‘Nationalize Money, Not Banks’ by Herman Daly

for powerpoint

1. money is a public utility – serves public for:

 a. medium of exchange

 b. store of value

 c. unit of account

2. Why should the public pay interest to the private banking sector to provide a medium of exchange that the government can provide at little or no cost?

3. Why should the profit on creating money go to the private sector rather than entirely to the government (the commonwealth)?

4. SOLUTION: keep fiat money. We don’t need to go back to the gold money, which was controlled by the wealthy. The banks would only lend from already existing money. The banks would lend but not create money. Banks would no longer be able to live the alchemist’s dream by creating money out of nothing and lending it at interest. Banks would make a profit by charging for checking, safekeeping, and other services, and charging a loan rate higher than the rate paid to savings or time-deposit depositors.

5. SOLUTION: a dollar loaned would be a dollar saved previously by a depositor

6. Credit limited by saving means less lending and borrowing and done more carefully.

7. SOLUTION: government issue non-interest-bearing fiat money. Government must maintain price level stable – means people are buying what they need. If prices go up, means the public has too much money and are trading it in for goods.

8. Government would target money supply and price level. When price index rises, government would cease printing money and pay for any additional public expenditures by taxing or borrowing from the public (not from itself).

9. Environment has been degraded by economic growth. Social and environmental costs are uneconomic growth. New monetary system is financial constraint on growth. Real growth has encountered the biophysical and social limits of a “full world.”

10. How monetary reform would serve the steady-state economy?

(1) restrict borrowing for new investment to existing savings – reduce speculation i.e., borrowing to buy stocks would decrease, credit cards would become debit cards; down payment on houses would be higher

(2) money supply no longer has to grow to have people pay back principal plus interest – more loans are not needed so money supply won’t shrink

(3) financial sector will not capture 40% of nation’s profits – smart people freed for more productive, less parasitic activity

(4) the money supply would no longer expand during a boom (when banks loan lots of money) and contract during a recession (when banks collect outstanding debts)

(5) no danger of run on bank – abolish FDIC, and its moral hazard

(6) no danger in system collapsing from collapse of TBTF banks

(7) No more bailouts necessary from Congress

(8) explicit policy of constant price index reduces fears of inflation and resultant quest to accumulate more as protection against inflation

NATIONALIZE MONEY, WHICH IS A NATURAL PUBLIC UTILITY IN THE FIRST PLACE