporations, public authorities and individual citizen alike, by sales and distribution techniques which far outweighed the market's ability to absorb and quantify.

Traditionally it had always been possible to read the state of the stockmarket by taking a quick scan of equity price levels. Company chairmen and their accountants



could sleep more easily when they had a bit of cover on their balance sheets, and would-be corporate raiders knew when to keep their fingers out of the pie.

Now all that was changing. The smart alicks had already mastered the art of substituting debt for equity, and there seemed no limit to a future based on managed liabilities. On Wall Street of a dull morning the wags might pass the time speculating on what it would take to launch a leveraged bid for IBM, the international computer giant. And the smart answer to that one?

Why, 10 cents of course, that being the price of a local telephone call to Michael Melkin, inventor of the junk bond.

Good for a laugh! But not quite so rib-tickling in the real world when financial fantasies of this nature are dreamed up and then materialised on borrowed money!

WHEN "THE MONEY BOMB" was first published in March 1983, Britain's public debt, as provided for in the annual estimates, stood at about £11 billion. It was calculated then that if the same accounting and borrowing conventions were allowed to continue, National Debt could have reached £200 billion before the end of the millennium, with a PSBR verging on £25 million just to pay the interest, and a British pound worth less than that miserable 20p piece which you currently discharge out of your small change. ("The Money Bomb" page 150.)

That had seemed then to be such a horrifying example of economic lunacy as to make every literate taxpayer sit up, take notice, and petition his M.P. for a return to the days of accountable government.

But to quote Ronald Reagan, again, by the peak of that banking-borrowing crisis in the autumn of 2008, we hadn't seen nuthin' yet. Britain's National Debt would rise to £640.1 billion, with a further £320.05 billion for interest added.

The thousands had become millions, the millions had become billions, and everything beyond that had become totally incomprehensible to anyone accustomed to doing the counting on their fingers.

## **NOW FOR THE OTHER HALF OF THE TALE**

THE legislation under which the U.K. Government finances itself by borrowing from the Bank of England (The Central Bank) is called the Tonnage Act. It was enacted in 1694 under the persuasion of William I, Prince of Orange, who was anxious to borrow money to carry on his war with France. He raised the sum of fifteen hundred thousand pounds (£1.5 million), at 8% interest, redeemable after eleven years, when the loan would be subject to review.

In the end it never was reviewed, but continued its existence as the Bank of England, with the Scottish financier William Paterson as its first governor, and an immediate charge against what was so soon to be the United Kingdom of Great Britain and Ireland. That initial loan of £1.5 million would become the foundation stone for the

National Debt, which would rise inexorably year by year till by that late-autumn banking crisis of the year 2008 the Chancellor of the Exchequer would be looking at a forward Borrowing Requirement of £394 billion.

THE AUTHOR

# THE ARTISTIC PHILANTHROPIST

ONCE upon a time, in the far-off never-never land of Fantopia, there lived a Talented Engraver who worked on specially etched and watermarked paper to produce beautiful designs which for their artistry became greatly prized and admired. And because he was a *populist* who was concerned for the happiness and well-being of the society around him, when he found that his work commanded an intrinsic value, he developed a charitable instinct for bestowing some of his coveted designs upon the distressed areas of the community, where relief organisations and those catering for special needs soon discovered that they could trade the paper engravings for food and shelter, and all the things that a poverty-stricken environment would most require.

In response to increasing demand, the Engraver moved on to produce a range of designs that were even more remarkable than the first, and stamped them with denominations in Fantopian paper crowns, so that the thankful recipients would know what value to put on their acquisitions when they were exchanged for the necessities of life. The engravings spread far and wide across the queendom, were universally acknowledged and accepted, and stimulated business and commercial activity wherever they appeared because they put purchasing power in the hands of the erstwhile deprived, and sought out the otherwise unused resources within the economy.

The farmer and the market gardener were getting better prices for their produce; no one with energy and skill, and the desire to use them, was denied an opportunity to be gainfully employed; the professional classes found fresh demand for their experience and their acumen, and the scholar and teacher for their knowledge. Almost universally in those areas where the design notes were freely circulating, there was an uplifting of that mood of crime and despondency which characterises a disintegrating society. Everyone knew that they could immediately trade the Engraver's artistry to the benefit of themselves and their families.

Only the bankers and economists were worried. They said that the design notes had become a new kind of currency which would be *vastly inflationary* because it increased the money supply, and encouraged excess activity within a monetary system whose checks and balances depended upon a continuing measure of unrequited demand.

They tried to have the Engraver arraigned as a forger and counterfeiter, but failed to substantiate the charges because he was shown not to have peddled his notes deceitfully, relying purely upon their artistic value, and deriving no personal benefit from the distribution of his handiwork beyond the cost of paper and printing.

The engravings were judged to be *objets d'art* which the public were pleased to accept and exchange and freely circulate, and even the most ingenious of the bankers' lawyers could not establish this as a breach of the law.

In retaliation, the various private banking houses seized and sequestered the design notes whenever they came into their hands, using them as collateral for the issue of negotiable bank credit which was loaned out at the going rate of interest. They also hinted darkly at the dire economic consequences that might ensue if Fantopians persisted in this absurd flirtation with what was at best a form of *funny money*, unfit to be traded in the same market place as the good sound orthodox finance which it was their business to purvey.

# A NEED FOR POVERTY IN THE MIDST OF PLENTY

THIS was not a threat to be taken lightly, for the bankers had much power and influence in Fantopia. At the advent of the New Era a benign Chancellor of the Exchequer had bestowed upon them total control of interest rates and money aggregates, and all the other regulatory devices which were intended to monitor economic activity throughout the length and breadth of the land. They were to be his champions in the battle against *Inflation*, portrayed everywhere as a frightful monster which, if left unchecked, would devour the nation's means and substance, and ravage the financial fabric upon which its prosperity depended.

The trouble was that almost everyone seemed to have a different definition of *inflation*, and few could agree about its effects and causes. In the old days of strikes and industrial disruption it had been diagnosed as a situation where *too much money was chasing too few goods*, and most people considered that to be a fair enough explanation of what might happen in an era of austerity. But when automation and technology had solved the manufacturing problem, and the shops and supermarkets were packed with many more goods than the public could want or need to buy, there had to be another reason for the persistence of inflation in an economy where the limiting factor was money, and goods were there for the asking.

The economists said that the matter was complex, much more so than the ordinary person could be expected to understand. Money supply was not finite, as so many people imagined. It could always be increased *on demand*, and if you created too much demand, you were back to the situation of *chasing too few goods*.

The trick, as they explained it, was to see that a certain level of demand was never satisfied. It meant lowering the expectations of certain sections of humanity, deferring their prospects of social and material uplift so as to cultivate a pool of idle resources which could always be used to soften the impact when there were signs of increased activity within the economy. It meant also that though individuals of energy and ability would always find ways to break out of this contrived poverty trap, that opportunity was best denied to the majority, lest the entire system be thrown out of balance. Nothing, they said, could be more detrimental to economic stability than if an entire population was prompted to reach out for a share of the wealth and resources that human skills and ingenuity, plus technology and a bountiful Mother Nature, had placed in abundance around them.

"*The poor are always with us,*" said the dignitaries of Church and State, and if they said it with regret and piety, and accompanied it with a prayer for the ultimate salvation of all mankind, the dictum was generally accepted without qualm or question. How in any case could it be challenged when it was backed up by so much prestigious authority, and the hard facts of economic history?

Everyone knew that life itself was a kaleidoscope of startling contrasts – of wealth and want, and rich and poor, of privilege and deprivation, of feast and fast, and burst and thirst, and gluttony and starvation. So why should there not be poverty in the midst of plenty? For it was a tough world where no one was owed a living, insisted those hard-headed and persevering economists.

Despite occasional impressions to the contrary, there was invariably a scarcity of money and resources for all the things they really wanted to do. Thus the truly desirable things could only be afforded by cutting back and downsizing, by minimising on costs and maximising on profits, by sackings and early retirements, by mergers and takeovers, by the pruning of margins, the sharpening of competition, the remorseless curbing of expenditure on everything that could not be made to operate at a profit. Only by such stringencies could they create that degree of *unsatisfied demand* in the economy which was so utterly necessary if fiscal targets were to be achieved. People just had to be made to realise that everything from the food they ate, and the water they drank — perhaps one day even the air they breathed – came at a price, a price that would have to be paid if this *Inflation* monster was to be fought to a standstill.

On all those matters, both the bankers and the economists agreed. They felt compelled to agree, because within the limitations of the economic model upon which they had founded their monetary science and their reputations, they could see no means of maintaining market equilibrium and social control without that pool of idle labour and unused resources. If they were kindly fellows at heart, they might occasionally have admitted to themselves that they had created a vested interest in human misery. It did not diminish their concerns about the activities of the Talented Engraver, who was threatening to eradicate poverty wherever he found it.

By the focused distribution of his artistic design notes, he was putting hope and ambition and purchasing power in the hands of the dispossessed. He was reviving localities which had lost faith in themselves as they despaired of Authority, but were now being made to realise that they had in their own hands the means of their salvation. Using the Engraver's tokens as their store of wealth, they were repairing their housing stocks, clearing their streets of vandals and criminals, encouraging self-help and community spirit and local enterprise, mopping up and motivating human resources which had previously been left to wither in idleness.

## **BRIDGING THE DEE AND THE DUM**

THE controversy was still raging when two major construction projects began to attract nationwide attention. Tumbledum and Tumbledee were two similar towns

situated at extremities of the queendom, each built upon broad river estuaries which, with the rapid development of motor traffic, urgently required bridging.

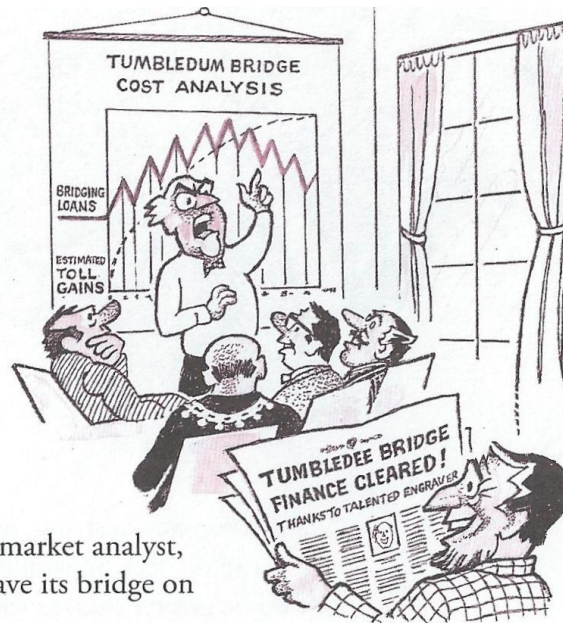
Engineering surveys were encouraging. Due to the nature of the terrain in each case, road bridges were eminently practical, and it became a pressing priority in the council chambers of both municipalities to marshal the construction skills, experience and expertise that would be necessary to bring their respective projects to fruition. But whereas the town fathers of Tumbledum proposed to pay for the entire outlay by means of sound city finance – and engaged a renowned firm of merchant bankers to guide and advise them – the inhabitants of Tumbledee were electrified by the news that *their* elected members had been in touch with the Talented Engraver, who was promising to produce a unique range of designs which, stamped in appropriate denominations, would be presented as collateral for fees, stage payments and all the other costs and expenses that would fall due during the various stages of construction.

Needless to say, there was surprise and fury, disbelief, mockery and derision all at once in the City. Over time the bankers and financiers had become accustomed to the design notes circulating amongst the poorer communities, stimulating a certain amount of enterprise and commercial activity where none had existed before. They had never ceased to grumble at it, referring ominously to its effects on the money stock and the demand/supply equation, warning that it would all come to grief in the end. They had accepted it because it was relatively insignificant, and because they thought they could contain it by refusing to re-issue Engraver notes which came across their counters. They claimed additionally that it was only through this policy of self-denial that they had averted the vast inflation which might otherwise have erupted.

But to consider such unorthodox methods for the funding of a major infra-structural project costing in excess of a million paper crowns? It was absurd. It had never been done before. It would make a nonsense of Exchequer constraints on the economy. It would destroy the value of the Fantopian crown on the international exchanges. It would cause inflation and depression, and inevitably a string of bankruptcies among the contractors. The bridge would never be finished. Its approach works and initial spans would lie mouldering and rusting, waiting for some wiser heads to assume responsibility when the financing could be more competently handled.

By contrast, said the market analysts, Tumbledum would have its bridge on time, and to specification. It would be up and functioning, and beginning to pay for itself, whilst the municipal fathers of Tumbledee were still contemplating the consequences of their folly. The citizens of all Fantopia would come to rue the day when even a tiny minority of their number had been tempted to pursue the illusory benefits of the *maundy\* money*, as the Engraver's notes had come to be called.

<p><i>*maundy was a medieval distribution by the monarch to the poor.</i></p>
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“By contrast,” said the market analyst,  
“Tumbledum would have its bridge on  
time.....”



## NO TOLLS ON THE MAUNDY BRIDGE

IN this climate of threats and foreboding, both of the major constructional projects proceeded as they had been envisaged. Design, style and execution were broadly similar, and with friendly cooperation between the respective firms of engineering consultants, problems were ironed out as they were encountered, so that there was a minimum of planning hold-ups and delays.

Only in the manner of financing did the contracts differ. At Tumbledum, when staged disbursements were due, these were simply credited in bank drafts drawn upon one of the most highly respected of City institutions.



..... the interest was being compounded.....  
the debt on the Tumbledummy Bridge  
would be greater than in the beginning.....

For the progress payments at Tumbledee, the Engraver produced designs of such artistry and beauty that they immediately commanded their face value in the market, and the construction work went on unhindered. *Both* bridges were completed on time.

For the Tumbledeenies traffic rolled freely across the estuary as soon as the visiting dignitary could deliver his speech and cut the red tape at the opening ceremony. For the Tumbledummies there was a short delay as the builders hurriedly installed toll booths at each end of the approach roads. This was necessary to cover the cost of the bank interest, which had been levied progressively on each of the stage payments, and was now accumulating.

It appeared that Tumbledummy road users would have to pay their share of that cost every time they travelled to and from those expanding suburbs on the other side of the estuary. It was an item which would never go away, for the interest was being compounded, and even with an escalation of toll charges in succeeding years, the debt on the Tumbledummy road bridge would be greater than it had been at the beginning.

On the other hand, there were no tolls on the road bridge at Tumbledee. By use of the *maundy* money, it had already been bought and paid for when it was finished.

#### *TUMBLEDEM MUNICIPAL COUNCIL*

*The Financial Controller submitted his Annual Report and Accounts for the first year of operation of the new Tumbledum Toll Bridge:*

*A total of 557,904 vehicles used the bridge, excluding emergency & Council vehicles. Average toll paid per vehicle was 49.92 cents.*

#### *FINANCIAL STATEMENT*

	<i>Crowns</i>	<i>Crowns</i>
<i>Income from tolls</i>		<i>278,500</i>
<i>Wages &amp; Salaries</i>	<i>127,000</i>	
<i>Unsocial hours premium</i>	<i>27,402</i>	
<i>Social Security etc.</i>	<i>12,721</i>	
<i>Maintenance and Sundries</i>	<i>64,215</i>	
<i>Consolidated Loan &amp; Bank Interest</i>	<i>71,532</i>	
<i>Analysts Fees, capped at</i>	<i>1,000</i>	
	<i>303,870</i>	<i>278,500</i>
<i>Operating Loss</i>		<i>25,370</i>
	<i>303,870</i>	<i>303,870</i>

#### *ANALYST'S REPORT*

*Since this represents a small operating loss, with no repayment on Loan Capital, it is assumed that initial toll charges were set too low, and should be increased by 50% for the coming year. Even on a calculated reduced usage of 446,500 vehicles, this would raise projected earnings to 334,875 Crowns, sufficient to cover the shortfall. Negotiations are also proceeding with Toll Operator's representatives for new shift-working arrangements which would reduce the payments for unsocial hours. By such economies, and curbs on*

*miscellaneous expenses, it would then be hoped to maintain the charges for the foreseeable future, though this would depend on usage numbers not falling below the calculated minimum.*

*There is also the question of fiscal policy on a national scale, where an increase in lending rates could seriously affect the item for interest charges.*

## DEALING WITH THE DESIGN NOTES

DESPITE the furore which had been created in banking circles, very few of the significant facts of the matter had got through to the front pages of the mass circulation newspapers, where it was effectively sidelined by the unending flow of sports spectaculars, or the latest sex scandals affecting stage stars and political public figures.

This was how the regime of Him the Incomparable preferred it to be, because though Fantopia was constitutionally a democracy, the people were not expected to have any opinions on public money and finance. Even so, in the back rooms of the counting houses, and in the recesses of the Treasury, there had to be many doubts and questionings about this blatant challenge to the tenets of monetary orthodoxy. Much seemed to hinge upon the mystique that had been built around the techniques and skills of the Talented Engraver, whose ability to produce works of art with an immediate intrinsic value had been the key to the remarkable transformation whereby Tumbledee got its road bridge debt free, and there was a dramatic alleviation of poverty in the ghettos of Fantopian cities.

Since the Engraver was mortal, there had to be an end to his talents and his artistic output, a circumstance which comforted the bankers and financiers, but concerned all those who found a rare merit in his accomplishments, and thought society at large should find means of consolidating his achievements into some form of permanent advantage. It meant coming to a proper understanding of what had happened in the Fantopian economy when his design notes came to be accepted by the public as having an immediate value.

Did that make them a new type of money? And was there a danger that other experiments of this nature could spring up at any time? Was the entire structure of orthodox finance, built up over the centuries by usage and protocol, to be jeopardised by the next public-spirited philanthropist to put a novelty on the market, and have it accepted as collateral for desirable social projects, in preference to proper institutional funding? And if that happened, where would it all end?

To make matters even worse, the inhabitants of Tumbledum had organised a campaign against the tolls on their road bridge. A number of prominent citizens kept driving across the bridge, and refusing to pay the tolls, until they got themselves arrested. There was considerable publicity when their cases were brought to court, and invidious comparisons were inevitably being made with the bridge at Tumbledee, which was toll-free because it had been financed by the *maundy* money.

Meanwhile news of the Talented Engraver had leaked abroad, and his design notes were tending to become collectors' items. Already some of his earlier numbers had appeared in catalogues at metropolitan auction houses, where they fetched sums considerably in excess of their denominated value.

Grimly the trading banks were still taking them out of circulation at every opportunity, listing them as gilt-edged securities, and showing them as reserves on their balance sheets.

It was all very, very peculiar, and very, very unsettling for those who felt they carried the whole mantle of monetary orthodoxy on their shoulders. So there was relief all round when, in true Fantopian tradition, the Government of Him the Incomparable set up a small working party to advise on their future course of action.



# SEIGNIORAGE ON THE BANKNOTE ISSUE

THERE were five people selected to sit on that advisory panel. These were a Banker, an Economist, a Politician, a Journalist and an Antiquarian, the latter being thrown in as a make-weight because it was thought that his with the mysteries of antiquity would leave him free of any preconceived notions about macro-economic theory.

But it so happened that when the Panel assembled for its opening session, it was the Antiquarian who first came up with a contribution. "Just my line of historical research!" he remarked as they settled down. "This creation of design notes by the Talented Engraver seems to function exactly as the *seigniorage* bestowed on society by the ancient kings."

"What's seigniorage?" asked the Politician, who had already emphasised that he knew nothing about economics.

"Anything to do with *droit de seigneur*?" quipped the Journalist with a smutty grin.

"More to do with the counting chamber than the bedchamber," replied the Antiquarian, straight of face. "It was once the practice of the Sovereign, when he had minted the nation's coinage into golden crowns, to let it be spent into circulation. That was called his *seigniorage*, and it was seigniorage which provided the prime source of revenue for running the kingdom. Even in more recent times, when the use of coin has been limited, and our golden crowns have become *paper* crowns – at one-fiftieth of the value – the Government has retained its seigniorage over all the newly issued cash money, thereby giving the Exchequer a source of revenue for financing in the public sector."

"Is this true?" asked the Journalist, looking hard at the Banker.

"To some extent," confessed the latter grudgingly, "the Government does finance itself through the issue of banknotes and coin. But nowadays that forms an ever diminishing part of the money supply due to the greater use of credit cards, chequing accounts and electronic transfers."



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Campaign for Monetary Reform  
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LONDON SW1W 8TS

22 February 1993

Dear Miss Hamon,

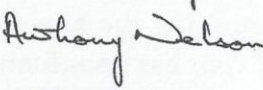
Thank you for your letter of 25 January to the Prime Minister, who has asked me to respond on his behalf.

The Government can and does finance itself to a small extent by the issue of non-interest bearing money: this is the aggregate known as M0, the stock of which is currently some £19½ billion. The size of the stock of M0 is limited by the demand for this form of money.

If the Government tried to increase the amount of this type of finance beyond current demand for it, it would lose any control of interest rates in the economy, sterling would collapse, and inflation would take off.

The money that banks create is either interest-bearing or renders some sort of service that costs banks money to provide.

I hope this is helpful.

Yours sincerely,  
  
ANTHONY NELSON

"The onward march towards a cashless society," exclaimed the Journalist, searching in his mind for a headline.

"Does that mean this *seigniorage* thing doesn't exist any more?" enquired the Politician, who did not understand economics.

"It exists, but only on a small percentage of the new money stock," the Antiquarian explained. "If the issue of new banknotes and coin had been maintained at the level of some thirty years ago, the Government would now have extra spending money of about ten billion Fantopian crowns per annum – enough to build a few Tumbledum road bridges, or upgrade some of the housing stock in the inner cities – which is exactly what the Talented Engraver has just been doing with his *maundy* money."

"So the country would be better off if we loaded our wallets and paid all our bills with fistfuls of banknotes," suggested the Journalist brightly. "No doubt it would cut the borrowing from the private banking system, and put billions into the public purse."



"It would also be quite ridiculous, now that the public's banking habits have changed," declared the Banker. "Today, even if we did load our tills with mountains of cash, nobody would want to carry it around with them."

"Perhaps they would, if they were told that it could be beneficial."

The Banker shuffled his papers. "It says here that if the Government tried to increase this type of finance *beyond current demand for it*, it would lose control of interest rates, and inflation would take off."

"I shall need a sight of that," insisted the Antiquarian. "It's sheer unadulterated poppycock, of course, wherever it comes from. No doubt the public wants to keep its credit cards and other sophisticated cash transfer devices. But cash or credit, how can you support the contention that Government-issued money, upon which it had claimed *seigniorage* for the benefit of the nation, would cause runaway inflation?"

The Banker spluttered. "Tell them," he exhorted, turning to the Economist. "Why do you think I got you elected to this panel?"

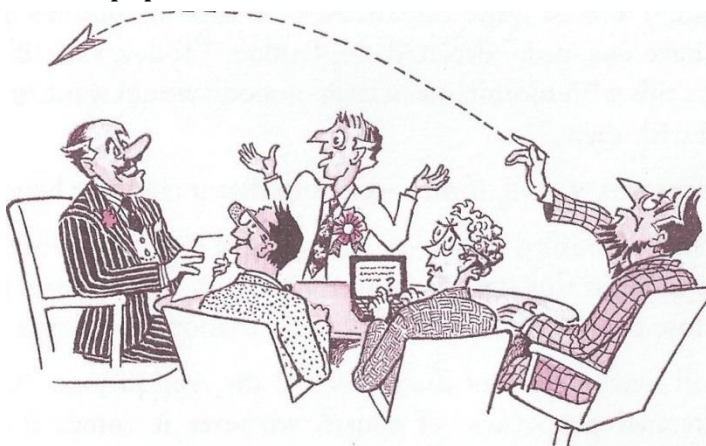
"Synchronised price stability depends upon the input of known and accurately calculable factors into the cost-push equation," began the Economist nervously.

"Focused purchasing power, inserted beyond the scope of the interest rate variable, can therefore destroy the basis of sustained velocity manageability, and exacerbate the incentives towards upward mobility within the wage-related cost-push analysis."

"Hrrmph! I'm glad you agree with me," said the Banker.

"I'm afraid I don't understand economics," said the Politician.

"What does it all mean?" asked the Journalist, and the Antiquarian made a dart with his order paper and floated it off into a corner of the room.



*"I am afraid the ordinary citizen will not like to be told that the banks can and do create money. And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hand the destiny of the people."*

*Reginald McKenna, as Chairman of the Midland Bank, addressing its*



*stockholders in January 1924. He had been Chancellor of the Exchequer in 1915-16.*

*The entire structure of the antitrust statutes in this country is a jumble of economic irrationality and ignorance. It is the product: (a) of a gross misinterpretation of history; and (b) of rather naive, and certainly unrealistic, economic theories.*

*Alan Greenspan, Chairman of the US Federal Reserve Bank*

*Our programmes are like medicine. Some of the medicine has harmful side-effects, and there are real questions about what the dosage ought to be. The best that can be hoped for is that we are prescribing more or less the right medicine in more or less the right dosage.*

*Michael Mussa, as Chief Economist of the IMF*

## LOOKING FOR SCAPEGOATS

BUT the Antiquarian was back in contention when the panel sat down again after the midday break.

"It seems to me," he began, "that if there's anything to be gained by developing a historical perspective, it's to make valid comparisons between the past and what might prove to be corrupt trends in present and future. I'm saying this because I feel that here in Fantopia today – as well as in many other countries across the hemisphere — we're confronted with some of the most vicious features of free market capitalism, and you people don't want to admit they exist, far less propose to do anything about it. Shouldn't we now be telling the public what damage has been done to society by the loss of *seigniorage* on the supply of new money?"

"Governments are run by politicians," intoned the Economist, "and as our colleague reminds us, politicians don't understand economics. So we've had to teach them the hard facts of life. There's no such thing as a free lunch. The world doesn't owe us a living, and it's all a matter of doing as best we can with the scarce resources at our disposal. So money invested on one project can only be obtained by saving it on something else, otherwise we could never hope to achieve a fine balance of integrated micro-compatible sustainability."

"Can I get a quote on that?" asked the Journalist, reaching for his recorder, but the Antiquarian tapped impatiently on the table.

"Let's stick to plain language," he pleaded. "We're having to deal with two types of money, one type that is borrowed at interest from the banking houses, the other issued debt-free by the Government. This latter kind of money has traditionally been in banknotes and coin, and within living memory, was as much as 46 % of the total money supply. Now it's reduced to an insignificant fraction, and the community suffers in consequence."

"I've told you already," said the Banker testily, "that there's a limited demand for that kind of cash money nowadays. The Fantopian public can't easily be persuaded to take something they don't want."

"Agreed. But the other thing about the Fantopian public is that they're also fond of fair play. So what are they going to say when we tell them belatedly about that loss of *seigniorage* which was so beneficial to past generations?"

"How often must I say it?" asked the Banker, glancing down at his papers. "If Government tried to increase this type of finance beyond current demand, we would lose control of interest rates, *and there would be a vast inflation.* "

"Inflation again!" commented the Antiquarian. "The reflex response to all innovative proposals! The question is, if it didn't cause inflation thirty years ago, why should it cause inflation now?"

"Tell him," demanded the Banker, turning again to the Economist. The latter scrambled through the pages of his economics textbook.

"Inflation is a monetary phenomenon which responds to fine tuning of the money aggregates," he announced at length. "New money brought into circulation without compensatory adjustments in the interest rate variable impacts the output gap, and introduces unquantified stresses into the supply-demand equation which – which — "

"Distorts the converging integers of monitored flexibility," suggested the Antiquarian, helpfully.

"How did you guess?" asked the Economist.

"I think we may have taken the same course in jargonese," replied the other.

"I'm glad I don't understand economics," wailed the Politician.

"It's all done by mirrors," decided the Journalist. "But I can't sell this stuff to my readers. Can't we work in something about *present pain bringing next year's gain*, or *tightening belts to stop living beyond our means*. The public has unlimited capacity for sacrifice if you can just dress it up in the right packaging."

"The public also has a capacity for lynching people who inflict unnecessary hardship on them and their families," hinted the Antiquarian ominously. "Once they realise what could have been done for their health, welfare and amenities by Government *seigniorage* on all those billions of newly issued money, they'll start looking for scapegoats. Seems to me that top of the list will be bankers and politicians."

"Could it get to that?" agonised the Politician. "Perhaps it's time I started to understand economics."

*Extract from a speech by the Earl of Caithness in the House of Lords on the 5th of March 1997*

*It is a consequence of our debt-based monetary system that it leads inevitably to business and economic cycles.*

*Conventional wisdom tells us that in order to create new jobs and boost the economy, interest rates have to be reduced. That has happened. People are encouraged to borrow to invest and spend. That has happened. As the continuing flow of new money finds its way into the economy, inflation will follow and up will go interest charges again to reduce the level of borrowing. In order to pay the increasing levels of interest, borrowers will once more have to reduce expenditure in other areas of economic activity. The cycle will continue, but the next time, as before, we will all start deeper in debt and with a burden*

*harder to carry. Personal debt has already increased by nearly 3,000 per cent since 1971. How much more can we take? I hope, for the sake of our economy, without which we cannot finance what we want to see – a good health service and a good social security system among other things – we will question this conventional wisdom.*

*We all want our businesses to succeed, but under the existing system the irony is that the better our banks, building societies and lending institutions do, the more debt is created.*

*(Hansard, Vol. 578, No. 68, columns 1869-1871)*

# IGNORANCE ABOUT MONEY

POLITICS in Fantopia had been bedevilled for centuries by a trend towards colour stereotyping, accentuated by the vagaries of the class system.

The principal antagonists were the Blues as the party of capital and property; the Reds, who traditionally looked after the workers; and the Yellows, who looked for something in between. There had in addition been a certain amount of colour blending down through the years. Mixing Yellows and Reds produced an indeterminate shade of Pink. You could get muddy Browns by tinting Reds, Yellows and Blues. And pouring the lot into one big melting pot produced Chameleons who could be expected to assume any colour at will. Under Him the Incomparable, the governing clique at that time were Chameleons.

Party politics were the tactics of division. They indulged mankind's capacity for taking sides, and then finding someone to blame when things went wrong. The Reds were blamed when the workers rioted, and the Blues when the landlords raised rents or cut wages.

The bankers found it expedient to finance them both at different times, but always by design and self-interest. If they had not invented the party system, they were certainly concerned to perpetuate it, and had long since suborned *democracy* to perform their functions for them. The Politician on the Panel was typical of the prevailing consensus, with much attention to partisan interests and no discrimination between effects and causes. But he somehow sensed that a historic watershed had been reached in the affairs of his party and his country, and felt in need of both advice and reassurance. It was to the Antiquarian that he turned, during a break in sessions, when there was an opportunity for private conversation.

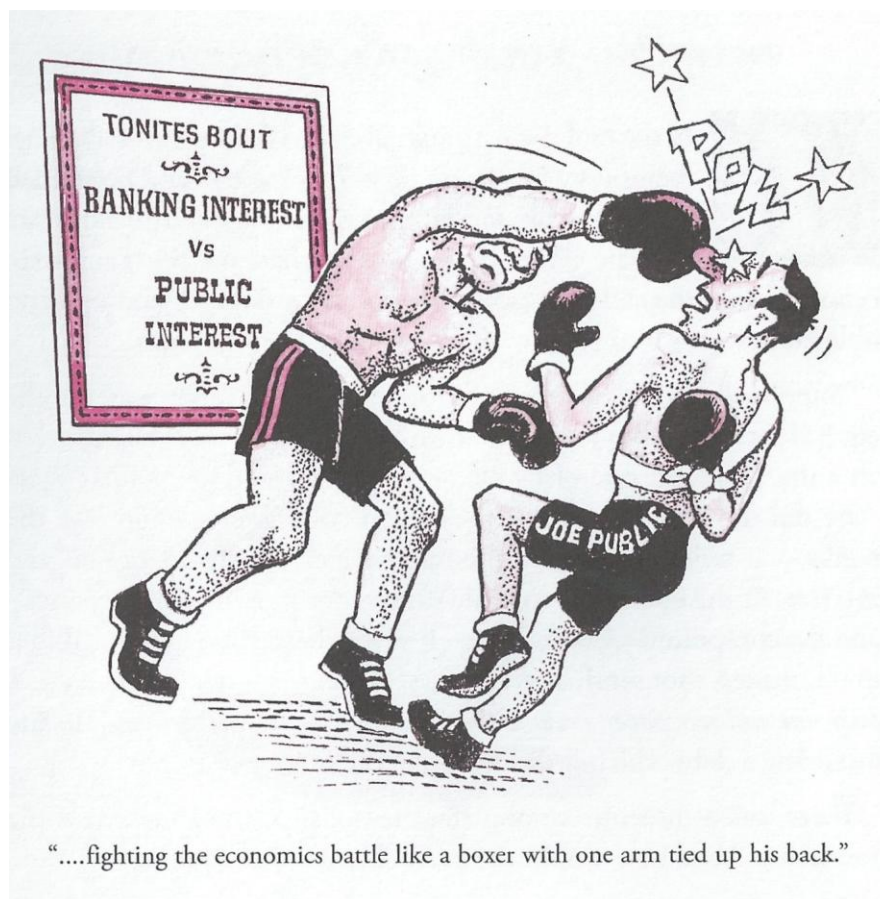
"I've got a major structural project coming up in my constituency," he confided. "The laying down of a principal motorway extension!"

I must say, after what I've been hearing here today, that I'd be much happier if it could be wangled through this Engraver chappie's design notes, as opposed to that great new wonder methodology of the Private Finance Initiative. I don't want tolls. My colleague up at Tweedledum tells me his life has been made an absolute misery since this new toll bridge was opened."

"And so it should be," replied the Antiquarian. "Too many people have been brainwashed into believing that it's only politicians who are irresponsible with money. As a result they've given it all over to the bankers, who certainly know how to manipulate money – *for the benefit of bankers*. The most important thing to remember about money is that the advantage *accrues to the issuer at the point of issue*. That's why it's vital for the nation to get back its rights of *seigniorage* on new money supplies."

"All this stuff about *new* money and *old* money, and who gets the advantage of it," said the Politician. "When I was a party worker, I used to think there was only so much in the whole wide world, and it was a case of grabbing what you could when it was passing round."

"Ignorance about money could ultimately have us enslaved to the banking system," the other told him curtly, "and I'm afraid that until we become money-literate – start teaching it with the abc's in schools, for instance – we'll be fighting the economics battle like a boxer with one arm tied up his back. By the way, I'm doing a little presentation this evening. Perhaps you'd like to come along."



*"It is not that humans have become any more greedy than in generations past, it is that the avenues to express greed have grown so enormously."*

*Alan Greenspan, Chairman of the US Federal Reserve, in 2002*

# INFLATION – A REMARKABLE REVELATION

IN the end the Antiquarian had a full house of all Panel members when he set up his blackboard and proceeded to lay out his message. What he wanted to illustrate was the effect it might have had on the Fantopian economy, had the early kings kept their gold under lock and key, and obliged the nation to borrow all its currency from bankers.

"Suppose," he began, "that the original requirement was for the equivalent of a million golden crowns, and that this was borrowed at an annual interest rate of five per cent. At the end of the first year" – he did the computation — "the nation collectively would owe the banks one million and fifty thousand paper crowns in capital and interest. At the end of the second year — ignoring minor discrepancies and the compounding of interest – it would have risen to one million, one hundred thousand, and so on, year by year – *yet there were still only one million paper crowns in existence.* So the nation was already incurring a debt which it did not have the money to pay."

There was a murmur among the members of the Panel. Said the Journalist, "And how would the banks handle that situation?"

"Very simply," replied the Banker. "It's happening all the time. They would just increase the money supply."

"Increase the money supply?" echoed the Antiquarian from his rostrum. "But suppose there was no growth in the economy. Could they still afford to increase the money supply? Would that not cause inflation?"

"Well perhaps a little bit of inflation," admitted the other hastily. "Who's to say what might have been happening in a primitive economy hundreds of years ago?"

"Who indeed, sir?" agreed the presenter. "But I'm trying to establish a principle. All through the years of monetarism we've been told that the interest rate lever was the main control instrument on the supply of new money. Now we're learning from the Banker's own lips that, irrespective of all other factors, the banks have an absolute *compulsion* to go on creating more money, so that there will always be an increment available for the payment of their interest."

"I get it!" exclaimed the Journalist. "What you're saying is that when a bank makes a loan, it creates the principal – *but it doesn't create the interest*, which can't get paid unless there is a supply of new money continually coming along. Isn't that inflationary?"

"Of course it's inflationary. It's the single most important reason why the cost of living has been inflated by a factor of fifty in our own lifetimes."

"This is dynamite." The Journalist cast a bold eye round his colleagues. "If I can believe what I'm hearing, the banking lobby has been conning us all along. And to do that, it must have turned logic and mathematics upside down, and corrupted our economics faculties as well."

"Be careful what you're saying," warned the Banker threateningly. "You could be offending some very important people."

"Does it matter? You copied us a statement, from no less an authority than the Queen's own Treasury, that if the Government issued any more of its own money – beyond that needed for banknotes and coin – *it would lose control of interest rates, and inflation would take off*. Seems to me that if important people talk such nonsense, they need to be challenged. All I can say is that it's a shame they've gone unchallenged for so long."

"Ours is a lonely and difficult task at times," replied the Banker evasively, "so it's a blessing we're not continually exposed to uninformed and carping criticism. Because governments are so irresponsible with money, they've always had to lean on us for guidance. Having absolutely no concept of economic management, they would otherwise run amuck, and destroy the whole fabric of civilised society."

"I resent that," interjected the Politician on the Panel. "How would they destroy the fabric of society?"

"By seizing control of the money-creating process, and creating it willy-nilly, at every whim and circumstance. Then we should have that vast inflation which you find so improbable."

The Politician paused. "Maybe," he said at length, "I'm beginning to understand a bit better myself. You bankers have frightened us out of interfering with financial matters on the basis that only bankers can understand them. And always you have lectured us on the inflationary consequences of our meddling. But now we learn that nothing is more inflationary than for governments to borrow their money at interest from the banking system. Isn't that what you've been illustrating?" He looked appealingly at the Antiquarian.

"You've seen the examples," confirmed the latter briefly. "And there was no inflation under the ancient kings."

"Very little by way of unemployment pay, health and welfare services either," the Banker reminded him scornfully. "Your blackboard illustrations are amusing so far as they go. But I can't agree with your conclusions, not when you're challenging the most fundamental edict of our modern financial system – that leverage through the interest rate is the only effective instrument for keeping inflation under control."

"I can prove it," cried the Economist eagerly. "I did a thesis on it once, to a whole lecture room of economics professors, and I can tell you it was well received. The monetarist theory is now like holy writ. You can't challenge it at this stage without causing chaos."

"Chaos — and breakdown — is what we might get in any case," argued the Antiquarian, "unless the nation retains some measure of public finance for its own essential purposes."



"Even if our experts have already told you that it would be vastly inflationary?"

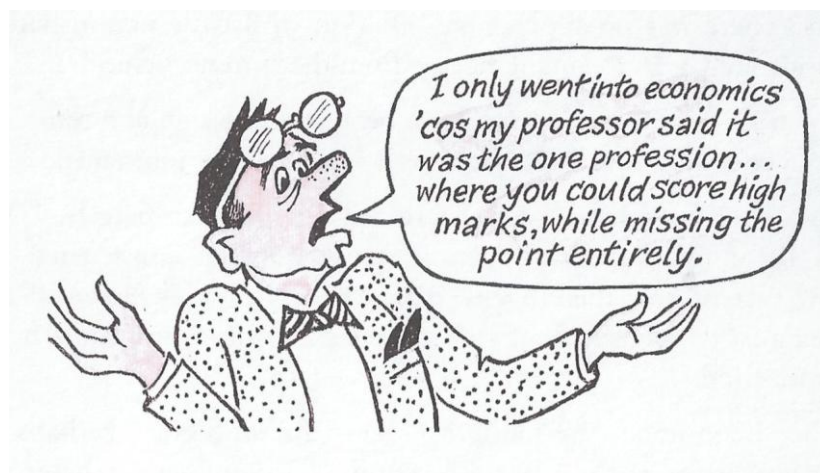
"Sometimes your experts fly in the face of common sense and logic, especially when they have a vested interest to protect. And what they tell us in this case has simply not been borne out by the facts. There was no appreciable inflation whilst the nation had a considerable measure of seigniorage from the currency issue."

"Neither does there seem to have been any inflation as a result of the Talented Engraver's design notes," remarked the Journalist.

"There *should* have been!" retorted the Banker fiercely. "We had the most wonderful micro-economic model constructed to show exactly how there *ought* to have been, but this clown of an economist broke it in pieces when he was trying to transport it to our meeting."

The Economist was looking very discomfited. "Perhaps I shouldn't have come," he said glumly. "Things have a habit of breaking down when I try to put them into practice. I only went into economics because my professor said it was the one profession where you could score high marks while missing the point entirely."

The Antiquarian had meanwhile dismantled his blackboard and put away his display material. He was glad he had got his own economic perceptions from a reading of history

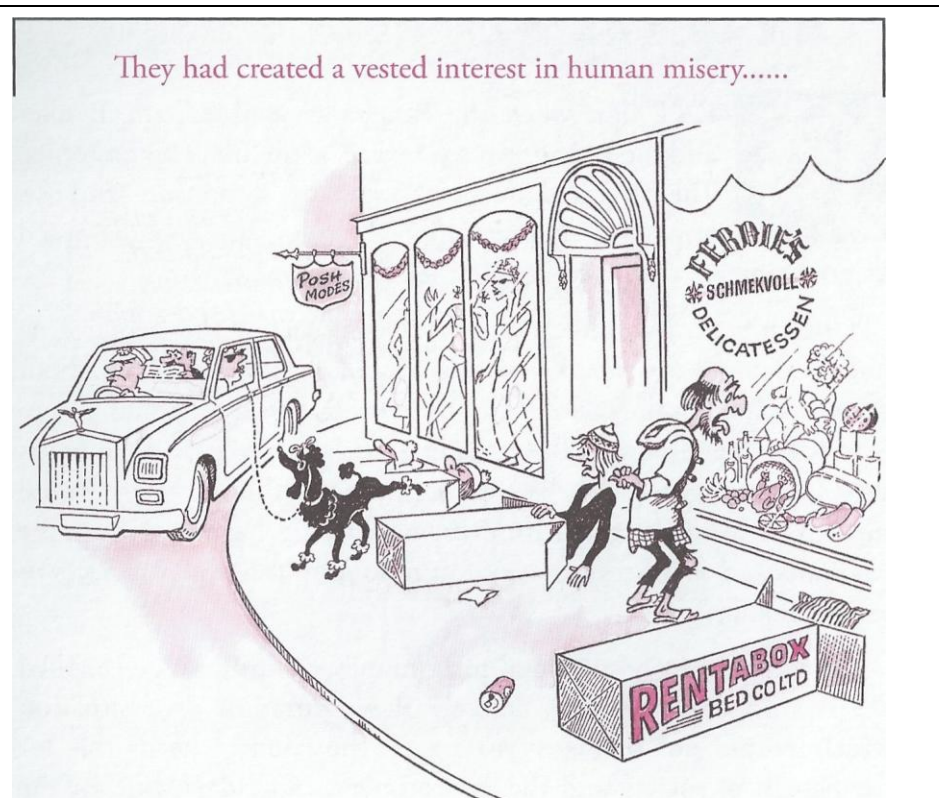


*You can site the most prestigious bank in all the world in the centre of a barren desert, and invite it to monetize the desert's assets in the form of currency, promissory notes and negotiable securities. All of these, whatever their numbers or denominations, would be worthless bits of paper, since they would have no purchasing power in a land without people or resources.*

*But dig wells, find water, create an environment in which vegetation can exist, and living things can grow and multiply. Then your currency*

*will have started to acquire a value. That value will have been determined, not by the awesome dignity of the bank itself, the acclaimed financial expertise of its governors or the imposing calligraphy on its note issue – only by the intrinsic wealth of the community that had gathered round its doors.*

*from Economics of the Green Renaissance by James Gibb Stuart*



*The Antiquarian, as featured in this anecdote, had his own particular principles on the creation and utilisation of debt-free money. To his mind its function was mainly in the marshalling of skills, labour and resources towards the satisfaction of a human need.*

*To this end, the limit on what should be created was therefore determined by the extent of the need, or the ongoing availability of men and materials to see it reasonably provided for.*

*That way, money remained mankind's useful servant, but never its master... It would always be found that that which was socially*

*desirable and physically possible, could also be made financially possible.*

## BECAUSE THERE WAS NO MORE MONEY

NEXT day, when the Panel re-assembled, the Banker and the Economist seemed to be on much better terms. The latter had in fact recovered his composure, and was at pains to impress upon the others the hazards posed by governments taking control of their own money.

"Governments are merely the representatives of the people," he indicated, "and the people have no sense and understanding about money. Tell them they have the right to print, and they would just go mad with their excesses, like cattle in a field of ripe corn. Then when they had brought themselves to the brink of disaster, they would turn to us to rescue them from their folly, and have to endure the restraints and sacrifices we would impose to restore the principles of sound finance."

"There has been no proposal for a money-printing binge," replied the Antiquarian modestly, "merely the restoration of a situation which existed not so many years ago. The country needs this for the benefit of society and the environment. Nowadays, but for the Engraver's design notes, we should be totally starved of resources in the public sector, while private finance is freely available for all manner of speculative investment."

"That's one of the first principles of the free market," the Economist told him with earnest dogmatism, "that money will always flow to the area of highest profitability. So if you have a need for finance in the public sector, it has to be offered on terms which are comparable with what can be obtained elsewhere. Haven't we given you the Private Finance Initiative?"

"You have indeed, and that's a truly monstrous abuse of the common weal," declared the Antiquarian severely. "The state should *never* borrow for the financing of public works. It imposes a debt which can never be repaid, since structures and institutions created for the public good are not conceived as profit-making enterprises.

That's why we need a source of *public* finance, such as we had with seigniorage on the note issue."

"Confound it, you *still* have seigniorage on the note issue!" exclaimed the Banker explosively. "How often must we say it?"

"Three to four percent of the new money supply is not enough. That is evident from the pressure on our public services – and of course the contrived folly of P.F.I. It would be much worse without the Engraver."

"Can't we just nationalise the Engraver, and put him to work officially?" suggested the Journalist hopefully, but both the Politician and the Economist threw their hands up in horror.

"All right," said the Antiquarian, gesturing, "I see that since the dawn of the New Era, *nationalisation* has become a dirty word. But this is not about ideologies – just

practicalities. Whatever the colour of your politics – be they Red, Blue or Yellow – the problem remains essentially the same, that Government must have a sure source of its own finance to do the things that only Government — or a State authority — can properly do."

"When governments want finance, they know we are there to provide it," said the Banker. "We've never failed them in the past. That's why they leave it to us in the end."

"As for governments creating money," chimed in the Economist, "their trouble is that they never know how much money should be created. What would be your advice to them in that situation? For that's the very point on which such tomfool schemes have foundered." He looked to the Banker for approval.

But the Antiquarian took it in his stride. "What is money, but a means of utilising resources and galvanising people into action?" he philosophised. "If the need is there, and the skills and resources are available to satisfy the need, that is the extent to which money can safely be created. You have seen it happen with the Engraver's design notes. Did he not direct them to areas of the greatest social and environmental need, and to purposes for which the financiers told us there was no money?

"*No money!*" he repeated. "How many urgently required projects have had to be cancelled or postponed *because there was no money*? Yet there was money for gambling, and for takeovers and mergers, and for all manner of speculative enterprises. Only the *public* need could not be satisfied – because there was no more money."

The Banker coughed. "One has to understand these things," he ventured. "Money appears on demand."

"Of course it does," agreed the Antiquarian. "I think you and I understand each other very well – and I have no quarrel with that type of finance, which is the lifeblood of our commercial and industrial system. But the deterioration which has been allowed to creep -almost unnoticed — into our national affairs, is due to erosion of that public finance which comes to us through seigniorage, when the Government increases the banknote issue."

"How does the Government do that?" asked the Journalist, suddenly curious.

"It raises a security which I suppose we could call a Treasury credit. This is lodged with the Bank of Fantopia, which then goes ahead and prints the note issue. No doubt our banker colleague could explain it all in greater detail, but the banking industry has been extremely reticent about the whole business, and getting information from them on that subject has been like drawing teeth."

"A case of needing to know," declared the Banker defensively. "Naturally we don't feel the need to share confidences with the general public on all the technicalities of our profession."

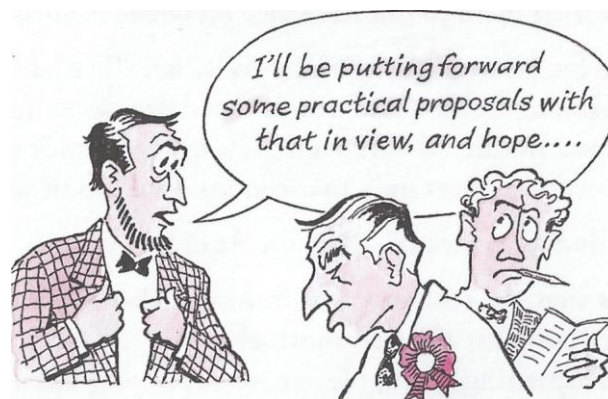
"But the public *needs to know* what's been happening to its Government-funded finance – even if it has previously been unaware of its significance. And as the seigniorage is eroded, it needs to know what is going to take its place. These are big questions, to which this

Panel must ultimately produce an answer."

"It won't be a simple answer," decided the Economist. "I expect I'll be asked to contribute the economic theory part of it, and I have drafted a few notes in anticipation."

"It will have to be a *very* simple answer," contradicted the Antiquarian. "The Fantopian public has to be told, in words it can clearly understand, what it will have lost in terms of public works, social uplift and environmental renewal, if Government loses total control of the new issue money, and is unable to finance desirable national initiatives from its own resources. I'll be putting forward some practical proposals with that in view, and hope to have a majority in support."

As he spoke, he looked hopefully towards the Journalist and the Politician, but was dismayed to note that they had turned away in an attitude of dissent and apparent disinterest.



## A TACTICAL DIVERSION

THEN the meeting broke up, the Antiquarian then had an opportunity of speaking informally with both of them before they all went their separate ways. "Disappointed not to have your support," he said quietly. "I thought I had explained why we have to stop the bankers taking total control of the supply of new money."

"You have indeed!" the Journalist assured him instantly. "You made it very plain. I'm sure we're both in agreement with what you're proposing."

"Then why didn't you support me?"

The pair looked slightly shamefaced, and the Journalist glanced cautiously around him before answering. "Personally, I had no idea what a can of worms we were opening when we discussed this business of Government-created finance. Seems even to talk about it is taboo. Late last night I had a call from my editor, and believe me, I took a roasting. He more or less told me that if I step out of line on this one, my career could be over. This Banker fellow on the Panel is scarcely playing the game. He's been leaking stuff back to his P.R. men, and getting them to put the screw on where it hurts."

"That goes for me too," declared the Politician. "I've had a call from the Prime Minister's office, and one of those *spin-doctor* fellows came on to read me a lecture. The message is clear. I've to stick to the party line, and give my support only to orthodox financial measures."

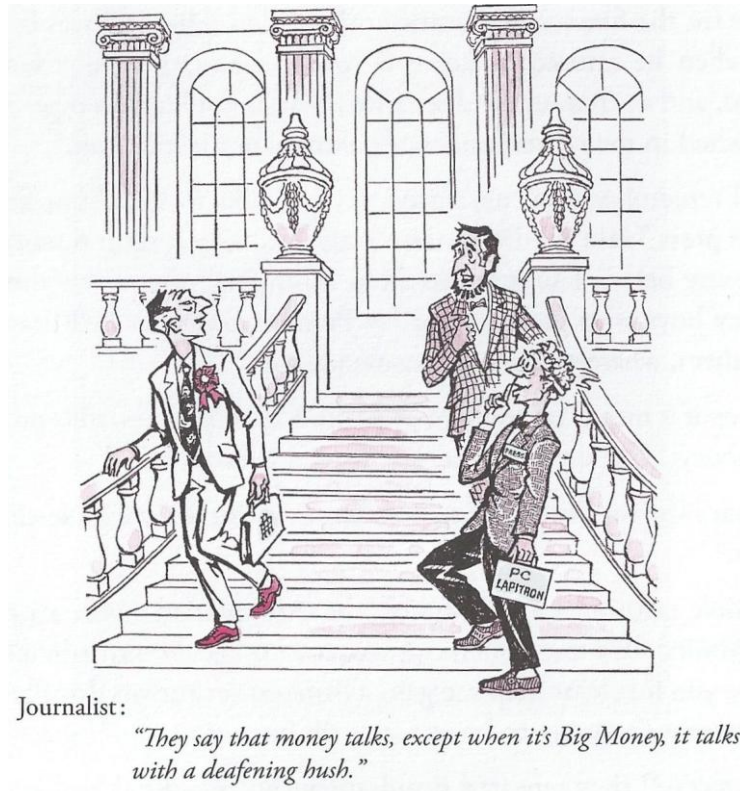
"So what does that mean?" asked the Antiquarian.

"It means that we take our cue from the Banker, that's what it means," the Journalist inferred morosely. "We refrain from rocking the boat, or upsetting the applecart, or proposing anything which might disturb the finance establishment."

"Even if it should result in social breakdown? Did you try to explain to him this problem about the loss of seigniorage?"

"Actually my editor was surprisingly vague on that subject. Said he had scarcely heard the word outside of a historical context. But he was positive enough that he's not for it if the Big Boys don't like it. They say that money talks, except that when it's Big Money, it talks with a deafening hush."





Journalist:

*"They say that money talks, except when it's Big Money, it talks with a deafening hush."*

"That's largely the impression I was getting from the P.M.'s office," agreed the Politician. "You know, when Him the Incomparable got elected with his massive majority, I fondly imagined he would be answerable to no one but God – and that on full media coverage – by appointment only. Now I learn that where financial matters are concerned, he's got to take his cue from some anonymous bloke in the Treasury."

"Hmmm.... I see," said the Antiquarian. "I suppose it's neither more nor less than I could have expected. They do have the power to destroy you, and I can't blame you for thinking about your careers."

"Personally, I've got family responsibilities, so I daren't take the risk," confessed the Journalist. "I once knew a market analyst who wrote for the financial columns of the dailies. His stuff was brilliant, but when he refused to kowtow to the mandarins, they had him sacked, and so thoroughly discredited that he couldn't even get a letter published in the correspondence columns of his local rag."

"I'll remember that, next time anyone talks to me about freedom of the press," said the Politician. "And our party system doesn't seem to be any better. I suppose you'll be telling me now it was those Big Money boys who picked Him for Premier, and that he'll stay sweet with them, whatever the social consequences."

"Even if it means taxation on everything that breathes, tolls on *all* the motorways, and the health service turned over to P.El."

"That's the bit I'm going to hate, and I'm sorry we'll be letting you down."

"Think nothing of it," replied the Antiquarian, with surprising equanimity. "It's not something we have to decide immediately, and I hope you'll at least help me gain a



little extra time on this Panel. It's fortunate we're going to be in recess till further notice."

"In recess?" they repeated simultaneously. "We didn't realise...."

"No, of course you wouldn't." The Antiquarian was improvising furiously. "But it shouldn't be too difficult to arrange, if we were all to plead pressure of business elsewhere."

He looked at the Politician. "Haven't you got a by-election coming up in a neighbouring constituency? I'm sure the Chameleon candidate would be happy to benefit from your experience."

To the Journalist he said, "As for that troublesome editor, he can't be finding our deliberations particularly newsworthy, since he's intending to suppress them. So perhaps he'd like to have you back doing something worthwhile, like sleaze gathering, or reporting on the finals of the ball games."

The pair took their cues readily enough, and went off to make their own arrangements. As for the Antiquarian, when he returned to his office he had a long night ahead of him, as he got to work on his new microdot.com system, which linked him to innumerable contacts across the hemisphere. He was sending out a call to arms, like the beating of the tom-tom in the jungle, or the fiery torch that had once summoned fighting men together in the Fantopian northlands.

In the coming weeks, at a prestigious conference centre in the Great Republic beyond the seas, a meeting was due to be held of the much praised and sanctified Standing Committee for Altruistic Mondialism (SCAM for short). It was an organisation which had once carried the hopes of poverty-stricken and repressed peoples from all around the globe, as it purported to bring peace, harmony and prosperity through a policy of universal free trade.

Unfortunately however, in the Antiquarian's opinion, this august body, with its high-sounding principles, had made a fatal mistake at the very beginning when it encouraged the lesser developed societies to take massive loans from the banking houses of their more sophisticated mentors, with the result that some of them were now consuming a substantial part of their Gross National Products in paying the interest, leaving very little for the feeding and housing of their populations. It was not a happy omen for that era of universal peace which was intended to usher in the New Millennium.

In the discord and disillusionment which ensued, Peace itself had become an early casualty, and with ethnic animosities and economic conflicts springing up on all sides, SCAM was only able to continue its mondial operations under the shelter of its own military arm, a vast aerial armada equipped with the latest destructive technology, which stood ready to bash recalcitrant cultures and creeds into total submission.

The Antiquarian's microdot contacts were not generally of a military persuasion. Many were scholars and academics like himself, who had gained their perceptions of current trends from a diligent reading of history.

Without breaching Panel confidentiality, he was acquainting them with his misgivings about a future in which money became more important than people, and inviting them to ensure that when the momentous gathering of presidents and prime ministers, bankers, financiers, trade lawyers and lobbyists assembled for their latest round of strategic manoeuvrings to bring all forms of financial and commercial activity under their control, the concerns and forebodings of ordinary folk would not go unrecorded.

*US Presidents, on money and banking....*

*All the perplexities, confusion and distress in America arise, not from defects in the Constitution or Confederation, not from want of honour or virtue, so much as from downright ignorance of the nature of coin, credit and circulation.*

*US President John Adams*

*I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a moneyed aristocracy that has set the Government at defiance. The issuing power should be taken from banks, restored to the people to whom it properly belongs.*

*US President Thomas Jefferson*

## BREAKING THE MONOPOLY

AS a result of this and countless other representations, the Standing Committee for Altruistic Mondialism suffered a blow to its prestige and reputation from which it might never recover. Even while delegates and their ancillary staffs were flying in from far and wide, there were protests and demonstrations all across the hemisphere.

In the conference city itself, placards and their bearers blocked the entrances to many of the public buildings, including those where high-level meetings of the Great and the Good were about to be held. In retaliation, SCAM's special anti-riot police assailed the protesters with batons, water cannon and rubber bullets, till there were bruised and bleeding contestants from both sides cluttering up the casualty departments of all the local hospitals.

At open forums sponsored by the Committee in an effort to explain its policies to a wider public, unofficial delegates from the under-privileged nations snatched the microphones from the appointed speakers, and shouted, "SCAM...SCAM...SCAM... get out of our country!"

Fantopia was not without its share of the disturbances. In the City itself, on the very morning when the Advisory Panel reconvened, there was a nasty little incident involving no less a person than the Banker himself, as a consequence of which he had to be hurriedly despatched to the ambulance room for some emergency first aid. When eventually he rejoined his colleagues, he was still visibly shaken. But while the others hastened to sympathise with him in his discomfiture, the Antiquarian merely snatched the opportunity to press home an advantage.

"You see what can happen when the mass of the population begins to realise what banking power does to their lives," he pointed out snidely. "I'd have thought that somewhere along the way, your people might just be willing to compromise a little, before the mob starts burning down their palaces and frizzling them up inside."

"It surely won't come to that," muttered the Banker anxiously. "These were just hooligans out there this morning, probably fascists and anarchists. I could see the hatred in their eyes."

"You should know," suggested the Antiquarian, still no more sympathetic. "They may even be the kind of people you yourselves have occasionally hired or used whenever you needed a distraction. However, I won't press the point. I feel it's more important to sort out this matter of public finance and seigniorage."

"Haven't we been over that several times already?" asked the Banker with a trace of weariness. "You all have a copy of the statement. The Government does indeed finance itself when it issues banknotes and coin."

"Yes, but nowadays it's simply not enough. Both the social fabric and the environment are suffering, and we're saddled with needless taxation, through this loss

of Government funding. So we need something to put in its place. The Engraver's design notes showed us what could be done. What we need is a procedure whereby their effects can be consolidated."

"What are you suggesting?"

"That money is money, whether it comes in physical form or as an entry in a ledger account. When it's put to work, the functions are interchangeable. So the same Treasury credits which have been used in past years to finance the banknote issue can now be adapted to put the Government in funds for essential items of public expenditure."

"You don't learn, do you?" The Banker held up his hands in feigned exasperation. "You're talking about Government actually *creating its own credit*, yet it says in the Treasury document that any extension of this type of funding, beyond the public demand for it, would be *vastly inflationary*. "

"I know what it says – and I know why it says it. You bankers have had a *virtual monopoly* on the supply of credit for several hundred years, and every conspiratorial and coercive device has been brought into play to see that you maintain it – even to the extent that High Authority utters fallacious statements which are an insult to our intelligence. It wasn't inflationary when the Engraver put out his artistic design notes. Neither was it inflationary when the early kings minted their coins of gold and silver, and spent them into the community. *Inflation began when the banking houses set up shop, and started putting out loans at interest.*

"Now, do I have to broadcast all this on the microdot network, till the whole electronic media is buzzing with it? Do I have to demand access to every economics school and faculty in Fantopia, so that I can show them how for generations their own Treasury has been gulling and misleading them with balderdash which wouldn't stand up to a modicum of critical appraisal? Do I have to do that? And if I do, are you willing to accompany me around, and try to pick holes in my logic? That's presupposing that the students haven't already rumbled you, and come clamouring to give you another bash on the head, like the one you received this morning."

The Banker fingered the sticking-plaster on his forehead, and looked reflective for a moment. "You have a way of making it all seem very wicked and devious," he remarked soberly. "Yet how many of my colleagues have thought about it in that fashion? We've never had any difficulty in accepting the creation of *physical* money as a prerogative of the State, for that can be seen in any one year to be finite in quantity. But the creation of *credit* is another matter. Few people among the general population understand credit. Perhaps we don't always understand it ourselves."

"So is that a good enough reason for allowing the bankers to retain a virtual monopoly on the creation of money?" demanded the Antiquarian. "Aren't *all* monopolies regarded as restrictive and dangerous? Why, if I had a monopoly on the

production of screw nails or cooking pots, a government delegation would be hastening to my door, insisting that I give up this undemocratic privilege. Yet when it comes to finance -the nation's social, commercial and industrial lifeblood – few can be persuaded to lift their noses out of the sports pages just to think about it. And when I manage to interest my colleagues on this Panel, they are intimidated out of supporting me by a threat to their careers."

"Have I been speaking out of turn?" The Banker tried to look apologetic. "The fact is that some of the issues raised at a previous meeting bothered me so much, I felt obliged to consult my colleagues. Have you considered that there could be a threat to my own banking career in what you are proposing? A government raising its own credit! It's something none of us have encountered before. We might not know how to handle it."

"Of course you'll know how to handle it. You're much too modest about your own professionalism – and in any case the last thing we would want to do is put the banks out of business. Think of it as an extension of the Engraver's design notes. Have *they* threatened to put you out of business?"



*"Think of it as an extension of the Engraver's design notes."*

"We've learned to live with them," said the Banker. "And it's recognised that their influence can only be temporary. Sooner or later they will stop being issued, and then we can progressively retire them from circulation. But government credit! To us it seems like an open-ended proposition. Would anyone know how much money should be created?"

The Antiquarian adopted a more relaxed posture. "If these are your honest concerns – and not just a backtracking to retain your monopoly power – then I'm sure we can work together. The ideal, in the quest to realise our full potential, is that *that which is socially desirable and physically possible should also be made financially possible*. Government funding created for that purpose would not be competing with bank credit raised commercially – and there would be no overhanging burden of debt."

"Hey, does this mean I could have my motorway extension without tolls?" asked the Politician, who had been listening intently.

"I guess so," ventured the Journalist. "And if the Banker is really going to go along with it, it means also that I can write the story without being clobbered by my editor."

"We'll issue an agreed statement," submitted the Banker guardedly. "I shall have to see that it is vetted by my principals."

"And I shall have to see that the procedures are there for ensuring an adequate supply of Government finance in all the critical areas," declared the Antiquarian. "At the very least, it must do what the Engraver's design notes have done in the depressed communities. But it must also be used with a wider vision to relieve burdensome taxation, and allow our people to enjoy all the benefits of our expanding technology."

The Economist feared he was being left out of it. "Exogenous growth factors must primarily be reconciled with the underlying trends in the real economy," he announced suddenly. "We have to monitor the recurring variables and ensure that the trickle down of new investment is systematically integrated so as to minimise cost-push influences at the coal face. I may require to submit a minority report on this basis, highlighting my concerns with anything that may be seen as a departure from the well-tried principles of monetary orthodoxy."

"Shut up, you fool," hissed the Banker. "It wasn't you who got your head bashed!"

The Economist promptly subsided, feeling that he had been betrayed — he simply did not dare to contemplate all the economic theory he might have to unthink and unlearn, before he could once again achieve credibility in the eyes of his fellow men.

The Journalist and the Politician, having nothing to unlearn, would go their separate ways knowing more about the mysteries of money than they had ever known before.

As for the Antiquarian, he was too old a hand to assume he could return to academia and his study of antiquity as soon as his submissions to the Panel had been filed. The bankers were slippery characters who in times past had simply taken back their monopoly powers whenever the public mood relaxed. Here as elsewhere, the preservation of economic freedoms required eternal vigilance...

*Despite all warnings, in 1913 President Wilson of the USA approved the Federal Reserve Act concentrating control of America's money in the few men who dominate this private corporation. A few years later he reflected:*

*I am a most unhappy man. I have unthinkingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilised world— no longer a*

*Government by fee opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men.*

*FROM THE BRITISH GOVERNMENT OFFICIAL ABSTRACT OF STATISTICS  
FOR YEARS 1948-1996*

*At 1948 total money stock within the economy was shown as £2.8 billion, of which the seigniorage money (banknotes and coin) was £1.3 billion, or 46%.*

*By 1960 money stock had risen to £5.7 billion, of which the Government-issued cash money was £2.3 billion, or 40%.*

*Another twelve years later, in 1972, total cash and credit in circulation was given as £20.3 billion, of which the seigniorage-bearing proportion was down to £4.4 billion, or 21.7%.*

*After bank de-regulation in the 1980s, the situation tended to exacerbate more rapidly, and by George Orwell's Year of the Apocalypse, 1984, total money aggregates had shot up to £163.4 billion, of which at £12.6 billion only 7.7% was seigniorage created by the Government for spending on behalf of the community.*

*By the date of the final abstract in 1996, total money stock had ballooned to £586 billion, of which the seigniorage portion had halved again at £22.4 billion, or 3.8%. In that year alone, according to those official statistics, bank lending into the economy had increased by £39.9 billion, while notes and coin put into debt-free circulation by the Government had risen by only £1.1 billion, or 2.75%. Had the State been able to maintain even its 1972 percentage of seigniorage on the new issue money by the use of Treasury credits, as proposed by the Antiquarian for Fantopia, it would have put an additional £8 billion into the Exchequer for benefiting the common weal.*

*But that is largely hypothetical. Once the system of Treasury credits had been established, further issues would be made on the basis of*

*national necessity, social need, and the availability of resources to fulfil them both.*



## WORDS AND BORROWINGS

AFTER their initial submissions to Parliament, there had been a lull in the activities of the Advisory Panel, and *the Famous Five*, as they were becoming generally known, would have time to reflect upon their findings.

But when the Fantopian Chancellor's next budget revealed a large projected increase in government borrowing, and there was an ongoing boom in the housing market, fuelled by easy mortgages and unrestricted bank lending, the Antiquarian in particular could not be constrained from voicing his criticisms, and he ultimately succeeded in having the Panel reconvened.

"If there was ever a time for restoring *Seigniorage*, that time is now," he announced. "Already we have a dramatic upsurge in national indebtedness due to a revenue shortfall and high Government spending. Under the conventional remedies, this will eventually filter through into higher taxation, ever more borrowings, and repossessions in the property market as the economy takes a downturn all because an entire society has been persuaded that it can't create any of its own money."

"Can't really blame the public for being confused, considering my own experience," said the Politician. "Had I not come into politics and never been involved in these problems — I'd have gone on believing, like everyone else, that money was something which came in pay packets, or emerged from under bank counters on demand. It's going to need an intensive degree of media coverage just to get people to start thinking differently. The kind of things they seem to remember is what that Treasury official said some years ago – that any attempt to increase the stock of *cash* money beyond the current demand would be *vastly inflationary*."

"Words! words! words!" exclaimed the Journalist. "The problem is to get at the meaning. I'll admit to being just as fogged as the rest of the population till I got involved with the Panel, and even now

I'm still not so much wiser. I suppose we've never really got down to debating the subject – being inclined to leave all that technical and financial stuff to the experts." He looked warily around him. "By the way, where is our own precious boy from the Faculty this morning? I know it helps the defogging process to keep him out of the loop, but I'd rather have him where we can see him."

The Politician flashed a knowing look at both the others. "I believe he's keeping a low profile pending a decision about our Banker colleague. Seems there's been some complaints about the public image, and we may just get a different face on that side of the table."

"Well he'll need to be a smart boy to manoeuvre his way round the latest piece of doubletalk." The Journalist grinned mischievously. "It seems to be *printed* money that

gets them spluttering into their coffee cups these days – and I see they've managed to omit the *inflation* word in the latest Treasury update."

"Yes, all a bit peculiar! The main idea, as I ultimately appreciated, was to restore a source of non-interest-bearing money by way of keeping a lid on the National Debt. I've never come to terms with the official answer, that any increase in the supply of *non-interest-bearing money* would have to be borrowed from the Bank of Fantopia in the first place! And it wouldn't come cheap. Was that a threat or a promise?"

"It was anything you choose to make of it," the Antiquarian told him grimly... "Even in their official answers we're now getting signs of evasion and prevarication which are an insult to the intelligence. As I've already tried to explain, it's back to that *monopoly of credit* whose implications they feel must be concealed at all costs, even if it makes them look and sound ridiculous. We had obviously made some progress with our Banker colleague on that point, only to hear this morning that he's about to be replaced. So it could be back to business as usual, with the financial overlords – or the money creators... or whatever you chose to call them — seeking to retain control of their privileges."

# PRINTING MONEY – ERODING SEIGNIORAGE

THE Economist, having suffered at the hands of other members of the Panel, was now recovering his composure. A graduate of the School of Fantopian Macro-economics, generally portrayed as a complex discipline fit only for the rarefied intellects of economics faculties to appreciate and understand, he had opted to specialise in the computerised wizardry of monetary science – the theory rather than the practical application.

That – the practical application — had been the happier lot of engineering and contemporary industry, as a century of invention did away with drudgery, the oil lamp, the spinning jenny and the wooden plough. Only the *dismal* science of economics had failed to meet the challenge, as its nostrums dwelt eternally upon controlling wealth rather than expanding it, and looked backwards to the problems of scarcity on a planet which stood ready to give of its bounty. A fallacy had crept, almost unnoticed, into its thinking, loading the developed countries of the Fantopian world with massive national debts and annual servicing charges which inhibited wealth production and denied twentieth century man the benefits of his own enhanced technology.

Not that this would be of any immediate concern to the Economist on the Panel! That particular morning things were pleasantly reassuring. There was indeed a different Banker for the advisory group to contend with, the previous incumbent having been retired on grounds that his somewhat raffish appearance might belittle the important work on which they were engaged. The new appointee was a distinguished investment banker, well-known in Fantopian financial circles, but recently returned from a professional tour of duty in the Great Republic beyond the seas, where he acquired a reputation for creative solutions to erstwhile intractable problems.

At that first meeting he reacted with some impatience – even hostility – to minuted notes of previous sessions, and seized upon an early opportunity to assert himself.

"I suppose it was a mistake to let you gen'lemen deliberate for so long without an agreement on procedure and policy," he speculated. "Now we're getting conflicting signals from the Treasury, and even if only for our own reputations, we can't really afford to get it wrong. Apparently the message which went out ten years ago was that we couldn't print the extra money because that would be *inflationary*. So it's no help now for all of us that across the Pond they're printing money all the time. I'm quite convinced most of them will have clean-forgotten how many billions have been printed. But they tell me that so long as you don't stop, it's the best device they've ever had for keeping inflation in limbo."

"All right! hold it there," insisted the Antiquarian when the laughter had subsided. "As our Journalist colleague has recently reminded us, it's sometimes words!

words! words! without proper attention to their meaning. Let's just have a go – all in the same context – at *money*, *inflation* and *printing*. The Treasury boffins say you're printing money when you don't borrow at interest from the banking system. Then they say it will be vastly inflationary when they don't want you to find out for yourself that it isn't. And finally there's the long running contention – which no one ever questions or substantiates – that printing to finance public expenditure is by its very nature *inflationary*. But perhaps we should have the views of our expert."

All eyes were immediately trained on the Economist, who reddened perceptibly. "Oh dear," he mumbled, "diagnosing inflation was much easier when you could call it *too much money chasing too few goods*. But we can't do that any longer, can we, with automation solving the production crisis, and rival supermarkets beating down prices every weekend with sledge hammers? Sorry! I haven't got my laptop or my slide rule with me. Maybe if I had written notice."

"Uh-huh!" said the Antiquarian laconically. "Take all the time you need. Meanwhile it seems to me that where this particular subject is concerned, civil servants, ministers of the Crown, even Treasury officials themselves, are given to sweeping assertions which are neither proven nor debated. And the context in which they are used almost invariably relates to public funds created debt-free outside the private banking system. Yet as we've seen from the Treasury's own statistics, fifty years ago nearly half the Fantopian annual money supply came into circulation by this method. It didn't cause inflation then, so why should it cause inflation now?"

"Is there a quote I can have for the afternoon edition?" asked the Journalist.

"I'll have to consult with the party caucus," declared the Politician.

"I can't do a thing without my laptop," wailed the Economist.

"Pass!" said the Banker off-handedly. "I'm still the new boy. I'll wait till I get my feet properly under the table."

But after that initial meeting, the Antiquarian's approach to the New Banker would be correct, if guarded. He had sensed that this was a more highly powered individual than they had previously encountered, and that everything which passed between them — even by way of inference or innuendo — would now be noted and studied by Bank or Treasury officials for its bearing upon the matter at hand.

He had still to test *the new boy's* views upon the *credit monopoly* somewhat thoughtlessly conceded by an earlier Fantopian monarch in pursuit of a foreign war. But it had happened in an age when coin of the realm — subsequently banknotes and coin — were the recognised currency of the people. The Antiquarian himself believed that this introduction of *credit* money — or dematerialized *debt* money — into an economy based on symbols of intrinsic value, had not impinged unfavourably upon the nation's social amenity and physical infrastructure whilst the two sources of money issuance were broadly in balance.

It was only when sophisticated *credit* instruments came into being, and technology made it possible for cheques and balances to be processed electronically, that the public sector began to suffer. Personal and small-time commercial and financial transactions were now being settled on monthly credit by means of the new bank money, and *seigniorage*, which had effectively been the people's money – was simply eroding away.

It was something which, while it was happening, should have been noted by responsible elements within the Fantopian Treasury, and some corrective procedure set in progress. So far as he could see, nothing was being done. No warnings had been given. The nation was not expected to notice that a priceless source of debt-free public money would soon be a historical curiosity.



EDM 151 – Austin Michell MP: 2002

*This house recognizing that the huge expansion of bank lending and the decline of the note issue as a proportion of available money has meant that the seigniorage return to government and the proportion of debt free money have both fallen heavily as proportions of GDP ensuring that credit has effectively been privatized, to the enormous*

*benefit and profit of the banks and the increase in the debt burden on every individual,*

*urges the Government to redress the balance back to the people by instructing the Bank of England to create credit to be used exclusively to finance necessary public investment in schools, hospitals, transport, police, social services and defence so that the People's Credit can be used for the People's Purpose not for private enrichment and bank profit and to ensure that the heavy extra costs Private Partnership is massively reduced, while enabling more public sector investment to be embarked on to stimulate employment and economic growth,*

*and further urges the Treasury to review and report on the benefits and procedures of increasing the proportion of debt free money and of using the public credit to achieve the public purpose of high economic growth and full employment in an economy where both have suffered as the burden of debt, private and public, have increased.*

## THE BLUES AND P.F.I.

THE POLITICIAN on the Panel was a busy man during those dramatic days. Besides his normal parliamentary duties, which he still tried to fulfil to the letter, he had become the eyes and ears of the advisory group in the Commons House, reporting on the progress of their own particular project.

It was the custom in Fantopia – as no doubt elsewhere within the galaxy where situations of special public concern had been identified — to display prominently in the House a Motion against which elected members could show their interest and support by adding their signatures.

When the issue of restoring *seigniorage* was first brought to public notice, there had been an immediate flurry of publicity, and the Panel was initially expected to conduct its business against a background of news flashes and photocalls. But when the reporters and the press cameras disappeared, and there was often an eerie silence in the entrance halls and on the staircase to the committee rooms which the group had been allocated, it was not difficult for them to draw their own conclusions. It was being made very obvious that the Fantopian Establishment had its own inbuilt conception of priorities and relativities, and it would appear from the diminishing interest in the Panel and its findings that the progressive erosion of the People's Money was not one of its immediate concerns.

The Blues in particular, the main opposition party striving to regain power after some years out of office, were still wary and suspicious of any policy with a *people* connotation, lest they be accused of flirting with socialism or populism or something they could not mention; and at that moment not one of its parliamentarians had signed the Motion on restoring *seigniorage*.

In his privileged position as an elected member of the Commons House, the Politician was asked to attend the critical meetings on this subject, and report back in due course to the Panel. An afternoon session had been set aside for discussion, and the Member was there to open the debate.



"Well I did my best," he began, consulting his notes, "but I doubt whether you're going to hear anything that's original. A great deal of talk about the principles of the free market, and the tendency of new money to flow to the area of highest profitability!" He

looked hard at the Economist as he spoke. "Briefly – and to save the time of this panel — I reckon, with all the glossy illustration and impressive financial expertise, it's the Private Finance Initiative all over again. The Blues are planning to hang their coats on P.F.I."

"So they're going to privatise again, are they?" conjectured the Journalist. "I suppose, with their track record, that's only to be expected. And how do they see that in relation to the public sector?"

"Oh they reckon they've got a comprehensive plan," replied the Politician. "I read it up again last night, and apparently the attraction of the funds being private is that *they need never be shown on public account*, and repayments can be deferred indefinitely. The Blues I questioned were all cock-a-hoop. They reckon this alone is good enough to get them back into office, so it's no surprise that to this day none of them has signed the Motion."

"And I'll bet *Him the Incomparable* knows all about it," remarked the newspaper man, "will be using it where possible to his own advantage. They say his chancellery has already committed about 36 billion of government money, with an undertaking to repay about *110 billion* in total over the next 25 years."

"110 billion!" The Politician measured the syllables under his tongue. "I suppose it's easy enough to say. It's the comprehension and the evaluating of it that makes the mind boggle. No wonder the ordinary citizen fails to take it on board!"

"Meaning that you can do what you like after the first billion? The rest merely adds to the mystique and the wonder of it. On that reckoning we might be better going for P.F.I. — and re-payments on the never-never."

"Have your fun, gentlemen, and tell us when we can get back to business," thundered the Antiquarian, who had been listening to the dialogue between his two colleagues with an expression which grew blacker by the minute. "So we still have none of the Blues with us? Not one has signed the Motion?"

"Not a one, last time I looked at the board," the Politician assured him. "And from what I've heard, they won't be signing now. All the talk is about their party's traditional access to capital and investment, and how they've always had more constructive policies on money than their more radical opponents. Meaning us, I suppose."

The Antiquarian was shaking his head, as though in disbelief. "I've got many good friends amongst the Blues," he muttered, "but I must admit I get sorely tried by their subservience to an orthodoxy which sees all money and monetised resources as a leveraged debt to the banking system. Here in this Panel we're expected to be non-party and non-partisan, and so we shall be. When we argue for preservation of the People's Money, that means all the people, not designation by wealth or class or background, yet what we're hearing now is that a major parliamentary group is not supporting our



Motion for a revival of the only form of public money that comes to us without borrowing."

"O.k. I'm proposing a medal for the first Blue to break ranks and sign up," announced the Journalist recklessly. "I'll lobby my editor to have it publicised alongside one of my columns."

"Thank you. We'll take that as minuted," acknowledged the Antiquarian. "On P.F.I. – what we have to remember is that it's a policy of delayed liabilities. Long-term borrowings might not appear as such on public account, but land on the shoulders of the next generation, as an increase in the National Debt."

"You seem to have an obsession with debt," snapped the New Banker, who had previously been sitting back listening. "What would you have us do? Close down all our facilities? Leave private industry without a source of capital, and the elderly without a means of earning from their investments? Just shut down the banks entirely, and leave you marooned in a commercial desert? Let me remind you all that our open economy only exists because money simply appears on demand. Our lending is a measured and fitting response to the requests of our clients in their pursuit of growth and opportunity."

"Granted!" replied the Antiquarian. "I appreciate that you are indulging us, dear sir, in setting forth the essential needs for commercial banking in a developed society. But this debate is not about the private entrepreneur who borrows money on his own judgement, and hopefully pays it all back when he's profited from his investment. Our concern is that many loans in the public sector never get paid off, whatever the colour of the gift paper on their wrappings. Remember the Tumbledum road bridge! Because it was financed on borrowed money, it's now got both debt and toll duties, and even with an increase in charges, there's no sign of its capital cost ever being liquidated. So we're entitled to ask just what Government and Treasury are doing with our finances when they blandly acquiesce in the extinction of *seigniorage*, and leave us without a recognised source of public funding for infrastructural improvements. Unlike commercial enterprises, these essential projects don't earn profits, so they can't be expected to pay off debt. Had we not had the Talented Engraver, with his design notes, Tumbledee would have been just another casualty of the debt-money system."

"Ah yes, about this so-called Talented Engraver," ventured the Economist, still trying to redeem himself, "I really don't reckon he's worthy of consideration until he's found his way into the text books. But I'm sure there must be a rationale somewhere."

"You can have it now," snapped the Antiquarian with unaccustomed asperity. "Remember that it was the Engraver who set this whole thing in motion several years ago. Having discovered a talent upon which the market place was willing to set an immediate value, treating his engravings like art treasures or ancient masterpieces, he was able to do what charity has tried to accomplish down through the ages – which is

effectively to hand down to the least fortunate among us a proportion of what has been denied them through, for instance, the demands of interest-bearing debt.

"Yes, think of it along these lines occasionally," he continued, surveying his audience critically. "Some centuries back, a Fantopian cleric declared that *money is only useful in so far as it stirreth people to industry, and to participate in each other's industry*. Against that background the role of the Engraver becomes symbolic. With his grants to the depressed areas he's doing what might equally have been done by a restoration of *seigniorage*. He's showing us the way."

"I get it." The Journalist had been wrinkling his brow. "The handouts from the art sales made up for the loss of *seigniorage*. The charity bit was what society should have been doing for itself by a fairer system of distribution."

"Our institutions give millions to charity every year," declared New Banker defensively.

"No doubt in fitting proportion to what they have taken away," suggested the Politician snidely.

The Economist said nothing. He couldn't. There was absolutely nothing about it in the text books.

### *The Trouble with Economists*

*by the late Professor John Hotson*

*Most economists don't understand money, interest and debt. Maybe they're afraid to understand — because if they did, they'd have to do something about it, and get into trouble with people who do understand — such as the leading bankers.*

*Thus the situation in monetary theory is where sex education would be if the "storks and babies" fairy tale had become the official paradigm. The facts about money — and baby creation — are well understood, but economists feel bound by the fairy tale.*

*They likewise feel bound to treat money, like sex, as a risqué subject, better not aired in front of the children. The trouble then is that the children grow up, may themselves become economists, and decide that the less known about such matters, the better.*

*This reconciliation, as between fact and fantasy, enables them to dwell in the best of all possible worlds, where the perennial economic disasters of debt, depression and degradation are someone else's*

*problem.*

*Professor John Hotson was a lecturer in economics at Waterloo University, Canada*

## WHAT PLACE FOR DEMOCRACY?

BUT there was scope for him in the next session, where the Journalist had roguishly pencilled in *A Question of Interests* the subject for discussion.

"I've been wondering when this one might come up," he announced smugly. "It's all to do with the base lending rate, of course, and I know some members of this Panel wonder whether we should have a base rate at all. Yet in the financial centres of the Great Republic it's freely acknowledged as the most fundamental financial device for controlling the economy. You'll notice that Him the Incomparable and his Chancellor put our own base rate under control of the Bank of Fantopia as soon as they were elected, and we've had low inflation ever since."

"But does it necessarily follow?" enquired the Journalist. "There was a great deal of talk about zero inflation under the last government, but I don't think it was ever delivered."

"No, and neither could it be within any money system that's subject to leverage," the Antiquarian told him across the table. "That was just the Blues showing off their financial acumen. But once they realised what a booboo they'd served up, they quietly forgot about it."

"Zero inflation," he added, "is a mirage in any economy sustained by interest-bearing debt. The interest payments could not all be found without a constant increase of the total amount of money in circulation, and the difference between them is the inflation factor. Thus prices can double – and double again – in a lifetime. Under a debt system, inflation is like glazing putty. If you squeeze hard enough, you can flatten it, but you can't make it disappear. Just one of the natural laws being ignored by economists!"

"Can I have a quote on that?" asked the Journalist.

"You're absolutely ignoring the growth factor," shouted the Economist.

"I think I'll stick to politics," said the Politician.

"Gen'lemen! Gen'lemen!" exclaimed the New Banker as voices were raised, and he scented an argument. "When I hear you getting so worked up about interest rates, I feel you should be taking the occasional trip across the Pond. Over there they've got the Fed. – and the boss of the Fed. is the nearest thing to God that you'll ever meet on this planet. Right now he's got Federal funds down to 1%. Can you beat it? 1% base! He's sucking hot money from the four corners of the universe, and there's nothing anyone can do to stop it."

"He's also piling up the most colossal debt in all financial history," remarked the Antiquarian. "Something like eight trillions of global dollars, mostly in securities. The economy's existing on a knife-edge, as they wonder just when their creditors will stop trading goods for Government paper. The fact is that they've been living far beyond

their means, and if they were ever forced into paying even part of that debt, their Exchequer would bankrupt immediately."

"It seems to me," said New Banker with the merest suggestion of a smirk, "that over here the franchise and the potential overreach of the Great Republican Fed. are largely unappreciated. Yes, the Debt is always there as an ever-present problem, but liquidate that Debt, and there wouldn't be much left for anyone." More soberly he added, "That's the way things work in today's investment world. Least of all would there be much of a career for me if it were otherwise."

"Good to get it from the horse's mouth," declared the Politician. "So the loan finance that streams through our letter boxes, the mountains of credit that we see piling up all around us, all begin with debt – bank debt created by a computer. Otherwise it's not in existence. I used to wonder, in my campaigning days, whether there wasn't somewhere a fallacy so brilliantly conceived and concealed, that whole social systems were ensnared by it. I see now, since joining this Panel, that it was there all the time, and it's all to do with money – its creation, and who owns it after it has been created. In my own contacts with the high priests of the Treasury I'd noted a marked reluctance to concede that the common weal had any entitlement to money at all. So if the nation or the Government needed money, then they must borrow it, and at the going rate of interest. All that makes me think, gentlemen."

He looked querulously around the table. "If the banks own all the money — i.e. the State has no money of its own – what are the implications for society as a whole? I mean, they've always told me that money is power, and big money is big power. So total control of money is total power, with all its implications."

"Which must make us see the significance of those last few percentage points of *seigniorage* on People's Money," commented the Antiquarian. "If we can't have it reinstated as a traditional and non-inflationary method of state financing; if we can't agree a procedure for sustaining it at an appreciable level; if the Treasury moguls continue to get away with bank-speak in their official answers to enquiring politicians, they will truly have a monopoly over all forms of money creation; then if the control of money is a form of power, and a monopoly over the creation of money is total power, what place is there for democracy under such a system?"

"Of course there's a place," snapped the New Banker. "Don't we have parliamentary elections every five years, with all sorts of votes and referendums in between? How much more democracy do you want – or need?"

"Perhaps a bit less in quantity, and a whole lot more in quality and integrity," observed the Antiquarian. "The trouble is that under a financial oligarchy, such as we have today in Fantopia, democracy – or what we tend to see as democracy – is put up for grabs by the highest bidder, and candidates for the top jobs – anywhere they'll be in a position to change things – seem invariably to have a dark side to their natures or their

lifestyles which entraps them in the pursuit of hidden agendas, regardless of popular mood or national interest."

"In that case," suggested the Politician, "we're probably getting the best democracy money can buy."

# TAXING EVERYTHING THAT MOVES

IT had promised to be a tense occasion when the Advisory Panel resumed its deliberations at the beginning of the following week. But New Banker had obviously decided to avoid confrontation, and allowed the other members some scope to elaborate upon their own particular viewpoints.

The Economist got in first. He had apparently done some extensive reading at the weekend, and was anxious for the Panel to know about it. "I observe," he began, "that interest rates are coming back into focus as the most fundamental financial tool for controlling the global economy. At the same time we're being warned that a rise in interest rates could collapse both the stock market and the housing market simultaneously. So in view of the fact that all respected economists now assume high inflation to be caused by an uncontrolled increase in money supply, how would a chancellor guard against either a boom or a depression, if he didn't have the interest rate lever to regulate output and demand? One foot on the accelerator, the other resting on the brake!"

"I've done my stint as a motoring correspondent," tittered the Journalist, "and I can tell you that's hardly the approved technique for driving a motor car, far less a modern economy."

"Well you know what I mean," muttered the Economist huffily. "Things don't always come out the way I think them."

"I suppose what he means," conjectured the Journalist, "is that we must admire the wisdom of our P.M. and Chancellor for handing it all over to the Bank of Fantopia right at the beginning."

"They did the right thing, of course," said New Banker approvingly. "Aren't we the best people for the job? In the Great Republic across the Pond it's the Fed. that decides – and I can tell you that over there, outsmarting the Fed. is like giving up on religion. You just don't try."

The Antiquarian let that one pass. He had begun to realise that even in the few sessions they had been together, it was his interface with this man which would prove important, and there had already been several brief discussions between them.

"Some things have gone unmentioned," he observed at length. "We've covered borrowing and monetization, and all their aspects that impinge upon a modern economy. But thus far I've heard absolutely nothing about social justice. Out there, particularly in the lands washed by the Southern oceans, are emergent peoples at varying stages of development, but all relying upon us to assist them, through a benevolent attitude towards their cultures and their economies. In how many cases can we be seen to have helped? On the other hand, how often have escalating debt and rapacious demands for interest driven them into desperate poverty?"

"I guess you're looking at me again," declared New Banker, sensitive to the expressions round the table. "Sure, we've tried to help these people – and maybe we didn't always go the best way about it. But we couldn't do it without money, and since they themselves didn't have any money, we had to lend it to them in the first place."

"In high-yielding global dollars, pumped into off-shore economies offering little prospect of a safe return for either loans or capital!" The Antiquarian's tones were biting severe. "So the dollars went back, by devious routes, to the security of their origins, where they earned high interest again. The emergent peoples were left with the debt."

"I know what you're saying, and I don't disregard it, but give me a break," pleaded New Banker, sounding embattled. "Some of us kept on trying – and look what we're able to offer them today. That 1 % base on Federal funds means all other rates scaled down in proportion! Will they ever get better than that? Must be almost the cheapest money in history."

"It must also be shoring up the largest debt mountain in history," replied the other, still uncompromising. "Stemming from across the

Pond, there could be a horrendous crash – and a crisis of confidence looming at the end of all this, and I'm not suggesting that any of you, as individuals, can fix it. But as members of this Panel our joint recommendations will be recorded, and what I want to see is a strict rebuttal of P.F.I, and all other ingenious devices of leveraged finance along with that, a firm commitment to reduce the borrowing and overall indebtedness. And the first step along that particular road is to increase the volume of publicly created money. It would be one small step to sanity against a madness which is worldwide. Who is going to support me?"

"You know you've got my vote of course," declared the Politician, "and I can think of a number of people in the House who feel the same. The trouble will come with the whips' office, and the manoeuvrings of Him the Incomparable within the Establishment."

"You've got my vote too," said the Journalist. "After what I've heard on this Panel, you can be sure that anything I write on the subject will be in favour of restoring People's money."

"I shall obviously have to reserve my position," announced the Economist pompously. "Since the size of the money supply has now been recognised as a key determinant of inflation, and the text book response to the printing of too much money is the levying of taxation to mop up the surplus, when I hear this talk of People's Money and financing the public credit, I have to ask myself how, in such circumstances, inflation can be neutralised, and the fiscal factors kept in balance. In the ultimate it could mean the taxation of everything that moves."



"Everything that moves? So that's your considered verdict? How very original!" remarked the Antiquarian as eyes were turning towards New Banker, who in turn glanced at the Economist.

"You've heard the gen'leman speaking," he said mildly. "I'm afraid we're both creatures of the Establishment, and have ultimately to toe the official establishment line. But you've all brought up some very interesting arguments, which you will find have been duly noted."

As the Panel was breaking up, there was then a hurried exchange between New Banker and the Antiquarian. "I may have to spend some time in the arranging of it," said the latter, "but we agreed to stay in contact, and with the help of some friends in the electronics business, I've managed to rig up a sort of electronic display model which you may find of interest. It's housed in an old industrial estate factory, and won't have the luxuries of your City pad. In fact, for dinner, we may have to make do with fish and chips eaten straight from the greaseproof paper. Just remember the staff are mostly volunteers, brought in for the occasion. But they'll be anxious to show what they can achieve at short notice."

# THE SWINGOMETER

NEW Banker's chauffeur was cautiously concerned as he steered his company limousine down the narrow lane from an inner-city back street. He was accustomed to more spacious surroundings. But there were words of welcome from the small cluster of overalled technicians clustered round the factory entrance. The Antiquarian had been there before. He exchanged greetings with each of them in turn, and explained how they had been brought in because of their specialist skills, to help him with his experiment.

"I am no great exponent of graphics," he confessed. "My drawing skills were never good enough to produce an accurate presentation. But I've become intrigued by the new technology, and the concept of a graphics recorder to illustrate visually solutions which often prove elusive to the human brain."

Very much in control of proceedings, he gave the nod to his small band of helpers, and they set off through the silent rows of production benches towards a single brightly lit area which seemed to be the sole centre of activity. In the forefront stood the model they had come to see, all flashing lights and brightly coloured displays.

"I call it my *swingometer*," he announced. "You may have something similar in your secret sanctum. But these friends of mine have interpreted brilliantly the various features I was anxious to incorporate. Ready for a demonstration?"

Somewhat bemused, New Banker nodded, and the Antiquarian continued. "Let's say," he began, "we want to know just how much extra taxation will be needed to make up for our Fantopian Chancellor's last year spending binge."

He stepped up to the control platform and punched purposefully at several of the brightly coloured knobs and indicators. The electronic pointer immediately swung off the scale. "I see," he remarked, quickly cancelling out the data. "Obviously a case for more Government borrowing, which is not the answer I wanted. We'll try again later."

They were able to resume the discussion when, as anticipated, they were shown into a private office to share the snack which a volunteer canteen worker had prepared for them. While they ate, the Antiquarian continued with his exposition.

"Graphics is not too difficult to master, even for a non-technical type like me," he indicated, "and with this new electronic gadget it's occasionally possible to look round corners. Think of a sliced orange, all in differently coloured segments — and in this case representing the wealth of the nation in relation to the demands and requirements of its people. I punch in items such as GNP, land and property, stock market valuations, export and import figures in so far as I can pin them down; new infrastructural projects of significant value, defence spending, charitable contributions either private or by Government, etc. etc. etc. I've brought in some of my volunteer helpers to check for errors. But still it refuses to add up. On each of the coloured oranges we were left with a grey area which at first none of us could identify and understand."

New Banker put down his coffee cup and looked quizzically across the factory table. "Obviously there's a point to all this, and you'll want me to comment. But please tell me just what we're trying to achieve."

"Sorry!" said the Antiquarian apologetically. "I realise I've not made myself clear. The clue lies in that ripe orange with its brightly coloured segments, made to represent every aspect of human activity which might be construed as contributing to the wealth of nations. I then took a sounding of all the negative and basic cost factors which would have to be subtracted before striking a balance which hopefully would indicate a sufficiency for all – what my philanthropic colleagues would call the achievement of social justice.

"Initially my experiment seemed inconclusive. I got to doubting my material input, and substituting for it everything and anything that had any relevance. But no matter how I rigged or rearranged the data, there was always this grey area which could not be coloured in, despite all the charitable activities of a caring humanity. It seemed to indicate a basic social imbalance."

"But of course!" exclaimed New Banker with absolute conviction. "In my profession we have always known such an imbalance existed, and have dealt with it accordingly. *The poor are always with us*. Even the churches recognise it. That's why we have Maundy money, Poor Relief, soup kitchens and occasional wars on want. He deludes himself who imagines that you can eradicate poverty from the face of this planet. The best we can do at the personal and corporate levels is to support charitable enterprise across the board. No one can say that the banking industry is stingy with its donations in that respect. Our charitable outlays must run into millions."

"Of course they do," conceded the Antiquarian, silencing him with a wave of the hand. "I myself have been known to put coins in Poor Boxes sitting on bank counters during the Festive Season."

He suddenly dropped his voice to a confidential undertone. "You and I have been civilised with each other, and I thank you for it. So let's be clear that what I have to say next is without malice or innuendo. But if its full implications got out to my enthusiastic volunteers on the factory floor, it might be difficult to guarantee you a safe passage home."

New Banker looked duly concerned, and the Antiquarian hastened to reassure him. "Not while you're in my charge," he insisted, "though with implications for the future, when the case will have to be presented to a wider audience. You know that I have never brought myself to accept the social imbalance. For that reason I've kept programming the swingometer which, ironically, you and your corporation developed. And its latest finding is that *the largest single obstacle* to a just society is *the level of bank debt* which exists nowadays in every national treasury, and at every social stratum."

## SUBSTANTIALLY INCREASED TAXATION

NEW BANKER and the Antiquarian would have one more informal meeting before final submissions were entered by the Panel. This took place on a summer's day at the elderly academic's villa in the West Country – with some attention to security. Deck chairs and sunshades were parked in the centre of the lawn, with a fifteen yard stretch of freshly cut grass between the awnings and the shrubbery. The banker's car lay some distance down the lane. It had been self-driven, and there were no ostentatious markings.

"I wonder whether your people can possibly maintain the holy righteousness of the Monopoly of Credit after the findings of this enquiry have been published," prompted the Antiquarian as they cautiously manoeuvred tea cups across the shaky garden table. "You know, of course, that our Journalist colleague has now got a full appreciation of what it means jointly in taxation and expenditure cuts to finance the current debt levels, and when he's marshalled his media experts to do a costing, there could be ructions in Government and at the Treasury."

"Oh I don't know," replied the other with a shrug. "We've contained many such situations in the past. The Fantopian public can so easily be deflected from such serious matters by an overdose of sport, scandal or sex. Skilfully handled, even a World Cup contest for pea-pushers could snatch the headlines — and the sponsorships."

"Who am I to say otherwise?" conceded the Antiquarian. "I suppose it depends upon how the case is presented. But our researchers are already beginning to quantify the resource funding taken from the nation by the loss of *seigniorage*, and can point to a publicly created cash injection of about 32 billion Fantopian crowns annually from its revival. That's big money, even at today's values, and the hard fact for any chancellor is that – whatever way it comes – it's got to be found somehow. So if it can't be raised by *seigniorage*, it will have to come from taxation – substantially increased taxation of one kind or another. We all know how the Fantopian public will react to that — even if it's dressed up as motorway tolls or petrol duty. Apart from our clown of an economist, is there anyone else who would gladly pay through the nose – and the pocket — to sustain the bankers' monopoly of Credit?"

"Where there's a change of government, we can usually blame it on the profligate financial policies of the previous administration," replied New Banker calmly. "That's always worked perfectly well in the past. What you have to realise is that, as a venerated institution we've been at it for a very long time. Picked up a few financial and political tricks! Suborned or deposed a few crowned heads and imperial dynasties! Learned to ride with the hare and the hounds, and sometimes both at the same time! Bought up in due course, and at critical junctures, all the famed and fashionable publishing houses, so that no prestige Establishment publication would ever be seen to prevail against us!

People like to be seen doing what's orthodox and socially acceptable. So if you need money, you just borrow where you can, and pay the interest – or debit the ubiquitous credit card."

"I'm not so immediately concerned about the private citizen," said the Antiquarian. "It's when the Sovereign State, repository of a nation's wealth, power and energies, falls prey to a financial sophistry, well — what was it your patron saint said so many years ago? *'Let me issue and control a nations money —'*"

"Something like that," agreed New Banker, "and of course, he proved it. But things which seem obvious enough to us in this peaceful garden may not take on the same appearance in the wider world."

"Meaning, of course, that you don't consider we've established the case for a revival of publicly created money?"

"It's really not for me to say, but if you study Treasury replies to the various proposals, you'll see that it's a principle which is being defended – the principle that only the Bank can be the money creator."

"But isn't that in itself an outrageous proposition, that a financial institution should be set up with sovereign rights over an elected government?"

"Must say, I hadn't really thought about it. To my knowledge it has never been debated."

"And never will be, so long as your banking oligarchs maintain their monopoly. Even so, you must regard it as such a total absurdity that it would not survive the first half-hour of any intelligent debate. Do you remember our visit to the industrial estate and the swingometer, and my efforts to colour in all the segments of the ripe orange?"

"You said you had not been able to dispose of the grey area, that whatever you did, you could not find an answer to the problems of want and poverty in our global society. In that respect your experience is shared with the rest of us."

"But I *have* found it," announced the Antiquarian, a subdued note of triumph in his voice. "I found it subsequent to our meeting. Every one of the models responded, in their grey areas, to the injection of one crucial ingredient – *publicly created, debt-free money*. According to the swingometer, we can solve so many of our social problems and banish the need for so many charitable enterprises by a judicious use of People's money."

"Ah yes, People's money!" echoed New Banker. "It sounds so simple, but of course it never makes progress because no one can decide how much of this type of money should be created."

"I'll tell you how much should be created," the Antiquarian instantly retorted. "Publicly created debt-free money should come into existence to meet a clearly recognised humane or national need. It says in The Money Reformer's Credo *that what is socially desirable and physically possible should also be made financially possible*.

Where the public credit is invoked within these parameters, there is never any danger of inflation. Quite the opposite, in fact, since the amount of public debt is correspondingly reduced. And it's debt that causes inflation, not the proper utilisation of public funds. Do you have any problems with that?"

"Not really, I suppose."

"Then you would support it? You would support our case for a restoration of *seigniorage* ? You would agree that with the right will and purpose, amending legislation could readily be forthcoming?"

"Within the confines of this peaceful garden, I'd consider it."

"And if I – hand on heart — testify to having heard you say so?"

"I should deny it. I should use my considerable influence to have you certified as mad and dangerous to the common weal. In the extreme, I suppose, I could ask to have you silenced, but each case is decided on its merits."

They both laughed at such a draconian concept. "I understand," replied the Antiquarian evenly. "People do have fatal accidents in the most unexpected places. Still, I usually take care to see that for friend or foe alike, I'm safer alive than dead. A protective measure, you might say, against *being bung out to dry*"

# THE TRUE COSTS OF PRIVATISATION

NEW BANKER left shortly afterwards, and with the Panel again going into recess, it was almost the last the Antiquarian would see of the man. Though he had occasionally been incensed by their wordy tussles, it was with some regret that he ended an association which had not been without its touches of courtesy and good humour.

But he had to recognise that in the main *the bankers were slippery characters who in times past had simply taken back their monopoly powers whenever the public mood relaxed. Here as elsewhere, the preservation of economic freedoms required eternal vigilance...*

That was what he had written into his own confidential record when the first advisory Panel completed its findings, and along with concerns for his personal safety, it was the impression which had remained in the forefront of his mind with every passing day. He knew that many of his colleagues thought the same, even though they felt they could not speak out.

He had no doubts about the Journalist and the Politician, knew that they were stout fellows who would stick by their judgements and stand up to the pressures, now that they had become convinced of the Tightness of his contentions. Within their own particular spheres, they could be relied upon to keep the matter alive, and follow his promptings whenever there was an opportunity to make progress or snatch publicity.

On one of his visits to the City, he dropped in at the Commons House for a chat with the Politician about the prospects of keeping their proposals in the public arena. "After the work we've put in," he observed, "it would be a shame just to walk away and pretend it had never happened."

"I don't think that's likely," replied the other, "especially since our latest despatch from *through the wall*."

"*Through the wall?*" repeated the Antiquarian curiously. "Is there something I should know?"

His companion looked round quickly to ensure they were alone. "Bit of an in-House superstition, I suppose," he murmured. "All part of the Fantopian concept that there's always *Someone* out there watching over us! So the story goes, that if this House is ever set on a disaster course, it will get a word of warning *through the wall*."

"And has there been something coming *through the wall*?"

"Only last week!" replied the Politician. "I managed to snatch a copy. And you'll be interested to know that it touches upon this *seigniorage* issue which we discussed so extensively in the Panel. Highlights the fact that about fifty years ago, despite having just emerged from a destructive war, Fantopia was enjoying some of the best public services we had ever known. This was because the banknotes and coin, which amounted to nearly fifty per cent of the annual money supply, were being created and spent into

circulation by the Government. Then, as you yourself have indicated, by the increasing use of bank credit cards and other non-cash devices, this was whittled down to a mere 3%, and suddenly there was no more money for public purposes. Sound familiar?"

"It does. Any mention of P.F.I. ?" asked the Antiquarian.

"What else? Actually this fellow from *through the wall* – they just call him the Researcher – talks instead about a public finance initiative, and makes good sense of it too. He goes vitriolic about the erosion of seigniorage on the national currency regardless of cost to the Exchequer and the state infrastructure, and in case anyone should fail to appreciate what that cost might ultimately be, he spells it out in numbers. He claims that the Government over there has already given acceptances on more than 500 new projects under P.F.I., with an initial contract value of about 36 billion, but a commitment to pay the banking system a total of 110 billion over 25 years. The funding has to go initially on hospitals and schools, with 500% mark-ups for running costs and long-term financing, and that seems to be the lot for the immediate future, except that – shades of the road bridge to Tumbledee, which we managed to finance with offerings from the Artistic Engraver – they've apparently bridged the stretch of water to one of their offshore islands at something like a thousand per cent mark-up over 14 years. Moneylending, says the Researcher, has always been a profitable business, but now it's bonanza time."

"Yet in the years after that war," mused the Antiquarian, "*seigniorage* on the banknote and coin issues was still providing half the nation's money supply; and had this same ratio prevailed today, at 30 billion per annum would more than cover the entire investment in public assets without any resort to borrowing."





*EDM 854 – David Chaytor MP: 2003*

*That this House, concerned at the rising burden of private debt, public borrowing, student borrowing and public-private finance initiatives, notes that the proportion of publicly created money in circulation has fallen from 20 per cent of the money supply in 1964 to 3 per cent today;*

*believes that increasing the proportion of publicly created money in issue could provide a new means of financing public investment;*

*further notes that the use of publicly created money can significantly reduce the cost of public investment by eliminating the need to pay interest;*

*accepts that such a policy can be adopted without any impact on inflation if suitable regulatory changes are made:*

*and therefore calls upon the Government and the Treasury Committee to commission and publish independent reviews on the procedures for*

*and benefits of increasing the proportion of publicly created money in the economy.*

*EDM 323—Austin Mitchell MP: 2003*

*That this House notes with concern the contrast between the enormous expansion of private credit and the growing debt burden that this imposes on society;*

*further notes that public credit, as measured by the proportion of publicly created money in circulation, has fallen from 20 per cent of the money supply in 1964 to three per cent today;*

*believes that using public credit and increasing the proportion of publicly created money should be used to cut the costs of, and to boost the quality of, public investment and to allow the Chancellor to fulfil his golden rule without further borrowing;*

*further believes that this can be done without any impact on inflation;*

*and, therefore, urges the Treasury to commission an independent review of the benefits of using the public credit and increasing the proportion of publicly created money.*

## PARLIAMENTARY MOTIONS

MORE communications were coming *through the wall* as the weeks went by. The Panel's opposite numbers on the other side were keeping in close touch with proceedings, and showing an obvious reluctance to surrender the ground that had been gained. A noble lord who claimed that his family's bankruptcy in a previous century had been brought about by the machinations of the banking monopoly now raised the issue again in his own chamber, and ensured that there would be a committee room and a hearing for whatever new developments emerged.

Meanwhile Morris and Mentor, two experienced parliamentarians who had long been championing the cause of public finance for public purposes, kept the issue constantly in front of their colleagues by raising a relevant series of motions for display upon the notice board. *Through the wall* these were known as Early Day Motions or E.D.M's, and were numbered for reference. Broadly they petitioned the House "to recognise that the huge expansion in bank lending, and the decline of the note issue as a proportion of available money, have meant that the seigniorage return to Government, and the proportion of debt-free money, have both fallen heavily as proportions of GDP.... and they further urge the Government to redress the balance back to the people by instructing the Bank to create credit, exclusively to finance public investment "

Keeping a weather eye on these developments, the Antiquarian had to remain pessimistically aware that the loss of seigniorage, and its implications for the future of publicly created money within the community, were very much a minority interest, with signatories to the various E.D.M's representing only a small percentage of the elected Members in the Commons House.

With regard to that largely disinterested majority, he could only decide that they chose *not to become involved* in matters which they did not fully understand. It was all a matter of *watching ones back*, or *keeping one's nose clean*, and avoiding any unwelcome attention from the whips, who – on grounds of disloyalty – could so readily bar the way to a post in government. When Members did not speak out, or associate with pressure groups, it might possibly be because of some urgent problem which in their own minds loomed larger than the fate of the Nation's economy.

With others it was an imperative to carve themselves a career, or concentrate upon the needs of home and family. It could be a matter of lifestyle, an obsession with social standards, or just keeping in with the right people. Under the stresses of modern living, there were a hundred and one different fears, worries and considerations which could make the individual Member wary of exposing his (or her) back, and stepping out of line. That they were coincidentally failing in their professional duty to register a considered opinion upon the most critical financial issue of the century would apparently bother them not at all.

*"Why shouldn't a socially aware and economically responsible government create credit where it is appropriate.... in order to ensure investment is made and at the same time strike a great blow for the democratic control of the economy?"*

*Bryan Gould, former Deputy Leader of the Labour Party (UK) 19th February 1993, in The New Statesman*

# THE ROAD TO ZERO INFLATION

HE had spoken with his old friend the Blues politician, knowing him at least to be a man of purpose and determination, and emphasising his own personal feeling of disappointment that not a single member of the Blues Party had felt the need to support the Commons motion on *seigniorage*, with its implied necessity for a continuing supply of debt-free public money.

On that first occasion the Member had been on the defensive, inferring that he was not particularly strong on economics, and generally relied upon his better qualified colleagues to establish the party line. "But I'm beginning to suspect that there's some kind of ideological hang-up developing over this distinction as between *public and private*," he added. "Too many of my own people seem to imagine that if it's in the public sector, it's slow, wasteful and inefficient, whereas private enterprise, driven by the profit motive, is essentially cost effective. After recent frauds and scandals in the private sector, I sometimes have my doubts, but as a rule, we tend to leave it to the City boffins."

"And what are *they* saying?"

"*Just wait till we get into power again!* That's what they're saying. They're saying that we are the natural party of government, and that every time we've been thrown out of office, we've had to return to clean up the mess left behind by our opponents."

"Would you pose them a question on my behalf?" asked the Antiquarian. "Would you ask them why, with their adherence to the principles of sound finance, they are unwilling to help us revive a source of public money which once carried the entire cost of running the country?"

"You mean this *seigniorage* lark of course," said the Member. "Certainly I'll ask them, but I've no doubt I'll be told it's all to do with controlling inflation. That seems to be the key issue in rescuing the economy — controlling inflation!"

"Let me show you something." The Antiquarian delved into an inside pocket and produced a folded sheet of paper, which he opened up before them.

"A graph!" decided the Blues politician. "Heading off into the stratosphere! What's it about?"

"It's a graphical record of how the two main parties of government — and their bankers — have been *controlling* inflation in the last half century. Latterly it's got to be an exponential curve."

"I see. Can I borrow it for a few days?" asked the Blues man, retaining his grip on the graph paper. "I've been having some interesting conversations with your colleague from the Panel, and what he is saying makes a great deal of sense. This business of finance and borrowing and all that — it's not really a Party issue, is it? I mean, it doesn't seem to matter who's in Government — the prices go up just the same. So when they talk about *controlling* inflation, I have to wonder."

"Have you ever thought there might be a better way?"

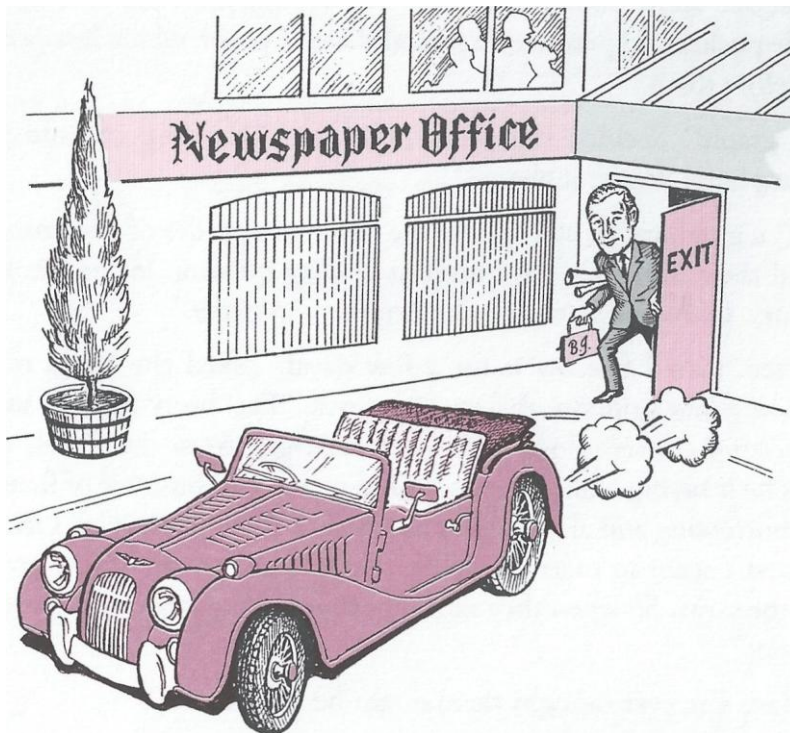
"Such as?"

"Such as having no inflation at all! Then you would have no need to control it."

The Blues politician stared back at him. "Getting a bit out of my depth," he admitted. "How do we get to having no inflation at all?"

"By stopping the public borrowing! By maximising on the proportion of debt-free public money! We've had petitions to that effect up on the Motions board for many weeks now, and none of your people seem willing to give it a try."

#### MACRO-ECONOMICS



*"Macro-Economics is BUNK.*

*Let me tell you as I stand at the door marked 'Exit' and with the getaway car revving up.*

*Most of macro-economics is BUNK... bunk as in tosh... bunk as in hopeless.... and useless.... and senseless. Bunk as in NO BLOODY USE... the misleading and the partial... and the dated... and the subject-to-revision... in pathetic pursuit of truth long gone."*

*Bill Jamieson, former Economics Editor of the London Sunday Telegraph in his final column... ,2nd July, 2000*



## HOPES OF AN ALL-PARTY CONSENSUS

THERE he left the matter. At times in recent years he had felt it was all getting too much for him, and in the warm summer weather, at home in his village retreat, he liked nothing better than to doze in his armchair. One sunny afternoon he was roused by a ringing in his ears, and an urgent request from his housekeeper that he answer the telephone.

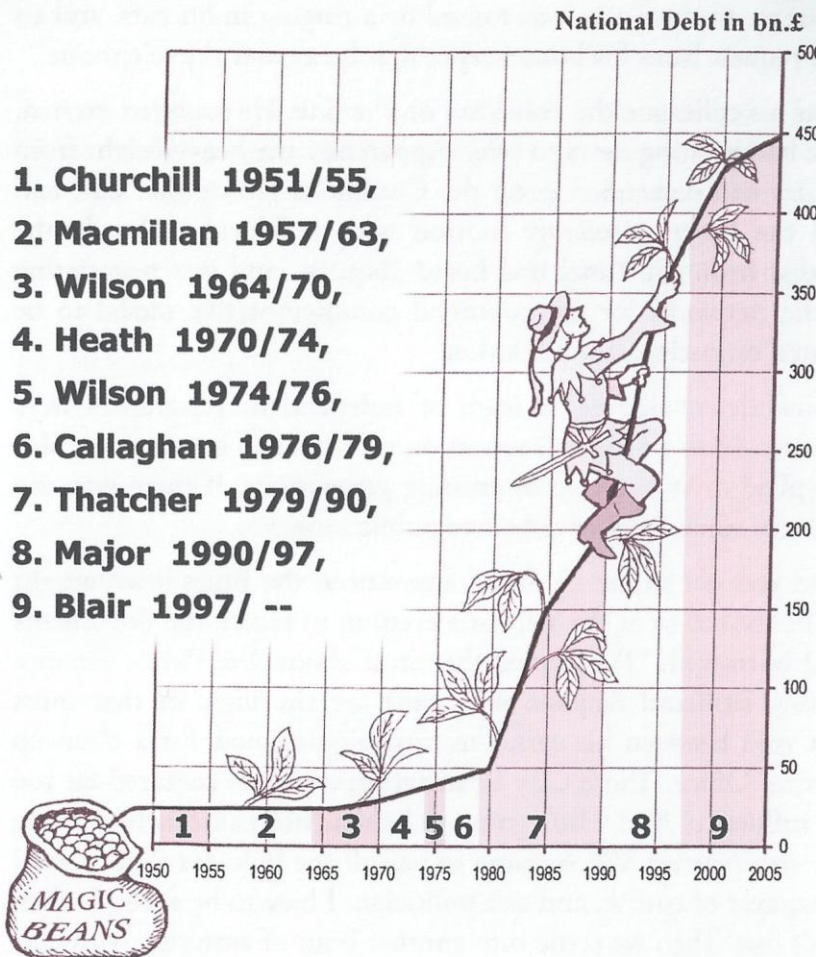
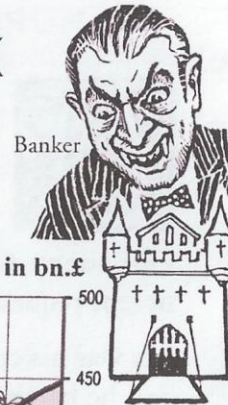
It was his colleague the Politician on the line. He sounded excited, and he had exciting news to offer. Apparently the heavyweight from the Blues had descended upon the Commons House that day, and signed the latest *seigniorage* motion with a flourish. Already the Journalist from the Panel had heard about it, and was negotiating with the networks for the promised commemorative medal to be presented on nationwide television.

Meanwhile, it seemed, a team of independent researchers were about to publish a futuristic report on taxation and borrowings, plus the implied debt bondage of ensuing generations, if there were no recourse to some form of debt-free public money.

"Glad you got to me in time," announced the Blues heavyweight when he looked in at the villa one evening to return the documents he had borrowed. "I've copied that stuff about The Public Finance Initiative. Brilliant! Anyone who can't see the logic in that must have a void between his ears. I'm campaigning now for a clean-up at Central Office. Those City financial experts have acquired far too much influence. And who's going to benefit from all this borrowing on the *never-never*? Who's going to pay all the bills, for that matter? The taxpayer of course, and as a politician, I hate to be around when he finds out. Then we settle into another bout of austerity, with cuts in public expenditure in an effort to control more inflation, and the Yellows win the next election on a policy of taxing everything that breathes. It must surely be the scam of the Ages. Beats me, how they've managed to sustain it for so long."



# JACK, THE BEANSTALK



## And the Genial Giant

*How 8 successive prime ministers and their chancellors controlled inflation between the years 1950 and 2005...*

*(the figures 0 to 500 are in billions of pounds sterling) 1*

*It will be seen that as we approached the third millennium the curve was exponential – or reaching for the stars.*

1 All figures taken from the research material of Mr. Ronald Morrison.

*Thus when Jack reached the top, his bag of beans was exchanged – not for a pot of gold as in the old nursery fable, but for a sack of interest charges against which he would be paying till the day he died.*

*Meanwhile the Genial Giant – who turned out to be the friendly banker in disguise – just grew richer and richer.*

*Control of inflation is a stated objective of all modern economic policy-making. Therefore it has to be assumed that inflation was consciously controlled during the years of the survey. The trouble was that the beanstalk just kept on rising.*

*In nature most healthy young things grow voraciously. When they reach maturity they settle down. This is in contrast to the growth! growth! growth! philosophy which is the overriding battle cry of modern macro-economic theory. They say it keeps inflation under control. But what does it do to prices?*

*In 1950 a loaf of bread could be had for five old pence. It cost twopence to buy a newspaper.*

*So what if a lad put his savings aside  
As he worked to old age from his teens?  
Would he do himself proudly?  
Or just have enough  
To buy back that first bag of beans?*

"It's one of the less endearing aspects of the Party system," the Antiquarian told him. "When you fellows start knocking hell out of each other, commonsense goes out the window."

"Point taken!" replied the other. "I've already agreed with our colleague from the opposite benches that it's not a Party matter. All we've got to do now is convince some five or six hundred other party politicians and a voting electorate of about twenty million that the bankers are playing off both sides against the middle."

"Stick with your parliamentary colleagues for the time being. It's their job to be involved in the first place, and if you can persuade them there's more to life than awaiting the next lobby call, jointly you can change things. Who knows? You might just have started an avalanche that will sweep away a whole range of fossilised conceptions. This quibble about cash and *non-cash* money, for instance! Entering into a discussion

with Treasury officials on the subject has recently been like debating with Alice in Topsy-Turvyland. We've been printing banknotes in Fantopia for several hundred years, issuing them into circulation as *seigniorage*, and no one in their wildest dreams ever imagined it was inflationary. Inflation only became their battle cry when we highlighted it as our only source of publicly created money."

"I took that on board once you had explained it," said the Blues politician, "and I fully appreciate that we have to keep up the momentum while it's with us. Yet those Treasury officials still manage to stonewall every proposal that goes before them — even though they would help reduce both debt and taxation. Our Chameleon Chancellor has his Golden Investment Rule, and they talk glibly about financing public investment within a stable and credible fiscal framework, whatever that means. Apparently one of the things it means is keeping debt within 40% of GNP, and judging by what you have shown me of the irredeemable debt already in existence, that sounds like a horror story from the outset."

"It's crunch point for the bankers, of course," the Antiquarian pointed out, "the backstop they can't relinquish without giving up their monopoly control on credit creation. And they'll have their way unchallenged, unless that moderate majority get off their bottoms and start showing an interest in our EDM's."

"The trouble with that," observed the Blues man, "is that it's just not news. It doesn't get reported. If you sleep with your secretary on a sleazy weekend, or pick up a gigolo in a men's toilet, the tabloids will have you for breakfast. But take up an issue like this, in the name of social justice, and you're studiously ignored. Since our last meeting I've been talking to our finance committee, which includes some economist types and the Shadow Chancellor, and all I get on the subject of *seigniorage* is a glassy stare."

"Probably feel they're on dangerous ground, bucking the banking and finance establishments. On the other hand they could be left high and dry, trying to defend the indefensible. Next time you meet, try them with this scenario."

"Yes?"

The Antiquarian had a faraway look in his eye, and his voice was oddly compelling. "Just suppose," he began, "that in the days when banknotes and coin were still a healthy percentage of the new money in circulation, we had a really long-headed Chancellor who anticipated the present situation, and *quietly kept the proportion of seigniorage as a constant factor* in his procurement, loading up the Treasury vaults with the reams of unwanted paper money, and periodically converting it into notes of high denomination.

"Thus, when the crisis arose, and he or his successor were confronted with a demand for public funding to restore social amenity and collapsing infrastructure etc., in a rare flash of stewardship he would be able to bring those millions of high

denomination notes judiciously into circulation, and converting into negotiable units, declare them to be a quantifiable part of national assets. What then?"

"Anyone's guess!" conjectured the Blues politician, floundering. "Would those Treasury people not regard that too as inflationary?"

"Of course they might," replied the Antiquarian. "They might also try to persuade us that the moon is made of green cheese. The point to remember is that those millions of Fantopian crowns would be legal tender for the *seigniorage* that had been foregone – the immediate demand being satisfied, no doubt, by interest-bearing bank credit. But the money that had been created debt-free, and then applied directly to the wellbeing of society, could not be inflationary unless it was allowed to overrun the physical or material resources which had brought it into play."

*Profits of £30bn prove little has changed, says Cruickshank  
(extract)*

*Mr Cruickshank told the Guardian that the banks' sustained profitability was a sign that they were operating in a complex monopoly. His investigation, which culminated in his 300-odd page report in March 2000, infuriated the high-street banks at the time, particularly his claim that they were making "super-normal profits" of £3bn to £5bn a year. His comments almost five years later come in the middle of the bank reporting season. By the time the last of the biggest banks reports next month, the industry is expected to have totted up a record £30bn of profits. Mr Cruickshank said the government did not act on his report because of a "regulatory contract", which in effect exists between the banks and the government. This contract, he said, had prevented successive governments – not just those run by Tony Blair – from making significant changes to the way the banks are regulated.*

*But, he said "Sustained [and] very high profitability is an indication that they are operating in a complex monopoly and that on balance this is bad for an economy.*

*"In most sectors you would expect to get new entrants but in the UK if you want to become a bank you've got to be a bank," Mr Cruickshank said.*

*(from a report)*

*Five years on, 'banks still run a monopoly'*

*The Guardian (London) 18th February 2005 by Jill Treanor*

## SLAUGHTERING THE SACRED COW

THEY were still in the kitchen, where the elderly academic had greeted his guest on arrival. But such was his concentration on the matter at hand that there seemed no inclination to seek the greater comfort of the lounge.

"So we have an opportunity here," he persisted, "which we may not see again for some time. What we're witnessing now is a smokescreen thrown up by the banks in a last ditch defence of their monopoly. It's evidenced by occasional outbursts of chicanery such as I saw recently from your own Central Office, to the effect that *increasing the amount of publicly created money in the economy would inevitably result in a return to the high inflation rates of the recent past.*"

He looked quizzically across at his political companion. "Just what do you have to do when you go to these financial briefings? Hang your brains and your commonsense on the hatstand outside the door?"

The Blues heavyweight managed a rueful smile. "All right, old friend, I suppose we were brainwashed into accepting that *seigniorage* on the banknote issue should be allowed to wither away, since the new technology had eroded its usefulness. Naturally we didn't want to be seen as reactionary and out of date, so we went along."

"And so you should. No harm done! But what your people failed to notice — perhaps deliberately in some quarters — was that down through the years *seigniorage* had become an instrument of monetary policy, in that it was the means whereby the economy got its publicly created money — and since there was obviously still a demand for this sort of money, a new procedure should have been adopted to fulfil the same function. That's the sort of lesson you'd pick up in any neighbourhood factory, where the maintenance staff have detected some faulty tooling. If they don't strip it out and replace with a new part, they could get a line stoppage and lost production."

"I rather like it," said the Blues man. "It's an analogy I can probably use. So the factory loses wages and bonuses perhaps. With the Treasury it's just another step towards debt bondage and hefty increases in taxation. But how would we get this *seigniorage* thing up to date?"

"Speak to our Politician on the Panel," suggested the Antiquarian. "He's been getting a constant flow of information *through the wall*, and some of it could be relevant. It's my own feeling that *seigniorage* is the issue upon which the bankers can make or break themselves. *They* will have to be involved in any new monetary procedure, and I haven't the slightest doubt that they'll make it work, if we watch them closely enough.

"You know," he added, "it must be a supreme irony of the Information Age that whole populations can be kept in almost total ignorance of matters vital to their own living standards, and the future of their children. Day by day now I see announcements about closure of elderly care hostels, outpatient treatment wings, neighbourhood

specialist units and indigenous facilities of all kinds, in favour of some state-of-the-art centralised complex funded by P.F.I. It's a sure sign of a society in decline, and I don't care what political party takes the brickbats – or the kudos. Here in Fantopia we can change things, if we just get some reaction from the Members who thus far have only fretted over the Motion."

"It's like a variation of the three card trick to some of them," declared the other resignedly. "Now you see it! Now you don't! The kind of thing the kids should be taught at school, instead of having to be told in later life that the funding of public sector finances could be more securely based upon the strength and sinews of the nation, rather than upon what can be borrowed at interest from the banking system."

"There's something else," said his host. "Looking further ahead, we can begin to visualise a return to real democracy, if today's dominant power – the finance power – can be relieved of its monopoly control over the creation of new money. That way lies the road to financial independence, and with it, the return to public office of men and women of dedication and integrity, rather than those who too often have been responsive to the pressures of the hidden persuaders. Shall we drink to that?"

And drink they did – still in the Antiquarian's kitchen – in the space between the fridge and the broom cupboard. By their second top-up they had toasted a resumption of honest government, and rule on behalf of the majority. Then solemnly and symbolically came a motion for the slaughter and disposal of the Sacred Cow<sup>2</sup> whose upkeep at the Treasury had resulted in so many generations of blighted lives and institutionalised poverty.

It was passed unanimously, and in the evening's glow it was easy enough for them both to believe it could all be made to happen. In Fantopia at least!

## **BUT WHY ONLY IN FANTOPIA?**

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<sup>2</sup> By *Banker out of Monopoly*

# GLOBAL WARMING; SAVING THE PLANET

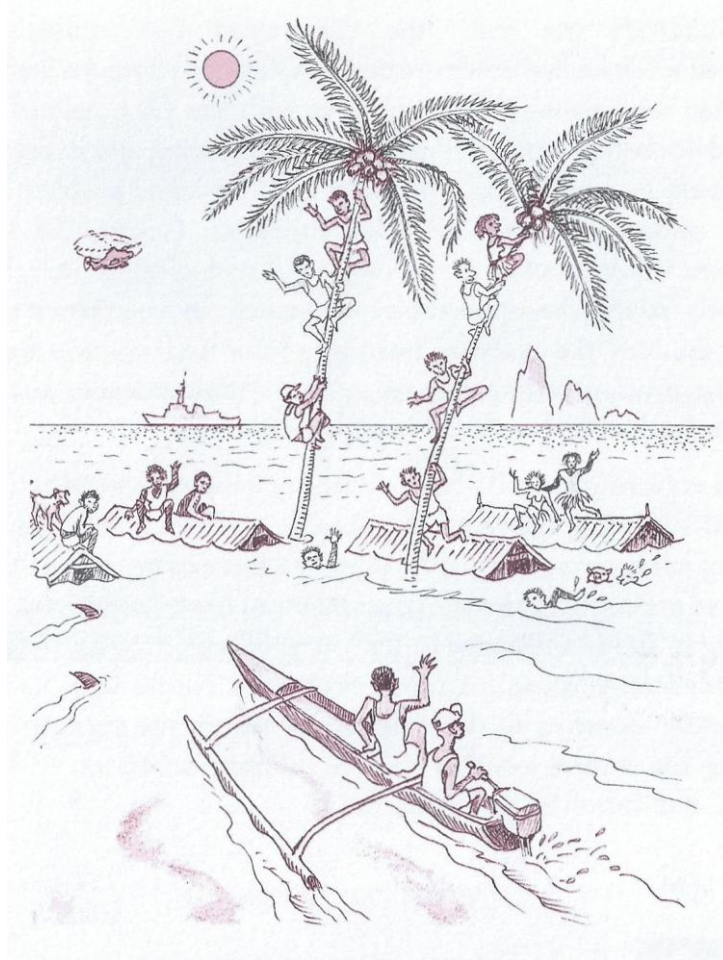
IT was the best of times and it was the worst of times, depending on one's vocation, lifestyle or view of the world at large. *Through the wall*, in the market places and on the exchanges, in the rarefied atmosphere of international finance, fortunes continued to be made and traded, as computer banks and their automated software delivered up nigh incredible sums of money; quantities so vast that in pre-electronic times it would have taken a lifetime to count them. At the same time, and on the same planet, millions were struggling for a loaf of bread. "*The poor are always with us*," proclaimed dignitaries of church and state. It had always been so.

Morris and Mentor, those two sturdy parliamentarians who thought otherwise, had argued that such shocking inequalities of rich and poor could be ameliorated by the issue of publicly created money, but lacking sufficient support for their contentions, had reluctantly been obliged to move on.

A new parliament had been elected. There were fresh faces, new problems to be encountered. Up in northern latitudes, a horrendous season of earthquakes, hurricanes and tsunamis had renewed discussion about global warming as the polar icecaps melted, and the surface level of the oceans was reported to be gently rising year by year.

Compounded with such an alarming incidence of natural disasters was the persistent suggestion that industrialised man might just be the unwitting means of his own destruction. There was much talk about saving the planet by cutting down on hydrocarbon emissions. Greens and environmentalists across the globe were frantically alerting a bemused public to the perils imposed on future generations by polluted atmospheres. In the process they were getting very uptight with their cousins in the Great Republic, on the basis that it was their economy which was throwing out the largest volume of pollutants.





AND so global warming, coastal inundation and a saturated ionosphere became the topic of the age, particularly in those countries which were vulnerable to a rise in sea levels. During an exceptionally severe hurricane season, some coastal islands and harbour facilities disappeared for a time beneath the waves. This concentrated minds wonderfully, to the extent that they held a big conference on the subject during the following year, at which it was contended that too much growth, particularly in the developed economies, was the single most important factor imposing an unsustainable demand upon the planet's finite resources.

THROUGH the wall, the Chameleon Government's Iron Chancellor felt he had every reason for self-satisfaction. An ambitious politician who maintained close links with the City, he had taken City advice before announcing that global warming and its attendant risks could be regarded as a financial and economic problem which would respond to orthodox fiscal measures. Confronted by the persistent warnings of climate change and ecological disaster, he had promptly seized the opportunity to launch an emergency budget which doubled the taxes on heating, motor and aviation fuels, all with the proclaimed purpose of making industry leaner and more efficient in its containment of baneful emissions.

With some help from P.F.I, he had triumphantly balanced his budget without further borrowing. The massive taxes he had levied on all forms of energy were forcing the power companies into more efficient means of production, and the consumer into more economical means of using it. In his adherence to the tenets of monetary orthodoxy, he had added mightily to his career prospects. Future budgets would be carefully couched to draw the maximum in tax revenues whilst creating the impression that he was ushering in an era of benign growth and improved living standards.

## STICKING ON GROWTH

BUT the Greens and environmentalists choked on the reference to growth. That was bad, they said, since it had already been established that growth! growth! growth! was a principal cause of global warning, and the whole point of the exercise was for mankind to develop and prosper without attendant risks to the ionosphere.

"That's utterly impossible!" exclaimed the bankers and financiers. "Who ever heard of a successful modern economy sustaining itself without growth? How would they propose to fund the debt interest?"

"Now there's a thing," said the ecological pundits. "Why don't you take an excursion ticket down to Fantopia, where they're claiming that it's possible to live the good life and prosper, with no growth at all?"

"We'll see about that," hinted the bankers darkly. "They're up to creating their own money again. Last time they tried, we stopped it by pointing out that their currency would be rubbished on the international exchanges."

"That's as may be," said the pundits. "You also said that inflation would take off, but it's hard to see the logic there too, if the publicly created finance is allocated to public purposes such as health, education, social amenity and infrastructural renewal."

"All hypothetical in a never-never land like Fantopia," snapped the bankers angrily. "Just let them try it in the real world."

## ALL IN THE MIND

AS a result of these exchanges, a mini-delegation pitched up one morning at the Antiquarian's ancestral villa in the West Country, and parked themselves on his verandah. Their sponsor was his old friend the Blues heavyweight. He had brought with him prospective parliamentary candidates from the principal political parties, and an attractive-looking professional lady who was introduced as a spokeswoman for the Greens on all ecological issues.

"So this is Fantopia," she remarked, looking observantly around. "I suppose you realise it's been done before. I read *Gulliver's Travels* in high school. We're scarcely breaking new ground."

"Bit more convenient, nevertheless," suggested the Blues politician, "to avoid all the travails of shipwreck, and being staked out by the Lilliputians to dry."

"Yes, yes," she agreed, "saves expense and inconvenience to keep it south of Milton Keynes, especially if you're paying hourly rates for a child minder. My own reservations are on grounds of credibility. I mean, can we reasonably expect to find a never-never land somewhere between the M25 and what's left of the New Forest?"

"It's all in the mind," the Antiquarian told her, tapping his forehead. "In an age when stratospheric airliners are girdling the globe, and satellite navigation can pinpoint a mudhut in the middle of the Gobi Desert; when we may yet see the heavenly chorus floating on a patch of stratocumulus in the glide path to Heathrow – what's to prevent parallel subcultures co-existing in the commuter belt? As I say, it's *all in the mind*."

"All in the mind?" repeated a delegate from the governing party. "I wish we could say that about some of the problems we've brought with us. I suppose you've heard about the horrendous season of earthquakes, hurricanes and tsunamis they've had in the western hemisphere, with constant threats of cosmic shift to come. They say it's all because of this incessant demand for growth, and that Fantopia might have some of the answers."

"I've asked the bankers about it," declared the candidate from the Blues. "They insist we've just got to have some measure of growth, in order to service the debt burden."

"Meanwhile," said the lady from the Greens, "the Reds blame the Great Republic, the Yellows want to tax us out of trouble, and the Browns think everything's fine in the garden whilst their Iron Chancellor's in charge. Frankly I don't give a jot about the bankers and their interest payments, especially if the money can only be found by putting more strain on the environment. That's what has brought me out here this morning. I'm told the Fantopians have proved they can prosper and lead the good life with *no growth at all*'."

"Yes, tell us about it, old chap," prompted the Blues heavyweight. "I'll probably get some stick from my central office for bringing this lady out to meet you, but what the hell? I'm already far from being the Party's favourite blue-eyed boy, and every time I visit out here, the divergencies seem to widen. But better a backslider than a hypocrite, I say. Let's see if Fantopia's got some of the answers."

# **ACKNOWLEDGING THE LOSS OF SEIGNIORAGE**

THE Antiquarian took up a stance from which he could retain eye contact with all his visitors.

"It's all about money, of course," he told them, "who makes it or creates it, and who owns it once it has been created! The trading banks in recent years have assumed wide powers of money creation in their lending, both to the property and the commercial sectors, and meanwhile that need only concern us where it becomes unduly expansionist, and competes for limited resources.

"The sticking point, for those with a concern for the common weal, is the calamitous erosion of seigniorage in recent years, and its effect upon the public sector, where traditionally much of the expenditure on national assets and social amenity had been financed and sustained by what can rightly be described as the public's money. That the banks have thus far made no attempt to acknowledge the drastic deterioration in public finances caused by the loss of seigniorage; glibly ignore all relevant approaches on the subject; and are apparently content, as a vaunted pillar of the Establishment, to see the potential shortfall made good, year on year, by hefty public borrowings from the banking sector – or worse still — by privatisation of the debt through P.F.I., speaks volumes about its arrogant insensitivity, its dubious credentials for having such a virtual stranglehold upon the financial affairs of the nation."

## EARLY DAY MOTIONS

HE paused for a moment and looked across at the Blues man. "Remember, you got some answers for me from your finance committee, when we asked why none of your members were signing up to the Early Day Motions on seigniorage. They replied that they were against signing because increasing the amount of publicly created money in the economy would mean a return to high levels of inflation, which, they said, would erode the savings of ordinary people, thus reducing the amount available for spending on public services. How blindingly misleading can you get? Yet that's the very fallacy that has been allowed to confuse all our attitudes to public spending, and the role of the State in creating and issuing its own money."

The discussions continued after a coffee break, and the lady from the Greens stuck her hand up. "I'm fully in accord with your objectives," she said, "but I think many people are still bewildered by this whole money-creating process. What confuses many people is how and when the State should simply step in and create the money. From the statistics you gave us, in the current context only 3% comes from seigniorage. What of the other 97%? Once upon a time we had a female Prime Minister who told us that the Government had no money of its own."

"Neither have the banks for that matter," replied the Antiquarian. "Not since de-regulation anyway! All they undertake is to produce the *money on demand*. That they do as a magician produces a dozen pink rabbits out of a hat. Their own brand of magic as it were!"

He sensed the confusion around him, and decided on a wider explanation. "I think," he suggested, "that what we may be facing now is a basic misunderstanding as between what is money and what is wealth. We've all heard the story of El Dorado and the Midas touch, under which everything turned to gold. And of course the critical turning point in that piece of fabled wisdom is when you realise that you can't eat gold.

"The modern equivalent is perhaps the computerised hedge fund, programmed to execute buy-and-sell orders at the twinkling of an eye. On ratios of 1,000 to 1, it only needs a moment's aberration or the slippage of a few decimal points to turn thousands into millions, and millions into billions, creating wealth beyond our wildest dreams. The Midas touch again – except that the starving and the destitute are no better fed – and it could all disappear in a computer blip – or a power failure.

# PEOPLE'S MONEY, FUNDING THE NATIONAL DEBT

YOU and I, with our feet on the ground, know that the real good things in life don't come so easily. But neither are they so ephemeral in their substance. The lesson to be learned from the Fantopian experiment is that the monetisation of a nation's resources must accrue to the benefit of its citizens, not to its bankers, and the bankers' quibble about credit money – or non-cash money – being technically inadmissible as a replacement for the lost seigniorage on banknotes and coin, just has to be exposed as an absurdity which would not survive five minutes of informed debate.

"The essential thing, as Fantopians realised during that first year, was to stop the borrowing, and on that point the computer was throwing up some interesting conclusions. They had discovered, for instance, that if in any single year they created enough People's Money to fund the interest on the National Debt, the Debt itself would stop escalating, since there would no longer be a compulsion to borrow the money to pay the interest on what had been previously borrowed. I'll show you the figures before you leave today. They're quite impressive in places. They show, for instance, that in the budgetings of your Chameleon Chancellor, an approximate 2% gets added year-on-year to both the money supply and the cost-of-living index, not to reflect real growth or an expansion of GNP, but to cover debt servicing and the inevitable creeping inflation which it engenders. *In the Fantopian model of course, with no inflation and no new borrowings, there's no need to increase the money supply to fund the interest.* "

"So by that reckoning," said the Blues heavyweight thoughtfully, "what we're accustomed to seeing as growth could be inflationary pressures which have to be stripped out before showing any real improvement in GDP or industrial expansion. Yet back in the days of that lady Prime Minister we were told that the inflation factor could be eliminated by selling off state assets to the private sector. They even talked optimistically about paying off the National Debt and liquidating the market in gilt-edged."

"Yes, flogging off the family silver! In face of banking mystique and euphemism, how naive can we be? There will be many dubious stunts and ruses before this issue is finally settled, but I ask you to take away with you the essential principle upon which the sovereign state is founded, that it should be in control of its own money. Once that has been established, all things are possible, the foremost being to get the nation out of debt. Then you will find, as Fantopia has found, that a debt-free nation is a non-acquisitive nation, where improved living standards are permanent and tangible, and can be achieved without extravagant exploitation of the environment."

"Of course!" exclaimed the Greens lady excitedly. "I think I've got it. First we stop the borrowing. Without the borrowing there's no year-on-year inflation. And without inflation there's no need for the illusory growth that's built into debtor countries'



budgets. When I get back to my desk I shall start circulating my contacts in the environmentalist lobbies, telling them that it all begins with growth, that it's the incessant demand for growth that's putting a strain on our non-renewable resources, and that those who would save the planet have first to ensure that the supply of new money is no longer under the monopoly control of the banking industry."

## MONEY AND RESOURCES

IT was a subject which was raised again by the Blues politician when he called in for a drink and a chat a few evenings later. He had just been appointed to a parliamentary committee on global warming, and the subject of finance was uppermost in his mind.

"Saving the planet! That's become the flavour of the month," he announced dramatically. "Point is, we can't just let this environmentalist stuff take over the entire national budget. It's like suddenly being forced on to a war footing, and having to put every able-bodied man – and woman – to defend your shores. That was all right when there was a threat of invasion. *'Who d'you think you're kidding, Mr. Hitler?* and all that stuff. But scarcely the sort of thing that can go into the annual estimates! I mean, this global warming problem is going to be with us for decades. The way I see it, we've just got to give it our best shot, and hope it doesn't cripple us entirely."

"All the more reason for getting it properly into focus," declared the Antiquarian. "Money *and* resources! These are the two factors you must keep in perspective, since in crisis they can often assume varying degrees of importance. When it's a case of repelling invasion, you don't do it with money. You do it with guns and ships and aircraft, and men who know how to use them. The reckoning comes later, when you start totting up the costs."

He paused for a moment to study his companion. "This business of the Talented Engraver! Did it ever strike you that it might have a deeper significance than as a charitable gesture to the poor, the needy and the downtrodden? Taking it a stage further, equating the Engraver's artistry to the wider flow of skills, technologies and other positive contributions made by our whole national community, and realising that the controlling factor was not the money, but the human need it satisfied, might that not be taken as a pointer to a nation's true potential, when we reflect upon the natural wealth within the community, and not only ask ourselves who created it, but also to whom it should belong after it has been created?"

The Blues politician threw his hands up. "There we go again, old chap. I must admit that, within the confines of this room, I can easily be convinced that it makes sense for the Government to create its own money to help the needy, reduce debt and taxation etc. But in my own experience with the Treasury, the debate generally gets bogged down when someone asks just how much money should be created."

"Tell me about it," exclaimed the Antiquarian. "Because we have thus far not been able to deliver up a positive answer to that simple question, the bankers have taken unto themselves a monopoly power of credit creation which no sovereign state should suffer for an instant. In attempting to justify it, they mimic the name-calling

between the pot and the kettle. For it's not creation of the money that's inflationary, just the lending and borrowing at interest.

"Seigniorage comes to us without interest; therefore, contrary to what the Treasury told Martine Hamon, it cannot cause inflation. Government has the power to increase the level of seigniorage in the economy. It should do so, since it incurs neither debt nor inflation.

The questions we then have to ask ourselves are *what gives the money its value, and how much money should be created?*"

# A NATIONAL DIVIDEND

AH! hmm! Not the sort of question you can answer off the cuff, old chap." The Blues man was floundering. "One of the imponderables, if you ask me."

"It needn't be. Not so very long ago, there was a monetary and social reformer who endeavoured to put a cash value on the productive capacity, marketable resources, inventive genius, social amenity, inherited wealth and general all round potential of his native land; enlisting where available the acquired skills of land and quantity surveyors, fabricators, resource extractors, mineral and amenity assessors; representatives of every legitimate trade or function which could arguably contribute to national wealth and wellbeing."

"Go on," said the Blues man curiously "What was he aiming at? A sort of present-day Domesday Book?"

"Not such a bad idea when you think on it! It would mean getting back to some standard of real wealth and practical values, which is what our lone visionary was aiming at all those years ago. He believed that if it became official governmental policy, it would produce a surplus, year on year, which could be distributed as a dividend. He called it 'The *National Dividend*, being theoretically the new wealth accruing to the nation state through the productive endeavours of its citizens. And what a truly sustainable dividend it might prove to be, in comparison with the millions and trillions of unbacked junk bonds dumped on the market every week by the vendors of international debt instruments!

"You know that seigniorage finance was still providing half the nation's money supply at the end of the Second World War. Supposing a National Credit Register had been in place when the erosion of seigniorage first impacted the national budget, do you think that the bankers, even through their stranglehold on the Treasury, would have found it quite so easy to replace the diminishing percentage of publicly created money with interest-bearing debt, when real wealth continued to be delivered through the vigour, creativity and combined enterprise of the people, and did not have to be borrowed, or raised by the Chancellor in taxation?

"When we were benefiting from the largesse of the Engraver, how many of us took time to consider what this maundy money was all about? Surely if the inner cities really needed additional investment, it should have been included in the Government estimates? When you consider all the other commitments of finance, manpower and resources they devote, from time to time, to other statistical surveys, there must surely have been enough professional skills available to come up with a realistic figure for net national value."

"What are we talking about? A national balance sheet?"

"Just that! The more I think about it, the more I feel we may have lost through not having had some such standard of values already in position."

He reached to a shelf above his head and produced a copy of one of the Early Day Motions which had been raised in the Commons House making the case for a revival of *publicly created money*.

"Remember this?" he asked. "You know that it's what Morris and Mentor have been plugging since we realised what was happening to Government revenues as a consequence of the credit card revolution. You signed it yourself eventually."

"Yes, I've signed it, and I've talked about it, but I can't say I've made much headway among my colleagues. You realise of course that the financial elements within the Treasury have erected such a wall of mystique around the entire money-creating process, that the vast majority of elected members are totally paralysed at the prospect of changing things. They realise only too well that something's got to be done, but they just hope it will be left to someone else to do it."

# CLIMATE CHANGE AND THE TIME TRAVELLER

AFTER this, and various other indications from the outer world that it was not generally attuned to the financial and social problems which he had made his concern, the Antiquarian withdrew for a while into the obscurity of his Fantopian hinterland, where myth and misty concept could acquire a logic all their own; and where, if there was magic in the air, anything could happen between sunset and the arrival of the dawn. "*All in the mind*," they would say with that disarming touch to the forehead.

Meanwhile, *through the wall*, the Chameleon Government with its aides, supporters and detractors, was being made aware that the environmental issues pertaining to Global Warming and Climate Change were not about to burn themselves out, or scatter their ashes before the next freshening wind. A new scientific study of the polar regions had thrown up the possibility of thousands of tons of methane gas being released into the atmosphere through a softening of the permafrost, and there was the worrying hint of a chain reaction being set up in supercharged atmospheres.

The implications were frightening, if still hypothetical. Meanwhile constant comment from both government and privately sponsored sources kept up a running commentary which could not be doubted or ignored. The polar icecaps were melting. The oceans were getting warmer. Sea levels were rising. There were unmistakeable signs of change in the long-established patterns of marine life.

Not to be outdone in matters sensitive to public opinion, the Chameleon Administration decided to host yet another international conference, bringing together top people in the physical and chemical sciences, as well as others who might be expected to make a valid contribution. Somewhat to his own astonishment, the Antiquarian had been proposed as an independent witness and adviser, and he decided that he should not pass up this opportunity to get his views more widely known.

A prompt reaction to his acceptance was a whirlwind and totally unexpected visit from an eccentric figure in hat and tight-fitting Irish breeches who had no hesitation in introducing himself as the Hon. Michael O'Toole, self-styled Time and Space Traveller, equipped with an impressive array of know-how, fact and legend to sustain him on his odyssey round the outer fringes of the Universe.

Since he combined this with an extravagant display of name-dropping, during which he claimed familiarity with events as diverse as the Norman Conquest and the Congress of Vienna, the Antiquarian was inclined at first to treat his unexpected visitor warily, lest a too ready acceptance of Irish wit and balderdash damaged him by implication.

But he was quick to realise that the broad-spoken O'Toole had a highly developed sense of history, perhaps in keeping with his own.

"King Billy's the lad that set it going," he announced, helping himself to a prolonged squint at his host's confidential papers. "Would ye iwer have believed they could keep it goin' over more than t'ree hundert years?"

"I'd hate to be a survivor on this planet if they managed to keep it going for another three hundred years," remarked the Antiquarian, adroitly removing his papers. "The more they gain, the more they speculate. And when the figures can't be made to add up, they just work them back from the beginning. It's the new paradigm in economics."

"Ye'll mebbe be hopin' to change things at this conference?"

"Who can say?" The Antiquarian gave a resigned hunch of his shoulders. "What's going to make them see, if they don't see already?"

"Somethin that affects their pockets," hinted O'Toole succinctly. "Oi've heard it said if ye hired the biggest hall in the country to talk on money, ye'd be left talkin' to thyself on t'e platform. But if they had chust a whisper ye could show how to make more o' t'e damned stuff for the nisei's, they'd storm the doors till the walls bulged."

"That I can well believe," he agreed, "considering that for generations past, the best fiscal minds have been concentrated on policy to defeat inflation, as a result of which they just get more of it than ever. That means the fundamental things like food and shelter cost more and more, and most of it has to be borrowed."

"Except in Fantopia, where t'e Government has nae need to borrow," remarked the Irishman pointedly, and the Antiquarian decided that for all his fads and foibles, here was a man after his own heart.

He said, "You seem to get around quite a bit in your travels. What do you do to protect your capital when you're moving from one sphere to another?"

"Now there's a thing," replied the other promptly. "Anythin Oi hae in me back pocket chust gets swapped into gold."

"Gold?" echoed the Antiquarian. "Isn't that the yellow metal Keynes called a barbarous relic?"

"Keynes didna hae a' the answers," replied the self-styled Time Traveller. "Try passing a ten spot at an Elizabethan fairground, and they'll have thee as a fraudster or a counterfeiter, whereas" – he rummaged in his trouser pocket and produced a handful of golden coins – "chust keep some o' these handy, an' ye'll niwer lack for supper an' a bed at night."

# CONFERENCE HOTEL

THE venue chosen by the host nation for its international conference on the environment was a luxury hotel buried in the rolling hills of the North Country, and by its relative seclusion and air of privacy, ideally suited to the confidential matters which would be discussed within its walls that weekend. Delegates had been arriving all morning, some in air taxis and hires from the nearest heliport; others, particularly the high profile representatives of participating governments, escorted to their reserved suites by security guards in anti-riot gear, and with automatic handguns at the ready. There had been various terrorist threats and outrages in recent years, and with looming prospects of global cooperation, the host nation was intent on forestalling any serious incident which would reflect upon their stewardship of the event.

By early evening all the expected delegations of V.I.P's had been met and conducted to their residential quarters, and external doors and windows sealed off against unwarranted intrusion. There was then an interval before dinner, during which delegates were invited to assemble in an annexe to the hotel's ornate banqueting hall, where they were issued with official copies of the weekend agenda, plus an unofficial handout from The Association of Green Networkers, complaining that the host nation, through its extractive industries, was still contributing unduly to environmental deterioration.

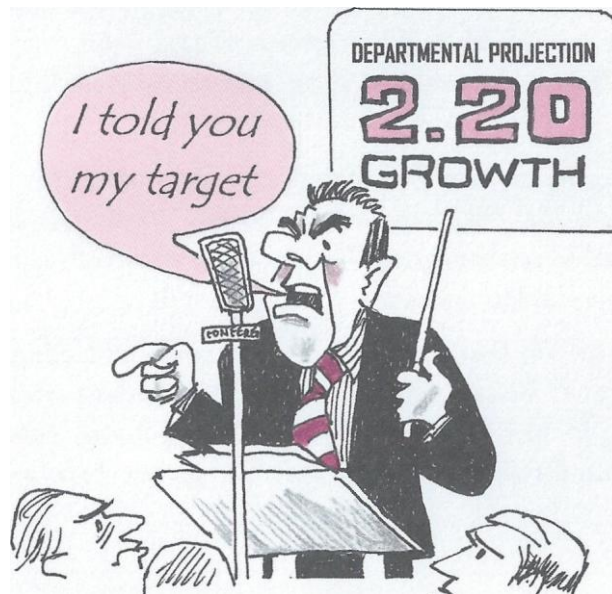
It was an unexpected expression of dissent on what had been planned as a convivial occasion. Visibly embarrassed, the chairman of the platform party moved hurriedly to have the demonstrators dispersed and ruled out of order, but the leader of the host delegation elected to make a stand. They called him Nodrog, he conveyed an atmosphere of self-importance, and he spoke with a deep authoritative voice.

"No government can have made more strenuous efforts than my own," he declared, "to reduce the level of noxious emissions, and duly reverse the trend. I personally have set in place stringent monetary limitations on current expenditures, future borrowings and the servicing of debt. The policy I have initiated – Target-Two-Point-Two-Zero – has been calculated to cover all manner of contingencies within a balanced and functioning economy, including money supply and growth."

At this point one of the Greens interrupted. "Why growth?" he demanded. "Surely it's the incessant drive for growth, growth, growth, particularly with regard to finite non-renewables, which damaged localised ecologies in the first place, and now threatens the whole environment."

Nodrog stood his ground. "I told you my target," he persisted. "Two-Point-Two-Zero to cover new money supply, contingencies and debt interest. This is our calculated minimum to keep pace with a 2% year-on-year increase in money supply and inflation."





"Inflation?" persisted the questioner. "If we can't achieve a sustainable level of industrial and commercial activity without constant growth, it's all going to be futile in the long run. Our peoples will soon realise that you can't go on supporting a system which gobbles up finite resources faster than they can be replenished in nature."

"What's this obsession with growth in any case?" asked another voice from the floor. "I just can't think of anything in nature which has to go on growing indefinitely. Shouldn't we be forgetting about growth targets and aiming at what is sustainable?"

Nodrog shuffled his papers and looked distinctly ruffled. "It's simply not an option," he declared, uncompromising. "There are areas, like in my own department for instance, where long-established practices cannot be turned around easily. Like turning a battleship, if you know what I mean!"

"No, I don't know what you mean," retorted the questioner. "All this stuff about Target-Two-Point-Two-Zero! If it's a case of saving the planet – not to mention some of the other planets up there in the galaxy — we can't allow ourselves to be ensnared in inter-departmental hang-ups. What's the problem about aiming for Zero Growth in any case?"

There came an angry exchange of voices as deeply held views erupted, and the chairman asked Nodrog to sit down whilst he endeavoured to restore order. But when the verbal crossfire persisted, he came to a sudden decision.

"Some of you have travelled far, and must be feeling the effects of the journey," he suggested. "There are also others whom we shall be meeting for the first time. I propose we adjourn now, and relax in these comfortable surroundings. We gather here again in the morning."

## MIXING IT WITH THE IRISH

HAVING unwittingly found himself on the fringes of this demonstration after spending most of the day in transit, the Antiquarian was only too relieved to pocket his order papers and go in search of the accommodation he had been allocated for the weekend. This he was to share with the Hon. Michael O'Toole, the soft-spoken Irishman who had paid that surprise visit to his West Country villa, and now seemed to have attached himself for the occasion,

Taken with other considerations, this at first made him feel somewhat uneasy. Their weekend accommodation was clean and fresh and adequately furnished, but he could not help observing that they had been lodged in a very modest wing of that luxurious hotel complex, carefully segregated from the official delegations with their secretarial assistants, press coverage and armed security men at the doors. It had not helped to learn that he was being paired with an eccentric Irishman who claimed to be a Time Lord, and could conceivably have been planted by the Powers-that-be for the condign treatment so often bestowed upon those who would cross views with the Establishment.

He felt more assured when they got to the dining room, and mingled with other delegates over the evening meal. By then it was becoming apparent that there were more facets to the ubiquitous personality of the Rt. Hon. Michael O'Toole than he might previously have imagined. Apparently the self-styled space traveller had been there before, and seemed to be at least on nodding terms with many of the political attendees. More impressively, and without prompting or persuasion, he had apparently adopted most of the Antiquarian's own views on growth, borrowing and climate change, and was quick to pass on anything of relevance which attracted his attention.

"Some o' them are havin' a serious re-think," he confided as the talk went on around them. "It chust may be that yonder chancellor's nae gaun to get solid support for his Target-Twa-Zero. The Greens an' the country folk never wanted it anyways. They said it was like runnin' on a treadmill chust to stand still. An' bejabbers! I'm darned if I would loike to be sniffin' some o' thim greenhouse gases when the ice melts. The De'il tak' the hindmaist if it gets to bein' a chain reaction."

"Nevertheless," mused the Antiquarian, "it may just be what we need to convince the Treasury that they can't go on polluting the environment merely to get some degree of illusory growth in the economy."

# CONFRONTING THE COSMIC CHALLENGE

IT was this thought which sustained him for the remainder of that evening, and into the morning hours of the following day, ultimately into the Conference Hall itself, where he listened to the opening speeches whilst awaiting his turn at the rostrum. When the call came, he walked on to the platform and asked the assembled delegations to look hard at their notes and their order papers – look especially at environmental changes which might have been aggravated by human activity, as opposed to those instigated by cosmic forces beyond human control.

These latter, he argued, could already be detected and measured with some degree of reliability by scientific instruments that were currently available. We could not ignore the warming of the oceans, the melting of the permafrost, the impending release of the so-called greenhouse gases in some kind of physico-chemical chain reaction which could conceivably engender nightmares for future generations.

All that, he contended, was incidental to the practicalities of our day, and the business of the conference. A study of the planet, its stresses and its atmospheres, was now of prime importance wherever it was seen that human need – *or human greed* – was upsetting Nature's balance.

He then mentioned, for the first time, the slogan which had been promoted by the host nation and its conveners. Target-Two-Point-Two Zero! What did it mean? Just this, that in the context of national budgets, incomes and expenditures, there was a visualised shortfall of some 2.2% which could only be met by further growth and further borrowings.

Why? He quickly worked up a temper, and let Conference know that in our public finances he fiercely resented practices and procedures which worked against economic equilibrium. Two-Point-Two-Zero was just such a fallacious proposition, and he wondered aloud how the Powers-that-be could expect Nature to go on correcting imbalances which man's own misconceptions had created.

He knew that there were bankers and Treasury officials in his audience. Already he had recognised New Banker, his former colleague from the Engraver's Panel, prominently seated on the front row. He knew that what he had to say was highly controversial in such company. He expected at least some gestures of dissent, some interruptions. But his audience received it in silence, and he was allowed to say it all, just as he had originally intended.

It was only when he stepped down that he was waylaid by a Treasury official who whispered anxiously over his shoulder, "You realise of course that we do need to get some growth, otherwise we won't have a means of servicing the debt."

"You mean the National Debt, of course," said the Antiquarian, "*the money we supposedly owe to ourselves*. Are you telling me that, growth or no growth, the debt interest has to be paid regardless?"

"There's nothing in my book to tell me what might happen if it wasn't paid," replied the official, still looking anxious. "I suppose in a crisis it could just be rolled over. But don't quote me, please! I'm not briefed to deal with such questions."

"Yet your department goes on the reckoning that you must have growth, if you're going to fund the interest on the Debt."

"Well, it's always a consideration," came the muffled reply. "Ironically, in my younger days we often found ourselves approaching the subject from another direction. In the textbook, for instance, the driver for growth was generally increased demand. The growth then emerged as a result of higher productivity to meet that demand. But if you couldn't get growth in balance with the increased productivity, the mantra says the economy would not cease to grow. *It would crash.*"

"Ho-hum!" said the irrepressible O'Toole as they detached themselves from the crowd. "Shows chust what can happen when you tamper wit' market forces."

## MEETING UP WITH NEW BANKER AGAIN

IT was getting late when they finally withdrew from the cluster of campaigning and pressure groups still reacting to the day's speeches. At the back of his mind the Antiquarian had just one more issue to be settled, one more decision to be taken before the night was out. He mentioned his concerns to his room companion as they were circulating, and once again the charismatic Irishman was equal to the occasion.

"Aye," he said, "I can see what's bothering thee. We're missing some o' the big names we had at the speechifying, an' I'm darned if I didna come to that same conclusion a wee while ago. It wouldna be for the first time, an' it winna be the last, but if ye were to ask me, I'd say the big decisions are bein' taken behind closed doors."

He sidled off in his characteristic style and returned some time later, a conspiratorial glint in his eye. "Aye, it's chust as ye might expect," he indicated. "Too many o' the bigwigs have disappeared into the private rooms, where they'll maybe get the decisions that suit them. The rest could be for the newspapers an' the television."

With this thought in mind, they both went their separate ways, listening and questioning, hoping for some indication as to what might be going on in those private apartments. Eventually the Antiquarian caught sight of a familiar figure, sitting on his own, lingering over a drink in a sequestered corner of the dining room. It was the high-ranking Establishment official known to him and other members of the Engraver's panel as New Banker.

# MAINTAINING THE CREDIT MONOPOLY REGARDLESS

THE man looked tired, but gave a signal of recognition, and beckoned him into a vacant chair. Alert to the importance of this chance encounter, Michael O'Toole took immediate charge of the situation, and proceeded to organise a round of drinks.

"Ail this, and the Irish too," remarked the weary financier, and O'Toole turned on him immediately. "Ye're darned tootin' an' I'm Oirish," he declared in a voice loud enough to be heard at neighbouring tables. "There's only two kinds o' paiple in this world, thim that's Oirish, an' thim that would loike to be."

He then picked up the empty glass and went off to find a wine waiter. The Antiquarian took his cue and settled down across the table, trying to look apologetic for the manner of their introduction.

New Banker waved it lightly aside. "He's quite right, you know," he remarked. "The world wouldn't be quite the same without the Irish. Where did you pick up this one?"

"I didn't," he replied. "I think it was he who did the picking. Told me he was a Time Lord."

"Ah well, that measures. I'm also advised they walk through walls at times. By the way," he continued with a change of tone, "I got the gist of your speech, even if I have to take issue with some of its conclusions. It seems we now have a new buzzword to confuse the masses. So what do we do when we need a bit of growth from time to time?"



"You just don't," replied the Antiquarian firmly, "certainly if we can accept the latest scientific evidence, which has us living on borrowed time. I do hope your top

people are getting the message – *that growth which is artificially stimulated to finance interest-bearing loans between Government and central banks is no longer acceptable for a sustainable environment.*"

"Ah yes," said *New Banker* resignedly. "I thought it might come to this. But be sure of one thing – my directors will still insist on maintaining full control over the supply of new credit. If they were ever to concede on that issue, they say, there would be chaos on the money markets, and finance would fall into the hands of backstreet moneylenders."

"That would be of their own choosing," the Antiquarian told him. "But do realise that everything we're striving to achieve here is for the common good, and not directed against you or your profession. No one in his right mind would ever consider putting the trading banks out of business. They may have existed originally as lenders to the mediaeval kings, but are now indispensable as the main purveyors of capital for private industry. In a flexible modern economy the successful entrepreneur knows his market, negotiates his capital requirements, liquidates his position at the end of the deal, takes his profit, and pays back both capital and interest. The nation state cannot do that. On behalf of its citizens it may have massive outlays for social amenity and infrastructure, but few ventures on which it can earn a profit. That is why we in Fantopia have resisted any form of public borrowing which would result in a burgeoning National Debt. So when you perceive a threat to the planetary environment from cosmic forces which are beyond human control, surely it's basic wisdom to maximise on the nation's resources, and decide that in such circumstances we simply can't afford a private monopoly which puts such fantastic wealth and power in bankers' hands."

"With that wealth and power there comes responsibility – sometimes awesome responsibility," replied *New Banker*, bristling at the implied criticism. "In a complex modern society, don't you accept experienced financial control as part of the order of things? And when you have a money problem, shouldn't it be your banker who deals with it?"

"Not necessarily," replied the Antiquarian sharply, "not when it's the banker who is the problem. I happen to believe that a nation's wealth should rightfully be measured as the sum total of useful endeavour by all its citizens, not just the speculative fortunes amassed by a privileged few. The system needs an overhaul to see that the benefits of hard work and enterprise are more evenly spread."

"Don't you give us credit for spreading some of it already? The perpetual handouts to all sorts of international charities, the millions donated every year in prize money and sponsorships for football cups, golfing and tennis tournaments, motor racing championships etc! What other industry could afford to behave with such generosity to our athletes and sportsmen?"

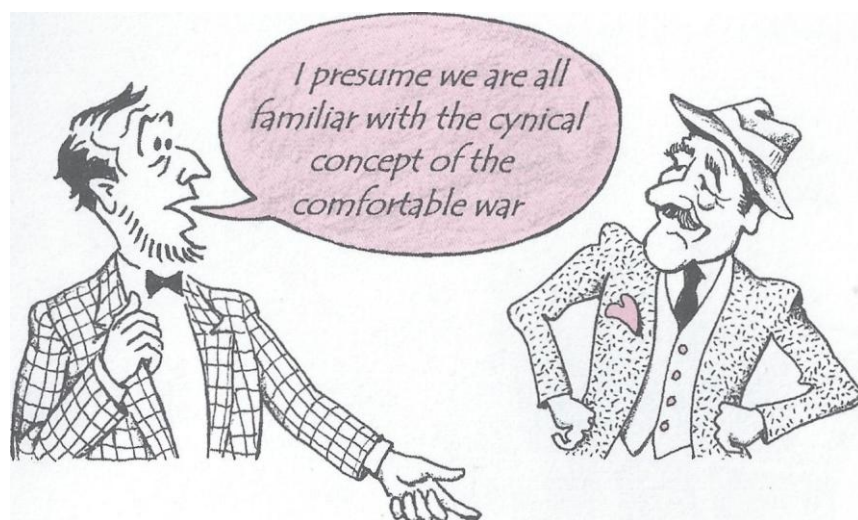
Said the Antiquarian, "Sporting sponsorships notwithstanding, we seem to have had this discussion already. Remember the swingometer, and the levels of grinding, abject poverty we detected among the under-developed nations when they took on those massive, interest-bearing loans? (\* See p.72)

"There's more on that which I'd like to show you, and now that we have this ever-increasing evidence of environmental change, can your people assume that they will be able to go on extracting an extra 2% growth from the economy, just to maintain their monopoly? In other words, in any escalating conflict with cosmic forces impinging on our earthly environment, do they still consider that the comfortable war syndrome would still hold good?"

"I don't follow," replied New Banker warily, and the Antiquarian made an apologetic gesture with his hand.

"I'm merely trying to establish," he indicated, "whether you and your colleagues have taken due note of all the observational and scientific evidence which has been presented this weekend. We're well aware of banking power and its capability, through control of the mass media, to influence what people will do and say and think on any issue under the sun. But that is as human beings, bound by the same conditions and limitations. When it comes to a clash with cosmic elements which arguably could destroy our whole environment, is it not a time for joining forces in the name of a common humanity?"

At that moment a flamboyant Michael O'Toole swept into view and placed a fresh round of drinks on the table. In the flurry that ensued, New Banker insisted on settling the bill, but refused to be drawn into any common commitment on combating climate change, at which point the Antiquarian saw fit to develop his theme on *the comfortable war*."





"In the last century," he began, "an academic called Professor Carroll Quigley wrote a massive tome on the banking system which he called *A History of the World in our Time*. It was all about the development of capitalism, through industrial capitalism into finance capitalism, as the bankers realised the wealth and power of the instrument they had at their disposal; that banking power could topple kings from their thrones, and build or destroy empires. Quigley himself never seems to have considered this as necessarily an evil, but even before his time there were armament kings who would look upon mechanised warfare as a spur to business, as it filled their munitions factories with repeat orders, sometimes from opposing sides of the battle lines.

"Somewhere along the line – afraid I hadn't picked it up at the time – perhaps within the banking cartels of Central Europe, or the moneymasters whose economic concepts of world history were so copiously illustrated by Carroll Quigley, it had been mooted that it would need three world wars to ensure total economic domination by whatever financial, industrial and underlying military cartel was in position to pick up the spoils.



"After the Hitler war in 1939-45, the score was two down and one to go, and for the powerbrokers with a macabre interest in fulfilment of the prophecy, the signs were propitious. Soviet Russia, a major ally in the struggle to defeat Hitler, had broken with the Anglo-Americans within two years of the peace settlement, and in the words of Winston Churchill, had brought down an Iron Curtain across the continent of Europe, creating behind it a monstrous Socialist Soviet Republic stretching from the Rhine to the Urals."

## SO WHAT HAPPENED TO WORLD WAR III?

THE Antiquarian took a sip from his glass before continuing. "During the next forty years of Armoured Peace, the situation was as nightmarish and precarious as anything in recorded history, with squadrons of battle-ready warplanes and massed tank divisions facing each other across heavily guarded frontiers, and it was hard to imagine that it could ever end without those battle tanks lumbering across the plains of Western Europe. So why did we never get this Third World War which had been so long predicted?"

He paused again and surveyed the others, neither of whom seemed ready with a suggestion. "Could it be," he asked eventually, "that after the explosion of the H Bomb, international totalitarian war had reached a new dimension, that the nuclear arsenals of both East and West were arguably capable of destroying each other several times over? That no one was completely safe, even in a subterranean concrete bunker? That no one could have a *comfortable war* in the Nuclear Age, because no one could be sure of surviving?"

\* \* \*

HE left it there because it was getting late, and they had all had an arduous day. But next morning, as he and O'Toole watched from their bedroom window while the various delegations gathered up their bags and climbed aboard the transports which would take them to their respective destinations, he wondered aloud to what extent they would have benefited from the experience.

"It's the bankers who bother me most," he confided. "After three hundred years of unchallenged banking protocol, they might just be unable to see the wood for the trees. With irreversible climate change, as with threatened nuclear catastrophe, the significant feature is that both can quickly pass out of human control. That is what I want them to see in this instance."

"*Aye, now they see it, now they don't,*" said the Irishman, quoting his favourite Celtic aphorism. "Maybe they'll see it if the frost breaks an' the methane leaks. Then it'll tak' mair than a cut in the interest rate to contain the damage, an' as ye've made mair than obvious, it canna be done on borrowed money."

The Antiquarain looked at him appreciatively. "You've been more than helpful yourself, old chap," he said. "Is there anything I can do to assist you on your way?"

"Naw, naw, I'll be foin," declared the self-styled Time Lord. He then walked straight through the bedroom wall and disappeared.

END



*"That is to say, under the old way any time we wish to add to the national wealth we are compelled to add to the national debt."*

*"Now, that is what Henry Ford wants to prevent. He thinks it is stupid, and so do I, that for the loan of \$30,000,000 of their own money the people of the United States should be compelled to pay \$66,000,000 – that is what it amounts to, with interest. People who will not turn a shovelful of dirt nor contribute a pound of material will collect more money from the United States than will the people who supply the material and do the work."*

*"But here is the point: If our nation can issue a dollar bond, it can issue a dollar bill.... The element that makes the bond good makes the bill good. It is absurd to say that our country can issue \$30,000,000 in bonds and not \$30,000,000 in currency. Both are promises to pay; but one promise fattens the usurer, and the other helps the people. If the currency issued by the Government were no good, then the bonds issued would be no good either. It is a terrible situation when the Government, to increase the national wealth, must go into debt and*

*submit to ruinous interest charges at the hands of men who control the fictitious values of gold."*

*Thomas Edison quoted in "Ford Sees Wealth In Muscle Shoals"*  
*The New York Times 6 December 1921*

## **Bankers' Monopoly**

*They sang of proud Britannia,  
When Her navy ruled the waves;  
That a race of such-like valour  
Nev-never could be slaves.*

*But in terms of human bondage,  
Malign as any curse,  
Is the hidden yoke that festers  
Through a serfdom of the purse.*

*An aspiring Central Banker  
Seized monopoly control  
Of all new-created money,  
And let interest take its toll.*

*Thus Government and People – once  
With seigniorage for spending,  
Were then obliged to borrow  
From whatever source was lending.*

*And so the People borrowed —  
And borrow yet again;  
When Debt and Tax engulf them,  
Credit cards take up the strain.*

*Hence, mortgage notwithstanding —  
And interest payments due —  
The People keep on spending.  
"Come in and join the queue."*

*While those who'd publicise it  
Fail to reach the public mind,  
Scandal, sport and Harry Potter  
Hog the headlines, unconfined.*

*Thus by focus on the trivia  
Mass opinions sore misled;*

*To make a Roman holiday,  
Gladiators fought and bled.*

*These days no mortal combat —  
Just spenders with the itch;  
But not with People's Money  
When they're settling through the Switch.*

*The money power's an awesome power,  
The pressures never ending;  
Both prince and pauper feel its touch —  
Whole nations condescending.*

*Yet lacking moral sanction,  
Its monopoly's insane;  
Re-wakened social consciousness  
Should take it back again —*

*And guide us on to wiser ways  
Of funding cash creation;  
The money's just a token for  
The substance of the nation.*

By James Gibb Stuart