KEEP CALM AND CARRY ON

A PROGRAMME OF FINANCIAL RENEWAL

a cesc publication

July 2010

From: William Shepherd
To: Sabine Kurjo McNeill
Date: Fri, 16 July, 2010 21:23:52

Sabine

Below is my comment to an article by Max Hastings in the *Financial Times* at *ft.com* followed by the original article. The comment Permalink is http://www.ft.com/cms/s/0/3cb20720-8eb1-11df-8a67-00144feab49a,s01=1.html#comment-1051344.

William Shepherd

The minimum changes needed are:

1. A **Clean Slate** to cancel debts...starting with real and not judicial people. It is debt that needs to be cut not public sector jobs...needed now more than ever...and the benefits of the poor...a very efficient form of Keynesian effective demand.

2. Reactivation of the **1571 Law against Usury**...and don't assume you know what usury is because hardly anybody does. This provided for citizen arrests of usurers by their victims and triple fines for those found guilty. The Doctrine of Usury would also eliminate more than three quarters of financial transactions and close down many exchanges...see the writings of Rev. Henry Swabey and Professor R.H.Tawney at *http://historyofusury.blog.co.uk*

3. Lincoln's Greenbacks...ie public issue of money...see *The Lost Science of Money* by Stephen Zarlenga for an accurate description of this successful experiment in public money. This would be phased in to replace the bank debt money destroyed as prudent companies and individuals pay off their debts and government increases capital adequacy ratios first by doubling to Chinese levels (0.15) and then by annual increments to much higher levels...perhaps 0.80 instead of the present 0.08. This can be done with or without the *Bank of England Company* approval. The Sovereign has the power and should use it.

4. Appointment of a **Bank Commission**...directly analogous to the *Charity Commission*...to issue licenses to all banks practising fractional banking and credit creation in excess of its deposits and shareholder capital against criteria which (as with private schools requesting charitable status) require the *Bank Commissioner* to audit the accounts and ensure that the bank operates in the public good. This is the way to deal with the two great scandals of present banking practice: excessive remuneration for doing the job of accountants; and the chronic mal-distribution of credit on the basis of invisible private criteria instead of visible public criteria.

This programme could be phased in over the course of a 5-year parliament. The unions should insist that this programme is in the *Labour Party's* next manifesto.

And this was once Tory policy too...read Iain Macleod's 1961 biography of Neville Chamberlain on the *Birmingham Municipal Bank* set up in 1916 and the *Conservative Party's* solution in 1923 until forced to withdraw the proposals by the bankers, the *City of London* and their usual threats. [1]

THE FRONTISPIECE WAS ONE OF THREE POSTERS PRODUCED BY THE BRITISH GOVERNMENT'S MINISTRY OF INFORMATION ON THE EVE OF WAR IN 1939.

THE OTHER TWO WERE 'FREEDOM IS IN PERIL' AND 'YOUR COURAGE, YOUR CHEERFULNESS, YOUR RESOLUTION WILL BRING US VICTORY'.

TWO AND A HALF MILLION COPIES OF THE KEEP CALM AND CARRY ON SHEETS WERE PRINTED TO BE DISTRIBUTED IN THE EVENT OF A GERMAN INVASION.

[1] Such threats were not peculiar to Great Britain as is clear from Arthur Schlesinger's *Age of Jackson*.

The war on greed begins at the dinner table by Max Hastings
Published: July 13 2010 23:33

A couple of months ago, on an Italian assignment, I visited an expensive hotel in the Dolomites. Most of the guests were British skiers, few of them over 40. 'They're all bankers or hedge fund managers,' said the owner cheerfully. 'Not a lot of other people from your country can afford us.' I suspect that many members of the *British Bankers' Association*, which met in London on Tuesday, nurse a resentment that we - the rest of the nation - still dislike them so much. What else should they expect? We have entered a sustained period of austerity that has made an impact upon almost every area of national life. Yet those who work outside the *City of London* see its employees living just as they did before the global crisis, and apparently expecting to continue doing so.

A City friend describes bonuses as having fallen from obscene to merely outrageous. A wealth manager explained to me recently: 'OK, so a banker's income and bonus drops from, say, £2m to under one. His paper wealth has declined significantly. But most people can keep their lifestyles going very nicely on three or four hundred thousand net.' The *City*, like *Wall Street*, seems impervious to public anger, which it dismisses as the product of ignoble envy. Bankers are reassured that governments, including David Cameron's, have retreated from threatening rhetoric about limiting compensation, because the practical difficulties are so great. But, in the tough years ahead, bankers will be rash if they ignore public sentiment, which will make political intervention inevitable unless they accept a culture change. There are currently seen to be two Britains: that of workers in finance, in the grand tier of the *Royal Opera House*; and the other inhabited by everybody else, back in economy class.

Over the past two or three decades, bankers have conditioned themselves to suppose that they merit a standard of living far higher than that of ordinary mortals. They refuse to acknowledge that in any society, only a tiny handful of corporate employees can stake a rational claim on seven-figure earnings. Of course, there are some very clever bankers. But many practitioners possess meagre discernible judgment or talents, yet still collect huge pay packets. To a worker in any other business, it seems risible that the proportion of bank revenues devoted to employee pay has fallen from 50 per cent to a mere 38 per cent. Evidence that banks are still unwilling to lend - in other words, to serve the national economic interest - throws their remuneration policy into even sharper relief.

As a modest depositor, I see my savings earning negligible returns, while loans are made at much higher rates as banks rebuild balance sheets. The credibility of capitalism is under strain, partly because ordinary citizens question whether bankers' activities serve the interests of anyone else. Myself almost innumerate, I used to wonder if my spleen against bankers was overdone. Then a year or so ago, on this page I read a line of John Kay's. He wrote that the lesson of the global financial crisis was that banks had been run not for the benefit of shareholders, customers or society at large, but in the interests of their employees. This informed indictment reinforced an ignoramus's instinct that we have a right to be cross.

Likewise, not long ago, I asked a central banker if journalists are too tough on the City. 'Absolutely not,' he said. 'They won't learn. They refuse to take their snouts out of the trough. Everybody must keep battering away at them until they do.' We know the financial services industry is important to Britain. But personal respect will be denied to bankers until they recognise that their rewards are socially divisive, morally and politically intolerable. I feel almost a social duty to wince when a dinner party neighbour tells me that her husband is a banker, because only if the tribe can be induced to feel shame may we dent the armour of its smugness.

Few people in Britain or the US begrudge wealth-creators' generous returns for risk-taking. But too many indifferently qualified people continue to receive rewards from the City far in excess of any rational recompense for their services. As long as that remains so, the rest of society will sustain its animus towards bankers. We should hound them until they change their ways, which threaten the perceived legitimacy of capitalism.

From: Thomas Greco
To: William Shepherd; Sabine Kurjo McNeill
Sent: Sat, 17 July, 2010 17:39:23

Have you seen my critique of the 'Greenback Solution'[2]

[2] Part of the essay *Take Money Back from the Money and Banking Monopoly* by Thomas H. Greco available at:

What about the "Greenback solution?" by Tom Greco

Many influential present day reformers (including William Greider, Rep. Dennis Kucinich, and Ellen Brown) are promoting what has been called the "greenback solution." Harking back to Abraham Lincoln's scheme for financing the Civil War, they are calling for the federal government to bypass the Federal Reserve and the banks and to issue a national currency directly into circulation.

There are many flies in this ointment. First of all, the greenback solution merely seeks to put the money monopoly under new management. Placing the money issuing power into the hands of the Treasury does nominally achieve this, but it is a gross delusion to think that the Treasury is, or might become, independent of the banking interests that now control the Fed. One indication of this is the fact that both the present and former Treasury secretaries have been executives of Goldman Sachs, the most powerful financial establishment in the country. Whose interests have they served?

Secondly, the greenback solution does nothing to eliminate deficit spending and inflation, which are enabled by legal tender laws. So long as political currencies, however issued, are legally forced to circulate at face value, the abusive issuance of money, the debasement of national currencies, and the centralization of power will continue. All government programs, including social programs, need to be funded by legitimate state revenues, not by the underhanded means of monetary debasement. Centralized control of credit money and the imposition of legal tender laws enable the hidden tax called *inflation.* Salmon P. Chase, who as Lincoln's Treasury secretary presided over the issuance of greenbacks, later on as Chief Justice of the Supreme Court, argued that they unconstitutionally exceeded the powers of the federal government and that "the legal tender quality is only valuable for the purposes of dishonesty."

In recent years we have seen widespread efforts by communities and businesses around the globe to cope with the general breakdown of institutions and a deepening multidimensional crisis involving resource depletion, pollution, climate change, and increasing disparities of power and wealth. But these efforts toward relocalization, community empowerment, and the shift to a steady-state economy will continue to be thwarted, unless a different approach to money and exchange is taken.

Tom

From: William Shepherd
To: Thomas Greco
Date: Sat, 17 July, 2010 20:19:53

Tom

Thanks...included below is the relevant section of the attached 2-page article you referred me to.

Preamble

I would make the following half a dozen points regarding the four-point plan suggested in my comment on the *Financial Times* article subject to the following three caveats:

(a) My intention was to set out a programme (elevator pitch version) that the radical leading edge of the English political class might judge to be practical politics over the next few parliaments.
(b) I am not addressing the legal tender arguments against a *'Greenback Solution'*.
(c) The plan is designed for the particular conditions in Great Britain. The USA, for instance, is probably better off going for a constitutional amendment based on the *1571 Usury Act*.

The Plan*...some minor changes from 17th July 2010 version*

1. A **Clean Slate** to cancel debts...starting with real and not judicial people. It is debt that needs to be cut not public sector jobs...needed now more than ever...and the benefits of the poor...a very efficient form of Keynsian effective demand.

2. Reactivation of the **1571 Law against Usury**...and don't assume you know what usury is because hardly anybody does. This provided for citizen arrests of usurers by their victims and triple fines for those found guilty. The *Doctrine of Usury* would also eliminate more than three quarters of financial transactions and close down many exchanges. [3]

3. Lincoln's Greenbacks...ie public issue of money...see *The Lost Science of Money* by Stephen Zarlenga for an accurate description of this successful experiment in public money. This would be phased in to replace the bank debt money destroyed as prudent companies and individuals pay off their

http://www.alternet.org/economy/141582/the_end_of_money:_take_power_back_from_the_money_and_banking_monopoly/?page=1
[3] See the writings of Rev. Henry Swabey and Professor R.H.Tawney at http://historyofusury.blog.co.uk

debts and government increases capital adequacy ratios first by doubling to Chinese levels (0.15) and then by annual increments to much higher levels...perhaps 0.80 instead of the present 0.08. This can be done with or without the *Bank of England Company* approval. The Sovereign has the power and should use it.

4. Appointment of a **Bank Commission**...directly analogous to the *Charity Commission*...to issue licenses to all banks practising fractional banking and credit creation in excess of its deposits and shareholder capital against criteria which (as with private schools requesting charitable status) require the *Bank Commissioner* to audit the accounts and ensure that the bank operates in the public good. This is the way to deal with the two great scandals of present banking practice: excessive remuneration for doing the job of accountants; and the chronic mal-distribution of credit on the basis of invisible private criteria instead of visible public criteria.

Supplementary Remarks

1. My preference for Great Britain would be for *Public Credit* (*Lincoln Greenbacks*) to be issued by *County Mints*[4] and not by the *H.M. Treasury*...and I would place these under the direct control of the *Lord Lieutenants of the Counties* who report directly to the Queen. One of the strengths of England's (non-written) constitution is its several overlapping and redundant governance structures...the monarchical system being one of them (and the one with the regiments) and the ecclesiastical system being another.

2. This four-point programme dovetails in to the policies of the new *Tory Government* which intends to bring in another sweeping wave of Thatcher-style privatisations...but starting with the public assets and programmes of the county administrations instead of the national administration which the *Thatcher Programme* destroyed.

3. Linking the *Public Credit* programme with the raising of *Capital Adequacy Ratios* for the private banks...ie. replacing private bank lending with public credit...addresses the issue of inflation. The money supply remains unchanged...or is varied as at present for monetary policy reasons.

4. The *Bank Commissioner* is essential if lending criteria and banking rules are going to be properly regulated in the public interest. This is one of several key requirements that has been absent for the past four hundred years under the assumption that the *Bank of England* can do the job. The *Charities Commission* is the analogy...and I am not sure any other country has such a body. In the UK this adjudicates on whether or not a charity operates in the public interest by defining criteria and then only issuing licenses [5] if an applicant meets the criteria set.

5. Since the other principal redundant governance structure is the church with its diocese and its parishes, it would make sense to give the job of running the *Banking Commission* to the *Lords Spiritual* contingent of the *Lords Spiritual and Temporal*...together with the administration of the reactivated *1571 Law Against Usury*.

6. As far as the job of draining the swamp in concerned...the *Clean Slate* programme...the Mandela *Truth and Reconciliation* approach might not go amiss. Perhaps the bishops and the lord lieutenants should join forces in adjudicating the cancellation of debts with victims first in line, the poor next, ordinary people & businesses next and the rich corporations, trusts and wealth-hoarding families last in line.

William Shepherd

From: Sabine K McNeill
To: William Shepherd
Date: Sat, 17 July, 2010 12:49:15

Great!!! Especially the 'triple fines' as that's in parallel with the BoE Act 1694! I presume you've seen the Proposed Bank of England Act 2010? With many thanks,
Sabine

---

[4] The *Liberal Democrats*…the (very) junior partner with the *Conservative Party* in the present governing coalition in the UK have long had as party policy an intention to introduce local income tax. Phase II of any well-thought through programme for separating local money at the county level from international debt & usury credit money operated by the *Bank of England Corporation* as agent for *Her Majesty's Treasury* would be to adopt the *LibDem* local income tax policy. Collection of *Value Added Tax* would remain with central government for subsequent sharing between Whitehall and Brussels for as long as they continued to throw money at the military industrial complexes of the world. Diplomacy is much cheaper. At whichever level the issue of coinage is carried out, public mints by either the *Monarchy* or the *Church* would enable income tax to be reduced from 22 pence in the pound to 12 pence by reclaiming the *Seigniorage Fees* by the public purse. See *Creating Money* by James Robertson.

[5] The benefit of charity status is various tax breaks. So the trade-off is private profit vs. public scrutiny. So it should be for banks.

Subject: **Robert Poteat**
From: Peter Etherden
To: Sabine Kurjo McNeill
Date: Sun, 18 July, 2010 15:12:51

Sabine

Attached is the one-page article by Robert Poteat I spoke about on the phone this morning...just came in overnight courtesy of Helen Dew's *Living Economics* network. I particularly like Poteat's succinct 8-point summary of the errors of ante-monetary economists. How ironic that Milton Freeman's *Chicago School* got itself labelled as *Monetarists*:

> **Errors of economists by Robert Poteat**
>
> **1.** They try to use 'theories' to prove facts then dismiss facts that refute the 'theory' as 'externalities'.
> **2.** They confuse money with real wealth of natural resources.
> **3.** They regard money as nothing more than a medium of exchange instead of a socio-political power.
> **4.** They assume human economic decisions are rational and seek to 'prove' their false assumptions mathematically.
> **5.** They fail to understand the effects of credit used as money because credit is debt on the other side of the ledger.
> **6.** They fail to understand the fallacies of ever expanding markets in a finite world.
> **7.** They dismiss human suffering as an irrelevant, unscientific externality.
> **8.** They have irrational faith in The Market to mediate human exchange relations.

Today's fast-fading (national) *Economics* orthodoxy is under serious challenge in nearly every university in the world by the *Sociology*, *Economic History* and *Business**[6] & *Development Studies* departments. Must we really wait for the old *Economics* professors to die off? Can't they be put out to grass with fat-cat pensions before they do more damage?

Incidentally one of my many half-finished projects is putting Kenneth Boulding's *Evolutionary Economics* [7]online which successfully addresses six of Poteat's eight 'economist errors'. All that is needed to deal with the other two (3 & 5) and provide 21st century *Economics Departments* with a teachable subject for students living and working in the 22nd century is to add on some sound monetary theory...most likely based on viewing the current collapsing global central banking debt-usury system as a special historical case...howbeit a repeating one much beloved by empire building elitists...of the general theory inherent in Thomas H. Greco's proposals in *The End of Money* [8].

Poteat has also put his finger on the flaw in the conventional reasoning on *Effective Demand Theory* (Error 5):

> '*Keynesianism* will have the desired effect if done in sufficient quantities, but borrowing money for *Keynesian* stimulus merely 'kicks the can down the road' requiring more and more stimulus with resultant increase in debt. If the government created and spent its own money there would be no deficit and no increasing debt.'

This remark points the way to unmasking the Double Dutch (Venetian) book-keeping & accounting fallacy which treats differently money minted for the rich...which comes as debt via deposit creation in the bowels of the (central) banking system...and money minted for the poor...which is issued as public money direct to real people (and this takes place all over Europe and increasingly in North America too alongside the collapsing central banking mechanisms).

This was the thought behind the first point in the 4-point *Programme for Financial Renewal*, namely:

> 'A Clean Slate [9] to cancel debts...starting with real and not judicial people. It is debt that needs to be cut not public sector jobs...needed now more than ever...and the benefits of the poor...a very efficient form of Keynesian effective demand.'

---

[6] For 40 years almost the only sensible book on the economics of pensions, for instance, was Peter Drucker's short 1976 book entitled *The Unseen Revolution: How Pension Fund Socialism Came to America* (ISBN 006011097X)...although there is now, after the global financial collapse, hardly a serious author who does not quote this book. But are we really expected to believe that *General Motors* was heading up the *Fabian Conspiracy*?...see Rose Martin's *Fabian Freeway: High Road to Socialism (1884-1966);* Library of Congress Cat. No. 66-28199.

[7] Parts of *Evolutionary Economics* by Kenneth Boulding (1981) are online at http://evolutionaryeconomics.blog.co.uk/ .

[8] Thomas H. Greco's *Beyond Money* blog and website is at http://beyondmoney.net/ . *The End of Money and the Future of Civilization* by Thomas H. Greco can be ordered direct from the publisher *Chelsea Green* or from *Amazon* at http://www.amazon.co.uk/End-Money-Future-Civilization/dp/0863157335/ref=sr_1_1?ie=UTF8&s=books&qid=1279460910&sr=1-1

[9] Source: *Truth from Mesopotamia* by Boudewijn Wegerif *at* http://cesc.net/adobeweb/circleweb/cleanslate.pdf based on the work of Michael Hudson at *Harvard*. This includes a foreword and afterword from William Shepherd.

Following the attached article by Robert Poteat I have included the current list of speakers at Stephen Zarlenga's annual *American Monetary Institute* conference...coming up in ten weeks time on 30th September...which includes Robert Poteat and Michael Hudson.

In passing I would express concern at the absence of women from the *AMI Conferenc*e list given that some of the most respected pioneering spirits...Hazel Henderson, Susan George, Margrit Kennedy, Naomi Klein, Ellen Brown etc...are women; and that more and more women are being appointed to top economic positions inside and outside governments. Feminists should have started (brain) muscling their way into some of these destructive male-brain (see Louann Brizendine) academic orthodoxies...Sarah Palin fashion...to deconstruct them (as in dismantling their funding...55% of wealth is held by women nowadays...and rising) decades ago.

Anyway here is the *AMI* conference blurb on Poteat's relevance to the September 2010 gathering:

> **Robert Poteat**, whose depth of understanding of monetary reform and all aspects associated with it will deliver another seminal lesson. Only the *American Monetary Act* (of any being discussed) is able to deliver a solution on the magnitude needed, including rescuing their pension obligations. As we've been saying consistently, efforts to have the states embrace the vicious process of 'fractional reserve banking' instead of ending it, in exchange for a pittance, should be understood as diversions, at a critical moment when real reform is possible.

William Shepherd
acknowledgements to Christoph Hensch for the Poteat article

State Governments in Deficit Crisis by Robert Poteat

'States of Crisis for 46 Governments Facing Greek-Style Deficits' headlines a *Bloomberg* website article on June 26, 2010, by Edward Robinson, referring to states of the US. The plight of California is one of the worst. California's economy, if a nation, would rank ninth in the world. The US federal government is in huge deficit, also.

How can this happen in the once richest nation of the world and still rated as the world's largest economy? The economic conditions cannot be caused by devastating acts of nature such as drought, freezes, famine by insects, floods, hurricanes, volcanic eruption, etc. While some of these have been experienced, the US is too large and diverse for them to cause such general havoc.

Another hypothesis is that nations follow an organic pattern. Nations emerge, prosper, age, and die. The US in its third century is deeply in debt domestically with crumbling infrastructure. The US has huge negative trade balances causing huge debt to foreign nations. The US is also engaged in futile, self-destructive wars of empire. This makes a strong case for the organic hypothesis, but is there a simpler explanation such as human mismanagement?

Anyone with grade school education must know that expense cannot exceed income without incurring deficits and debt. Yet 46 states and the US find themselves in that condition. It does not take too much investigation to find out budgets did not anticipate economic downturn. It is irrational not to anticipate downturn because the US has experienced economic expansions and contractions, at least 47 cycles, since its founding. To not anticipate economic cycles requires the extraordinary denial and deception of politicians.

What causes economic cycles? Ask three economists, and you will get at least four answers. I think Will James said '…economists know more that ain't so than anyone'.

Some flagrant errors of economists are non-scientific reasoning. They try to use 'theories' to prove facts then dismiss facts that refute the 'theory' as externalities. They confuse money with real wealth of natural resources. They do not understand the nature of money as a socio-political power while thinking of it merely as a medium of exchange. They assume that humans always make rational economic decisions then attempt to use mathematics to 'prove' the false assumptions. They fail to understand the effects of credit used as money because credit is debt on the other side of the ledger. They fail to understand the fallacies of ever expanding markets in a finite world. They dismiss human suffering as an irrelevant, unscientific externality. They have irrational faith in *The Market* to mediate human exchange relations. How can we not be in a mess?

The first cause of the present economic downturn is the errant philosophy above that resulted in excessive speculation by the pirates and bandits of *Wall Street* and banking, a supine and oblivious *Congress*, ideologically blinded regulators, and decades of manufacturing deportation. Recovery is hampered by the resulting destruction of productive economy.

Productive manufacturing has precipitously declined as a fraction of the total economy while financial services has proportionally grown. Financial services is well defined as gambling and loan sharking. It is not productive of human life supporting goods and services. It is the opposite as it concentrates wealth into an ever smaller fraction of the population.

Over-arching the historic instability of the US economy is the private bank credit system whose credit is used as money. Since credit and debt is the same thing, we use debt as money. The long term effect has been exponential growth of debt in all sectors of the economy.

No greater historic mistake in US history is the abandonment of the federal government's Constitutional and moral mandate to promote the general welfare by conceding the power to create money to private banks. Whoever has the power to issue money has the power to direct society by directing what the money is used for. What the money has been used for is wars and pyramid schemes…see *The Lost Science of Money* for more historical details.

The *American Monetary and Financial Security Act (AMFSA)* will restore the power to the federal government as established by Article I, Section 8, clause 5 of the Constitution: *The Congress shall have power…. to coin Money and regulate the Value thereof, and of foreign Coin…* At the present time, the federal government restricts its revenue to taxes and borrowing. To permit banks to issue money, borrow that money, and pay interest on it has resulted in more than 13 trillions of federal debt with hundreds of billions of dollars of unnecessary interest expense, annually.

Since the *Great Depression* of the 1930's, the federal government has resorted to deficit spending in attempting to correct for the recessions that are endemic in the US style economy. (The endemic reasons will not be discussed here.) It was the recommendation of a noted economist, John Maynard Keynes, hence it is called *Keynesianism*. *Keynesianism* will have the desired effect if done in sufficient quantities, but borrowing money for *Keynesian* stimulus merely 'kicks the can down the road' requiring more and more stimulus with resultant increase in debt. If the government created and spent its own money there would be no deficit and no increasing debt.

The federal government has put taxpayers at risk for trillions of dollars by 'bailing out' the pirates and bandits who were mostly responsible for the present recession while applying a grossly inadequate 800 billion dollars in stimulus to the people.

The banks are reported to have recovered but the economy remains depressed and public debt is increasing at an alarming and unsustainable rate. Small banks are still failing at an alarming rate.

According to the *Bloomberg* article, the total shortfall of states is a mere $112 billion. Not much more than pocket change compared to the 'bail out' of banks and only a fraction of the stimulus.

Under the terms of the *AMFSA* all these economic shortfalls could be adequately funded without incurring debt.