

Economy

The Problem With Positive Money



PositiveMoney

by Mike Robinson

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Positive Money bills itself as “a simple solution to the debt crisis”. With a cursory glance, it might appear to be making some of the right noises. On closer inspection, however, there’s just nothing there.

Positive Money states that it wants three things:

1. Make banks ask our permission before they gamble with our money.

Positive Money suggests that banks offer two main types of account - a “bombproof” safe account, where money will not be lent to third-parties and where money is immediately available, and an “investment account”, where customers can elect to have their money invested in return for an interest payment. They say that this “simple change” will give us “absolute protection” from having to ever bail out another bank.

2. Banks should tell us how they’ll use our money.

Positive Money argues that we should have the right to tell the banks how they invest our money. They claim this imposes limits on what banks can do with our money; they would be unable to gamble on financial markets at all without consent, and we could opt out of certain sectors, such as the arms trade.

3. We should remove the bankers' licence to 'print' money and use any newly created money for public benefit.

Positive Money rightly highlights the fact that commercial banks are currently using the fractional reserve banking system to create new money. They rightly point out that this is not a good thing. They argue that bankers have incentive to create as much money as they can in order to pay for bonuses and commissions.

But they argue that politicians can't be trusted to do the job of money creation either, because, they argue, we would all end up with £1000 cheques as a bribe just prior to election time.

Positive Money argues that we should take this responsibility away from everyone therefore, and hand it instead to the Monetary Policy Committee of the Bank of England; a body that they call "independent, accountable and transparent".

Is That It?

It's hard to see how Positive Money sees any of this as a solution. They are not proposing any fundamental changes at all. The first two proposals will do nothing to prevent banking bailouts, and do no more than offer the banks an alternative marketing strategy, as they sell their speculative activity in new ways. People will not stop saving money, and they will not hold their savings in the "bombproof" account at zero interest.

But the most nonsensical proposal here is handing over responsibility for money creation to the Bank of England, the banker's bank.

The Independence And Accountability Of The Bank of England

The Bank of England is certainly independent, despite being wholly owned by the nation; the Bank's shares are held by the Treasury Solicitor. However, the Bank is operationally completely independent from government, with no oversight or accountability outside of the notional requirement to keep inflation below 2%. In

the event inflation exceeds 2% the only sanction the government has at present is to require a letter from the Governor explaining why he's such a naughty boy.

It might come as a surprise to many people that the "Bank of England" has many customers other than the British government. It wholly owns a subsidiary company, Bank of England Nominees Limited. This is a nominee company - it does not trade, but holds financial "assets" on behalf of Bank customers. The Queen's financial assets are held by BOEN, but so are assets of other heads of state, private bankers and other governments.

The point of a nominee company is to hide trading activity. Say, for example, the Queen wants to sell her stockholding in M&S (if she has one). When that trade is done, the perceived owner is BOEN, and not the Queen, and trading activity is hidden.

At present, the nation has no way of knowing who the Bank's customers are, what services it provides to them, or what holdings they have. This is just one of the Bank's many Freedom of Information Act exemptions. So the Bank, which we might think has loyalty to the nation, may well have more loyalty to a foreign power, or a Rothschild.

We can't know.

The Bank's employees are not government employees. Yes, the nation is the only shareholder, but every Bank employee is a Bank employee, not a civil servant. There is no oath of office. Their loyalty is to the Bank and the City of London, not Britain. This is why the Bank encourages Chancellors to sell the nation's gold reserves at the bottom of the market. This is why the Bank will not consider any solution to the financial crisis other than bailout after bailout.

The Bank's Ability To Create Money

If this is not enough to convince you of the irrationality of Positive Money's argument, this should be the clincher: the Bank of England already has the ability to create money!

Since 1844, the Bank has had the monopoly on printing Pounds Sterling. They do this upon receiving an instruction from the Treasury. However, only 3% of currency in circulation is issued in this way, and its interest free.

The other 97% of currency in circulation is issued as debt by commercial banks, with interest attached.

So the Bank, rather than operating in the national interest as is implied by the name, in fact acts as a broker between the government and private bankers who lend the nation its own national currency at interest. It does this by issuing gilt edged bonds.

The Bank of England is not the bank of "England". It is the bank of the City of London, operating in the interests of the City of London, covered in a veneer of nationalisation. Every central bank in the world operates in the same way. The central banking system, run by a banking oligarchy, considers itself sovereign over and above the nation state. Handing such an institution full control of our money supply would be an insane act.

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