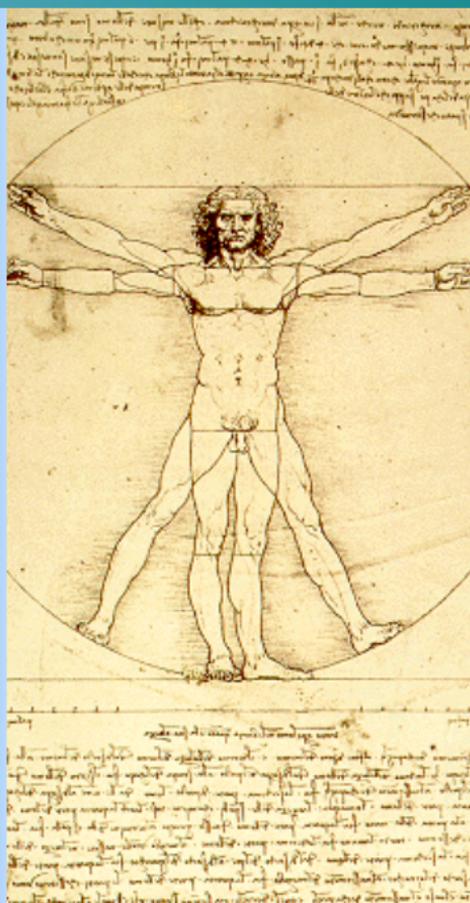


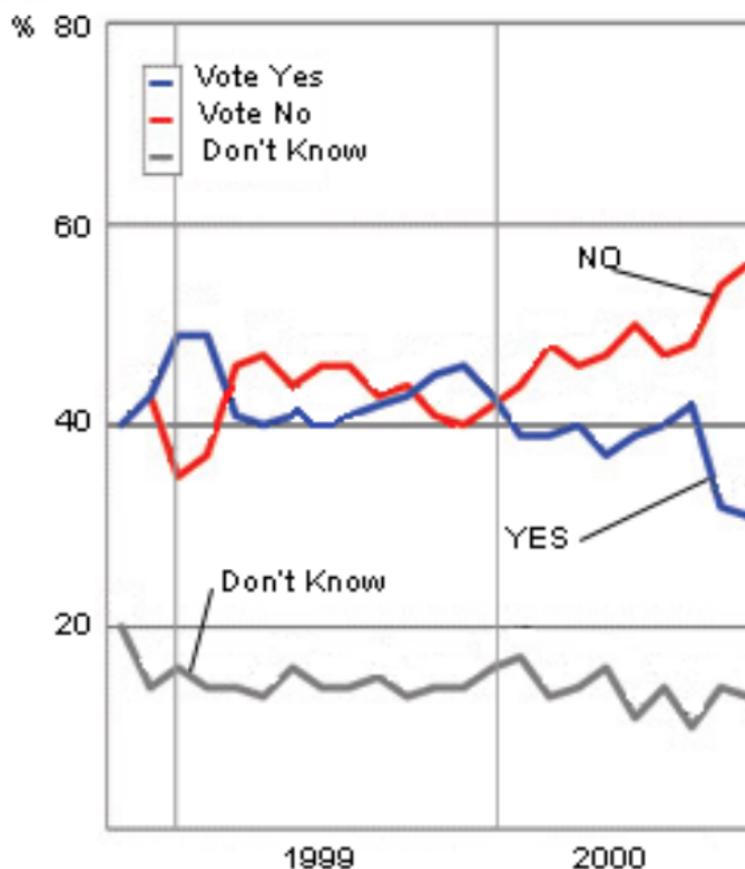
The Politics of the English Pound

by
William Shepherd



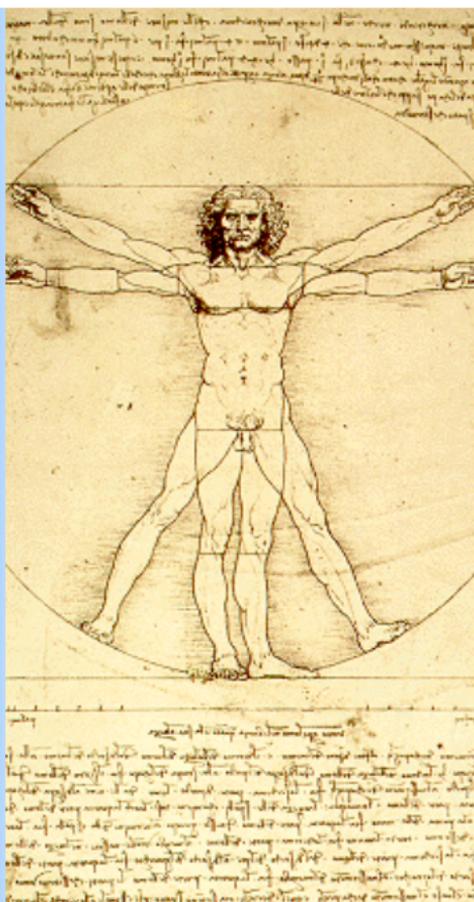
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**The Politics
of the
English Pound
by
William Shepherd**

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Oil Needs & Energy Policy
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About the Author

William Shepherd is an english radical economist living in Rye, Sussex. Born at the end of the Hitler War, he is a regular contributor to *Fourth World Review*¹ and the author of *The Rise & Fall of the Swedish Green Party (1982-1997)* published in 1989. He manages *Academic Inn Books* and the *Cliff Edge Signalling Company (cesc)*. His two grown-up children are bilingual in english and swedish.

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Foreword

At the end of May 2003 cabinet ministers in the United Kingdom were instructed to spend their weekend staring in bemusement at a two-foot high pile of economic reports from Whitehall's *Treasury Department*.

This can hardly have been the activity of choice for members of *Her Majesty's Government*. No doubt the more sensible ones spared themselves the trouble and instructed someone else to read it for them.

It would have been more helpful if instead an invitation had gone out to the Queen, her eldest son, her more enlightened Privy Counsellors and the Lord Lieutenants of the counties asking them to read through a short pamphlet by James Robertson entitled *Yes to the Pound - **AND** the Euro*.²

It would take two hundred of them to match the *Treasury's* two-foot pile but that perhaps is the point.

There is safety in obscurity and the James Robertson pamphlet is the heresy³ that may not speak its name.

Only a single currency is on-message. A common currency must never be mentioned in polite company.

Background Notes

The main narrative carries the argument with the background notes carrying any commentary on the argument. Some of these notes provide reference and bibliographic material. Others encourage insight into the thinking behind a particular remark or make an important qualification to some argument or opinion.

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Political Economy

There is nothing like adding a touch of chaos to an existing state of confusion.

So let me begin by agreeing with our scottish governors that adopting the *euro* is an economic decision and subjecting the decision to the five economic tests⁴ of a glaswegian presbyterian *Chancellor of the Exchequer* is a perfectly reasonable thing to do.

The problems start when these invaders from our celtic fringes demand that the *English Parliament* pass laws compelling *Her Majesty The Queen's* subjects to use the *euro* for paying their english taxes and settling their sterling debts. This is an arrogant abuse of a temporary power - for they are but six million and we are forty six million.

It is also theft. For we lent them our votes for a parliament in the firm expectation that these would be returned to us intact along with the parliament itself at the end of their term of office. Votes are the personal property of *Her Majesty The Queen's* subjects. Our property rights have been infringed⁵.

Yet not content with this arrogance, they are planning to confound it with the insolence of threatening us with imprisonment should we fail (or refuse)⁶ to do the bidding of these scots and their foreign friends. Blackmail comes in many disguises. But depriving *Her Majesty's* subjects of their liberty is a political act. Prison has nothing to do with economics.

Furthermore throwing people into prison is not only a political act but also a legal one. The *Queen's Courts* are punishing the individual for a criminal act. They are

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declaring, not that the prisoner has done something wrong - morality has little to do with the law - but that she has done something illegal.

But legality is established within a broader context of jurisprudence. In England, and indeed throughout the civilized English-speaking world,⁷ jurisprudence is a complex interplay between the rights and duties enshrined in the common law and the checks and balances incorporated into our laws of equity.

Hence it should come as no surprise to find that the question of the *euro* is intertwined with the matter of a written *European Constitution*. As things stand at present, English juries would be perfectly entitled to release those brought before them for non-payment of debts and taxes in *euros* and would almost certainly do so unless misdirected by the judges⁸.

America's business schools know many things. One of them is how to sell cars. The rule is never to ask the customer whether or not he wants a car, but to ask him to choose the blue one or the red one. Frame the question as 'either-or' and you're half way there. But in like manner, refusing to accept the false dichotomy of the 'either-or option', declaring instead your choice of 'all or nothing', breaks the intellectual shackles.

The English must say 'no' to any form of written constitution and stick with what they have, namely an unwritten constitution that can become anything they want it to be. The sole constraint on our unwritten constitution is that certain procedures need to be followed when changes are made. These procedures have been tried and tested over centuries. They have been hammered out over hundreds of years in these offshore islands. They have stood the test of time.

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'No' to written constitutions is 'yes' to many different possibilities both for us and our children. And we should never forget that fundamental to our procedures is the notion that no parliament can bind the actions of a future parliament. A written constitution seeks to do just that.

The Alternative Movement

In the past six months the alternative movement in the united kingdom has had to grow up fast in order to understand the forces leading to the charge to war in *Mesopotamia* and the further militarization of the *Levant*. Before this the movement was generally opposed to joining the *euro*, arguing that it accelerated the concentration of economic and political power, reduced people's ability to influence monetary policy and threatened employment in the poorest nations and regions.

Normally on environmental matters like cars and tarmac, factory farms and supermarkets and even oil and nuclear power the more enlightened have found themselves a tiny informed minority in a sea of ignorance and indoctrination; at odds with most of their fellow citizens. Despite believing in democracy in principle, democracy has been against them in practice. Too often the ballot box blesses the ignorant.

But with opposition to the single currency deeply entrenched throughout the english population and opinion polls suggesting that three quarters of british voters oppose the single currency the alternative movement has found itself in the peculiar position of having democracy on its side.

They are not sure what to make of it. And suspect it might be too good to last. They may be right. For in the past few months two big-hitters from the reformist wing of the alternative movement, George Monbiot and Hazel

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Henderson, have come out in favour of joining the *euro*, a position taken by the Chairman of the *UK Schumacher Society*, Herbert Girardet, some time ago.

Nobody knows the size of the alternative movement⁹. It is not the sort of thing you can measure. But parties like the *Greens* rarely poll much above their natural limit of four percent in elections. As for the socialists, on a good day with a charismatic leader they seem capable of polling double this in other European countries. Meanwhile non-voters are divided between those who care too much and those who couldn't care less. Taking the *Greens* and the *Socialists* together with the good *Refuseniks* we may be looking at a sixth of the vote on the radical left with an equal and opposite sixth on the radical right. These might conceivably vote together against something but would split right down the middle when asked to vote for anything.

Within this alternative third of the electorate, the two-thirds that are non-thinkers¹⁰ or naïve thinkers in political terms will lean towards the reformist camp, joining with two-thirds of the remaining third who think for themselves - an ability that is being rapidly eroded by government-induced schooling¹¹.

So at present not only are the discerning radicals outnumbered two to one by the reformists on the arguments, but are outnumbered again by two to one in the alternative movement, and yet again by two to one in the voting population at large. In a normal constituency a ratio of one to eight leaves alternative candidates scraping around at election-time for a few thousand votes at best and losing a lot of their deposits¹².

However John Papworth, editor of the political journal of the *Human Scale Movement*, argues in the latest issue

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of *Fourth World Review*¹³ that the events of April 12th 2003 have changed all this. On this day, for the first time in history, people turned out onto the streets in their millions. Together with a majority of the people staying at home they demanded peace instead of war. Peace got its chance. But pacifist theory was found wanting. Peace was mocked and our young men sent to the slaughter.

Reformists in the alternative movement are closer to the Brussels bureaucracy than they often care to admit. The *European Union* is their route to power. In 1995 proportional representation gave the *Green Group* twenty eight seats (4.4%) in the *European Parliament* and that, they believe, guarantees them influence in europe's affairs. The official *Green Party* line throughout europe is that Brussels will break the continent up into its constituent provinces and the *Green Parties* will take it from there.

Left-wing radicals from anarchists & syndicalists to decentralists & socialists have never taken this view, while right-wing radicals have had their time cut out watching nervously the emotional appeal on their right flank. Each accuses the other of having little truck with democracy. Consequently rational argument makes little headway in the alternative movement, no love is lost between the opposing factions and the likelihood of open intellectual warfare is never far beneath the surface¹⁴.

Nonetheless let us now examine more closely the arguments presented by George Monbiot and Hazel Henderson for dumping the *pound* (and by implication the danish and swedish *kronor*) and embracing the *euro* as a single currency because they are each taking different positions on the *euro* issue.

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George Monbiot & Hazel Henderson¹⁵

On Tuesday 22nd April 2003 *The Guardian* carried an article by George Monbiot¹⁶ entitled *The Bottom Dollar*. David Weston of the *Scottish Green Party* wrote in response to Monbiot's article in his (unpublished) letter to *The Guardian*:

'Yes, the financial power of the USA needs to be curbed, not merely for the sanity and survival of world citizenry in general, but also for the sake of the American people. Freeing ourselves of the stranglehold of the monopolistic *US dollar*, can be a real contribution. However, Monbiot draws an incorrect conclusion as the result of an incorrect assumption i.e. that Britain has to adopt the *euro* as the single currency, in order to be part of European and world trade. In fact, the current reality whereby we accept the *euro* as the common currency, is working fine for those companies who trade with the remainder of Europe. And the *pound* facilitates internal British trade very satisfactorily, thank you very much.'

While agreeing with David Weston, I would add a rather different critique. In his article George Monbiot adopts the classic seventeenth century argument of countervailing power. Montesquieu built on this argument in the eighteenth century in seeking to justify an aristocratic state¹⁷. More recently in the middle of the twentieth century Professor Leopold Kohr has developed Montesquieu's reasoning to its logical conclusion in *The Breakdown of Nations*¹⁸ to argue for a europe of little nation states.

However where George Monbiot and the european federalists (who use the same arguments) are arguing for an Orwellian 1984-style balance of global

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power between two bloated leviathans, Montesquieu and Kohr were deploying the argument for the specific purpose of preventing such giant states from arising.

Indeed the whole point of Montesquieu's aristocracy was to provide local countervailing power to balance the interests of a centralised state and its local functionaries. If push came to shove (as it did at Runnymede when the barons told King John to sign *Magna Carta*) local lords will eventually gang up and push back any tide of despotism emanating from centralised power.

Professor Kohr's position was based on the Aristotelian view that there was a certain size beyond which a state should not grow, that nature sets natural limits to growth and that the measure of man and his institutions was the small scale of man himself.

Were Montesquieu and Kohr to have contemplated the Monbiot global universe, they would have first broken down china, india, indonesia, brazil and the US into their constituent states, provinces and regions before discussing the theory of countervailing power. And they would have made sure each of the emerging states availed themselves of their own currency before inviting them to take up their own seat at the *United Nations*.

Professor Kohr would have gone further insisting that no california should be so big as to overwhelm, prussia-style, the confederated power of their neighbouring states. For Kohr relative power between states was the key and cantonisation the means to achieve an effective balance of power between any factions and interests that might otherwise rip the state apart or take it into war with a neighbouring state.

Hazel Henderson's argument for supporting the *euro* deserves respect because of her excellent currency

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forecasting record. She has been spot on in her prediction of the recent twenty percent fall in the *dollar* but unlike most of the pundits, she predicted it a year and a half before it happened.

In calling for a shift in the alternative movement's position on the *euro* she moves rapidly beyond the global power ramifications emphasised by George Monbiot to focus on the impact of a more powerful *euro* on Detroit and that other weapon of mass destruction - the motor car. Her argument is summarised in the final paragraphs of an article¹⁹ posted to her web site in April 2003 entitled *Iraq, the Dollar and the Euro* and goes like this:

'Thwarting Bush's global dollar diplomacy and its designs on breaking OPEC's oil pricing power, provide additional reasons for OPEC to switch to payments in euros. This would mean that the US would have to buy euros with dollars before it could buy OPEC oil. The *dollar* would fall further and the *euro* would rise. The US economy would adjust to \$5-a-gallon gasoline (the average world price). The bad news would be a deeper US recession, SUV owners would suffer while Toyota and Honda would grab more market-share with their 50-60 mpg hybrid cars. The good news: US exports would flourish; Detroit would accelerate its own fuel-efficient car production, the solar and renewable energy technologies would be fully capitalized as a new sustainability sector of the US economy (providing millions of new jobs). And the *Bush Administration* would have to pull back from its over-commitment to the global war on evil and shift its priorities to funding education, homeland security and federal grants to help states fund their new mandates.'

This may not be quite the reverse of the Monbiot argument but it is well past the ninety degrees mark. The trouble is this argument doesn't stand up.

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Oil Needs & Energy Policy

With the saudi and iraqi oil fields under texan control, *the Seven Sisters* (as *Big Oil* was once called) can destroy *OPEC* and send oil prices back to five *dollars* a barrel but only if it believed it were in its own interests to do so. A US administration could move pro-actively (in Pentagon-speak) to avoid any whiff of a vietnam-style humiliation. This would certainly be the style of any *George W. Bush Administration*. Alternatively the US government could just watch it happen and use spin on the folks back home. This would be more the style of a *Clinton or Gore Administration*. The effect would be much the same. The trouble is that these are not the only possible scenarios.

OPEC might instead seek to do a little pre-empting itself by creating its own *OPEC* oil-backed currency - with the next best option being to insist on payment for oil in gold (or gold-backed credits) rather than *dollars* or *euros*. In the US and some parts of the *European Union* such a strategic response would be regarded as 'a hostile act' and in would go the *US marines*, the *UK Special Forces*, the *French Foreign Legion* and the *German Luftwaffe* to defeat the 'forces of evil'. Russia and china would be wild cards and the *United Nations* the joker in the pack.

Speaking at a summit of *European Union* leaders in Brussels on March 21, 2003 the british *Prime Minister* said there was complete agreement between Brussels and Washington that iraq's oil money should be put in a UN trust-fund²⁰ for the iraqi people and no one else.

The response of the alternative movement should be to hoist the *War Party* with their own petard by campaigning for a post-war oil policy in iraq that invoices oil

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in the *Iraq Trust* in *euros*, as it has been since November 2000 and places a (Tobinesque-style) carbon tax on *Iraq Trust* oil with the proceeds going into a (Baghdad-run) trust that (a) invests in clearing up landmines and the rest of the mess left after the war and (b) removes the need for Iraq to ship oil overseas by investing in carbon-free alternatives like hydrogen, wind, waves, solar etc. in those countries importing the *Iraq Trust* oil.

This would be a more sensible way to achieve the end Hazel Henderson is arguing for. But invoicing Iraqi oil in *euros* is a far cry from abolishing the *pound* as we will see when we look in greater detail at James Robertson's arguments for adopting the *euro* as a common currency in Northern Europe²¹.

But there is one further problem. As a futurist, Hazel Henderson is well aware of the various global energy options currently unfolding. I set these out in an article entitled *Energy Wars*²² published in *Fourth World Review* earlier this year.

In her article *Iraq, the Dollar and the Euro* Hazel Henderson talks of blind spots. One of these blind spots is the global energy grid described in the *Energy Wars* article as an option that could come from left field and change all the assumptions.

If an impoverished country like Niger can pay back their *Chase Manhattan* loans by selling free sun power into a global electricity grid then they would not need to start forging uranium invoices at the behest of foreign powers. Instead they might use their new export revenues to plant trees or import soil to grow food for local use.

However we may be talking fires and frying pans here. The *Alaska Pipeline*²³ presents *Al Qaida* or the mid-

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Western militias with an undefendable target. Any global energy grid would be vulnerable in similar ways and there is no obvious way round this problem.

In my *Energy Wars* article I was arguing for local energy catchment while taking the view that the global electricity grid was likely to get the backing of the big guns. However the main message in the article was that the dwindling oil supplies in the middle east did not justify a belligerent global military strategy because these supplies would soon be irrelevant to energy needs.

One further issue ignored by Hazel Henderson is the fact that complex energy-dependent global systems take many decades to adjust to disruptions like an oil price shock. And they do so by oscillating to their new equilibrium positions. A particularly perverse aspect of this behaviour²⁴ is the tendency for energy systems to 'go the wrong way' for the first ten years so that things appear to get worse before they get better.

The dynamics of the energy adjustments are likely to play themselves out over a much longer time-frame than the life of the *euro* currency system. The *Bank of England* currency system can claim to have lasted for centuries but it is the exception. The *US Federal Reserve* system still has a way to go to its hundredth anniversary. A better comparison would be the history of the german *mark* currency system.

Open Money & Parallel Currencies

It is an illusion to see government currencies as one of the last bastions of monopoly to resist the attacks of the neo-liberals from the *Chicago School*. The intellectual bridgehead was established many years ago by Friedrich Hayek. Included in the papers for Tom Greco's *Money and Globalisation Forum* for the *Radical Consultation* in

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September 2001 were remarks by F.A. Hayek taken from a 1994 interview with the *Nobel Laureate in Economics*. They represent the start of a neo-liberal onslaught on our currency monopolies²⁵:

'In order to successfully eliminate inflation, monetary policy should be taken out of government hands. There are very definite plans for this that I proposed about five or six years ago, to, as I called it, de-nationalize money. I then assumed that it would be necessary to allow private people to issue a circulating money. I've now come to the conclusion that this is no longer necessary. All you need is to offer stable accounts which permit you to redeem in so much of the required currency monies, a certain list of raw materials and foodstuffs. Now that is practical politics.

My original plan was, I believe, appropriate but was utopian because no government would ever permit a private organization to issue a circulating money. But I do not think governments can stop a private organization from offering stable accounts. I think in that way the thing may come about. It's politically possible, because it is most unlikely that all countries are willing to prevent it. And if anyone starts it, the others will have to compete.

As an example, let us assume you kept an account where the unit is called the '*Ducat*' and the accrument is so much current money as is required to buy, on the wholesale commodity exchanges, a given list of commodities and foodstuffs. That means anybody who holds an account there knows he can at any time collect from it an amount, the purchasing power of which is constant. It happens to be the current money, but he would only draw it in order to spend it, of course. So holding an account gives you command over a constant amount of commodities. That certainly is enough. Once you start it,

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the problem will be to keep it within dimensions. As to what country would be likely to adopt a plan like this first - probably a small country.'

It is likely to be decades before the existing government monopolies give way formally to open money. But much of the real world is already moving in this direction out of dire necessity. Argentina is in the vanguard. One of the key tasks of the alternative movement over the years may be to smooth the way and ease the civilised world through the transition to open money²⁶. Expanding our linguistic repertoire is a start. Where governments talk of legal tender and single currencies we must talk of parallel currencies, and local money.

David Weston was attempting just this when he introduced a second paragraph into his letter to *The Guardian*. Unfortunately he chose to air the Bernard Connolly argument which guaranteed that his letter would remain unpublished. He wrote as follows:

'An excellent booklet by James Robertson explains how the two currencies do, and can, co-exist, to mutual advantage. The precedent for such currency co-existence is illustrated in the trading sphere between Canada and the USA. Because it wishes to retain its sovereignty, Canada refuses to give up its own Canadian dollar to adopt the single US dollar, but does accept the US dollar as the common currency for trading purposes between the two countries.

So, therefore, the most effective way for us to use the *euro*, without undermining the *pound*, is for the Westminster government to inform oil companies, including Iraqi, that Britain will buy their oil in *euros*, and that we will trade as much as possible of our imports and exports denoted in *euros*, and not in *US dollars*, but that we will retain the *pound* for our internal trade. That way we

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would create some good old free enterprise competition to the *US dollar*, to the benefit of all.'

Bernard Connolly was an employee of the *European Commission* when his book *The Rotten Heart of Europe* was published. In his book Connolly gave chapter and verse on how the *Commission* had systematically (and it must be added extremely skillfully) crushed any idea of a common currency and stifled any debates on the subject.

The *Commission's* response to the book was fast, furious and predictable. Connolly was unceremoniously bundled out of his office, dismissed from his job and given the full inquisition treatment. For the first time, an insider had blown the whistle from the heart of the Brussels leviathan to expose the power wars taking place in the belly of the beast.

Yet the common currency approach has always had its supporters. In 1989 during John Major's term as *Chancellor of the Exchequer* in Margaret Thatcher's *Cabinet* the idea was briefly at the heart of the *British Government* with the publication of a *Treasury* document entitled *Evolutionary Approach to Economic and Monetary Union* in which the report's authors proposed running the pound in parallel with a *hard ecu* .

But it seems that went too far. Thatcher was booted out and replaced by John Major²⁷ as *Her Majesty's Prime Minister* who used his tenure as *First Lord of The Treasury* to bury the report and abandon the *Conservative Party's* considered and preferred option of going forward with the *euro* and the *pound*.

"The privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government's greatest creative opportunity."

Abraham Lincoln, 1865

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James Robertson

James Robertson joined with Joseph Huber in 1999 to write a book entitled *Creating New Money*. In January 2002 I was commissioned to write a review for *Fourth World Review*. I started the task by comparing the *Robertson-Huber* book with a newly published book²⁸ by Tom Greco entitled *Money: Understanding and Creating Alternatives to Legal Tender*. Two separate reviews were published²⁹ but here are my remarks on the *Huber-Robertson Plan* taken from the original comparative analysis.

Seigniorage reform is widely accepted by monetary experts as the *sine qua non* of monetary reform, though not the only one. The trouble is that the real dispute has always been over strategy. So it is the tactical implications of the *Huber-Robertson* proposals that must be the focus of any critique. *Huber and Robertson* admit quite frankly that on such matters their own opinions differ. But neither believes that reform is futile. They both agree that politics is the art of the possible and seigniorage reform is a means to open up the debate and appeal to enlightened self-interest among 'the haves', many of whom are increasingly nervous of their ability to hold what they have.

After September 11th there are no investments only speculations and real reform produces losers as well as winners so it is seldom a zero-sum game. It is to the authors' credit that they have included a chapter entitled '*Prospects*' in which they address such questions as potential opponents, beneficiaries, triggers and constituencies for change. But the question remains. Is monetary reform politically feasible or socially desirable?

In making the case for removing the creating of money from the bankers and placing it in the hands of central governments (for this is the drift of their proposals) *Huber*

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and Robertson take their readers on a master class in money, banking and finance in the short space of 35 000 words. This is an excellent primer for business schools and economics students. But radical political thinkers will want to go further.

They will have studied Marx and Proudhon and will be reading on the web of proposals for a monetary reform act, hearing allegations of a gold price cartel from the proceedings in a Boston court room and picking up rumours from the newsletters of some truly terrifying tales about the bankruptcy of the derivatives trading system.

Knowing from my reading of *Future Work* and *Future Wealth* that James Robertson supported the idea of a guaranteed income and was a radical thinker on monetary matters, it came as no surprise to find that he was arguing for the alternative movement to campaign for a common currency.

The National Interest

At the end of 2002 with a *Euro Referendum* seemingly imminent Sir Richard Body³⁰ from the *Eurosceptic* wing of the *Conservative Party* asked James Robertson to write a pamphlet on the common currency option for publication by the *New Economics Foundation*³¹.

On 1st February 2003 James Robertson prepared written evidence for a *House of Commons* committee investigating the government's technical and preliminary work on the *euro*.

In his submission he drew attention, in his best civil service language, to 'a possible course of action on which the government does not yet appear to have done any technical and preliminary evaluation work.'

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In the preamble, James Robertson wrote as follows:

'The different possible options reflect different answers to the question "Should the *pound* be replaced by the *euro*?" The following came up in the witnesses' discussion with the Committee on 14 January: "yes"; "yes, but not yet"; "no, not yet"; and "no".

There is another possible answer: "no, let us use both". In other words, at least for the time being we could keep the *pound*, and at the same time positively encourage voluntary use of the *euro* as a parallel currency for transactions for which it is convenient and efficient.'

James Robertson argued that parallel currencies will become a natural feature of a globalised economy as a response to the damage both to sub-national regions by one-size-fits-all national monetary policies and to local communities by globalisation. And he stated his belief that a system of parallel currencies at different levels will eventually be a more effective means of exchange for local, national and global economic transactions. If his hunch proves correct, then careful thought will be needed about the technicalities of running a parallel currencies regime.

Seigniorage is a fairly lucrative business worth twelve pence in the pound off income tax. Who should benefit: the *UK Government*, the *European Central Bank*, the banks' shareholders or someone else?

Then there is the money supply. Private banks will control the supply of both *pounds* and *euros* by writing and recalling loans and overdrafts on company and individual *pounds* and *euros* accounts. What regulatory tools would the governments and central banks need to manage such a dual economy?

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The last of the nine questions set out in the *Forward with the euro - AND the pound* pamphlet concerns such questions and James Robertson's response is that keeping the *pound* and also learning to use the *euro* to best advantage in the next few years will help us and the rest of the world to develop and manage a multi-level network of currencies of that kind.

This question on whether the development of local currencies is relevant to keeping the *pound* is one of the three questions that James Robertson feels able to answer positively (Yes - Question 9). The others are whether the *euro's* democratic deficit seriously matters (Yes - Question 8) and whether Britain will be in a stronger position to initiate future monetary reforms by keeping the *pound* (Yes - Question 7).

In Question 4, James Robertson's argues that not only are the five economic tests set up by *New Labour* as the criteria for a UK decision on joining the *euro* not as crucial as Blair, Brown and Mandelson would have us believe but that there are five other questions of much greater importance, namely:

Q1. Did a European common currency have to be a single currency?

Q2. Will the economic advantages of replacing the *pound* outweigh the disadvantages and risk?

Q3. Can the political and economic arguments be separated from the constitutional ones?

Q5. Do the political arguments for replacing the *pound* outweigh those against?

Q6. Will replacing the *pound* improve democratic control of the UK's monetary policy?

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And in every case the answer is a resounding 'No!'

But this does not mean rejecting the *euro*. It means opting for choice rather than compulsion. In his concluding remarks James Robertson argues that our national policy should recognise that:

- There is a need to respond constructively to pressure to reform and democratise monetary and financial institutions.
- Support for mainstream democratic political institutions is declining, and failure to bring the corporate power of multinational money and finance within a more effective framework of democratic control will hasten that decline.
- An effective framework for democratic control will not mean more remote and more centralised arrangements than we have now, compelling everyone to use a single currency and to submit to one-size-fits-all monetary policies.
- A more democratic approach means allowing a more pluralistic monetary system to evolve organically through currencies operating in parallel from local to global levels.

Britain is best placed to pioneer democratic monetary innovation and reform by keeping her own currency instead of exchanging it for a fifteenth share of virtually no control over the *European Central Bank*.

"There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer, than to introduce a new order of things; for he who introduces it has all those who profit from the old order as his enemies, and he has only lukewarm allies in all those who profit from the new."

Machiavelli, The Prince, 1532

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Afterword

The common currency option is no longer off-message. A subject that most ordinary people find rather difficult to get their heads round can now be discussed in a way they can understand.

This means there is a real chance that one of the major UK political parties will reject the 'either-or approach' and enter the referendum debates on the *euro* with a policy of embracing both the *euro* and the *pound* and arguing for the free market to decide the future of each.

Such a policy would mean a 'no' for the *euro* as a single currency if this were presented as an 'either-or' referendum question. And such a posture might be sufficient to outflank the propaganda machines being deployed on the side of a 'yes' vote by big business and big government in the UK and Europe.

As it is also in the interests of the *American Bush Regime* to keep the *euro* at bay until they have completed a few more rounds of regime changes around the world, unexpected help might also come in from across the North Atlantic³². Together this might be enough to deliver a 'no' verdict and ensure retention of the *pound* despite the deployment of tax-payers' money in support of the 'yes' campaign.

The side effect of educating the public on monetary matters might turn out to be even more important in the long run in providing the foot soldiers that will be needed by an *Open Money Movement*.

Throughout all this the behaviour of the media has been strange. Although no choice is needed between the *euro* or the *pound*, this idea fails to get any hearing in the

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media. A common currency instead of a single currency has been anathema to the mainstream media.

The idea of a 'both-and' approach moving towards open money and a multiple currency regime is seldom mentioned. Instead the 'either-or' approach of the *euro* or the *pound* has been pushed shamelessly at the british public.

It is little wonder that the conspiracy theorists believe that behind the *euro* there are european elites secretly plotting to achieve by stealth the *United States of Europe* that Adolf Hitler and his *Gestapo* failed to achieve by force and fear.

Some call it *Fascism*. Mussolini preferred the idea of *Corporatism* - governments and corporations. The proposed new *European Constitution* looks remarkably like the old *Soviet Union* with its *Politburo* and its *Presidium*. Others are starting to call it *Neo-Feudalism*. Democracy certainly has little place in the *New European Order*.

Indeed the point of the *euro* would seem to be to give to the federated union the means to control the nation states that make up that union. The point of the *European Constitution* is to deny to those nation states their right to withdraw from the federation - a right they retain as long as they are bound only by treaties.

You have been warned.



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Background Notes

1. Website address is <http://hem.passagen.se/aibpeter/> . A curriculum vitae is available at <http://www.cesc.net/radicalweb/radicalconsultation/etherden/pecv.html>
2. Copies of the pamphlet *Forward with the Euro AND the Pound* are available from the *Economic Research Council*, 7 St James Square, London SW1Y 4JU; Tel: 0207 439 0271; Price £ 6.
3. George Bernard Shaw has pointed out that Jesus of Nazareth was a 'first-rate political economist' in giving his support to a guaranteed income in the parable of the vineyard and argued that Jesus agreed with him that 'socialism is equal money'. *The Catholic Church* should perhaps have meditated on Jesus' attitude to the roman coinage as a common currency before throwing its institutional weight behind the single currency project. But no doubt the Jesuits, as always, have their own agendas.
4. In 1997 the british government set out five economic tests it would apply before recommending british membership of the *euro*. The key test is a sustainable convergence of the british and european economies. Other tests concern the *City of London*, long-term investment, jobs and labour market flexibility. Housing is the big problem. Instant *euro* control would blow the UK housing boom into a bubble before bursting it.
5. The idea of votes as personal property is discussed in more detail in *Job Sharing for Beginners - a short guide for Euro MPs* by William Shepherd available on the web at <http://hem.passagen.se/aibpeter/work/whosays.html>
6. These often come down to the same thing. A normal imperial trick is to require the use of the imperial currency and then subject its acquisition to specific *quid quo pros*

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unacceptable on other grounds. Thomas Robertson has an excellent description of the process in his 1947 classic *Human Ecology*, a sacred text for *Social Crediters*.

7. At least this is true where a *rule of law* prevails. And this can be contrasted with a *rule of lawyers* as in Pakistan or *the law of force* as in present-day Zimbabwe.

8. See *Guilty Men* by William Shepherd in *Fourth World Review Number 48* (November 1991).

9. For a more detailed discussion see *The Rise & Fall of the Swedish Green Party (1982-1997)* by William Shepherd; *Academic Inn Books*; Canterbury, England, 1989; £ 4.95; ISBN 1 901478 009 available from *Academic Inn Books*, P.O. Box 36, Rye, Sussex TN31 7ZE. Full text on the web at <http://hem.passagen.se/aibpeter/democracy/>.

10. This is a relative term as the decision to give up on the normal political paradigm requires some thought although many may do so for psychological reasons such as because they 'enjoy opposing' or 'find their parents views irritating' etc.

11. See Ivan Illich's classic: *Deschooling Society*.

12. In the UK £500 deposits are forfeited by any candidate polling less than five percent of the vote.

13. Copies of *Fourth World Review Number 121* are available from The Close, 26 High Street, Purton, Wiltshire SN5 4AE; Tel: 01793 772214; Fax: 01793 772521 and also online at www.cesc.net/radicalweb/fourthworld.

14. The left look upon the right as crypto-fascists while the right dismisses left-wing radicals as heritage haters and anti-patriots intent on destroying individualism and personal liberty. Each sees the other as fellow travellers with terrorists - although different ones. Ayn Rand is

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seldom mentioned in official political company nowadays but two collections of her essays published in the 1960s *The New Left: the anti-industrial revolution* and *For the New Intellectual* are required reading, as are her classic novels *We The Living*, *The Fountainhead* and *Atlas Shrugged*. See also Dr Aidan Rankin's incisive analysis of left-wing political correctness in *The Politics of The Forked Tongue*. ISBN 1-8724-1016-2; £12.95; *New European Publications*, 14 Carroun Street, London SW8 1UT.

15. My remarks in this section are a specific critique of the arguments for the UK to join the *euro* made by George Monbiot and Hazel Henderson in the cited articles and should not be taken as a damning criticism of all their works. Neither is likely to be surprised at the critique. In his latest book *The Age of Consent*, for instance, George Monbiot is already addressing the thrust of my critique with his ideas on global governance which are not a million miles from some of the thinking behind the world of thousands of walled gardens (with gates in them) or indeed the idea of a *League of Real Nations*. And Hazel Henderson continues to do important pioneering work; her project with John Theaker to create a global money club to fund alternative initiatives being a case in point.

16. See *Guardian Online* at <http://www.guardian.co.uk/comment/story/0,3604,940757,00.html> or from George Monbiot's own website at <http://www.monbiot.com>

17. Included in the papers for Dr Aidan Rankin's forum at the *Radical Consultation* in September 2001 were two extracts from Larry Siedentrop's book *Democracy in Europe*. The first paper was entitled *The Philadelphia Convention*. The second paper, entitled *Montesquieu & Tocqueville*, provides the background to this remark.

18. *The Breakdown of Nations* by Leopold Kohr (foreword by Sir Richard Body) is published by *Green Books*, £

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9.95; ISBN 1 870098 986; available (UK) from *New European Publications*, 14 Carroun Road, London SW8 1JT and (US) from *Chelsea Green*, White River Junction, Vermont VT 05001. Several other writings by Leopold Kohr are available on the *Leopold Kohr Online* website at www.cesc.net/radicalweb/realnations/kohr.html. *New European Publications* is scheduled to publish *Two Cranks: Leopold Kohr & Fritz Schumacher* by John Papworth in July 2003.

19. Available from Hazel Henderson's own website at <http://www.hazelhenderson.com> .

20. When an english-trained lawyer talks of trust funds he is thinking back over hundreds of years of english jurisprudence and is advised by the rulings of countless generations of judges sitting in the courts of equity. After his Oxford degree england's scottish-educated *Prime Minister* was trained as a lawyer at the bar in London.

21. The process would be started by the people of england, scotland, wales and northern ireland rejecting the *euro* as a single currency in a referendum and by the *Westminster Parliament* refusing to adopt the *European Constitution*, preferring to continue their age-old practice of not binding future parliaments in constitutional matters. This would give denmark and sweden new heart so they would join norway in running their *kronors* and *euros* as parallel currencies. After this the long-established historical and institutional ties would lead to ireland and finland following a similar path and reintroducing the irish *punt* and the finnish *mark* alongside the *euro* to allow their people the choice instead of compelling them to adopt one at the expense of the other.

22. The full text of the article is available on the website at <http://hem.passagen.se/aibpeter/energy/> .

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23. Plot details available from Alistair MacLean in his 1980 novel *Athabasca*.

24. Professor Jay Forrester, the author of *World Dynamics*, called it 'the counter-intuitive behaviour of complex systems'. I did some work on this at MIT back in 1981 (the year I first met Hazel Henderson at the *Toronto World Future Society Conference*) presenting my analysis of the policy ramifications of all this in a paper to the *1981 Convention of Eastern Economists*.

25. For further details see '*Denationalisation of Money: an analysis of the Theory and Practice of Concurrent Currencies* (2nd Edition, 1978, *The Argument Refined*); London, *Institute of Economic Affairs*.

26. The *Open Money Movement* can be compared to the *Open Source Movement* in the computer world and comes from the left unlike the *Free Money Movement* associated with Ludwig von Mises which is gradually becoming part of right-wing orthodoxy.

27. John Major now sits on the board of the *Carlyle Group* alongside the first President Bush and his secretary of state, James Baker; one-time *World Bank* treasurer Af-saneh Masheyekhi and several south-east asian power-brokers. Its celebrity employees have long served an ingenious dual purpose, helping encourage investments from the very wealthy while also smoothing the path for *Carlyle's* defence firms. But since the start of the war on terrorism, the firm has become the thread which indirectly links american military policy to the personal financial fortunes of its celebrity employees.

28. *Money: Understanding and Creating Alternatives to Legal Tender* by Thomas H. Greco Jnr. is published by *Chelsea Green* in the USA and distributed in the UK by *Green Books*; £19.95; ISBN 1-890132-37-3. Further de-

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tails online at circ2@mindspring.com or from *Community Information Resource Center*, P.O. Box 42663, Tucson, AZ 85733 USA; Tel: 520-820-0575.

29. See *Fourth World Review Number 113* available from The Close, 26 High Street, Purton, Wiltshire SN5 4AE; Tel: 01793 772214; Fax: 01793 772521; online subscription available at www.cesc.net/radicalweb/fourthworld

30. Though no longer a *Member of Parliament*, Sir Richard Body continues to wield considerable influence within the *Conservative Party* in general and within its policy making departments in particular through his seat on the board of the *Salisbury Review* and because of his long-established friendship on the *Eurosceptic* wing of the old *Tory Party* with its current leader Iain Duncan-Smith.

31. Sir Richard Body also arranged for Dr Aidan Rankin of the *London School of Economics* to edit the pamphlet to ensure its focus on the *euro* issue. As a result several interesting discussions about guaranteed incomes, local exchange trading systems and Henry George-style land reform are likely to have been removed. James Robertson's views on these issues can be accessed through his *Schumacher Briefing: Transforming Economic Life* available from the *New Economics Foundation*, Cinnamon House, 6-8 Cole Street, London, SE1 4YH; Tel: +44 (020) 7089 2800; Fax: +44 (020) 7407 6473; e-mail: info@neweconomics.org or by ordering online from www.neweconomics.org

32. The former *Conservative Party* leader William Hague would make an excellent envoy to the *Bush White House*. The english have a habit of calling on the americans for help when squabbling breaks out between germany and its several neighbours. Pre-emptive assistance might be looked upon as a 21st century improvement.

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Money Clubs

It costs a lot of money to be poor. An individual can run out of money and survive - but only just - and doing so is a skilled operation impossible to anyone with dependents and rarely conducive to happiness or personal harmony. So normal people belong to a money club.

In 1996 Sir James Goldsmith founded *The UK Referendum Party* to provide the english, welsh and scottish electorates with an alternative to the '*Brussels Federalist Party*' - the only other party running candidates at the 1997 elections to the *Westminster Parliament*, howbeit under the three different party brand names: *Labour*, *Conservative* and *Liberal Democrat*. One of the side effects was to start a money club. Jimmy Goldsmith's money club helped keep the wolves from the door for a number of people, including myself, for a year. When he closed the club down, we went off and joined another club.

One of my microbusinesses is a small publishing company which sells a couple of thousand *Good Yacht Guides* a year. Most of them stay in the UK but some of them find their way to boat brokers and marine surveyors in France, Holland, Belgium, Portugal and Spain who may choose to pay me in *euros*. I keep the *euros* in a tin in the cabin of my 30-foot gaff-cutter and spend them in Boulogne on booze and baccy - bought after paying french tax. But as the french, unlike our puritan governors, decline to tax the pleasures of the working man, when I bring the contraband to england I save myself three quarters of the english price - which otherwise goes into supermarket profits and government coffers. Supermarkets importing wine at french prices do not have their trucks and containers impounded at Dover like the *Renault* van from Oldham or the *Volvo* estate from Burnley.

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I am a portfolio person with lots of projects and microbusinesses on the go at any one time. One of these involves my working with a Stockholm-based colleague, a former presenter and producer on *Radio Sweden International*, laying down english soundtracks for swedish film companies. The swedish film industry pays me in kronor which they deposit in my account with *Svenska Handelsbanken* in Uppsala. My swedish earnings are declared to the UK tax authorities, the two national tax computers exchange bytes with each other and then net off my tax along with a few thousand other individuals and companies with earnings in both countries. No doubt their tax inspectors then go off on business trips to Bermuda, Isle of Man, the Cayman Islands and Liechtenstein to try and catch me out. I have been going back and forth to sweden for thirty years. In this time the number of swedish kronor I get for an english pound has fluctuated from six to sixteen and back again several times.

My english bankers go by the exotic name of the *Hong Kong & Shanghai Bank*. I was banking with *Midland Bank* when HSBC took over. I keep my swedish and english money clubs apart - with the occasional funds transfer to top up on one side or other of the *German Sea*. But since discovering the joys of interest-free banking at *JAK (Jord, Arbete, Kapital)* I am now a sophisticated international speculator, borrowing money at interest from *HSBC* in *pounds*, moving my personal increase in your money supply to a spread-betting account with *IG-Index* and gambling on the *kronor*, *pound* and *euro* by way of gold prices and the english property markets. Net gains go to *JAK* so I can buy myself a cottage on Gotland or spend a term at *Lund University* researching shifts in the financial structure of the *Hansa* in the middle ages - without paying the usurer his pound of flesh. Jimmy would be proud of me. Why not join the fun?

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Moneyed Thoughts

1. A philippine worker in Kuwait sends money home; an indian family moves money between Silicon Valley, Cambridge and Bangalore; jamaicans travel back and forth across the North Atlantic; a back-packer from Hastings stays with relatives in Auckland; a waiter in a Soho restaurant send money to Shanghai. On and on it goes.

2. Every individual and every firm has to sign up with some money club or other. This has been going on since the dawn of time. Three out of four people live within 35 miles of where they were born. Most of their money circulates around in their local money clubs. Many of these clubs are family firms. How else do teenagers get money?

3. Those who venture further afield for whatever reason need to find money changers. Many of these no longer sit on benches in the middle of town with their scales and their weights but sit in the wall and hand out local currency in response to a few taps on a keyboard and the insertion of a plastic card. This works extremely well. And with the advent and expansion of organizations like *Visa International* to the farthest corners of the planet one of the principal arguments for harmonizing the coinage is rapidly disappearing. We spend on our credit cards when abroad and have less and less need for local coinage.

4. The reason our corporate and government elites want to abolish the *pound* and replace it with the *euro* lies in the rules of the money clubs. Whenever we participate in one of these clubs, we implicitly agree to abide by the written and unwritten rules of the club, particularly as they apply to the issue of money to individual members and the receipt of money from them. What are the nature of these rules? For each club, there are three key questions: (a) How does it get its money? (b) How does it

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issue its money? (c) How is money taken out of circulation? Key are the Who-Whom questions: Who is getting money from whom? Who is giving money to whom? Who is removing money from whom? Money is power. Monetary patronage is power in action. Creating money and canceling debts maldistributes gains and losses. To control the club and orchestrate its rules is to receive unearned income and accumulate improproperty (see *R.H.Tawney*) at the expense of other club members. To gain advantage for your club at the expense of another club is a never-ending battle.

5. Friedrich List, in his *National System of Political Economy* (1841), asserted that english political economy, far from being a valid science universally, was merely british national opinion, suited only to english historical conditions. To List the doctrine of free trade had been devised to keep england rich and powerful at the expense of its trading partners. It had to be fought with protective tariffs and other defensive devices of economic nationalism by the weaker countries. List influenced revolutionaries in asia, including Sun Yatsen, who until coming under the influence of Marx and Lenin after the *October Revolution* was primarily relying on List in formulating his policy of economic nationalism for China. List was also the influence behind the *Meiji Reform Movement* in japan.

6. To the governing elites and their lawyers and bankers, the principle role of the middle classes is to collect the usury taxes and distribute them by way of the rich to the super-rich. The poor of course have no money. They also play a key role in legitimising the payment of public funds to mercenaries and military contractors.

7. Our most urgent need may be to demilitarise north america by breaking up the united states of america into its constituent bioregional parts - in some cases this

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means its states - and encouraging *OPEC* and friends to remove oil from the international bartering table by issuing its own oil-backed international currency, as a pre-emptive move to prevent its own destruction now the texans have control of the iraq oil tap.

8. China was the largest economy in the world in 1821 and will be back in pole position in 2021 unless world statisticians are confounded by the peaceful dissolution of the centre and a return of the asian continent to its traditional myriad of constituent national parts. So expect fun and games as this two hundredth anniversary enters the planning horizons of the one world government boys. If the US goes for venezuela, iraq, north korea & iran for the suggestion that oil bartering should be in *euros* instead of *dollars* then goodness knows what they will think up when the chinese-speaking world goes down a similar path and invoices the yanks in *yuan*s.



"The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent."

J.K. Galbraith, 1975

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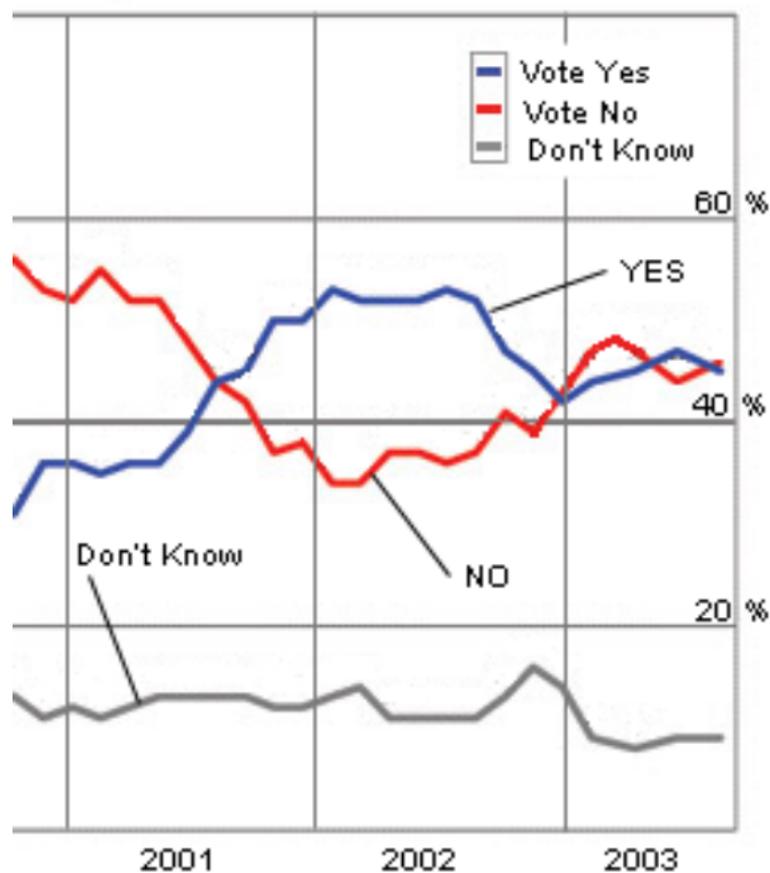
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