Frederick Soddy

1877-1956, English chemist

http://archive.org/stream/roleofmoney032861mbp#page/n3/mode/2up Soddy, The Role of Money (1934)

[Wikipedia] In four books written from 1921 to 1934, Soddy carried on a "campaign for a radical restructuring of global monetary relationships",[3] offering a perspective on economics rooted in physics—the laws of thermodynamics, in particular—and was "roundly dismissed as a crank".[4] While most of his proposals - "to abandon the gold standard, let international exchange rates float, use federal surpluses and deficits as macroeconomic policy tools that could counter cyclical trends, and establish bureaus of economic statistics (including a consumer price index) in order to facilitate this effort" - are now conventional practice, his critique of fractional-reserve banking still "remains outside the bounds of conventional wisdom".[5] Soddy wrote that financial debts grew exponentially at compound interest but the real economy was based on exhaustible stocks of fossil fuels. Energy obtained from the fossil fuels could not be used again. This criticism of economic growth is echoed by his intellectual heirs in the now emergent field of ecological economics.[6]

Frederick Soddy

The Role of Money (1934)

PREFACE

The “money-power” … create and destroy money by adding and withdrawing figures in bank ledgers, without the slightest concern for the interests of the community ...

To allow it [monetary system] to become a source of revenue to private issuers is to create, first, a secret and illicit arm of the government and, last, a rival power strong enough ultimately to overthrow all other forms of government.

The Chicago Plan

- Federal government purchases the Federal Reserve Banks.
- Banks required to hold 100% reserves on all demand deposits.

The Chicago Plan

- Circulated among a group of academic economists in the 1930s
- Advocates included
  - Henry Simons (U of Chicago)
  - Irving Fisher (Yale U)
  - Willford King (New York U)
  - Frank Knight (U of Chicago)
  - Paul Douglas (U of Chicago)
- Instead of this thoroughgoing reform, Congress enacted a beneficial, but partial measure known as the Glass-Steagall Act (1933)

"Many people imagine that check-book money is … really in the bank. … this is far from true.

"What, then, is this … check-book money...? It is simply the bank's promise to furnish money to its depositors when asked."

– Irving Fisher, 100% Money

“The Proposal

“Let the Government … turn into cash enough of the assets of every commercial bank to increase the cash reserve of each bank up to 100% of its checking deposits..”

– Irving Fisher, 100% Money

Article I, Section 8 of the United States Constitution

The Congress shall have power

- Clause 1: To lay and collect Taxes
- Clause 2: To borrow Money
- Clause 5: To coin Money, regulate the Value thereof

“The mistake … lies in fearing money and trusting debt.”

– Professor Henry Simons

"Over time, whoever controls the money system, controls the nation."

- Stephen Zarlenga

Director, American Monetary Institute (AMI)

American Monetary Institute

monetary.org

Founded 1996

Stephen Zarlenga, Director

Annual Conference in Chicago (September)

Cooper Union Conference in New York (May)

Monetary reform at the national level

- Chicago Plan, 1930s
- American Monetary Act by AMI
- HR 2990 (aka the NEED Act) sponsored by Representative Dennis Kucinich (OH), cosponsored by Representative John Conyers (MI) (111^{th} and 112^{th} Congress)

all three are essentially the same proposal

thomas.gov

- A Library of Congress website with all national legislation (enacted or in process) past and present
- Type in “national emergency employment act” and click search to see the proposed legislation and its current status
- Click “Text of Legislation”

HR 2990
aka
National Emergency Employment Defense Act

- Introduced December, 2010 (111th Congress)
- Re-introduced September, 2011 (112th Congress)
- Essentially the Chicago Plan of the 1930s with refinements

What many people think exists now

- Who controls the Federal Reserve System?
  what folks think: *government*

- Where does our money come from?
  what folks think: *government*

- Where does the money for bank loans come from?
  what folks think: *people's savings deposits*

"Only puny secrets need protection.
Big secrets are protected by public incredulity."

– Marshall McLuhan, Take Today, The Executive as Dropout (1972)

Under the NEED Act:

- who would control the Bureau of the Federal Reserve?
  Answer: *government*

- where would our money come from?
  Answer: *government*

- where would the money for bank loans come from?
  Answer: *people's savings deposits*

Current money system	Under the NEED Act
Federal Reserve Banks are owned by their member banks.	US Treasury purchases the Fed shareholders' assets.
Money is created / destroyed when bank loans are approved / paid back.	Existing bank credit replaced with permanent money.
Federal spending needs: TAX and BORROW	Federal spending needs: TAX and ISSUE

What the NEED Act does:

- Purchases the Federal Reserve members' assets, and returns their reserves. Forms a new Monetary Authority
- Changes accounting rules so that banks no longer originate money
- Encourages Congress to spend new money into circulation

NEED Act

A) Nationalizes the Federal Reserve

B) Banks no longer allowed to create new money

C) Congress encouraged to spend new money into circulation for real goods and services

- A) alone is not enough
  - e.g. Bank of England nationalized 1946
- A) and B) alone are not enough
  - e.g. Jackson and Van Buren caused a deflation
- All three parts must be enacted to get the real benefit we need and deserve

Most frequent knee-jerk objection:

“But that would cause inflation.”

Answer:
The NEED Act would not cause inflation. Spending new money into circulation for real, physical goods and services does not cause inflation, because corresponding to the new money, you have the new stuff.

Kaoru Yamaguchi
holistic approach (“Systems Dynamics”)

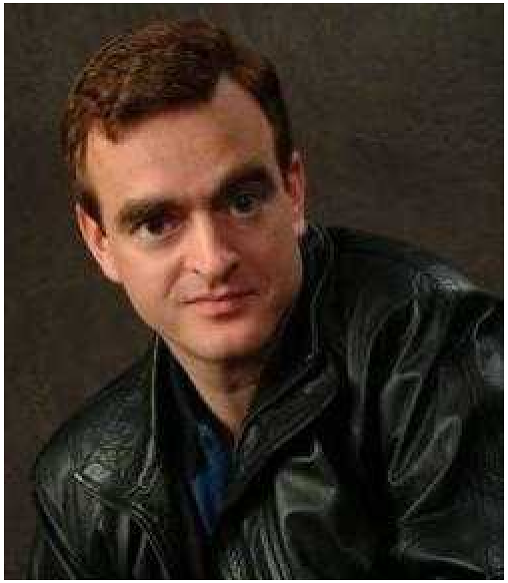
http://vimeo.com/30072449 (e.g. 1:43 - 3:00)

7 Public Money Policies

The role of a newly established public money administration under a public money system is to maintain a monetary value, similar to the role assigned to the central banks under the debt money system. Keynesian monetary policy under the debt money system controls money supply indirectly through the manipulation of required reserve ratio, discount ratio, and open market operations. Accordingly its effect is after all limited, as demonstrated by a failure of stimulating the prolonged recessions in Japan during 1990s through 2000s with the adjustment of the interest rates, specifically with zero interest rate policies. Compared with these ineffective Keynesian monetary and fiscal policies, public money policies we have introduced here are simpler and more direct; that is, they are made up of the management of the amount of public money in circulation through governmental spending and tax policies. Interest rate is no longer used by the public money administration as a policy instrument and left to be determined in the market.

Michael Kumhof
IMF Researcher
“The Chicago Plan Revisited” (2012)

http://www.youtube.com/watch?v=tnehf-U527g - 8:24
http://www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf



Review so far

- Money is whatever functions as ***medium of exchange*** for a community or society
- The overall ***quantity*** of money is a crucial variable for maintaining stable wage and price levels

Stephen Zarlenga

THE LOST SCIENCE OF MONEY (2002)

The Mythology of Money – the Story of Power

Some writers:

- Benjamin Franklin
  "A Modest Inquiry Into the Nature and Necessity of a Paper Currency"
- Edward Kellogg
- Alexander del Mar
- Christopher Hollis
  The Two Nations: A Financial Study of English History
- Robert de Fremery
  Rights vs. Privileges
- James Robertson
- Michael Rowbotham
- Irving Fisher
  100% Money

American Monetary Institute

monetary.org

Founded 1996

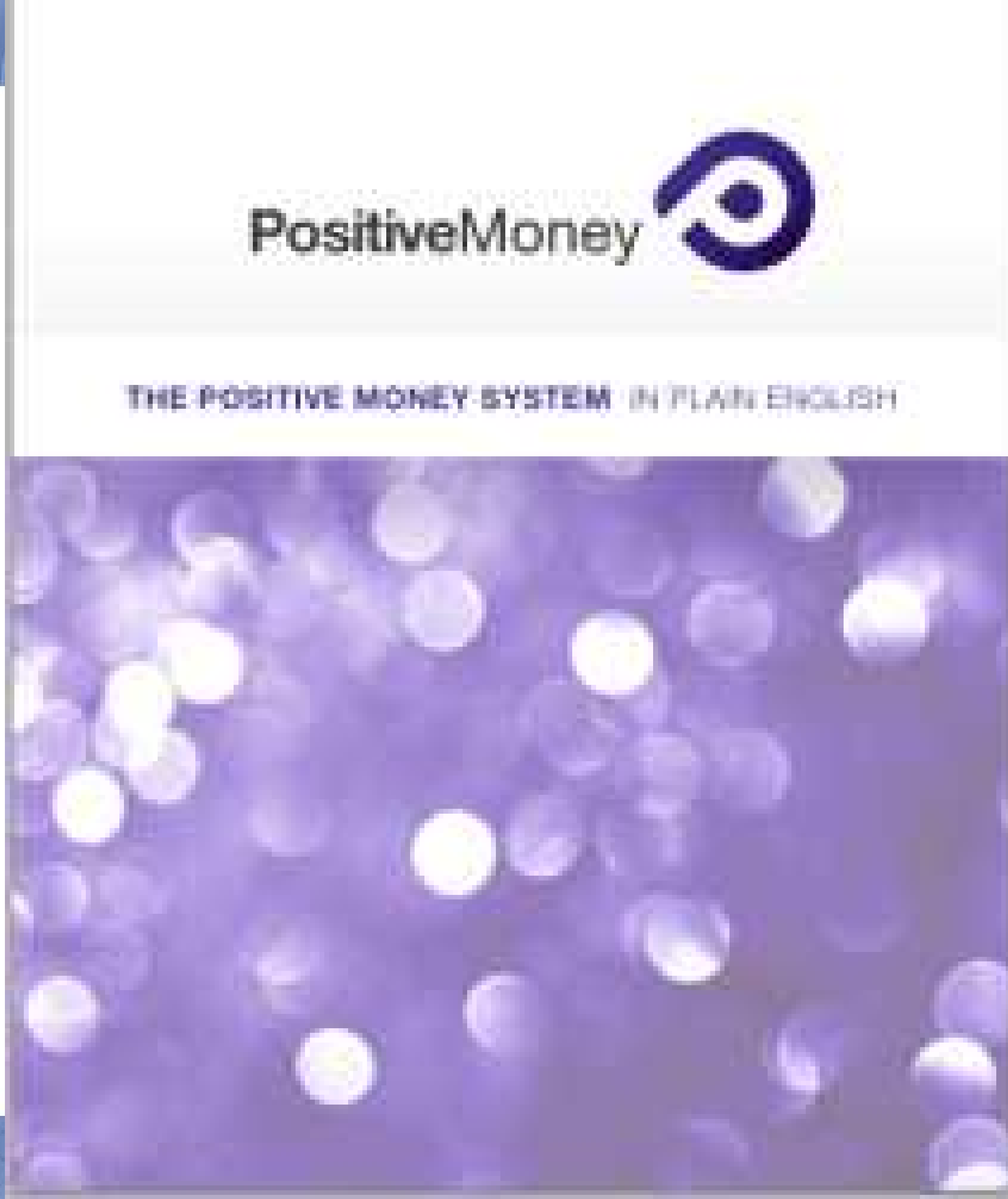
Stephen Zarlenga, Director

Annual Conference in Chicago (September)

Cooper Union Conference in New York (May)

Positive Money

Founded 2010
Ben Dyson, Founder
positivemoney.org


PositiveMoney
THE POSITIVE MONEY SYSTEM IN PLAIN ENGLISH

MONETATIVE

Taking Money Creation back into Public Hands

The current banking and sovereign debt crises are rooted in the monetary system as it stands today. The *financial* causes of the crises have a common *monetary* cause: excessive credit creation within the system of fractional reserve banking. This inevitably feeds speculative bubbles, asset and consumer price inflation, and results in over-indebtedness, particularly of governments and the banks themselves. In order to work properly, the economy needs to rely on a stable and just monetary system. That is why we call for

1. the full re-establishment of the public prerogative of creating money as a responsibility of the independent central bank
2. an end to the creation of bank money
3. spending new money into circulation debt-free through public expenditure.

MONETATIVE

HERE ARE WEBSITES OF ORGANISATIONS AND PERSONS WHO ARGUE THE CASE FOR MONETARY REFORM ALONG THE SAME OR SIMILAR LINES AS WE DO.

- American Monetary Institute, USA, Draft legislation: The American Monetary Act. H.R. 2990: Introducing the NEED Act / NEED Act Draft
- Bank of England Creation of Currency Bill 2011, A reform proposal from *Positive Money*, UK
- Betra Peningakerfi, Island
- International Institute of Certified Public Accountants, USA
- Monetäre Modernisierung MoMo, Vollgeldreform-Initiative Schweiz
- Moneta@Proprietà, Italia
- Penazna reforma, Slowakei
- Positive Money, UK
- Programma per la Riforma Monetaria Italiana PRIMIT
- Prosperity and Bromsgrove Conferences, Scotland, UK
- Positive Money, New Zealand
- Sensible Money, Ireland
- Geldsystem Verstehen
- Vivant, Belgien auf deutsch - en français

James Robertson

James Robertson

The transformation of the economy by the industrial revolution was straining existing monetary institutions and theories. In 1797 the effects of the Napoleonic Wars had driven the Bank of England off the gold standard; the exchangeability of its banknotes for gold sovereigns had been suspended. Between 1810 and 1819 Attwood campaigned, eventually unsuccessfully, against the parliamentary "Bullion Report" which recommended that the number and value of banknotes in circulation should be reduced and their exchangeability for gold should be restored.

Attwood and his colleagues in the “Paper Money” school were, in effect, calling for money to be permanently *redefined* to include paper banknotes as well as gold coins and bullion. Today this redefinition has been long accepted. Banknotes are recognised, along with coins, to be "cash". Like coins they are now issued debt-free by an agency of the state, the Bank of England. Although British banknotes still say "I promise to pay... ", that is a meaningless survival from past history. Banknotes now are not just credit notes. Everyone knows they are cash.

The challenge we face is similar to Attwood's. But our definition of money should now extend to include, not just banknotes as well as coin, but also the electronic bank-created money in our current bank accounts. Although some people with pretensions to knowledge of these things say that that is something distinct from money, called credit, it is now clearly recognised to be money, directly and immediately available for spending. That commercial banks still create this official-currency money for private-sector profit has become a glaring anachronism.

– Robertson & Bunzl, Monetary Reform – Making it Happen

Some urls

http://www.let.rug.nl/usa/documents/1701-1750/benjamin-franklin-a-modest

http://www2.ucsc.edu/whorulesamerica/power/wealth.html

http://www.jamesrobertson.com/book/monetaryreform.pdf

Some websites

jamesrobertson.com

monetary.org (AMI)

positivemoney.org

monetative.de

If interested in a monthly meetup group on monetary history and reform:

allen@infostation1.net
peters.s@verizon.net

The issuing power
other positions

- gold- or commodity-backed money
- “money is credit”
- “free market in money”
  (“free banking”)

Herman Daly
ecological economist

"Nationalize Money, Not Banks"

(recent article)

“Nationalize Money, Not Banks”
Herman Daly

”If our present banking system … seems “screwy” to you, it should. Why should money, a public utility (serving the public as medium of exchange, store of value, and unit of account), be largely the by-product of private lending and borrowing? Is that really an improvement over being a by-product of private gold mining, as it was under the gold standard? **The best way to sabotage a system is hobble it by tying together two of its separate parts, creating an unnecessary and obstructive connection.** 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? Why should seigniorage (profit to the issuer of fiat money) go largely to the private sector rather than entirely to the government (the commonwealth)?”

“Nationalize Money, Not Banks”
Herman Daly

“Is there not a better away? Yes, there is. We need not go back to the gold standard. Keep fiat money, but move from fractional reserve banking to a system of 100% reserve requirements.”